PENN NATIONAL GAMING INC
Form S-4/A
July 07, 2005

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**As filed with the Securities and Exchange Commission on July 7, 2005**

**File No. 333-125274**

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**AMENDMENT NO. 1**
**TO**

# FORM S-4

**REGISTRATION STATEMENT**
**UNDER**
**THE SECURITIES ACT OF 1933**

# Penn National Gaming, Inc.

(Exact Name of Registrant as Specified in Its Charter)

| **Pennsylvania** | **7990** | **23-2234473** |
|---|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

**Wyomissing Professional Center**
**825 Berkshire Blvd., Suite 200**
**Wyomissing, Pennsylvania 19610**
**(610) 373-2400**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Peter M. Carlino**
**Chief Executive Officer**
**Wyomissing Professional Center**
**825 Berkshire Blvd., Suite 200**
**Wyomissing, Pennsylvania 19610**
**(610) 373-2400**
**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

**Copies to:**
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**Approximate date of commencement of proposed sale to the public:**
**As soon as practicable after this registration statement becomes effective.**

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**The registrant hereby amends this registration statement on such date or date as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Subject to completion, dated July 7, 2005**

**PROSPECTUS**

# Penn National Gaming, Inc.

## Offer to Exchange All Outstanding 6¾% Senior Subordinated Notes due 2015 for 6¾% Senior Subordinated Notes due 2015 which have been registered under the Securities Act of 1933, as amended

**The exchange offer will expire at 5:00 p.m., New York City time, on , 2005, unless we extend the exchange offer.**

Terms of the exchange offer:

- We will exchange the new notes for all outstanding old notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer.
- You may withdraw tenders of old notes at any time prior to the expiration of the exchange offer.
- The terms of the new notes are substantially identical to those of the outstanding old notes, except that the transfer restrictions, registration rights and liquidated damages provisions relating to the old notes will not apply to the new notes.
- The exchange of old notes for new notes will not be a taxable transaction for U.S. federal income tax purposes, but you should see the discussion under the heading "Material United Stated Federal Tax Considerations."
- We will not receive any proceeds from the exchange offer.
- We issued the old notes in a transaction not requiring registration under the Securities Act, and as a result, their transfer is restricted. We are making the exchange offer to satisfy your registration rights, as a holder of the old notes.

When we refer to the term expiration date, we mean 5:00 p.m., New York City time on , 2005, unless extended or earlier terminated by us at our discretion.

There is no established trading market for the new notes, although the old notes currently trade in The PORTAL Market.

Each broker-dealer that receives new notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of these new notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933, as amended, which we refer to as the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes

received in exchange for old notes if such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the consummation of the exchange offer (or such shorter time after the exchange offer is completed as we reasonably believe that there are no participating broker-dealers owning new notes but not less than 90 days), we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

**See "Risk Factors" beginning on page 19 for a discussion of some risks you should consider prior to tendering your outstanding old notes for exchange.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2005

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This prospectus incorporates by reference important business and financial information about us that is not included or delivered with this prospectus. Copies of this information are available, without charge to any person to whom this prospectus is delivered, upon written or oral request. Written requests should be sent to:

Penn National Gaming, Inc.
825 Berkshire Boulevard, Suite 200
Wyomissing, PA 19610
Attention: Robert S. Ippolito
Telephone: (610) 373-2400

**In order to obtain timely delivery, you must request the information no later than , 2005, which is five business days before the expiration date of the exchange offer.**

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with any different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

This prospectus includes information with respect to market share and industry conditions, which are based upon internal estimates and various third party sources. While management believes that such data is reliable, we have not independently verified any of the data from third party sources nor have we ascertained the underlying assumptions relied upon therein. Similarly, our internal research is based upon management's understanding of industry conditions, and such information has not been verified by any independent sources. Accordingly, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" in this prospectus.

## SUMMARY

*This summary contains a general summary of the information contained in this prospectus. This summary may not contain all of the information that is important to you, and it is qualified in its entirety by the more detailed information and financial statements, including the notes to those financial statements, that are part of the reports we file with the SEC and that are incorporated by reference in this prospectus. You should carefully consider the information contained in and incorporated by reference in this entire prospectus, including the information set forth and incorporated by reference into the section entitled "Risk Factors" beginning on page 18 of this prospectus. Except where otherwise noted, the words, "we," "us," "our" and similar terms, as well as references to "Penn National" or the "Company" refer to Penn National Gaming, Inc. and all of its subsidiaries. With respect to the discussion of the terms of the notes on the cover page, in the section entitled "Summary The Exchange Offer" and in the section entitled "Description of Notes," "we," "our," and "us" refer only to Penn National Gaming, Inc.*

**Penn National Gaming, Inc.**

We are a leading, diversified, multi-jurisdictional owner and operator of gaming properties. We currently own or operate nine gaming properties serving major metropolitan areas in and around Colorado, Illinois, Louisiana, Mississippi, Ontario and West Virginia that are focused primarily on serving customers within driving distance of the properties. We also own one racetrack and six off-track wagering facilities in Pennsylvania, one racetrack in West Virginia, one racetrack in Maine, and, through a joint venture, own and operate a racetrack in New Jersey.

The following table summarizes certain features of our properties and our managed facility as of March 1, 2005:

| Properties(1) | Location | Year of Opening | Type of Facility | Approx. Gaming Square Footage | Gaming Machines | Table Games | Hotel Rooms |
|---|---|---|---|---|---|---|---|
| **Owned Gaming** | | | | | | | |
| Charles Town Entertainment Complex | Charles Town, WV | 1997 | Land-based gaming/Thoroughbred racing | 121,700 | 3,793 | | |
| Hollywood Casino Aurora | Aurora, IL | 1993 | Dockside gaming | 53,000 | 1,161 | 22 | |
| Casino Rouge | Baton Rouge, LA | 1994 | Dockside gaming | 28,000 | 1,065 | 31 | |
| Casino Magic-Bay St. Louis | Bay St. Louis, MS | 1992 | Dockside gaming | 39,500 | 1,204 | 30 | 494 |
| Hollywood Casino Tunica | Tunica, MS | 1994 | Dockside gaming | 54,000 | 1,620 | 31 | 492 |
| Boomtown Biloxi | Biloxi, MS | 1994 | Dockside gaming | 33,600 | 1,100 | 21 | |
| Bullwhackers | Black Hawk, CO | 1992 | Land-based gaming | 20,700 | 910 | | |
| **Operated Gaming** | | | | | | | |
| Casino Rama | Orillia, Ontario | 1996 | Land-based gaming | 92,000 | 2,300 | 121 | 300 |
| **Racing** | | | | | | | |
| Penn National Race Course(2) | Harrisburg, PA | | Thoroughbred racing | | | | |
| Bangor Historic Track | Bangor, ME | | Harness racing | | | | |
| Freehold Raceway(3) | Monmouth, NJ | | Harness racing | | | | |
| **Total** | | | | 442,500 | 13,153 | 256 | 1,286 |

(1) Excludes Hollywood Casino Shreveport which is accounted for as a discontinued operation.

(2) In addition to our racetrack, Penn National Race Course operates six off-track wagering facilities, located throughout Pennsylvania.

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

**Properties**

**Owned Gaming Properties**

*Charles Town Entertainment Complex*

The Charles Town Entertainment Complex in Charles Town, West Virginia was our most profitable property for the year ended December 31, 2004. The Charles Town Entertainment Complex featured approximately 3,800 gaming machines at December 31, 2004 (up from approximately 3,500 at December 31, 2003). As of May 2005, 400 gaming machines have been permanently added and 251 gaming machines have been temporarily added for a total of 4,451 gaming machines at July 6, 2005. Additionally the Charles Town Entertainment Complex features live thoroughbred racing, simulcast wagering and dining. The complex is located on a portion of a 250-acre parcel and includes a 3/4-mile all-weather, lighted thoroughbred racetrack with a 3,000-person grandstand. Significant undeveloped land surrounds the property, and we have a right of first refusal for an additional 250 acres that are adjacent to the complex.

We have undertaken a number of initiatives to drive growth at Charles Town. In September 2002, we opened approximately 20,000 square feet of new gambling space along with a five-outlet food court, two lounges and a larger retail shop. On July 1, 2003, we opened the Hollywood slot gaming area, an approximately 38,100 square foot themed area with 746 slot machines. This area offers a stage, lounge and valet entrance. In 2004, we expanded the parking garage and added an additional 300 gaming machines.

The facility is located within approximately a one-hour drive from Baltimore, Maryland and Washington D.C. and is the only gaming property located conveniently west of these two cities.

*Hollywood Casino Aurora*

Hollywood Casino Aurora is an approximately 53,000 square foot single-level dockside casino facility with 22 gaming tables and 1,161 gaming machines. The facility features a glass-domed, four-story atrium with two upscale lounges, the award-winning Fairbanks® gourmet steakhouse, the Hollywood Epic Buffet®, a 1950's-style diner, a high-end customer lounge and a private dining room for premium players. Hollywood Casino Aurora also has two parking garages with approximately 2,070 parking spaces. In addition, Hollywood Casino Aurora has retail items at the Hollywood Casino Studio Store®, a highly themed shopping facility that offers movies on video, soundtrack compact discs and logo merchandise from major Hollywood studios.

Hollywood Casino Aurora is located in Aurora, Illinois, the third largest city in Illinois, approximately 35 miles west of Chicago. The facility is easily accessible from major highways, can be reached by train from downtown Chicago, and is approximately 30 miles from both the O'Hare International and Midway Airports. The principal target markets are Chicago and the surrounding northern and western suburbs.

*Casino Rouge*

Casino Rouge is currently one of two dockside riverboat gaming facilities operating in Baton Rouge, Louisiana. The property features a four-story, approximately 47,000 square foot riverboat casino, reminiscent of a nineteenth century Mississippi River paddlewheel steamboat, and a two-story, approximately 58,000 square foot dockside embarkation building. The riverboat features approximately 28,000 square feet of gaming space, 1,065 gaming machines and 31 table games and has a capacity of 1,800 customers. The dockside embarkation facility offers a variety of amenities, including a steakhouse, a 268-seat buffet, food and bar service, a lounge area that includes a band stage and dance floor, meeting and planning space and a gift shop.

Baton Rouge is approximately 60 miles north of New Orleans and attracts patrons from surrounding suburban communities.

*Hollywood Casino Tunica*

Hollywood Casino Tunica features an approximately 54,000 square foot, single-level casino with 1,620 slot machines and 31 table games. Hollywood Casino Tunica's 494-room hotel and 123-space recreational vehicle park provide overnight accommodations for its patrons. In 2003, we completed the conversion of 22 hotel rooms into eleven new suites and renovations to the rest of the hotel rooms.

The casino includes the highly-themed Adventure Slots® gaming area, featuring multimedia displays of memorabilia from famous adventure motion pictures and over 200 slot machines. Additional entertainment amenities include the award-winning Fairbanks® steakhouse, the Hollywood Epic Buffet®, a 1950's-style diner named the Hollywood Diner, an entertainment lounge, a premium players' club, a themed bar facility, an indoor pool and showroom as well as banquet and meeting facilities. There is also an 18-hole championship golf course adjacent to the facility that is owned and operated through a joint venture with Resorts International and Boyd Gaming. In addition, Hollywood Casino Tunica offers parking for approximately 1,635 cars.

Hollywood Casino Tunica is located in Tunica, Mississippi. Tunica is the closest gaming jurisdiction to, and is easily accessible from, the Memphis, Tennessee metropolitan area. The Tunica market has become a regional destination resort, attracting customers from surrounding markets such as Nashville, Tennessee, Atlanta, Georgia, St. Louis, Missouri, Little Rock, Arkansas, and Tulsa, Oklahoma.

*Casino Magic  Bay St. Louis*

Casino Magic  Bay St. Louis currently offers approximately 39,500 square feet of gaming space, with 1,204 slot machines and 30 table games. We were the first dockside casino in Mississippi to operate on a barge rather than a traditional riverboat. The casino is located on a 17-acre marina with the adjoining land-based facilities situated on 591 acres. The property includes the 291-room Bay Tower Hotel, the 201-room Casino Magic Inn, banquet and meeting space, an approximately 10,000 square foot conference facility, an 1,800-seat entertainment facility, an 18-hole Arnold Palmer-designed championship golf course, five restaurant venues and a live entertainment lounge. There remains ample room for expansion, to the extent the market grows.

Casino Magic  Bay St. Louis is located on the Mississippi Gulf Coast, approximately 90 miles east of New Orleans, Louisiana and 60 miles west of Mobile, Alabama. The Gulf Coast region is a destination or day trip market and attracts gaming patrons from the local area including Alabama, Florida, Georgia and southeastern Louisiana.

*Boomtown Biloxi*

Boomtown Biloxi, also located in the Mississippi Gulf Coast, offers approximately 33,600 square feet of gaming space, with 1,110 slot machines and 21 table games. The casino has an "old west" theme with western memorabilia, country/western music and employees dressed in western attire. In addition, the property includes a full service buffet/menu service restaurant, a 120-seat deli-style restaurant, a full-service bakery, a western dance hall/cabaret and an approximately 20,000 square foot family entertainment center.

Boomtown Biloxi offers gaming and entertainment amenities to both local customers and tourists. Boomtown Biloxi attracts a significant number of its patrons from nearby casino resorts on the Mississippi Gulf Coast.

*Bullwhackers*

The Bullwhackers Casino includes approximately 20,700 square feet of gaming space consisting of 910 slot machines, including the adjoining Bullpen Sports Casino and the Silver Hawk Saloon and Casino. These casinos are located on leased land and approximately 3.25 acres of land purchased by us in the acquisition, most of which is utilized for a 475-car parking area. The property is located 45 miles west of Denver.

**Operated Gaming Property**

*Casino Rama*

Through CHC Casinos Canada Limited, or CHC Casinos, our indirectly wholly owned subsidiary, we operate Casino Rama, a full service gaming and entertainment facility, on behalf of the Ontario Lottery and Gaming Corporation, a provincial crown corporation owned by the Province of Ontario. The property has approximately 92,000 square feet of gaming space, 2,300 gaming machines and 121 table games. A 5,000-seat entertainment facility was opened in July 2001 and a 300-room hotel was opened on June 30, 2002. Casino Rama is located on the lands of the Mnjikaning First Nation, approximately 90 miles north of Toronto.

The Development and Operating Agreement under which CHC Casinos operates the facility, which we refer to as the management contract for Casino Rama, sets out the duties, rights and obligations of CHC Casinos. As the operator, CHC Casinos is entitled to 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 margin. The agreement terminates on July 31, 2011, and the Ontario Lottery and Gaming Corporation has the option to extend the term of the agreement and CHC Casinos' appointment as operator for two successive periods of five years each, commencing on August 1, 2011.

## Our Strengths and Business Strategy

Over the course of the last seven years, we have successfully transformed ourselves from an operator of racetracks and off-track wagering facilities into an operator of diversified gaming properties. Since 1997, we have completed six acquisitions which represented a total of nine gaming properties. We have focused our efforts on (i) acquiring gaming properties at a reasonable multiple, (ii) deploying capital in higher-growth, under-penetrated markets and (iii) sustaining property performance in mature markets. We believe we have a strong operational platform from which to pursue the continued growth of our gaming operations. Furthermore, we have continually proven our ability to simultaneously execute our strategy while deleveraging over time.

*Historically Stable Cash Flows from Existing Properties.* Because each of our properties caters predominantly to customers who tend to visit our properties on a regular basis, our properties historically have generated relatively stable cash flows. Moreover, the majority of our gross gaming revenues comes from either video lottery terminal or slot machine play, which typically are more predictable and stable sources of revenue than other forms of gaming revenues. Each of our owned properties has been in operation for a minimum of seven years and each is an established venue for entertainment in its respective market. We believe the capital development plans we have implemented will help us improve the cash flow generating capabilities of our properties in the future.

*Diversified Property Portfolio.* Since 1997, we have acquired eight gaming properties in seven regional markets and the management contract to operate one gaming property in another regional market, enabling us to develop a diversified portfolio of gaming properties. We believe this regional diversification contributes to our stable cash flows while providing us with an opportunity to build a diversified database of gaming customers. We intend to continue to broaden our property portfolio through the pursuit of strategic acquisitions in attractive markets.

*Attractive Expansion Opportunities.* We have attractive growth opportunities in the near future at three existing locations, Charles Town, Penn National Race Course and Bangor Historic Track in Maine. We continue to employ a very disciplined approach to evaluating these opportunities based on several criteria including revenue enhancement, return on investment and earnings diversification. We are currently refining our design proposal for a completely new gaming and racing facility at Penn National Race Course. The location has a population of nearly 900,000 adults within a one hour drive and will have 2,000 slot machines. We expect the new Penn National Race Course slots facility to open in early 2007 subject to licensing. In Maine, we plan to open a temporary gaming facility with approximately 475 slot machines in the fourth quarter of 2005, subject to necessary approvals. We plan to subsequently open a permanent gaming facility and operate approximately 1,500 slot machines in Bangor. We intend to deploy in Pennsylvania and Maine many of the same disciplined project development, management and expansion techniques that have resulted in Charles Town emerging as one of the nation's premier gaming facilities.

*Strong and Experienced Management Team.* Our senior management team has an average industry tenure of more than 20 years and an established record of acquiring, integrating and operating gaming and pari-mutuel facilities. Our management team believes that its successful track record of integrating acquisitions is a direct result of a focused approach to improve operations at the acquired properties by (i) ensuring the quality of property management and (ii) employing a disciplined approach to capital expenditures at the properties. Management's ability to successfully integrate acquisitions is reflected in our stable growth trends. From the year ended December 31, 2001 to the year ended December 31, 2004, revenue has more than doubled through organic growth and acquisitions.

**Recent Developments**

***Redemption of 11 1/8% Senior Subordinated Notes due 2008***

On February 8, 2005, we called for redemption all of the $200 million aggregate principal amount of our outstanding 11 1/8% Series B Senior Subordinated Notes due March 1, 2008, in accordance with the related indenture. The redemption price was $1,055.63 per $1,000 principal amount, plus accrued and unpaid interest. The notes were redeemed on March 10, 2005 using a portion of the net proceeds of the old note offering.

In this prospectus, we refer to the old note offering and the redemption of all of the 11 1/8% notes as the "Refinancing Transactions."

***Pocono Sale***

On January 25, 2005, we completed the sale of The Downs Racing, Inc. and its subsidiaries to the Mohegan Tribal Gaming Authority ("MTGA") for approximately $280 million (the "Pocono Sale"). Reflecting taxes, post closing adjustments, fees and other expenses, we realized net cash proceeds of approximately $170.6 million, a portion of which we used to prepay outstanding borrowings under our existing senior secured credit facilities, as described below.

Under the terms of the agreement, MTGA acquired The Downs Racing, Inc. and its subsidiaries including Pocono Downs (a standardbred horse racing facility located on approximately 400 acres in Wilkes-Barre, Pennsylvania) and five Pennsylvania OTW facilities located in Carbondale, East Stroudsburg, Erie, Hazleton and the Lehigh Valley (Allentown). The agreement also provides MTGA with certain post-closing termination rights in the event of certain materially adverse legislative or regulatory events. Under U.S. generally accepted accounting principles, the transaction will not be recorded as a sale until the post-closing termination rights have expired.

We have reflected the results of this transaction by classifying the assets, liabilities and results of operations of The Downs Racing, Inc. as assets and liabilities held for sale and discontinued operations

in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." A gain or loss on this transaction has not been recognized at this time since the sale has not yet been deemed completed. Financial information for The Downs Racing, Inc. was previously reported as part of the racing reporting segment.

***Prepayment of Existing Senior Secured Credit Facility***

On March 14, 2005, we paid down $110.7 million of term loan borrowings under our existing senior secured credit facility from available cash flow and the net proceeds of the old notes. As a result of this accelerated principal payment on our credit facility, we recorded a loss on early extinguishment of debt of $1.8 million for the write-off of the associated deferred finance fees. On April 14, 2005, we used an aggregate of $159.3 million of net proceeds from the Pocono Sale to pay off all remaining borrowings under our existing senior secured credit facility.

***Pending Acquisition of Argosy Gaming Company and Anticipated Acquisition Financing***

On November 3, 2004, we announced that our and Argosy Gaming Company's ("Argosy's"), boards of directors unanimously approved a definitive merger agreement (the "Merger Agreement") under which we will acquire all of the outstanding shares of Argosy for an all-cash price of $47.00 per share. The transaction is valued at approximately $2.2 billion, including approximately $805 million of long-term debt of Argosy and its subsidiaries. On January 20, 2005, Argosy's stockholders approved the Merger Agreement.

The Argosy merger is subject to approval by each of our and Argosy's respective state regulatory bodies, and to certain other necessary regulatory approvals and other customary closing conditions contained in the Merger Agreement. We are working with various state gaming boards and the Federal Trade Commission (the "FTC") to get their required approvals to complete the transaction. In connection with the FTC approval process, we have elected to divest the Argosy Baton Rouge property to expedite securing necessary approvals and have entered into an Agreement to Execute Securities Purchase Agreement with Columbia Sussex Corporation and a subsidiary of Columbia Sussex ("Buyer"). The Agreement to Execute specifies that, pursuant to the terms and conditions specified therein, and immediately following the effective time of Penn National's acquisition of Argosy, Argosy, Buyer and Columbia Sussex will execute a Securities Purchase Agreement whereby, pursuant to the terms and conditions specified therein, Buyer will acquire the Argosy Baton Rouge property.

If the Argosy merger is consummated, the combined company would be the third largest operator of gaming properties in the U.S. with annual revenue in excess of $2 billion, over 20,000 slot machines, and approximately 700,000 square feet of gaming space. Upon completion of the Argosy merger, and reflecting previously announced divestitures, acquisitions and projects under development, we would own thirteen gaming facilities, four pari-mutuel horse racing facilities, six off-track wagering sites and a 50% interest in a fifth pari-mutuel horse racing facility, and hold a management contract for a casino in Canada. Argosy owns and operates casinos and related entertainment and hotel facilities in the Midwestern and southern U.S.: the Alton Belle Casino in Alton, Illinois, serving the St. Louis metropolitan market; the Argosy Casino-Riverside in Missouri, serving the greater Kansas City metropolitan market; the Argosy Casino-Baton Rouge in Louisiana; the Argosy Casino-Sioux City in Iowa; the Argosy Casino-Lawrenceburg in Indiana, serving the Cincinnati and Dayton metropolitan markets; and the Empress Casino Joliet in Illinois serving the greater Chicagoland market.

Concurrently with the closing of the Argosy merger we plan to enter into new senior secured credit facilities upon terms and conditions to be negotiated. We have received commitments from Deutsche Bank Trust Company Americas, Deutsche Bank Securities Inc., Goldman Sachs Credit Partners L.P., Lehman Brothers Inc. and Lehman Commercial Paper Inc. to provide up to $2.725 billion of senior secured credit facilities (which we may elect to increase to up to $3.025 billion

as described below) to finance the transactions contemplated by the Merger Agreement, refinance certain of our and Argosy's indebtedness and pay certain fees and expenses in connection therewith. It is contemplated that such senior secured credit facilities would be comprised of a $750.0 million revolving credit facility, up to a $325.0 million term loan A facility and up to a $1.65 billion term loan B facility. During the first three years of the term of the senior secured credit facilities, we may elect to increase the senior secured credit facilities by up to $300.0 million in the aggregate, subject to some limitations; provided that any increase in commitments under the new revolving credit facility cannot exceed $100 million. The senior secured credit facilities are to be guaranteed by substantially all domestic subsidiaries of Penn National and Argosy and secured by substantially all of our, Argosy's, and such guarantors' assets, in each case except to the extent prohibited by relevant gaming authorities after we have used commercially reasonable efforts to arrange for such guarantees or collateral or as otherwise excluded. Material conditions to funding include, without limitation, absence of a material adverse change at Argosy, refinancing of Argosy's existing indebtedness and our existing senior secured credit facility, receipt of necessary regulatory approvals and consummation of the Argosy merger in compliance in all material respects with the Merger Agreement.

*Settlement of Casino Rouge Litigation*

In August 2002, the lessor of the property on which Casino Rouge conducts a significant portion of its dockside operations filed a lawsuit against the Company in the 19th Judicial District Court for the Parish of East Baton Rouge, Louisiana seeking a declaratory judgment that the plaintiff landlord is entitled to terminate the lease and/or void the Company's option to renew the lease due to certain alleged defaults by the Company or its predecessors-in-interest. On May 16, 2005, the plaintiff landlord and Louisiana Casino Cruises, Inc. ("LCCI"), a subsidiary of Penn, entered into an agreement whereby the parties agreed to settle all claims in exchange for LCCI purchasing the property from the plaintiff for $30.5 million. The settlement is subject to the satisfaction of certain real estate-related closing conditions.

**Licensing Updates**

***Penn National Race Course***

We continue to develop and refine our design proposal for a completely new gaming and racing facility at Penn National Race Course to take advantage of the opportunities afforded by Pennsylvania's new slot machine legislation. On July 5, 2004 Pennsylvania Governor Edward G. Rendell signed into law the Pennsylvania Race Horse Development and Gaming Act. Subsequently, the members of the Pennsylvania Gaming Control Board were named. The Pennsylvania Gaming Control Board held its fourth meeting in March 2005, and is currently focused on staffing so that it may develop the regulatory, application, licensing and approval processes. The Pennsylvania Gaming Control Board expects to begin to issue licenses between December 2005 and February 2006. The Pennsylvania Department of Revenue has selected GTECH Corporation to supply a central control computer system to monitor slot machine gaming in Pennsylvania. The new law had been the subject of a lawsuit which challenged the validity of the law on various constitutional grounds, but on June 22, 2005, Pennsylvania's Supreme Court upheld the key provisions of the new law relating to slot machines. We expect to open the new slots facility within approximately one year after receiving a license.

***Bangor Historic Track***

The Maine Harness Racing Commission has granted us an unconditional racing license for Bangor Historic Track, Inc. ("BHT") for the 2004 and 2005 racing seasons. The annual license represents the first regulatory approval necessary for us to proceed with our proposed $74 million development project at the track including the construction of Maine's first and presently only gaming facility where we intend to place up to 1,500 slot machines. In October, we also submitted our licensing application

to the Maine Gambling Control Board for a slot operator's license. On November 4, 2004, the Maine Gambling Control Board granted us a conditional slot operator license. The license is conditioned on us not commencing gaming operations while the Board and the Department of Public Safety pursue legislation to protect confidential corporate and personal information in the same manner as other U.S. gaming and racing jurisdictions, and until we have submitted such information to the Board after passage of such legislation by the legislature and subsequent gubernatorial execution. On February 9, 2005, the Joint Standing Committee on Legal and Veterans Affairs voted to pass a form of such legislation. Pending passage of the legislation by the full legislature, subsequent execution by the Governor and appropriate implementation by the Maine Gaming Control Board, we intend to continue to move forward with developing our plans for construction of a state-of-the-art racing and gaming facility in Bangor.

On April 14, 2005, we announced that BHT had agreed to acquire an off-tracking betting facility in Bangor, Maine which will be used, pending regulatory approval, as a temporary gaming facility for approximately 475 slot machines in advance of our construction of a permanent facility. Under the terms of the agreement, BHT will acquire Miller's Inc., a facility of approximately 27,000 square feet on 2.5 acres, which includes 250 parking spaces, from Miller Family Limited Partnership and John Miller for $3.8 million. The transaction closed on June 30, 2005. Subject to necessary approvals, we plan to open a temporary gaming facility with approximately 475 slot machines in the fourth quarter of 2005. We recently filed our completed slot operator license application, and are in the process of working with the city of Bangor to identify and finalize the optimal site for permanent development.

**Hollywood Casino Shreveport Bankruptcy and Disposition**

On August 27, 2004, our unrestricted subsidiary, Hollywood Casino Shreveport ("HCS"), in cooperation with an Ad Hoc Committee representing a majority of its noteholders, entered into an agreement with Eldorado Resorts LLC ("Eldorado") providing for acquisition of HCS by certain affiliates of Eldorado. On September 10, 2004, a group of HCS's creditors led by Black Diamond Capital Management, LLC filed an involuntary petition against HCS for relief under Chapter 11 of the U.S. Bankruptcy Code. On October 28, 2004, HCS filed a joint plan and disclosure statement that incorporated the Eldorado transaction. On October 30, 2004, HCS agreed to the entry of an order for relief in the Chapter 11 case filed against it, and in connection therewith, the managing general partner of HCS ("HCS I"), the general partner of HCS ("HCS II"), the parent company of HCS I and HCS II ("HWCC-Louisiana"), and the co-issuer of the HCS notes (Shreveport Capital Corporation) commenced voluntary cases under Chapter 11 of the Bankruptcy Code. On March 28, 2005, HCS-Golf Course LLC ("HCS Golf Course") a wholly owned subsidiary of HCS and non-debtor affiliate also commenced a voluntary case under Chapter 11 of the Bankruptcy Code. HCS filed a revised Chapter 11 plan and disclosure statement with the bankruptcy court on March 3, 2005. The plan continues to provide for the acquisition of the hotel and casino by Eldorado. The Official Bondholder Committee in the Chapter 11 case joined HCS as a proponent of the plan. Black Diamond and KOAR International Inc., Black Diamond's proposed operator of the hotel and casino, continue to express interest in acquiring the hotel and casino and asked the Bankruptcy Court for permission to file their own competing plan. On April 15, 2005, the Bankruptcy Court ruled against allowing Black Diamond and KOAR to submit their competing reorganization plan to the creditors. On April 21, 2005, the bankruptcy court approved the disclosure statement for HCS's plan and set a hearing on confirmation of the plan on June 13, 2005. On June 19, 2005, the Bankruptcy Court approved a settlement agreement announced in open court for the confirmation of the plan together with their non-debtor affiliate, HCS-Golf Course, LLC, and the Bondholders Committee. The terms of the Eldorado agreement providing for the acquisition of HCS are incorporated in the plan. It is expected that a written order confirming the plan (the "Confirmation Order") will be presented to the Bankruptcy Court for signing and entry in the near future. Although the Bankruptcy Court approved the settlement, the plan has not yet been consummated and is not yet effective. The plan cannot become

effective until after the Bankruptcy Court enters the Confirmation Order and the Louisiana Gaming Control Board approves the transaction and the parties involved. HCS is accounted for as a discontinued operation effective in the second quarter of 2004. The HCS notes are non-recourse to Penn National and its subsidiaries (other than HCS, Shreveport Capital Corporation (together, the "HCS issuers"), HCS I, HCS II, and HWCC-Louisiana). This offering is not conditioned on the consummation of the Shreveport disposition.

**Pro Forma Information**

In this prospectus, we refer to the Acquisition Transactions, the Refinancing Transactions, and the Pocono Sale, collectively, as the "Transactions." Unless stated otherwise, as used in this prospectus, "on a pro forma basis" or "pro forma" means after giving effect to all of the Transactions. Please refer to "Unaudited Pro Forma Combined Financial Statements" for more detailed information regarding the Transactions and the related pro forma adjustments.

**Address and Telephone Number**

Our principal executive offices are located at Wyomissing Professional Center, 825 Berkshire Blvd., Suite 200, Wyomissing, Pennsylvania 19610. Our telephone number is (610) 373-2400.

**The Exchange Offer**

On March 9, 2005, we completed the private offering of $250,000,000 principal amount of 6 3/4% Senior Subordinated Notes due 2015, Series A, which we refer to as the "old notes." As part of that offering, we entered into a registration rights agreement with the initial purchasers of the old notes in which we agreed, among other things, to complete an offer to exchange the old notes for a like principal amount of 6 3/4% Senior Subordinated Notes due 2015, Series B, which have been registered under the Securities Act, which notes we refer to as the "new notes" and, together with the old notes, the "notes." Below is a summary of the exchange offer.

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| Old Notes | $250,000,000 principal amount of 6 3/4% Series A Senior Subordinated Notes due 2015, which we issued March 9, 2005. |
| New Notes | $250,000,000 principal amount of 6 3/4% Series B Senior Subordinated Notes due 2015, the issuance of which has been registered under the Securities Act. The form and the terms of the new notes are substantially identical to those of the old notes, except that the new notes:<br>will have been registered under the Securities Act;<br>will not bear legends restricting their transfer under the Securities Act;<br>will not be entitled to registration rights that apply to the old notes; and<br>will not contain provisions relating to liquidated damages in connection with the old notes under circumstances related to the timing of the exchange offer. |
| Exchange Offer | We are offering to issue up to $250,000,000 principal amount of the new notes, in exchange for a like principal amount of the old notes to satisfy our obligations under the registration rights agreement that we entered into when the old notes were issued in transactions in reliance upon the exemptions from registration provided by Section 4(2) and Rule 144A under the Securities Act. |
| Expiration Date; Tenders | The exchange offer will expire at 5:00 p.m., New York City time, on , 2005, unless extended by us. By tendering your old notes, you represent to us that:<br>you are not our affiliate, as defined in Rule 405 under the Securities Act;<br>any new notes you receive in the exchange offer are being acquired by you in the ordinary course of your business;<br>at the time of the commencement of the exchange offer, neither you nor, to your knowledge, anyone receiving new notes from you, has any arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the new notes in violation of the Securities Act; |

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| | if you are a broker-dealer, you will receive the new notes for your own account in exchange for old notes that were acquired by you as a result of your market making or other trading activities, and you will deliver a prospectus in connection with any resale of the new notes you receive. For further information regarding resales of the new notes by participating broker-dealers, see the discussion under the caption "Plan of Distribution;" and<br><br>if you are not a broker-dealer, you are not engaged in, and do not intend to engage in, the distribution, as defined in the Securities Act, of the new notes. |
| Withdrawal; Non-Acceptance | You may withdraw any old notes tendered in the exchange offer at any time prior to 5:00 p.m., New York City time, on , 2005. To be effective, a written notice of withdrawal must be received by the exchange agent at the address set forth on page 44. The notice must specify:<br><br>the name of the person having tendered the old notes to be withdrawn,<br><br>the old notes to be withdrawn, including the principal amount of such old notes, and<br><br>if certificates for old notes have been transmitted, the name in which such old notes are registered, if different from that of the withdrawing holder.<br><br>If we decide for any reason not to accept any old notes tendered for exchange, the old notes will be returned to the registered holder without expense to such holder promptly after the expiration or termination of the exchange offer. In the case of the old notes tendered by book-entry transfer into the exchange agent's account at The Depository Trust Company, or DTC, any withdrawn or unaccepted old notes will be credited to the tendering holders' account at DTC. For further information regarding the withdrawal of old notes that have been tendered, see "The Exchange Offer Withdrawal Rights." |
| Conditions to the Exchange Offer | We are not required to accept for exchange, or to issue new notes in exchange for, any old notes and we may terminate or amend the exchange offer if any of the following events occur prior to our acceptance of the old notes:<br><br>the exchange offer violates any applicable law or applicable interpretation of the staff of the Securities and Exchange Commission;<br><br>an action or proceeding shall have been instituted or threatened in any court or by any governmental agency that might materially impair our ability to proceed with the exchange offer; |

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| | we do not receive all the governmental approvals that we believe are necessary to consummate the exchange offer; or |
| | there has been proposed, adopted, or enacted any law, statute, rule or regulation that, in our reasonable judgment, would materially impair our ability to consummate the exchange offer. |
| | We may waive any of the above conditions in our discretion. See the discussion below under the caption "The Exchange Offer Conditions to the Exchange Offer" for more information regarding the conditions to the exchange offer. |
| Procedures for Tendering Old Notes | Unless you comply with the procedures described below under the caption "The Exchange Offer Guaranteed Delivery Procedures," you must do one of the following on or prior to the expiration date of the exchange offer to participate in the exchange offer: |
| | tender your old notes by sending the certificates for your old notes, in proper form for transfer, a properly completed and duly executed letter of transmittal, with any required signature guarantees, and all other documents required by the letter of transmittal, to Wells Fargo Bank, National Association, as exchange agent, at one of the addresses listed below under the caption "The Exchange Offer Exchange Agent"; or |
| | tender your old notes by using the book-entry transfer procedures described below and transmitting a properly completed and duly executed letter of transmittal, with any required signature guarantees, or an agent's message instead of the letter of transmittal, to the exchange agent. For a book-entry transfer to constitute a valid tender of your old notes in the exchange offer, Wells Fargo Bank, National Association, as exchange agent, must receive a confirmation of book-entry transfer of your old notes into the exchange agent's account at DTC on or prior to the expiration date of the exchange offer. For more information regarding the use of book-entry transfer procedures, including a description of the required agent's message, see the discussion below under the caption "The Exchange Offer Book-Entry Transfers." |
| Guaranteed Delivery Procedures | If you are a registered holder of old notes and wish to tender your old notes in the exchange offer, but |
| | the old notes are not immediately available; |
| | time will not permit your old notes or other required documents to reach the exchange agent before the expiration of the exchange offer; or |

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| | the procedure for book-entry transfer cannot be completed on or prior to the expiration date of the exchange offer; |
| | then you may tender old notes by following the procedures described below under the caption "The Exchange Offer Guaranteed Delivery Procedures." |
| Special Procedures for Beneficial Owners | If you are a beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes in the exchange offer, you should promptly contact the person in whose name the old notes are registered and instruct that person to tender them on your behalf. If you wish to tender in the exchange offer on your own behalf, prior to completing and executing the letter of transmittal and delivering your old notes, you must either make appropriate arrangements to register ownership of the old notes in your name, or obtain a properly completed bond power from the person in whose name the old notes are registered. |
| Material United States Federal Income Tax Consequences | The exchange of the old notes for new notes in the exchange offer will not be a taxable transaction for United States federal income tax purposes. See the discussion below under the caption "Material United States Federal Income Tax Consequences," for more information regarding the United States federal income tax consequences to you of the exchange offer. |
| Use of Proceeds | We will not receive any proceeds from the exchange offer. |
| Exchange Agent | Wells Fargo Bank, National Association is the exchange agent for the exchange offer. You can find the address and telephone number of the exchange agent below under the caption, "The Exchange Offer Exchange Agent." |
| Resales | Based on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties, we believe that the new notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as: |
| | you are acquiring the new notes in the ordinary course of your business; |
| | you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in a distribution of the new notes; and |
| | you are not an affiliate of ours. |

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| | If you are an affiliate of ours, are engaged in or intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the new notes:<br><br>you cannot rely on the applicable interpretations of the staff of the SEC;<br><br>you will not be entitled to tender your old notes in the exchange offer; and<br><br>you must comply with the registration requirements of the Securities Act in connection with any resale transaction. |
| Broker-Dealers | Each broker or dealer that receives new notes for its own account in exchange for old notes that were acquired as a result of market-making or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer, resale, or other transfer of the new notes issued in the exchange offer, including information with respect to any selling holder required by the Securities Act in connection with any resale of the new notes.<br><br>Furthermore, any broker-dealer that acquired any of its old notes directly from us:<br><br>may not rely on the applicable interpretation of the staff of the SEC's position contained in Exxon Capital Holdings Corp., SEC no-action letter (April 13, 1988), Morgan, Stanley & Co. Inc., SEC no-action letter (June 5, 1991) and Shearman & Sterling, SEC no-action letter (July 2, 1993); and<br><br>must also be named as a selling noteholder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction. |
| | Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes which were received by the broker-dealer as a result of market making or other trading activities. We have agreed that for a period of up to 180 days after the consummation of this exchange offer (or such shorter time after the exchange offer is completed as we reasonably believe that there are no participating broker-dealers owning new notes but not less than 90 days), we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution" for more information. |

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| Registration Rights Agreement | When we issued the old notes on March 9, 2005, we entered into a registration rights agreement with the initial purchasers of the old notes. Under the terms of the registration rights agreement, we agreed to:<br><br>file a registration statement for the exchange notes within 270 days after the issue date of the notes (December 5, 2005);<br><br>use our reasonable best efforts to cause the registration statement to become effective within 330 days after the issue date of the notes (February 3, 2006); and<br><br>consummate the exchange offer within 365 days after the issue date of the notes (March 10, 2006).<br><br>If we fail to meet our registration obligations, we will pay liquidated damages at a rate of 0.25% per annum of the principal amount of old notes held by a Holder, increasing by an additional 0.25% per annum of the principal amount of old notes for each subsequent 90-day period our registration obligations are not met, up to a maximum of amount of 0.50% per annum of the principal amount of the notes. Under some circumstances set forth in the registration rights agreement, holders of old notes, including holders who are not permitted to participate in the exchange offer or who may not freely sell new notes received in the exchange offer, may require us to file and cause to become effective, a shelf registration statement covering resales of the old notes by these holders.<br><br>A copy of the registration rights agreement is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part. See Description of the New Notes Registration Rights." |

**Consequences of Not Exchanging Your Old Notes**

If you do not exchange your old notes in the exchange offer, you will continue to be subject to the restrictions on transfer described in the legend on the certificate for your old notes. In general, you may offer or sell your old notes only:

if they are registered under the Securities Act and applicable state securities laws;

if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or

if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.

We do not intend to register the old notes under the Securities Act. Under some circumstances set forth in the registration rights agreement, however, holders of the old notes, including holders who are not permitted to participate in the exchange offer or who may not freely sell new notes received in the exchange offer, may require us to file, and to cause to become effective, a shelf registration statement covering resales of the old notes by these holders. For more information regarding the consequences of not tendering your old notes and our obligations to file a shelf registration statement, see "The Exchange Offer Consequences of Exchanging or Failing to Exchange Old Notes" and "Description of the New Notes Registration Rights."

**Summary Description of the New Notes**

The summary below describes the principal terms of the new notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the New Notes" section of this prospectus contains a more detailed description of the terms and conditions of the new notes.

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| Issuer | Penn National Gaming, Inc. |
| Securities Offered | $250,000,000 principal amount of 6 3/4% Senior Subordinated Notes due 2015. |
| Maturity | March 1, 2015. |
| Interest Rate | 6 3/4% per year (calculated using a 360-day year). |
| Interest Payment Dates | March 1 and September 1, beginning on September 1, 2005. |
| Form and Terms | The form and terms of the new notes will be the same as the form and terms of the original notes except that:<br>• the new notes will bear a different CUSIP number from the original notes;<br>• the new notes have been registered under the Securities Act of 1933 and, therefore, will not bear legends restricting their transfer; and<br>• you will not be entitled to any exchange or registration rights with respect to the new notes, and the new notes will not provide for liquidated damages in connection with registration defaults.<br>The new notes will evidence the same debt as the original notes. They will be entitled to the benefits of the indenture governing the original notes and will be treated under the indenture as a single class with the original notes. |
| Ranking | The new notes will be our unsecured senior subordinated obligations and will rank junior to our existing and future senior debt. As of March 31, 2005, we had $169.7 million of senior debt, excluding approximately $89.7 million available for borrowings under our existing senior secured credit facility. In addition, because the new notes are not guaranteed by our subsidiaries, creditors of our subsidiaries and holders of any of our debt that is guaranteed by our subsidiaries (including our 8 7/8% notes and our 6 7/8% notes) have a prior claim, ahead of the notes, on all of our subsidiaries' assets. |
| Optional Redemption | Prior to March 1, 2010, we may redeem the new notes at a make-whole premium expressed as a spread to a defined United States Treasury security rate, plus accrued interest, as described under the section captioned "Description of the New Notes Redemption Optional Redemption Prior to March 1, 2010." In addition, on and after March 1, 2010, we may redeem some or all of the new notes at the redemption prices plus accrued interest, listed in the section captioned "Description of the New Notes Redemption Optional Redemption On and After March 1, 2010." |

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| Optional Redemption After Equity Offerings | At any time (which may be more than once) before March 1, 2008, we can choose to redeem up to 35% of the outstanding new notes with money that we raise in one or more equity offerings, as long as:<br>• we pay 106.750% of the principal amount of the notes, plus interest;<br>• we redeem the notes within 180 days of completing the equity offering; and<br>• at least 65% of the aggregate principal amount of notes issued remains outstanding afterwards. |
| Redemption Based Upon Gaming Laws | The notes are subject to redemption requirements imposed by gaming laws and regulations of gaming authorities in jurisdictions in which we conduct gaming operations. See "Description of the New Notes Redemption Gaming Redemption." |
| Change of Control Offer | If we experience a change of control accompanied by a decline in the rating of the notes, we must give holders of the notes the opportunity to sell us their notes at 101% of their principal amount, plus accrued interest. See "Description of the New Notes Repurchase at the Option of the Holders Change of Control and Ratings Decline." |
| | We might not be able to pay you the required price for the new notes you present to us at the time of a change of control, because:<br>• we might not have enough funds at that time; or<br>• the terms of our senior debt may prevent us from paying. |
| Asset Sale Proceeds | If we or our subsidiaries engage in asset sales, we generally must either invest the net cash proceeds from such sales in our business within a period of time, prepay senior debt or make an offer to purchase a principal amount of the notes equal to the excess net cash proceeds. The purchase price of the notes will be 100% of their principal amount, plus accrued interest. See "Description of the New Notes Repurchase at the Option of the Holders Asset Sales." |
| Certain Indenture Provisions | The indenture governing the notes will contain covenants limiting our (and most or all of our subsidiaries') ability to:<br>• incur additional debt and issue certain preferred stock;<br>• pay dividends or distributions on our capital stock or repurchase our capital stock;<br>• 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.

These covenants are subject to a number of important and significant limitations, qualifications and exceptions.

For more detailed information regarding the terms of the new notes, see "Description of the New Notes."

**Risk Factors**

**You should carefully consider all of the information in this prospectus. In particular, you should read the "Risk Factors" section beginning on page 19 for information regarding some of the risks associated with an investment in the new notes.**

## RISK FACTORS

*You should carefully consider the following risks and all the other information contained in, and incorporated by reference into, this prospectus before tendering your old notes in the exchange offer.*

**Risks Related to the Argosy Merger**

***We may not consummate the Argosy merger.***

By investing in the notes, you are investing in Penn National on a stand-along basis and recognize that we may not realize the expected benefits of the Argosy merger. If we do not complete the Argosy merger, it could adversely affect the value of the notes. Although certain information included in this prospectus generally assumes consummation of the Argosy merger, we cannot assure you that the Argosy merger will be consummated on the terms described herein or at all. The completion of the Argosy merger is subject to the satisfaction of certain conditions precedent, which may or may not occur. However, the parties could agree to modify certain terms or waive certain closing conditions contained in the Merger Agreement, any of which modifications or waivers could be significant to your interests as a note holder, and proceed with the Argosy merger on that basis.

On a pro forma basis, as of March 31, 2005, we would have had $4.3 billion in total assets and $2.9 billion of total debt compared to $2.0 billion in total assets and $0.8 billion of total debt on an actual basis. In addition, on a pro forma basis, our net revenues, interest expense and net income from continuing operations for the year ended December 31, 2004 would have been $2.2 billion, $174.3 million and $130.4 million, respectively, compared to $1.1 billion, $67.4 million and $92.6 million, respectively on an actual basis.

In addition, we have incurred and will continue to incur substantial costs in connection with the proposed Argosy merger. These costs are primarily associated with the fees of attorneys, accountants and our financial advisors. We have also diverted significant management resources in an effort to complete the merger. If the Argosy merger is not completed, we will have incurred significant costs, including the diversion of management resources, for which we will have received little or no benefit, which could negatively impact our financial results and operations.

Because of the complex conditions which must be satisfied in order to complete acquisitions in the gaming industry and the regulatory approvals required in connection with such acquisitions, our planned acquisition of Argosy, as well as our involvement in potential acquisitions in the future, may result in uncapitalized expenses, non-recurring charges, litigation, substantial obligations and a substantial risk of loss.

If we consummate the Argosy merger then we will be subject to additional risks, including, without limitation, all of the business, financial, operational, environmental, competitive, regulatory, economic and other risks related to Argosy and its properties and operations that are included in Argosy's filings with the SEC. In addition, the risks that our current operations face may increase or intensify. Information concerning Argosy is publicly available via the SEC's website and EDGAR system. See "Argosy Information" contained in this prospectus

None of Argosy's public information has been incorporated by reference herein and we do not make any representations with respect to, or assume any responsibility for the accuracy or completeness of the information contained in, the proxy statement or any other filings by Argosy with the SEC. We have not obtained any cold comfort or other support for information contained in Argosy's public information or used in the pro forma financial information contained herein. Subject to the foregoing cautionary statements, investors are urged to review Argosy's public filings, any information relating to Argosy included herein, and the pro forma financial information included herein, and to consider, in any event, the potential impact of the Argosy merger and the other Acquisition Transactions described in this prospectus, whether or not consummated.

**Risks Related to Our Business**

***A substantial portion of our revenues and income from operations is derived from our Charles Town, West Virginia and Aurora, Illinois facilities.***

For the year ended December 31, 2004, approximately 35.1% and 44.9% of our net revenue and income from operations, respectively, were derived from our Charles Town operations, and approximately 20.4% and 27.8% of our net revenue and income from operations, respectively, were derived from our Aurora operations. We expect that a substantial portion of our revenues and income from operations for the immediate future will be derived from our Charles Town and Aurora facilities. Our ability to meet our operating and debt service requirements is substantially dependent upon the continued success of these facilities. The operations at these facilities could be adversely affected by numerous factors including:

- risks related to local and regional economic and competitive conditions, such as a decline in the number of visitors to the facility, a downturn in the overall economy in the market, a decrease in gaming activities in the market or an increase in competition;
- 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 the facility due to weather, road construction or closures of primary access routes; and
- the occurrence of floods and other natural disasters.

If any of these events occurs, our operating revenues and cash flow could decline significantly. For example, in July 2003, the State of Illinois increased certain tax rates and added new tax brackets for gaming licensees. We have taken steps to mitigate the Illinois tax increase through a variety of methods including employee reduction, marketing and promotional programs reductions, other cost reductions and the adoption of admission fees. While these steps have been beneficial to us, we cannot assure you that we will be able to successfully mitigate the tax increase.

***We may face disruption in integrating and managing the Argosy operations and any facilities we may acquire in the future.***

On November 3, 2004, we entered into a Merger Agreement pursuant to which we intend to acquire Argosy. In addition, we expect to continue pursuing expansion and acquisition opportunities, and we regularly evaluate opportunities for acquisition of other properties, which evaluations may include discussions and the review of confidential information after the execution of nondisclosure agreements with potential acquisition candidates, some potentially significant in relation to our size.

We could face significant challenges in managing and integrating the expanded or combined operations of Penn National and Argosy and any other properties we may acquire. The integration of the Argosy operations and any other properties we may acquire will require the dedication of management resources that may temporarily divert attention from our day-to-day business. The process of integrating Argosy, and other properties we may acquire, also may interrupt the activities of those businesses, which could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that the Argosy merger or the acquisition of any other properties will be completed or that Argosy or any other properties will be integrated successfully.

Management of new properties, especially in new geographic areas, may require that we increase our managerial 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. We also cannot assure you that if the Argosy merger or any other acquisitions are completed, that Argosy or any other acquired businesses will generate sufficient revenue to offset the associated costs or other adverse effects.

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, results of operations or financial condition.

***We face risks related to the development and expansion of our current properties.***

We expect to use a portion of our cash on hand, cash flow from operations and available borrowings under our revolving credit facility for significant capital expenditures at certain of our properties. Any proposed enhancement may require us to significantly increase the size of our existing work force at those properties. We cannot be certain that management will be able to hire and retain a sufficient number of employees to operate and manage these facilities at their optimal levels. The failure to employ the necessary work force could adversely affect our operations and ultimately harm profitability. In addition, these enhancements could involve risks similar to construction risks including cost over-runs, delays, market deterioration and receipt of required licenses, permits or authorizations, among others. Our failure to complete any new development or expansion project as planned, on schedule, within budget or in a manner that generates anticipated profits, 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 gaming facilities.***

No assurance can be given that the expected timetable for opening new gaming facilities will be met in light of the uncertainties inherent in the development of the regulatory framework, the licensing process, legislative action and litigation.

***We face significant competition from other gaming operations and racing and pari-mutuel operations.***

*Gaming operations.* The gaming industry is characterized by a high degree of competition among a large number of participants, including riverboat casinos, dockside casinos, land-based casinos, video lottery and poker machines not located in casinos, Native American gaming, Internet gaming and other forms of gambling in the United States. In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including shopping, high school, collegiate and professional 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, may legalize gaming in the near future. In addition, established gaming jurisdictions could award additional gaming licenses or permit the expansion of existing gaming operations. New or expanded operations by other persons will increase competition for our gaming operations and could have a material adverse impact on us.

Gaming competition is particularly intense in each of the markets where we operate or where we may operate in the future. As competing properties have opened, our operating results may be negatively affected. Some of our competitors have more gaming industry experience, are larger and have significantly greater financial and other resources. In addition, some of our direct competitors in certain markets may have superior facilities and/or operating conditions. There could be further 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.

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 "Gaming Operations" in the "Business  Competition" section of our Annual Report on Form 10-K.

*Racing and pari-mutuel operations.* Our racing and pari-mutuel operations face significant competition for wagering dollars from other racetracks and off-track wagering facilities, some of which also offer other forms of gaming, as well as other gaming venues such as casinos and state sponsored lotteries, including the Pennsylvania, New Jersey, Delaware and West Virginia lotteries. Our telephone account and Internet wagering operations compete with providers of such services throughout the country. We also may face competition in the future from new off-track wagering facilities, new racetracks or new providers of telephone account or Internet wagering. From time to time, states consider legislation to permit other forms of gaming. If additional gaming opportunities become available near our racing and pari-mutuel operations, such gaming opportunities could have a material adverse effect on our business, financial condition and results of operations.

***We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition.***

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 and others in the ordinary course of business. 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 the defense of these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations.

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

*Licensing requirements.* As owners and operators of gaming and pari-mutuel wagering facilities, we are subject to extensive state, local and, in Canada, provincial regulation. 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. Various regulatory authorities, including the Colorado Limited Gaming Control Commission, the Illinois Gaming Board, the Louisiana Gaming Control Board, the Mississippi State Tax Commission, the Mississippi Gaming Commission, the New Jersey Casino Control Commission, the New Jersey Racing Commission, the Alcohol and Gaming Commission of Ontario, the Pennsylvania State Horse Racing Commission, the West Virginia Racing Commission, the West Virginia Lottery Commission, the Maine Gambling Control Board and the Maine Harness Racing Commission, 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, numbers and types of machines and loss limits. 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 cannot assure you that we will be able to retain them 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. If 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. In addition, under these circumstances, the indenture governing the notes gives us the opportunity to require any such owner to dispose of its notes within 30 days of any finding of unsuitability or to call for the redemption of such notes at a redemption price equal to the least of (i) the principal amount thereof, plus accrued and unpaid interest, (ii) the price at which such owner acquired the notes, plus accrued and unpaid interest, or (iii) such other lesser amount as may be required by applicable gaming law. There can be no assurance that we will have sufficient funds or otherwise will be able to repurchase any or all of your notes upon a finding of unsuitability.

*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 or other burdens on the way we conduct our business.

Moreover, legislation to prohibit or limit gaming 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.

*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 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. It is not possible to determine with certainty the likelihood of changes in tax 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. For example, effective July 1, 2003, the State of Illinois increased the graduated gaming tax rate structure by increasing certain tax rates, adding new tax brackets and raising the highest marginal tax rate from 50% to 70%. Additionally, Illinois increased the admission tax from $3 to $5 per person. While the Illinois legislature has rolled back gaming and admissions taxes to pre-July 1, 2003 levels (the legislation includes a proviso that gaming taxes paid by us for each of the next two years cannot be less than $86.0 million to the State of Illinois plus 5% of adjusted gross revenues for local governments), tax increases remain a risk. 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 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 depend on our key personnel.***

We are highly dependent on the services of Peter M. Carlino, our Chairman and Chief Executive Officer, Kevin G. DeSanctis, our President and Chief Operating Officer, and other members of our senior management team. Our ability to 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 of these individuals could have a material adverse effect on our business, financial condition and results of operations.

***Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses and compliance risks.***

New or changing laws and regulations relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and NASDAQ National Market rules, are creating uncertainty for companies. These new or changed laws and regulations are subject to varying interpretations in many cases due to their lack of specificity, recent issuance and/or lack of guidance. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty and higher costs regarding compliance matters. Due to our commitment to maintain high standards of compliance with laws and public disclosure, our efforts to comply with evolving laws, regulations and standards have resulted in and are likely to continue to result in increased general and administrative expenses. In addition, we are subject to different parties' interpretation of our compliance with these new and changing laws and regulations. A failure to comply with any of these new laws or regulations, including Section 404 of the Sarbanes-Oxley Act of 2002, could have a material adverse effect on the company. For instance, if our gaming authorities, the SEC, our independent auditors or our shareholders and potential shareholders conclude that our compliance with the regulations is unsatisfactory, this may result in a negative public perception of our company, subject us to increased regulatory scrutiny, penalties or otherwise adversely affect us.

***Inclement weather and other conditions 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 casualties. Because many of our gaming operations are located on or adjacent to rivers, 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. For example, in September 2004, Casino Rouge in Baton Rouge, Louisiana, Casino Magic-Bay St. Louis in Bay St. Louis, Mississippi, and Boomtown Biloxi in Biloxi, Mississippi were closed on a precautionary basis in anticipation of Hurricane Ivan. In addition, several of our casinos are subject to risks generally associated with the movement of vessels on inland waterways, including risks of collision or casualty due to river turbulence and traffic. 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. Reduced patronage and the loss of a dockside casino or riverboat from service for any period of time could adversely affect our business, financial condition and results of operations.

***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 nonhazardous 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. 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 sell or rent property. The Bullwhackers and Silver Hawk Casinos are located within the geographic footprint of the Clear Creek/Central City Superfund Site, a large area of historic mining activity which is the subject of state and federal clean-up actions. Although we have not been named a potentially responsible party for this Superfund Site, it is possible that as a result of our ownership and operation of these properties (on which mining may have occurred in the past), we may incur costs related to this matter in the future. Furthermore, we are aware that there is or may be soil or groundwater contamination at certain of our facilities resulting from current or former operations. These matters are in various stages of investigation, and we are not able at this time to estimate the costs that will be required to resolve them. 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.

***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 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.

We believe that a substantial majority of the slot machines sold in the U.S. in 2004 were manufactured by a few select companies. In addition, we believe that one company in particular provided a majority of all slot machines sold in the U.S. in 2004.

In recent years, the prices of new slot machines have escalated faster than the rate of inflation. Furthermore, 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 depend on agreements with our horsemen and pari-mutuel clerks.***

The Federal Interstate Horseracing Act of 1978, as amended, the West Virginia Racing Act and the Pennsylvania Racing Act require that, in order to simulcast races, we have written agreements with the horse owners and trainers at our West Virginia and Pennsylvania race tracks. In addition, in order to renew our license to operate gaming machines in West Virginia, we are required to enter into written agreements 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.

Effective October 1, 2004, we signed an agreement with the Pennsylvania Thoroughbred Horsemen at Penn National Race Course that expires on September 30, 2011. At the Charles Town Entertainment Complex, we have an agreement with the Charles Town Horsemen that became effective on January 1, 2005 and expires on December 31, 2007. Our agreement with the pari-mutuel clerks at Charles Town expired on June 24, 2005. We are in active discussions with the pari-mutuel clerks at Charles Town regarding a new agreement, however there can be no assurance that we will be able to enter into a new agreement.

If we fail to maintain operative agreements with the horsemen at a track, we will not be permitted to conduct live racing and export and import simulcasting at that track and off-track wagering facilities. In addition, in West Virginia, if we fail to maintain operative agreements with the horse owners and trainers, the pari-mutuel clerks and the horse breeders we will not be permitted to operate our gaming machines. In addition, our simulcasting agreements are subject to the horsemen's approval. 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.

***Energy and fuel price increases may adversely affect our costs of operations and our revenues.***

Our casino properties use significant amounts of electricity, natural gas and other forms of energy. While no shortages of energy have been experienced, the recent substantial increases in the cost of electricity in the United States will negatively affect our results of operations. In addition, energy and fuel price increases in cities that constitute a significant source of customers for our properties could result in a decline in disposable income of potential customers and a corresponding decrease in visitation to our properties, which would negatively impact our revenues. The extent of the impact is subject to the magnitude and duration of the energy and fuel price increases, but this impact could be material.

**Risks Relating to the Exchange Offer**

***Holders who fail to exchange their old notes will continue to be subject to restrictions on transfer and may have reduced liquidity after the exchange offer.***

If you do not exchange your old notes in the exchange offer, you will continue to be subject to the restrictions on transfer applicable to your old notes. The restrictions on transfer of your old notes arise because we issued the old notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the old notes if they are registered under the Securities Act and applicable state securities laws, or are offered and sold under an exemption from these requirements. We do not plan to register the old notes under the Securities Act.

Furthermore, we have not conditioned the exchange offer on receipt of any minimum or maximum principal amount of old notes. As old notes are tendered and accepted in the exchange offer, the principal amount of remaining outstanding notes will decrease. This decrease could reduce the liquidity of the trading market for the old notes. We cannot assure you of the liquidity, or even the continuation, of the trading market for the outstanding old notes following the exchange offer.

For further information regarding the consequences of not tendering your old notes in the exchange offer, see the discussions below under the captions "The Exchange Offer  Consequences of Exchanging or Failing to Exchange Old Notes" and "Material United States Federal Tax Consequences."

***You must comply with the exchange offer procedures to receive new notes.***

Delivery of new notes in exchange for old notes tendered and accepted for exchange pursuant to the exchange offer will be made only after timely receipt by the exchange agent of the following:

certificates for old notes or a book-entry confirmation of a book-entry transfer of old notes into the exchange agent's account at DTC, New York, New York as a depository, including an agent's message, as defined in this prospectus, if the tendering holder does not deliver a letter of transmittal;

a complete and signed letter of transmittal, or facsimile copy, with any required signature guarantees, or, in the case of a book-entry transfer, an agent's message in place of the letter of transmittal; and

any other documents required by the letter of transmittal.

Therefore, holders of old notes who would like to tender old notes in exchange for new notes should be sure to allow enough time for the necessary documents to be timely received by the exchange agent. We are not required to notify you of defects or irregularities in tenders of old notes for exchange. Old notes that are not tendered or that are tendered but we do not accept for exchange will, following consummation of the exchange offer, continue to be subject to the existing transfer restrictions under the Securities Act and will no longer have the registration and other rights under the registration rights agreement. See "The Exchange Offer  Procedures for Tendering Old Notes" and "The Exchange Offer  Consequences of Exchanging or Failing to Exchange Old Notes".

***Some holders who exchange their old notes may be deemed to be underwriters, and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.***

If you exchange your old notes in the exchange offer for the purpose of participating in a distribution of the new notes, you may be deemed to have received restricted securities. If you are deemed to have received restricted securities, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

***There is no established trading market for the notes and you may find it difficult to sell your notes.***

There is no existing trading market for the new notes. We do not intend to apply for listing or quotation of the new notes on any exchange, although the old notes trade in PORTAL. Therefore, we do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be, nor can we make any assurances regarding the ability of new note holders to sell their notes, the amount of new notes to be outstanding following the exchange offer or the price at which the new notes might be sold. As a result, the market price of the new notes could be adversely affected. Historically, the market for non-investment grade debt, such as the new notes, has been subject to disruptions that have caused substantial volatility in the prices of securities. Any disruptions may have an adverse effect on holders of the new notes.

**Risks Related to the Notes.**

***Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under the notes and our other debt.***

We continue to have a significant amount of indebtedness. Our substantial indebtedness 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 the notes and our other debt;
- increase our vulnerability to general 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 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 debt or fail to comply with the financial and other restrictive covenants contained in our debt, 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 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. In addition, we may incur substantial additional indebtedness in the future, including to fund acquisitions. The terms of our existing indebtedness do not, and any future debt (including any senior secured credit facilities financing the Argosy merger) may not, fully prohibit us from doing so. If new debt is added to our current debt levels, the related risks that we now face could intensify.

***The availability and cost of financing could have an adverse effect on business.***

We intend to finance our current and future expansion and renovation projects primarily with cash flow from operations, borrowings under our current senior secured credit facility and equity or debt financings. If we are unable to finance our current or future expansion projects, we will have to adopt one or more alternatives, such as reducing or delaying planned expansion, development and renovation projects as well as capital expenditures, selling assets, restructuring debt, or obtaining additional equity financing or joint venture partners, or modifying our bank credit facility. These sources of funds may not be sufficient to finance our expansion, and other financing may not be available on acceptable terms, in a timely manner or at all. In addition, our existing indebtedness contains certain 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, which may adversely affect our business, financial condition and results of operations.

***Our indebtedness imposes restrictive covenants on us.***

Our existing senior secured credit facility requires (and the senior secured credit facilities we intend to enter into to finance the Argosy merger will require) us, among other obligations, to maintain specified financial ratios and satisfy certain financial tests, including fixed charge coverage and total

leverage and senior leverage ratios. In addition, our existing senior secured credit facility restricts (and the senior secured credit facilities we intend to enter into to finance the Argosy merger) will restrict, among other things, our ability to incur additional indebtedness, incur guarantee obligations, repay indebtedness or amend debt instruments, pay dividends, create liens on assets, make investments, make acquisitions, engage in mergers or consolidations, make capital expenditures, or engage in certain transactions with subsidiaries and affiliates and otherwise restrict corporate activities. A failure to comply with the restrictions contained in our senior secured credit facilities and the indentures governing our existing senior subordinated notes could lead to an event of default thereunder which could result in an acceleration of such indebtedness. In addition, the indentures relating to our senior subordinated notes restrict, among other things, our ability to incur additional indebtedness (excluding certain indebtedness under senior secured credit facilities), make certain payments and dividends or merge or consolidate. A failure to comply with the restrictions in any of the indentures governing the notes could result in an event of default under such indenture which could result in an acceleration of such indebtedness and a default under our other debt, including our existing senior subordinated notes and our senior secured credit facilities.

***To service our indebtedness, we will require a significant amount of cash, which depends on many factors beyond our control.***

Based on our current level of operations, we believe our cash flow from operations, available cash and available borrowings under our existing senior secured credit facility will be adequate to meet our future liquidity needs for the next few years.

We cannot assure you, however, that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our existing senior secured credit facility in amounts sufficient to enable us to fund our liquidity needs, including with respect to our indebtedness. 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 existing 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 existing senior secured credit facility, on attractive terms, commercially reasonable terms or at all. Our future operating performance and our ability to service or refinance the notes, extend or refinance our debt, including our existing senior secured credit facility, will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

***Your right to receive payments on the notes is junior to our existing senior indebtedness and possibly all of our future borrowings.***

The notes rank behind all of our existing indebtedness and could rank behind all of our future borrowings, except for our existing senior subordinated notes and any other future indebtedness that expressly provides that it ranks subordinated in right of payment to, other indebtedness of ours. As a result, upon any distribution to our creditors in a bankruptcy, liquidation or reorganization or similar proceeding relating to us or our property, the holders of our senior indebtedness will be entitled to be paid in full before any payment may be made with respect to the notes. In addition, all payments on the notes will be blocked in the event of a payment default on senior debt and may be blocked for up to 179 of 360 consecutive days in the event of certain non-payment defaults on senior debt.

In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to us, holders of the notes will participate with trade creditors and all other holders of our subordinated indebtedness in the assets remaining after we have paid in full all of the senior debt. However, because the indenture governing the notes requires that amounts otherwise payable to holders of the notes in a bankruptcy or similar proceeding be paid to holders of senior debt instead, holders of the notes may receive less, ratably, than holders of trade payables in any such proceeding. In any of these cases, we may not have sufficient funds to pay all of our creditors, and holders of notes may receive less, ratably, than the holders of senior debt.

As of March 31, 2005, the notes were subordinated to approximately $169.7 million of senior debt (including amounts under outstanding letters of credit) and approximately $89.7 million was available for borrowing as additional senior debt under our existing senior secured credit facility, and *pari passu* with $375.0 million of other senior subordinated debt (although such pari passu debt has the benefit of subsidiary guarantees and, therefore, effectively ranks prior to the notes). On a pro forma basis, as of March 31, 2005, the notes would have been subordinated to approximately $2.3 billion of senior debt (including amounts under outstanding letters of credit) and approximately $403.0 million would have been available for borrowing as additional senior debt under our existing senior secured credit facility, and *pari passu* with $375.0 million of other senior subordinated debt (although such *pari passu* debt has the benefit of subsidiary guarantees and, therefore, effectively ranks prior to the notes). We will be permitted to borrow substantial additional indebtedness, including senior debt, in the future under the terms of the indenture governing the notes.

***We are a holding company and the notes are not guaranteed by any of our subsidiaries. As a result, the creditors of our subsidiaries (including the holders of our existing 6 7/8% and 8 7/8% notes) have a prior claim, ahead of the notes, on all of our subsidiaries' assets.***

We have no direct operations and no significant assets other than ownership of the stock of our subsidiaries. Because we conduct our operations through our subsidiaries, we depend on those entities for dividends and other payments to generate the funds necessary to meet our financial obligations, including payments of principal and interest on the notes.

Since none of our subsidiaries will guarantee the notes, creditors of our subsidiaries (including the holders of our $200.0 million aggregate principal amount of our 6 7/8% senior subordinated notes due 2011 (the "6 7/8% notes"), and $175.0 million aggregate outstanding principal amount of our 8 7/8% senior subordinated notes due 2010 (the "8 7/8% notes"), with respect to the assets of all of our domestic wholly owned subsidiaries that guarantee such notes) have a prior claim, ahead of the holders of notes, on the assets of those subsidiaries. In addition, our subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payments. In the event of a bankruptcy, liquidation, reorganization or other winding up of any of our subsidiaries, holders of indebtedness and trade creditors of our subsidiaries will generally be entitled to payment of their claims from the assets of our subsidiaries before any assets are made available for distribution to us. Accordingly, there may be insufficient funds, even before taking account of our senior debt, to satisfy claims of noteholders.

As of March 31, 2005, our subsidiaries had an aggregate of $375.0 million of indebtedness (representing their guarantees of the 8 7/8% notes and the 6 7/8% notes), $13.6 million of other indebtedness (other than their obligations as guarantors of our senior debt) and $119.8 million of other liabilities. On a pro forma basis, as of March 31, 2005, our subsidiaries would have had an aggregate of $375.0 million of indebtedness (representing their guarantees of the 8 7/8% notes and the 6 7/8% notes), $13.6 million of other indebtedness (other than their obligations as guarantors of our senior debt) and $353.2 million of other liabilities, in each case, all of which would have a prior claim, ahead of the notes, on the assets of those subsidiaries. Legal and contractual restrictions in agreements governing current and future indebtedness of our subsidiaries, as well as the financial condition and operating requirements of our subsidiaries, may further limit our ability to obtain cash from our subsidiaries. In addition, the earnings of our subsidiaries, covenants contained in our and our subsidiaries' debt agreements (including our senior secured credit facilities, our 8 7/8% notes and our 6 7/8% notes and the notes), covenants contained in other agreements to which we or our subsidiaries are or may become subject (including in connection with the Argosy merger), business and tax considerations, and applicable law, including laws regarding the payment of dividends and distributions, may further restrict the ability of our subsidiaries to make distributions to us. We cannot assure you that our subsidiaries

will be able to provide us with sufficient dividends, distributions or loans to fund the interest and principal payments on the notes when due.

***The notes are unsecured. Therefore, our secured creditors (including the lenders under our existing senior secured credit facility and under the senior secured credit facilities we anticipate entering into to finance the Argosy merger) would have a prior claim, ahead of the notes, on our assets.***

The notes are unsecured. As a result, upon any distribution to our creditors in a bankruptcy, liquidation or reorganization or similar proceeding relating to us or our property, the holders of our secured debt, including the lenders under our senior secured credit facility, will be entitled to be paid in full from our assets securing that secured debt before any payment may be made with respect to the notes. In addition, if we fail to meet our payment or other obligations under our secured debt, the holders of that secured debt would be entitled to foreclose on our assets securing that secured debt and liquidate those assets. Accordingly, we may not have sufficient funds to pay amounts due on the notes. As a result you may lose a portion of or the entire value of your investment in the notes.

***We may not have the ability to raise the funds necessary to finance a change of control offer required by the indenture relating to the notes or the terms of our other indebtedness. In addition, under certain circumstances, we may be permitted to use the proceeds from debt to effect merger payments in compliance with the indenture.***

Upon the occurrence of a change of control accompanied by a decline in the rating of the notes, a default could occur in respect of our existing senior secured credit facility, and we will be required to make an offer to purchase all outstanding notes and our other outstanding senior subordinated notes. If such a change of control triggering event were to occur, we cannot assure you that we would have sufficient funds to pay the purchase price for all the notes tendered by the holders or such other indebtedness. In addition, under the indenture for the notes, if we satisfy certain leverage and/or ratings criteria, we are permitted to engage in a merger constituting or resulting in a change of control and to use the proceeds of indebtedness that we may incur under the indenture to make payments that would otherwise constitute a restricted payment. Such events will permit us to increase our leverage for purposes of paying or guaranteeing indebtedness used to finance merger consideration for our equity holders, which might not otherwise be permitted under the indenture. See "Description of the New Notes  Repurchase at the Option of Holders" and "  Certain Covenants  Restricted Payments."

Our existing senior secured credit facility and existing indentures contain, and any future agreements relating to indebtedness to which we become a party may contain, provisions restricting our ability to purchase notes or providing that an occurrence of a change of control constitutes an event of default, or otherwise requiring payment of amounts borrowed under those agreements. If such a change of control triggering event occurs at a time when we are prohibited from purchasing the notes, we could seek the consent of our then existing lenders and other creditors to the purchase of the notes or could attempt to refinance the indebtedness that contains the prohibition. If we do not obtain such a consent or repay such indebtedness, we would remain prohibited from purchasing the notes. In that case, our failure to purchase tendered notes would constitute a default under the terms of the indenture governing the notes and any other indebtedness that we may enter into from time to time with similar provisions.

***An Event of Default has occurred under the indentures governing the Hollywood Casino Shreveport notes.***

Our subsidiaries, HCS and Shreveport Capital Corporation, are issuers of $39 million aggregate principal amount of 13% senior secured notes due 2006 and $150 million aggregate principal amount of 13% first mortgage notes due 2006 (together, the "HCS notes"). The HCS issuers and the other obligors under the HCS notes are unrestricted subsidiaries under our existing senior secured credit facility and the indentures governing the notes, our 8$^{7}/_{8}$% notes and our 6$^{7}/_{8}$% notes. The HCS notes

are non-recourse to us and our subsidiaries (other than the HCS issuers, HCS I, HCS II and HWCC-Louisiana).

On August 27, 2004, HCS, in cooperation with an Ad Hoc Committee representing a majority of its noteholders, entered into an agreement with Eldorado Resorts LLC ("Eldorado") providing for Eldorado's acquisition of HCS. On September 10, 2004, a group of creditors led by Black Diamond Capital Management, LLC filed an involuntary Chapter 11 case against HCS. On October 28, 2004, HCS filed a joint plan and disclosure statement that incorporates the Eldorado transaction. On October 30, 2004, HCS agreed to the entry of an order for relief in the Chapter 11 case filed against it, and, in connection therewith, HCS I, HCS II, HWCC-Louisiana and Shreveport Capital Corporation commenced voluntary cases under Chapter 11 of the Bankruptcy Code. On March 28, 2005, HCS-Golf Course commenced a voluntary case under Chapter 11 of the Bankruptcy Code.

HCS filed a revised reorganization plan and disclosure statement with the Bankruptcy Court on March 3, 2005. The plan continues to provide for the acquisition of the hotel and casino by Eldorado under the agreement announced last year. The Official Bondholder Committee in the Chapter 11 case has joined HCS as a proponent of the plan. Black Diamond and KOAR continue to express interest in acquiring the hotel and casino and have asked the bankruptcy court for permission to file their own competing plan. On April 15, 2005, the bankruptcy court ruled against allowing Black Diamond and KOAR to submit their competing reorganization plan to the creditors. On April 21, 2005, the Bankruptcy Court approved the disclosure statement for HCS's plan and set a hearing on confirmation of the plan on June 13, 2005. On June 19, 2005, the Bankruptcy Court approved a settlement agreement announced in open court for the confirmation of the plan together with their non-debtor affiliate, HCS-Golf Course, LLC, and the Bondholders Committee. The terms of the Eldorado agreement providing for the acquisition of HCS are incorporated in the plan. It is expected that a written order confirming the plan (the "Confirmation Order") will be presented to the Bankruptcy Court for signing and entry in the near future. Although the Bankruptcy Court approved the settlement, the plan has not yet been consummated and is not yet effective. The plan cannot become effective until after the Bankruptcy Court enters the Confirmation Order and the Louisiana Gaming Control Board approves the transaction and the parties involved. There can be no assurance that the plan will become effective.

It is uncertain at this time what the outcome of the bankruptcy proceedings will be, whether the Eldorado transaction will be consummated or what the timing or terms of the proceedings or transaction would be, or what the effect on HCS or us or any of our other subsidiaries will be. The outcome of the proceedings and transaction could include a sale, liquidation and dissolution, bankruptcy and/or further litigation filed with respect to HCS and its affiliates.

**FORWARD LOOKING STATEMENTS**

In this prospectus we make some "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements are included throughout this prospectus and incorporated by reference herein, including in 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 terms such as "believes," "estimates," "expects," "intends," "may," "will," "should" or "anticipates" or the negative or other variation of these or similar words, or by discussions of strategy or risks and uncertainties. Specifically, forward-looking statements may include, among others, statements concerning:

- our expectations of future results of operations or financial condition;
- our expectations for our properties and the facility that we manage in Canada;
- the timing, cost and expected impact on our market share and results of operations of our planned capital expenditures;
- our expectations with respect to the closing date, integration and results of operations of Argosy Gaming Company and the impact of the Argosy merger and the related transactions;
- the impact of our regional diversification;
- our expectations with regard to further acquisitions and the integration of any companies we may acquire;
- the outcome and financial impact of the litigation in which we are involved;
- the actions of regulatory authorities with regard to our business and the impact of any such actions;
- the actions of legislative, executive or judicial decisions at the federal, state or local level with regard to our business 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; and
- expectations of the continued availability and cost of capital resources.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, they are inherently subject to risks, uncertainties and assumptions about us and our subsidiaries and, accordingly, our forward-looking statements are qualified in their entirety by reference to the factors described below under the heading "Risk Factors" and in the information incorporated by reference herein. Important factors that could cause actual results to differ materially from the forward-looking statements include, without limitation, risks related to the following:

- the passage of state, federal or local legislation that would expand, restrict, further tax or prevent gaming operations in the jurisdictions in which we do business;
- successful completion of capital projects at our gaming and pari-mutuel facilities;

increases in our effective rate of taxation at any of our properties or at the corporate level;

the activities of our competitors;

the existence of attractive acquisition candidates;

our dependence on key personnel;

the outcome and financial impact of any "Event of Default" under the indentures governing the 13% senior secured notes due 2006 and 13% first mortgage notes due 2006 issued by HCS and Shreveport Capital Corporation;

the maintenance of agreements with our horsemen and pari-mutuel clerks and other parties, such as trainers, owners and breeders; and

the impact of terrorism and other international hostilities.

Other factors that may cause our actual results to differ from the forward-looking statements contained herein and that may affect our prospects in general are included under the heading "Risk Factors" herein and in our filings with the SEC.

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 prospectus. We undertake no obligation to publicly update or revise any forward-looking statements contained herein or incorporated by reference, 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 prospectus may not occur.

**USE OF PROCEEDS**

This exchange offer is intended to satisfy our obligations under the registration rights agreement that was executed in connection with the sale of the old notes. We will not receive any proceeds from the exchange offer. You will receive, in exchange for the old notes tendered by you and accepted by us in the exchange offer, new notes in the same principal amount. The old notes surrendered in exchange for the new notes will be retired and will not result in any increase in our outstanding debt. Any tendered-but-unaccepted old notes will be returned to you and will remain outstanding.

**RATIO OF EARNINGS TO FIXED CHARGES**

We have calculated the ratio of earnings to fixed charges by dividing earnings by fixed charges. For the purpose of computing the ratio of earnings to fixed charges, "earnings" is defined as income from continuing operations before provision for income taxes and fixed charges and less capitalized interest. "Fixed charges" consist of interest expense, amortization of capitalized debt costs and premium on debt, capitalized interest and the estimated interest included in rental expense.

| Year Ended December 31, | | | | | Three Months Ended March 31, |
|---|---|---|---|---|---|
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| 1.5 | 1.8 | 1.8 | 2.3 | 2.9 | 1.7 |

## CAPITALIZATION

The following table sets forth our actual historical and pro forma cash and cash equivalents and capitalization as of March 31, 2005. The following table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and the notes thereto incorporated by reference in this prospectus and the "Unaudited Pro Forma Combined Financial Statements" included elsewhere in this prospectus.

| | As of March 31, 2005 | |
|---|---|---|
| | Actual | Pro Forma |
| | (in thousands) | (unaudited) |
| Cash and cash equivalents | $ 210,502 | $ 140,000 |
| Restricted cash(1) | 96,961 | |
| Total cash | $ 307,463 | $ 140,000 |
| Long-term debt, including current maturities: | | |
| Senior secured credit facility | | |
| Existing revolving credit facility(2) | | |
| New revolving credit facility(3) | | $ 327,000 |
| Existing term loans(1) | 159,318 | |
| New term loans(3) | | 1,975,000 |
| $8^{7}/_{8}$% senior subordinated notes due 2010 | 175,000 | 175,000 |
| $6^{7}/_{8}$% senior subordinated notes due 2011 | 200,000 | 200,000 |
| $6^{3}/_{4}$% senior subordinated notes due 2015 | 250,000 | 250,000 |
| Capital leases/other | 13,649 | 13,649 |
| Total long-term debt | 797,967 | 2,940,649 |
| Shareholders' equity | 431,096 | 428,493 |
| Total capitalization | 1,229,063 | 3,369,142 |

(1) We completed the Pocono Sale on January 25, 2005 and realized net cash proceeds of $170.6 million, which, in accordance with our existing senior secured credit facility, were required to be used for the payment of our existing senior secured credit facility or reinvested in our operations within 365 days. As of March 31, 2005, we had used approximately $60 million of the net cash proceeds to prepay borrowings under our existing senior secured credit facility, and the balance was recorded as restricted cash. On April 4, 2005, the remainder of the restricted cash was used to prepay all outstanding borrowings under our existing senior secured credit facility, and this prepayment is reflected in the pro forma column. See "Recent Developments  Pocono Sale" and "  Prepayment of Existing Senior Secured Credit Facility."

(2) The total existing revolving credit facility is $100.0 million. At March 31, 2005, after giving effect to letters of credit of $10.3 million, we had $89.7 million available to borrow under the revolving credit facility, of which no borrowings were outstanding.

(3) It is contemplated that the new senior secured credit facilities would be composed of a $750.0 million revolving credit facility, up to a $325.0 million term loan A facility and up to a $1.65 billion term loan B facility, provided, that any increase in commitments under the new revolving credit facility cannot exceed $100.0 million. On a pro forma basis, at March 31, 2005, we would have had $403.0 million available to borrow under the new revolving credit facility after giving effect to letters of credit of $20.2 million.

## SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial and operating data for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 are derived from our consolidated financial statements that have been audited by BDO Seidman, LLP, an independent registered public accounting firm. The following selected consolidated financial and operating data for the three months ended March 31, 2004 and 2005 are derived from our unaudited consolidated financial statements. The selected consolidated financial and operating data 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 and incorporated by reference herein.

| | Year Ended December 31, | | | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|---|
| | 2000(1) | 2001(2) | 2002(3) | 2003(4) | 2004 | 2004 | 2005 |
| | (In thousands, except per share data) | | | | | | |
| | | | | | | (unaudited) | |
| Income statement data:(5) | | | | | | | |
| Net Revenues | $ 254,302 | $ 478,258 | $ 618,856 | $ 1,012,998 | $ 1,140,689 | $ 285,056 | $ 289,306 |
| Total operating expenses | 214,811 | 406,155 | 520,612 | 836,463 | 926,909 | 232,930 | 233,007 |
| Income from operations | 39,491 | 72,103 | 98,244 | 176,535 | 213,780 | 52,126 | 56,299 |
| Other (expenses), net | (27,645) | (40,525) | (52,381) | (76,878) | (76,152) | (18,687) | (30,693) |
| Income before income taxes | 11,846 | 31,578 | 45,863 | 99,657 | 137,628 | 33,439 | 25,606 |
| Taxes on income | 3,682 | 10,916 | 17,534 | 37,463 | 50,288 | 12,447 | 9,352 |
| Income from continuing operations | 8,164 | 20,662 | 28,329 | 62,194 | 87,340 | 20,992 | 16,254 |
| Income (Loss) from discontinued operations | 3,828 | 3,096 | 2,534 | (10,723) | (15,856) | (3,205) | (452) |
| Net income | $ 11,992 | $ 23,758 | $ 30,863 | $ 51,471 | $ 71,484 | $ 17,787 | $ 15,802 |
| Per share data:(6) | | | | | | | |
| Earnings (loss) per share basic | | | | | | | |
| Income from continuing operations | $ 0.14 | $ 0.34 | $ 0.38 | $ 0.79 | $ 1.09 | $ 0.26 | $ 0.20 |
| Discontinued operations, net of tax | $ 0.06 | $ 0.05 | $ 0.03 | $ (0.14) | $ (0.20) | $ (0.04) | $ (0.01) |
| Basic net income per share | $ 0.20 | $ 0.39 | $ 0.41 | $ 0.65 | $ 0.89 | $ (0.22) | $ (0.19) |
| Earnings (loss) per share diluted | | | | | | | |
| Income from continuing operations | $ 0.13 | $ 0.32 | $ 0.36 | $ 0.77 | $ 1.05 | $ 0.26 | $ 0.19 |
| Discontinued operations, net of tax | $ 0.06 | $ 0.05 | $ 0.03 | $ (0.14) | $ (0.19) | $ (0.04) | $ (0.00) |
| Diluted net income (loss) per share | $ 0.19 | $ 0.37 | $ 0.39 | $ 0.63 | $ 0.86 | $ (0.22) | $ (0.19) |
| Weighted shares outstanding basic | 59,872 | 61,306 | 75,550 | 78,946 | 80,510 | 79,717 | 82,198 |
| Weighted shares outstanding diluted | 61,772 | 63,674 | 78,188 | 81,224 | 83,508 | 82,224 | 85,390 |
| Other data: | | | | | | | |
| Net cash provided by operating activities | $ 40,976 | $ 84,784 | $ 101,641 | $ 140,036 | $ 195,454 | $ 44,760 | $ 22,183 |
| Net cash provided by (used in) investing activities | (229,027) | (216,039) | (102,064) | (330,864) | (65,404) | (15,555) | 259,020 |
| Net cash provided by (used in) financing activities | 201,810 | 145,593 | 18,312 | 217,459 | (124,177) | (20,608) | (61,344) |
| Depreciation and amortization | 9,908 | 29,751 | 34,518 | 57,471 | 65,785 | 16,441 | 15,495 |
| Interest expense | 20,644 | 46,096 | 42,104 | 76,616 | 75,720 | 19,416 | 16,503 |

| | Year Ended December 31, | | | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|---|
| Capital expenditures | 27,295 | 41,511 | 88,533 | 56,733 | 68,957 | 12,772 | 15,313 |
| Balance sheet data: | | | | | | | |
| Cash and cash equivalents(7) | $ 22,299 | $ 36,637 | $ 54,536 | $ 81,567 | $ 87,620 | $ | 210,502 |
| Total assets | 439,900 | 679,377 | 765,480 | 1,609,599 | 1,643,407 | | 1,950,675 |
| Total debt(7) | 309,299 | 458,909 | 375,018 | 990,123 | 858,909 | | 797,967 |
| Shareholders' equity | 79,221 | 103,265 | 247,000 | 309,878 | 398,092 | | 431,096 |

(1) Reflects operations included since the August 8, 2000 acquisition of Casino Magic Bay St. Louis casino and Boomtown Biloxi casino.

(2) Reflects operations included since the April 27, 2001 acquisition of all of the gaming assets of CRC Holdings, Inc. and the minority interest in Louisiana Casino Cruises, Inc.

(3) Reflects operations included since the April 25, 2002 acquisition of Bullwhackers.

(4) Reflects the operations of the Hollywood Casino properties since the March 3, 2003 acquisition date.

(5) Certain prior year amounts have been reclassified to conform to the current year presentation.

(6) Per share data has been retroactively restated to reflect the increased number of common stock shares outstanding as a result of our June 25, 2002 and March 7, 2005 stock splits.

(7) Does not include discontinued operations.

## THE EXCHANGE OFFER

**Terms of the Exchange Offer; Period for Tendering Old Notes**

Subject to terms and conditions detailed in this prospectus, we will accept for exchange old notes that are validly tendered on or prior to the expiration date and not validly withdrawn as permitted below. When we refer to the term "expiration date", we mean 5:00 p.m., New York City time, , 2005. We may, however, in our sole discretion, extend the period of time that the exchange offer is open. The term expiration date means the latest time and date to which the exchange offer is extended.

As of the date of this prospectus, $250,000,000 principal amount of old notes are outstanding. We are sending this prospectus, together with the letter of transmittal, to all holders of old notes that are known to us of on the date hereof.

We expressly reserve the right prior to the expiration of the exchange offer, at any time, to extend the period of time that the exchange offer is open, and delay acceptance for exchange of any old notes, by giving oral or written notice of an extension to the holders of the old notes as described below. During any extension, all old notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any old notes not accepted for exchange for any reason will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

Old notes tendered in the exchange offer must be in denominations of principal amount of $1,000 and any integral multiple thereof.

We expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any old notes, upon the occurrence of any of the conditions of the exchange offer specified under " Conditions to the Exchange Offer." We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the old notes as promptly as practicable. In the case of any extension, we will issue a notice by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

**Procedures for Tendering Old Notes**

Your tender to us of old notes, as set forth below, and our acceptance of the old notes will constitute a binding agreement between us and you, upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal. Except as set forth below, to tender old notes for exchange in the exchange offer, you must transmit a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal or, in the case of a book-entry transfer, an agent's message in place of the letter of transmittal, to Wells Fargo Bank, National Association, as exchange agent, at the address set forth below under " Exchange Agent" on or prior to the expiration date. In addition, either:

- certificates for old notes must be received by the exchange agent along with the letter of transmittal, or
- a timely confirmation of a book-entry transfer, which we refer to in this prospectus as a book-entry confirmation, of old notes, if this procedure is available, into the exchange agent's account at DTC pursuant to the procedure for book-entry transfer described beginning on page 41 must be received by the exchange agent on or prior to the expiration date, with the letter of transmittal or an agent's message in place of the letter of transmittal, or the holder must comply with the guaranteed delivery procedures described below.

The term "agent's message" means a message, transmitted by DTC to and received by the exchange agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the tendering participant stating that such participant has received and agrees to be bound by the letter of transmittal and that we may enforce such letter of transmittal against such participant.

The method of delivery of old notes, letters of transmittal and all other required documents is at your election and risk. If such delivery is by mail, it is recommended that you use registered mail, properly insured, with return receipt requested. In all cases, you should allow sufficient time to assure timely delivery. No letter of transmittal or old notes should be sent to us.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the old notes surrendered for exchange are tendered:

by a holder of the old notes who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal, or

for the account of an Eligible Institution (as defined below).

In the event that signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, such guarantees must be by a firm which is a member of the Securities Transfer Agent Medallion Program, the Stock Exchanges Medallion Program or the New York Stock Exchange Medallion Program (we refer to each such entity as an Eligible Institution in this prospectus). If old notes are registered in the name of a person other than the signer of the letter of transmittal, the old notes surrendered for exchange must be endorsed by, or be accompanied by a written instrument or instruments of transfer or exchange, in satisfactory form as we or the exchange agent determine in our sole discretion, duly executed by the registered holders with the signature thereon guaranteed by an Eligible Institution.

We, or the exchange agent, in our sole discretion will make a final and binding determination on all questions as to the validity, form, eligibility, including time of receipt, and acceptance of old notes tendered for exchange. We reserve the absolute right to reject any and all tenders of any particular old note not properly tendered or to not accept any particular old note which acceptance might, in our judgment or our counsel's, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any particular old note either before or after the expiration date, including the right to waive the ineligibility of any holder who seeks to tender old notes in the exchange offer. Our or the exchange agent's interpretation of the terms and conditions of the exchange offer as to any particular old note either before or after the expiration date, including the letter of transmittal and the instructions thereto, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes for exchange must be cured within a reasonable period of time, as we determine. We are not, nor is the exchange agent or any other person, under any duty to notify you of any defect or irregularity with respect to your tender of old notes for exchange, and no one will be liable for failing to provide such notification.

If the letter of transmittal is signed by a person or persons other than the registered holder or holders of old notes, such old notes must be endorsed or accompanied by powers of attorney signed exactly as the name(s) of the registered holder(s) that appear on the old notes.

If the letter of transmittal or any old notes or powers of attorneys are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by us or the exchange agent, proper evidence satisfactory to us of their authority to so act must be submitted with the letter of transmittal.

By tendering old notes, you represent to us that, among other things:

- you are not our affiliate, as defined in Rule 405 under the Securities Act;
- any new notes you receive in the exchange offer are being acquired by you in the ordinary course of your business;
- at the time of the commencement of the exchange offer, neither you nor, to your knowledge, anyone receiving new notes from you, has any arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the new notes in violation of the Securities Act;
- if you are a broker-dealer, you will receive the new notes for your own account in exchange for old notes that were acquired by you as a result of your market making or other trading activities, and you will deliver a prospectus in connection with any resale of the new notes you receive. For further information regarding resales of the new notes by participating broker-dealers, see the discussion under the caption "Plan of Distribution;" and
- if you are not a broker-dealer, you are not engaged in, and do not intend to engage in, the distribution, as defined in the Securities Act, of the new notes.

If you are our "affiliate," as defined in Rule 405 under the Securities Act, or engage in or intend to engage in or have an arrangement or understanding with any person to participate in a distribution of such new notes to be acquired pursuant to the exchange offer, you or any such other person:

- could not rely on the applicable interpretations of the staff of the SEC; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Each broker-dealer that receives new notes for its own account in exchange for old notes, where the old notes were acquired by the broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. See "Plan of Distribution." The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Furthermore, any broker-dealer that acquired any of its old notes directly from us:

- may not rely on the applicable interpretation of the staff of the SEC's position contained in Exxon Capital Holdings Corp., SEC no-action letter (April 13, 1988), Morgan, Stanley & Co. Inc., SEC no-action letter (June 5, 1991) and Shearman & Sterling, SEC no-action letter (July 2, 1993); and
- must also be named as a selling noteholder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction.

**Acceptance of Old Notes for Exchange; Delivery of New Notes**

Upon satisfaction or waiver of all of the conditions to the exchange offer, we will accept, promptly after the expiration date, all old notes properly tendered and will issue the new notes promptly after acceptance of the old notes. See " Conditions to the Exchange Offer." For purposes of the exchange offer, we will be deemed to have accepted properly tendered old notes for exchange if and when we give oral (confirmed in

writing) or written notice to the exchange agent.

The holder of each old note accepted for exchange will receive a new note in the amount equal to the surrendered old note. Accordingly, registered holders of new notes on the record date for the first interest payment date following the consummation of the exchange offer will receive interest accruing

from the most recent date to which interest has been paid on the old notes or, if no interest has been paid, from the issue date of the old notes.

In all cases, issuance of new notes for old notes that are accepted for exchange will only be made after timely receipt by the exchange agent of:

certificates for such old notes or a timely book-entry confirmation of such old notes into the exchange agent's account at DTC,

a properly completed and duly executed letter of transmittal or an agent's message in lieu thereof, and

all other required documents.

If any tendered old notes are not accepted for any reason set forth in the terms and conditions of the exchange offer or if old notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged old notes will be returned without expense to the tendering holder or, in the case of old notes tendered by book-entry transfer into the exchange agent's account at DTC pursuant to the book-entry procedures described below, the non-exchanged old notes will be credited to an account maintained with DTC, as promptly as practicable after the expiration or termination of the exchange offer.

**Book-Entry Transfers**

For purposes of the exchange offer, the exchange agent will request that an account be established with respect to the old notes at DTC within two business days after the date of this prospectus, unless the exchange agent already has established an account with DTC suitable for the exchange offer. Any financial institution that is a participant in DTC may make book-entry delivery of old notes by causing DTC to transfer such old notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. Although delivery of old notes may be effected through book-entry transfer at DTC, the letter of transmittal or facsimile thereof or an agent's message in lieu thereof, with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received by the exchange agent at the address set forth under " Exchange Agent" on or prior to the expiration date or you must comply with the guaranteed delivery procedures described below.

**Guaranteed Delivery Procedures**

If you desire to tender your old notes and your old notes are not immediately available, or time will not permit your old notes or other required documents to reach the exchange agent before the expiration date, a tender may be effected if:

the tender is made through an Eligible Institution;

on or prior to the expiration date, the exchange agent received from such Eligible Institution a notice of guaranteed delivery, substantially in the form we provide, by telegram, telex, facsimile transmission, mail or hand delivery, setting forth your name and address, the amount of old notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange trading days after the date of execution of the notice of guaranteed delivery, the certificates for all physically tendered old notes, in proper form for transfer, or a book-entry confirmation, as the case may be, together with a properly completed and duly executed appropriate letter of transmittal or facsimile thereof or agent's message in lieu thereof, with any required signature guarantees and any other documents required by the letter of transmittal will be deposited by such Eligible Institution with the exchange agent, and

the certificates for all physically tendered old notes, in proper form for transfer, or a book-entry confirmation, as the case may be, together with a properly completed and duly executed

appropriate letter of transmittal or facsimile thereof or agent's message in lieu thereof, with any required signature guarantees and all other documents required by the letter of transmittal, are received by the exchange agent within three New York Stock Exchange trading days after the date of execution of the notice of guaranteed delivery.

**Withdrawal Rights**

You may withdraw your tender of old notes at any time on or prior to the expiration date. To be effective, a written notice of withdrawal must be received by the exchange agent at one of the addresses set forth under " Exchange Agent." This notice must specify:

the name of the person having tendered the old notes to be withdrawn,

the old notes to be withdrawn, including the principal amount of such old notes, and

where certificates for old notes have been transmitted, the name in which such old notes are registered, if different from that of the withdrawing holder.

If certificates for old notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of the certificates, the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an Eligible Institution, unless such holder is an Eligible Institution. If old notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old notes and otherwise comply with the procedures of DTC.

We or the exchange agent will make a final and binding determination on all questions as to the validity, form and eligibility, including time of receipt, of such notices. Any old notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any old notes tendered for exchange but not exchanged for any reason will be returned to the holder without cost to the holder, or, in the case of old notes tendered by book-entry transfer into the exchange agent's account at DTC pursuant to the book-entry transfer procedures described above, the old notes will be credited to an account maintained with DTC for the old notes as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old notes may be re-tendered by following one of the procedures described under " Procedures for Tendering Old Notes" above at any time on or prior to the expiration date.

**Conditions to the Exchange Offer**

Notwithstanding any other provision of the exchange offer, we are not required to accept for exchange, or to issue new notes in exchange for, any old notes and may terminate or amend the exchange offer, if any of the following events occur prior to acceptance of such old notes:

(a) the exchange offer violates any applicable law or applicable interpretation of the staff of the SEC; or

(b) there is threatened, instituted or pending any action or proceeding before, or any injunction, order or decree has been issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission,

(1) seeking to restrain or prohibit the making or consummation of the exchange offer or any other transaction contemplated by the exchange offer, or assessing or seeking any damages as a result thereof, or

(2) resulting in a material delay in our ability to accept for exchange or exchange some or all of the old notes pursuant to the exchange offer;

or any statute, rule, regulation, order or injunction has been sought, proposed, introduced, enacted, promulgated or deemed applicable to the exchange offer or any of the transactions contemplated by the exchange offer by any government or governmental authority, domestic or foreign, or any action has been taken, proposed or threatened, by any government, governmental authority, agency or court, domestic or foreign, that in our reasonable judgment might, directly or indirectly, result in any of the consequences referred to in clauses (1) or (2) above or, in our reasonable judgment, might result in the holders of new notes having obligations with respect to resales and transfers of new notes which are greater than those described in this prospectus, or would otherwise materially impair our ability to proceed with the exchange offer; or

(c) there has occurred:

(1) any general suspension of or general limitation on prices for, or trading in, securities on any national securities exchange or in the over-the-counter market,

(2) any limitation by a governmental agency or authority which may materially impair our ability to complete the transactions contemplated by the exchange offer,

(3) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation by any governmental agency or authority which adversely affects the extension of credit, or

(4) a commencement of a war, armed hostilities or other similar international calamity directly or indirectly involving the United States, or, in the case of any of the foregoing, existing at the time of the commencement of the exchange offer, a material acceleration or worsening thereof; or

(d) any change (or any development involving a prospective change) has occurred or is threatened in our business, properties, assets, liabilities, financial condition, operations, results of operations or prospects and our subsidiaries taken as a whole that, in our reasonable judgment, is or may be materially adverse to us, or we have become aware of facts that, in our reasonable judgment, have or may have material adverse significance with respect to the value of the old notes or the new notes;

in the case of any of the foregoing paragraphs (a) through (d), which in our reasonable judgment in any case, and regardless of the circumstances giving rise to any such condition, materially impair our ability to proceed with the exchange offer and/or with such acceptance for exchange or with such exchange.

The conditions stated above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any condition or may be waived by us in whole or in part at any time in our reasonable discretion. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of any such right and each such right will be deemed an ongoing right which may be asserted at any time.

In addition, we will not accept for exchange any old notes tendered, and we will not issue new notes in exchange for any such old notes, if at such time any stop order by the SEC is threatened or in effect with respect to the registration statement, of which this prospectus constitutes a part, or the qualification of the indenture under the Trust Indenture Act.

**Exchange Agent**

Wells Fargo Bank, National Association has been appointed as the exchange agent for the exchange offer. All executed letters of transmittal should be directed to the exchange agent at the address set forth below. Questions and requests for assistance, requests for additional copies of this

prospectus or of the letter of transmittal and requests for notices of guaranteed delivery should be directed to the exchange agent addressed as follows:

Wells Fargo Bank, National Association, Exchange Agent

| *By Regular Mail or Overnight Courier:* | *By Registered or Certified Mail:* | *By Hand:* |
|---|---|---|
| **Wells Fargo Bank, N.A.** | **Wells Fargo Bank, N.A.** | **Wells Fargo Bank, N.A.** |
| Corporate Trust Operations | Corporate Trust Operations | Corporate Trust Services |
| MAC N9303-121 | MAC N9303-121 | Northstar East Bldg. 12th Floor |
| 6th & Marquette Avenue | P.O. Box 1517 | |
| Minneapolis, MN 55479 | Minneapolis, MN 55480 | 608 2nd Avenue South |
| | | Minneapolis, MN 55402 |
| Attn: Reorg | Attn: Reorg | Attn: Reorg |
| *(if by mail, registered or certified recommended)* | | |

| *By Facsimile:* | *To Confirm by Telephone:* |
|---|---|
| (612) 667-4927 | (800) 344-5128; or |
| Attn: Bondholder Communications | (612) 667-9764 |
| | Attn: Bondholder Communications |

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF SUCH LETTER OF TRANSMITTAL VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF THE LETTER OF TRANSMITTAL.

**Fees and Expenses**

The principal solicitation is being made by mail by Wells Fargo Bank, National Association, as exchange agent. We will pay the exchange agent customary fees for its services, reimburse the exchange agent for its reasonable out-of-pocket expenses incurred in connection with the provision of these services and pay other registration expenses, including fees and expenses of the trustee under the indenture relating to the new notes, filing fees, blue sky fees and printing and distribution expenses. We will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offer.

Additional solicitation may be made by telephone, facsimile or in person by our and our affiliates' officers and regular employees and by persons so engaged by the exchange agent.

**Accounting Treatment**

We will record the new notes at the same carrying value as the old notes, as reflected in our accounting records on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes. The expenses of the exchange offer will be amortized over the term of the new notes.

**Transfer Taxes**

You will not be obligated to pay any transfer taxes in connection with the tender of old notes in the exchange offer unless you instruct us to register new notes in the name of, or request that old notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder. In those cases, you will be responsible for the payment of any potentially applicable transfer tax.

**Consequences of Exchanging or Failing to Exchange Old Notes**

The information below concerning specific interpretations of and positions taken by the staff of the SEC is not intended to constitute legal advice, and holders should consult their own legal advisors with respect to those matters.

If you do not exchange your old notes for new notes in the exchange offer, your old notes will continue to be subject to the provisions of the indenture relating to the notes regarding transfer and exchange of the old notes and the restrictions on transfer of the old notes described in the legend on your certificates. These transfer restrictions are required because the old notes were issued under an exemption from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the old notes may not be offered or sold unless registered under the Securities Act, except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not plan to register the old notes under the Securities Act.

Under existing interpretations of the Securities Act by the SEC's staff contained in several no-action letters to third parties, and subject to the immediately following sentence, we believe that the new notes would generally be freely transferable by holders after the exchange offer without further registration under the Securities Act, subject to certain representations required to be made by each holder of new notes, as set forth below. However, any purchaser of new notes who is one of our "affiliates" as defined in Rule 405 under the Securities Act or who intends to participate in the exchange offer for the purpose of distributing the new notes:

will not be able to rely on the interpretation of the SEC's staff;

will not be able to tender its old notes in the exchange offer; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the new notes unless such sale or transfer is made pursuant to an exemption from such requirements. See "Plan of Distribution".

We do not intend to seek our own interpretation regarding the exchange offer and there can be no assurance that the SEC's staff would make a similar determination with respect to the new notes as it has in other interpretations to other parties, although we have no reason to believe otherwise.

Each broker-dealer that receives new notes for its own account in exchange for old notes, where the old notes were acquired by it as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. The staff of the SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to the new notes, other than a resale of an unsold allotment from the original sale of the old notes, with the prospectus contained in the exchange offer registration statement. Under the registration rights agreement, we have agreed, for a period of 180 days after the consummation of the exchange offer (or such shorter time after the exchange offer is completed as we reasonably believe that there are no participating broker-dealers owning new notes but not less than 90 days), to make available a prospectus meeting the requirements of the Securities Act to any participating broker-dealer for use in connection with any resale of any new notes acquired in the exchange offer.

## DESCRIPTION OF OTHER INDEBTEDNESS

**Existing Senior Secured Credit Facility**

On March 3, 2003, we entered into the existing senior secured credit facility with a syndicate of lenders that replaced our then existing credit facility. We amended and restated our existing senior secured credit facility as of December 5, 2003.

The existing senior secured credit facility is comprised of a $100.0 million revolving credit facility and a term loan facility, of which $270.0 million is currently outstanding, all maturing on September 1, 2007; provided that the maturity dates will be extended to the fifth anniversary dates for the revolving credit facility and the sixth anniversary date for the term loans if our outstanding 11 1/8% notes are refinanced in full to a date that is at least seven years and 181 days after March 3, 2003. Up to $40.0 million of the revolving credit facility may be used for the issuance of letters of credit. In addition, up to $20.0 million of the revolving credit facility also may be used for short-term credit to be provided to us on a same-day basis.

The existing senior secured credit facility is secured by substantially all of our assets, except for the assets of HWCC-Louisiana and its subsidiaries and HWCC-Shreveport, Inc., which serve as collateral for the HCS notes.

At our option, the revolving loans may bear interest at (1) the highest of 1/2 of 1% in excess of the federal funds effective rate or the base rate of interest that the administrative agent under the existing senior secured credit facility announces from time to time as its prime lending rate plus an applicable margin of up to 2.5%, or (2) a rate tied to a eurodollar rate plus an applicable margin up to 3.5%, in either case, with the applicable margin based on our total leverage. The term loans may bear interest at (1) the highest of 1/2 of 1% in excess of the federal funds effective rate or the base rate of interest that the administrative agent under the existing senior secured credit facility announces from time to time as its prime lending rate plus 1.5%, or (2) a rate tied to a eurodollar rate plus 2.5%.

At March 31, 2005, we had an outstanding balance of $159.3 million of term loans and $89.7 million available to borrow under the revolving credit facility after giving effect to letters of credit of $10.3 million. On April 4, 2005, we prepaid all outstanding term loan borrowings under our existing senior secured credit facility with a portion of the net cash proceeds from the Pocono Sale. See "Recent Developments  Prepayment of Existing Senior Secured Credit Facility."

The terms of our existing senior secured credit facility require us to satisfy certain financial covenants, such as leverage and fixed charge coverage ratios, and limitations on indebtedness, liens, investments and capital expenditures, among others.

**Anticipated Financings for Argosy Acquisition**

Concurrently with the closing of the Argosy merger we plan to enter into new senior secured credit facilities upon terms and conditions to be negotiated. We have received commitments from Deutsche Bank Trust Company Americas, Deutsche Bank Securities Inc., Goldman Sachs Credit Partners L.P., Lehman Brothers Inc. and Lehman Commercial Paper Inc. to provide up to $2.725 billion of senior secured credit facilities (which Penn National may elect to increase to up to $3.025 billion as described below) to finance the transactions contemplated by the Merger Agreement, refinance certain indebtedness of Penn National and Argosy and pay certain fees and expenses in connection therewith. It is contemplated that such senior secured credit facilities would be comprised of a $750.0 million revolving credit facility, up to a $325.0 million term loan A facility and up to a $1.65 billion term loan B facility. During the first three years of the term of the senior secured credit facilities, Penn National may elect to increase the senior secured credit facilities by up to $300 million in the aggregate, subject to some limitations; provided that any increase in commitments under the new revolving credit facility cannot exceed $100 million. The senior secured credit facilities are to be

guaranteed by substantially all domestic subsidiaries of Penn National and Argosy and secured by substantially all the assets of Penn National, Argosy and such guarantors, in each case except to the extent prohibited by relevant gaming authorities after we have used commercially reasonable efforts to arrange for such guarantees or collateral or as otherwise excluded. Material conditions to funding include, without limitation, absence of a material adverse change at Argosy, refinancing of Argosy's existing indebtedness and our existing senior secured credit facility, receipt of necessary regulatory approvals and consummation of the Argosy merger in compliance in all material respects with the Merger Agreement. More information is available in our Current Report on Form 8-K filed November 5, 2004.

**8 7/8% Senior Subordinated Notes due 2010**

On February 28, 2002, we completed a public offering of $175.0 million aggregate principal amount of our 8 7/8% senior subordinated notes due 2010. All of the $175.0 million aggregate principal amount of the 8 7/8% notes is currently outstanding. Interest on the 8 7/8% notes is payable on March 15 and September 15 of each year. The 8 7/8% notes mature on March 15, 2010.

We may redeem all or part of the 8 7/8% notes on or after March 15, 2006 at certain specified redemption prices. Prior to March 15, 2005, we may redeem up to 35% of the 8 7/8% notes from proceeds of certain sales of our equity securities. The 8 7/8% notes also are subject to redemption requirements imposed by state and local gaming laws and regulations.

The 8 7/8% notes are general unsecured obligations and are guaranteed on a senior subordinated basis by certain of our current and future wholly owned domestic subsidiaries. The 8 7/8% notes rank equally with our existing senior subordinated debt, including the 6 7/8% senior subordinated notes, will rank equally with the new notes and rank junior to our senior debt, including debt under our senior secured credit facilities. In addition, because the new notes are not guaranteed by any of our subsidiaries, the 8 7/8% notes will have a prior claim, ahead of the notes, on the assets of all of our domestic wholly owned subsidiaries that guarantee the 8 7/8% notes. With respect to our non-U.S. subsidiaries and unrestricted subsidiaries (none of which have guaranteed the 8 7/8% notes), the creditors of those subsidiaries will have a prior claim, ahead of the 8 7/8% notes and the new notes, on the assets of those subsidiaries.

**6 7/8% Senior Subordinated Notes due 2011**

On December 4, 2003, we completed a private offering of $200.0 million aggregate principal amount of our 6 7/8% senior subordinated notes due 2011. All of the $200.0 million aggregate principal amount of the 6 7/8% notes is currently outstanding. Interest on the 6 7/8% notes is payable on December 1 and June 1 of each year. The 6 7/8% notes mature on December 1, 2011.

We may redeem all or part of the 6 7/8% notes on or after March 1, 2007 at certain specified redemption prices. Prior to March 1, 2006, we may redeem up to 35% of the 6 7/8% notes from proceeds of certain sales of our equity securities. The 6 7/8% notes also are subject to redemption requirements imposed by state and local gaming laws and regulations.

The 6 7/8% notes are general unsecured obligations and are guaranteed on a senior subordinated basis by certain of our current and future wholly owned domestic subsidiaries. The 6 7/8% notes rank equally with our existing senior subordinated debt, including the 8 7/8% notes, will rank equally with the new notes and rank junior to our senior debt, including debt under our senior secured credit facilities. In addition, because the new notes are not guaranteed by any of our subsidiaries, the 6 7/8% notes will have a prior claim, ahead of the notes, on the assets of all of our domestic wholly owned subsidiaries that guarantee the 6 7/8% notes. With respect to our non-U.S. subsidiaries and unrestricted subsidiaries (none of which have guaranteed the 6 7/8% notes), the creditors of those subsidiaries will have a prior claim, ahead of the 6 7/8% notes and the new notes, on the assets of those subsidiaries.

The 6 7/8% notes and guarantees were originally issued in a private placement pursuant to an exemption from the registration requirements of the Securities Act. On August 27, 2004, we completed an offer to exchange the 6 7/8% notes and guarantees for 6 7/8% notes and guarantees registered under the Securities Act having substantially identical terms.

## DESCRIPTION OF THE NEW NOTES

You can find the definitions of certain capitalized terms used in this section under the subheading " Certain Definitions." In this description, "*Penn National*" refers only to Penn National Gaming, Inc. and not to any of its subsidiaries.

Penn National will issue the new notes under the indenture dated March 9, 2005 among itself and Wells Fargo Bank, National Association, as trustee. References to the "notes" include both the new notes and any old notes that remain outstanding following completion of the exchange offer. The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended (the "TIA").

The following description is a summary of the material provisions of the indenture. It does not restate the indenture in its entirety. We urge you to read the indenture because the indenture, and not this description, defines your rights as Holders of the notes. Certain defined terms used in this description but not defined below under the caption " Certain Definitions" have the meanings assigned to them in the indenture.

The registered Holder of a note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the indenture. Any notes that remain outstanding after the Exchange Offer, together with the Exchange Notes issued in connection with the Exchange Offer, will be treated as a single class of securities under the indenture.

### Brief Description of the Notes

#### *The Notes*

The notes:

- are general unsecured obligations of Penn National;
- are subordinated in right of payment to payment in full in cash or Cash Equivalents of all Senior Debt of Penn National;
- are *pari passu* with Penn National's existing $175.0 million of $8^{7}/_{8}$% senior subordinated notes due 2010 and $200.0 million of $6^{7}/_{8}$% senior subordinated notes due 2011; *provided*, *however*, that because these existing notes (but not the new notes) are guaranteed by subsidiaries of Penn National, the holders of the $8^{7}/_{8}$% notes and the $6^{7}/_{8}$% notes will have a prior claim, ahead of the holders of the new notes, on the assets of such subsidiary guarantors; and
- will be senior or *pari passu* in right of payment with any future subordinated Indebtedness of Penn National.

As of March 31, 2005, Penn National (i) had total Senior Debt of approximately $169.7 million (including amounts under outstanding letters of credit), and (ii) would have had, on a pro forma basis total Senior Debt of approximately $2.3 billion (including amounts under outstanding letters of credit). As indicated above and as discussed in detail below under the caption " Subordination," payments on the notes will be subordinated to the payment of Senior Debt. The indenture will permit us and our subsidiaries to incur substantial additional Senior Debt and structurally senior debt.

As of the date of the indenture, all of our Subsidiaries other than the Shreveport Entities will be "Restricted Subsidiaries." However, under the circumstances described below under the caption " Certain Covenants Designation of Restricted and Unrestricted Subsidiaries," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the indenture.

**Principal, Maturity and Interest**

Subject to Penn National's compliance with the covenant described below under the caption "Certain Covenants  Incurrence of Indebtedness and Issuance of Preferred Stock," Penn National may issue notes under the indenture in an unlimited aggregate principal amount, of which $250.0 million is being issued in this offering. Penn National will issue notes in denominations of $1,000 and integral multiples of $1,000. The notes will mature on March 1, 2015. The notes and any Additional Notes will be treated as a single class for all purposes under the indenture.

Interest on the notes will accrue at the rate of 6¾% per annum and will be payable semi-annually in arrears on March 1 and September 1, commencing on March 1, 2005. Penn National will make each interest payment to the Holders of record on the immediately preceding February 15 and August 15.

Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

**Methods of Receiving Payments on the Notes**

If a Holder of at least $1,000,000 in principal amount of the notes has given wire transfer instructions to Penn National, Penn National will pay all principal, interest and premium on that Holder's notes in accordance with those instructions. All other payments on notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless Penn National elects to make interest payments by check mailed to the Holders at their respective addresses set forth in the register of Holders.

**Paying Agent and Registrar for the Notes**

The trustee will initially act as paying agent and registrar. Penn National may change the paying agent or registrar without prior notice to the Holders of the notes, and Penn National or any of its Subsidiaries may act as paying agent or registrar.

**Transfer and Exchange**

A Holder may transfer or exchange notes in accordance with the indenture. The registrar and the trustee may require a Holder to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. Holders will be required to pay all taxes due on transfer. Penn National is not required to transfer or exchange any note selected for redemption. Also, Penn National is not required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed.

**Subordination**

The payment of all Obligations in respect of the notes will be subordinated to the prior payment in full in cash or Cash Equivalents of all Senior Debt of Penn National, including Senior Debt incurred after the date of the indenture.

The holders of Senior Debt will be entitled to receive payment in full of all Obligations due in respect of Senior Debt (including interest after the commencement of any bankruptcy proceeding at the rate specified in the applicable Senior Debt) and all outstanding letters of credit under Credit Facilities shall either have been terminated or cash collateralized in accordance with the terms thereof before the Holders of notes will be entitled to receive any payment on, or distribution with respect to, the notes (except that Holders of notes may receive and retain Permitted Junior Securities and

payments made from the trust described below under the caption " Legal Defeasance and Covenant Defeasance"), in the event of any distribution to creditors of Penn National:

(1) in a liquidation or dissolution of Penn National;

(2) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to Penn National or its property;

(3) in an assignment for the benefit of creditors; or

(4) in any marshaling of Penn National's assets and liabilities.

Penn National also may not make any payment on, or distribution with respect to, the notes (except in Permitted Junior Securities or from the trust described under the caption " Legal Defeasance and Covenant Defeasance") if:

(1) a payment default on Designated Senior Debt occurs and is continuing beyond any applicable grace period; or

(2) any other default occurs and is continuing on any series of Designated Senior Debt that permits holders of that series of Designated Senior Debt to accelerate its maturity and the trustee receives a notice of such default (a "*Payment Blockage Notice*") from the applicable agent under the Senior Credit Facilities, Penn National or any holder of any Designated Senior Debt.

Payments on the notes may and will be resumed:

(1) in the case of a payment default, upon the date on which such default is cured or waived; and

(2) in the case of a nonpayment default, upon the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated.

No new Payment Blockage Notice may be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Payment Blockage Notice.

No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the trustee will be, or be made, the basis for a subsequent Payment Blockage Notice unless such default has been cured or waived for a period of not less than 90 consecutive days.

Notwithstanding the foregoing, Penn National will be permitted to repurchase, redeem, repay or prepay any or all of the notes to the extent required to do so by any Gaming Authority, as described below under the caption " Redemption Gaming Redemption."

If the trustee or any Holder of the notes receives a payment in respect of the notes (except in Permitted Junior Securities or from the trust described below under the caption " Legal Defeasance and Covenant Defeasance") when:

(1) the payment is prohibited by these subordination provisions; and

(2) the trustee or the Holder has actual knowledge that the payment is prohibited, the trustee or the Holder, as the case may be, will hold the payment in trust for the benefit of the holders of Senior Debt and shall immediately deliver the amounts in trust to the holders of Senior Debt or their proper representative in the form received with any necessary or requested endorsement.

Penn National must promptly notify holders of Senior Debt if payment of the notes is accelerated because of an Event of Default.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation or reorganization of Penn National, Holders of notes may recover less ratably than creditors of Penn National who are holders of Senior Debt. See "Risk Factors Risks Related to the Notes Your right to receive payments on the notes is junior to our existing senior indebtedness and possibly all of our future borrowings."

**Redemption**

***Optional Redemption Prior To March 1, 2010***

At any time prior to March 1, 2010, Penn National may redeem the notes for cash at its option, in whole or in part, at any time or from time to time, upon not less than 30 days nor more than 60 days notice to each Holder of notes, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes being redeemed and (2) the sum of the present values of the principal amount of the notes being redeemed and scheduled payments of interest on such notes to March 1, 2010, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, together in either case with accrued and unpaid interest, if any, to the date of redemption.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption period.

"*Comparable Treasury Issue*" means the United States Treasury security selected by a Reference Treasury Dealer appointed by Penn National as having a maturity comparable to the remaining term of the notes (as if the final maturity of the notes was March 1, 2010) that would be utilized at the time of selection and in accordance with customary financial practice in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes (as if the final maturity of the notes was March 1, 2010).

"*Comparable Treasury Price*" means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (2) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (B) if Penn National obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

"*Reference Treasury Dealer Quotation*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by Penn National, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to Penn National by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business date preceding such redemption date.

"*Reference Treasury Dealer*" means any primary U.S. government securities dealer in the City of New York (a "*Primary Treasury Dealer*") selected by Penn National.

***Optional Redemption with Proceeds of Equity Offerings***

At any time prior to March 1, 2008, Penn National may on any one or more occasions redeem up to 35% of the aggregate principal amount of notes issued under the indenture at a redemption price of

106.750% of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings; *provided* that:

(1) at least 65% of the aggregate principal amount of notes issued under the indenture remains outstanding immediately after the occurrence of such redemption (excluding notes held by Penn National and its Subsidiaries); and

(2) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

***Optional Redemption On and After March 1, 2010***

Except as described above, the notes will not be redeemable at Penn National's option prior to March 1, 2010. On and after March 1, 2010, Penn National may redeem all or a part of the notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest on the notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on March 1 of the years indicated below:

| Year | Percentage |
|---|---|
| 2010 | 103.375% |
| 2011 | 102.250% |
| 2012 | 101.125% |
| 2013 and thereafter | 100.000% |

***Gaming Redemption***

In addition to the foregoing, if any Gaming Authority requires that a Holder or Beneficial Owner of notes must be licensed, qualified or found suitable under any applicable Gaming Laws and such Holder or Beneficial Owner:

(1) fails to apply for a license, qualification or a finding of suitability within 30 days (or such shorter period as may be required by the applicable Gaming Authority) after being requested to do so by the Gaming Authority, or

(2) is denied such license or qualification or not found suitable, subject to applicable Gaming Laws Penn National shall have the right, at its option:

(3) to require any such Holder or Beneficial Owner to dispose of its notes within 30 days (or such earlier date as may be required by the applicable Gaming Authority) of receipt of such notice or finding by such Gaming Authority, or

(4) to call for the redemption of the notes of such Holder or Beneficial Owner at a redemption price equal to the least of:

(A) the principal amount thereof, together with accrued interest to the earlier of the date of redemption or the date of the denial of license or qualification or of the finding of unsuitability by such Gaming Authority,

(B) the price at which such Holder or Beneficial Owner acquired the notes, together with accrued interest to the earlier of the date of redemption or the date of the denial of license or qualification or of the finding of unsuitability by such Gaming Authority, or

(C) such other lesser amount as may be required by any Gaming Authority.

Penn National shall notify the trustee in writing of any such redemption as soon as practicable. The Holder or Beneficial Owner applying for license, qualification or a finding of suitability must pay all costs of the licensure or investigation for such qualification or finding of suitability.

***No Mandatory Redemption***

Penn National is not required to make mandatory redemption or sinking fund payments with respect to the notes.

***Selection and Notice***

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption as follows:

(1) if the notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the notes are listed; or

(2) if the notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or by such method as the trustee deems fair and appropriate; *provided* that any redemption pursuant to "Optional Redemption with Proceeds of Equity Offerings" shall be effected on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to DTC procedures) unless such method is otherwise prohibited or is not practicable.

No notes of $1,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of notes to be redeemed at its registered address, except that (a) redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the indenture and (b) redemption notices may be mailed less than 30 or more than 60 days prior to a redemption date if so required by any applicable Gaming Authority in connection with a redemption described above under the caption " Gaming Redemption." Notices of redemption may not be conditional.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the Holder of notes upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes or portions of them called for redemption.

**Repurchase at the Option of Holders**

***Change of Control and Rating Decline***

If a Change of Control Triggering Event occurs, each Holder of notes will have the right to require Penn National to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000) of that Holder's notes pursuant to an offer by Penn National (a "*Change of Control Offer*") on the terms set forth in the indenture. In the Change of Control Offer, Penn National will offer a payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest on the notes repurchased, to the date of purchase (the "*Change of Control Payment*"). Within 30 days following the occurrence of a Change of Control Triggering Event, Penn National will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control Triggering Event, and offering to repurchase notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the indenture and described in such notice. Penn National will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, Penn National will comply with the applicable securities laws and

regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the indenture by virtue of such conflict.

On the Change of Control Payment Date, Penn National will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the notes properly accepted together with an officers' certificate stating the aggregate principal amount of notes or portions of notes being purchased by Penn National.

The paying agent will promptly mail to each Holder of notes properly tendered the Change of Control Payment for such notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; *provided* that each new note will be in a principal amount of $1,000 or an integral multiple of $1,000.

Prior to complying with any of the provisions of this Change of Control covenant, but in any event within 90 days following the occurrence of a Change of Control Triggering Event, Penn National will either repay all outstanding Senior Debt in cash or Cash Equivalents or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of notes required by this covenant. Penn National will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require Penn National to make a Change of Control Offer following the occurrence of a Change of Control Triggering Event will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the indenture does not contain provisions that permit the Holders of the notes to require that Penn National repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

Penn National will not be required to make a Change of Control Offer upon the occurrence of a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by Penn National and purchases all notes properly tendered and not withdrawn under the Change of Control Offer.

The definition of "Change of Control" includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of Penn National and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of notes to require Penn National to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Penn National and its Subsidiaries taken as a whole to another Person or group may be uncertain.

***Asset Sales***

Penn National will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) Penn National (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by Penn National or such Restricted Subsidiary is in the form of (x) cash or Cash Equivalents or (y) Permitted Business Assets; *provided, however*, that for purposes of this clause (2), each of the following will be deemed to be cash:

(a) any liabilities, as shown on Penn National's or such Restricted Subsidiary's most recent balance sheet, of Penn National or such Restricted Subsidiary (other than contingent liabilities and liabilities of Penn National that are by their terms subordinated to the notes) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases Penn National or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by Penn National or such Restricted Subsidiary from such transferee that within 90 days of the consummation of such Asset Sale, subject to ordinary settlement periods, are converted by Penn National or such Restricted Subsidiary into cash or Cash Equivalents, to the extent of the cash or Cash Equivalents received in that conversion.

Within 360 days after the receipt of any Net Proceeds from an Asset Sale, Penn National may apply an amount equal to those Net Proceeds at its option:

(1) to repay Senior Debt or Indebtedness of any Restricted Subsidiary (other than Existing Notes) and, if such Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to improve real property or make capital expenditures;

(3) to invest in or acquire Permitted Business Assets;

(4) to enter into binding commitment to take any of the actions described in foregoing clauses (1), (2) and (3), and take such action within 12 months after the date of such commitment; or

(5) any combination of the foregoing clauses (1) through (4).

Pending the final application of any Net Proceeds, Penn National may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute "*Excess Proceeds*". When the aggregate amount of Excess Proceeds exceeds $25.0 million, Penn National will make either the offers set forth in clause (a) or the offer set forth in clause (b), the choice of offer to be determined by Penn National in its sole discretion:

(a) Penn National will make an offer (an "*Asset Sale Offer*") to all Holders of notes (the "*Note Asset Sale Offer*"), and an offer to all holders of any other Indebtedness that is *pari passu* with the notes (the "*Pari Passu Asset Sale Offer*") containing provisions similar to those set forth in the indenture with respect to offers to purchase or redeem with the proceeds of sales of assets, to purchase, on a *pro rata* basis (with Excess Proceeds pro rated between the Holders of notes and such holders of *pari passu* Indebtedness based upon the respective outstanding aggregate principal amounts (or accreted value, as applicable) on the date the Note Asset Sale Offer and the Pari Passu Asset Sale Offer, respectively, are made), the maximum principal amount of the notes and the maximum principal amount (or accreted value, as applicable) of such other *pari passu* Indebtedness that may be purchased out of the respective *pro rata* amounts of Excess Proceeds. To the extent that the aggregate principal amount of notes or the aggregate principal amount (or accreted value, if applicable) of such *pari passu* Indebtedness tendered into the Note Asset Sale Offer and the Pari Passu Asset Sale

Offer, respectively, is less than the principal amount of notes or the principal amount (or accreted value, if applicable) of such *pari passu* Indebtedness offered to be purchased in the Note Asset Sale Offer or the Pari Passu Asset Sale Offer, respectively, Penn National and its Restricted Subsidiaries may use those remaining Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of notes or the aggregate principal amount (or accreted value, if applicable) of such *pari passu* Indebtedness tendered into the Note Asset Sale Offer or the Pari Passu Asset Sale Offer, respectively, exceeds the respective *pro rata* amounts of Excess Proceeds, the applicable trustee will select such notes or such other *pari passu* Indebtedness, as the case may be, to be purchased on a *pro rata* basis.

(b) Penn National will make an Asset Sale Offer to all Holders of notes and all holders of other Indebtedness that is *pari passu* with the notes containing provisions similar to those set forth in the indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. If any Excess Proceeds remain after consummation of such Asset Sale Offer, Penn National may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the applicable trustee will select the notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis.

The offer price in any Asset Sale Offer will be equal to 100% of principal amount plus accrued and unpaid interest to the date of purchase (the "*Asset Sale Payment Date*"), and will be payable in cash. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

If any non-cash consideration received by Penn National or any of its Restricted Subsidiaries, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then such conversion or disposition, at the time of such conversion or disposition, shall be subject to the provisions of this covenant (subject to the proviso of the definition of "Asset Sale").

Penn National will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the indenture, Penn National will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the indenture by virtue of such conflict.

The agreements governing Penn National's outstanding Senior Debt currently prohibit Penn National from purchasing any notes with Asset Sale proceeds, and also provide that certain change of control or asset sale events with respect to Penn National would constitute a default under these agreements. Any future credit agreements or other agreements relating to Senior Debt to which Penn National becomes a party may contain similar restrictions and provisions. In the event a Change of Control Triggering Event or an Asset Sale occurs at a time when Penn National is prohibited from purchasing notes, Penn National could seek the consent of its senior lenders to the purchase of notes or could attempt to refinance the borrowings that contain such prohibition. If Penn National does not obtain such a consent or repay such borrowings, Penn National will remain prohibited from purchasing notes. In such case, Penn National's failure to purchase tendered notes would constitute an Event of Default under the indenture which would, in turn, constitute a default under such Senior Debt. In such circumstances, the subordination provisions in the indenture would likely restrict payments to the Holders of notes.

**Certain Covenants**

Set forth below are summaries of certain covenants contained in the indenture. During any period of time (a "*Suspension Period*") that: (i) the notes have Investment Grade Ratings from both Rating Agencies and (ii) no Default or Event of Default has occurred and is continuing under the indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "*Covenant Suspension Event*," Penn National and its Subsidiaries will not be subject to the following provisions of the indenture, and during a Suspension Period, the Board of Directors of Penn National may not designate any of its Subsidiaries as Unrestricted Subsidiaries unless the Board of Directors of Penn National could have designated such Subsidiaries as Unrestricted Subsidiaries in compliance with the Indenture assuming the covenants set forth below had not been suspended:

(a) " Certain Covenants Restricted Payments;"

(b) " Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock;"

(c) " Certain Covenants Dividend and Other Payment Restrictions Affecting Subsidiaries;"

(d) clause (4) of the first paragraph of " Certain Covenants Merger, Consolidation or Sale of Assets;"

(e) " Certain Covenants Transactions with Affiliates;"

(f) " Certain Covenants Business Activities;" and

(g) " Repurchase at the Option of Holders Asset Sales;"

(collectively, the "*Suspended Covenants*"). Upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds shall be set at zero.

In the event that Penn National and its Restricted Subsidiaries are not subject to the Suspended Covenants with respect to the notes for any period of time as a result of the preceding paragraph and, subsequently, at least one of the two designated Rating Agencies withdraws its rating or downgrades the rating assigned to the notes below the required Investment Grade Rating (such date of withdrawal or downgrade, the "*Reinstatement Date*"), then Penn National and its Restricted Subsidiaries will after the Reinstatement Date again be subject to the Suspended Covenants with respect to future events for the benefit of the notes.

On the Reinstatement Date, all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be subject to the covenant described below under the caption " Incurrence of Indebtedness and Issuance of Preferred Stock." To the extent such Indebtedness, Disqualified Stock or preferred stock would not be so permitted to be incurred or issued pursuan