

**PENN NATIONAL GAMING, INC.
BOARD OF DIRECTORS
COMPENSATION COMMITTEE CHARTER**

ORGANIZATION

Membership

The Compensation Committee of the Board of Directors (the "Board") of Penn National Gaming, Inc. (the "Company") shall consist of three or more independent directors, each of whom shall satisfy applicable independence rules under the Nasdaq Stock Market ("Nasdaq") and any other regulatory requirements. Membership on the Compensation Committee is determined and approved annually by the Board. The Compensation Committee Chairman shall be appointed by the Board. Should any member of the Compensation Committee cease to be independent, such member shall immediately resign his or her membership on the Compensation Committee.

The Compensation Committee shall meet as frequently as necessary but in no event less than twice each year. A majority of the members of the Compensation Committee shall constitute a quorum for the transaction of business. Minutes are recorded by the Secretary of the Compensation Committee meeting. Approval by a majority of the members present at a meeting at which a quorum is present shall constitute approval by the Compensation Committee. The Compensation Committee may also act in any manner the Board is authorized to act, including by unanimous written consent without a meeting.

COMPENSATION PHILOSOPHY

The Company intends to maintain an executive compensation program that will help it attract and retain the executive talent needed to grow and further the strategic interests of the business. To this end the Company provides a compensation and benefits program that will be sufficiently attractive to provide talented executives with good reason for remaining with the Company and continuing in their efforts to improve shareholder value. The Company's program will be designed to motivate and reward executives to achieve and exceed targeted results. Pay received by the executives will be commensurate with the performance of the Company, the business unit they are part of, and their own individual contribution.

RESPONSIBILITIES

The Compensation Committee shall:

1. review and approve, in light of the overall compensation philosophy set forth in this Charter, any annual incentive compensation plan for the Chief Executive Officer and the individuals considered executive officers of the Company for Securities and Exchange Commission (the "SEC") reporting purposes ("SEC Officers"), including the review and approval of any performance criteria, goals and objectives provided for in any such plan;
2. evaluate the annual performance of the Chief Executive Officer (in executive session) and the SEC Officers and set the annual salary, bonus, stock options and other benefits of the Chief Executive Officer (in executive session) and the SEC Officers;
3. review and recommend to the Board new executive compensation programs; review annually the operation of the Company's executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose(s); review annually executive peer group compensation information of comparable companies; establish and periodically review policies for the administration of executive compensation programs; and take steps to ensure that the Company's executive compensation programs comport with the Company's compensation philosophy stated above, including whether compensation arrangements for Company executives incentivizes unnecessary and excessive risk taking;

4. periodically review policies in the area of senior management executive benefits and perquisites;
5. assess succession planning for management and leadership of the Company;
6. review and approve management recommendations on option grants or blocks of options to be distributed to the general employee population;
7. administer and interpret the company's long term incentive and equity compensation plans;
8. review and recommend to the Board the appropriate structure and amount of compensation for the directors;
9. produce a compensation committee report required by the rules of the SEC for inclusion in the Company's annual proxy statement; review and discuss with management the compensation discussion and analysis (the "CD&A") and, based on such review and discussions, recommend to the Board that the CD&A be included in the Company's relevant filing with the SEC;
10. have the authority to obtain advice and assistance, as needed, from internal or external compensation consultants, legal, accounting, and other advisors as it may deem appropriate, in its sole discretion, and shall have sole authority to approve such advisors' fees and other retention terms;
11. have the authority to delegate any of its responsibilities to subcommittees as the Compensation Committee may deem appropriate, in its sole discretion; and
12. review other information and recommend other actions as they deem appropriate.

Compensation responsibilities for employees of the Company who are not SEC Officers that are not specifically addressed above may be determined by the Chief Executive Officer, the President and their designees.

REPORTING RESPONSIBILITY

All action taken by the Compensation Committee shall be reported to the Board at the next Board meeting following such action. In addition, compensation matters may be discussed in executive session with the full Board during the course of the year.