

**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 (i) satisfy applicable independence rules under the Nasdaq Stock Market ("Nasdaq"), (ii) qualify as "outside" directors within the meaning of Internal Revenue Code Section 162(m), (iii) qualify as "non-employee" directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (iv) satisfy 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. 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. Minutes shall be recorded by the Secretary of the Compensation Committee 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 is competitive with that of its peers and rewards the skills and experience of its executive team. The Company's program will be designed to motivate and reward executives to achieve and exceed targeted results and improve shareholder value. Compensation 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 (the "CEO") and the other individuals considered executive officers of the Company for Securities and Exchange Commission (the "SEC") reporting purposes (the "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 CEO (in executive session, during which the CEO shall not be present), including his or her performance under previously established performance criteria, goals and objectives, and recommend to the Board for approval the annual salary, bonus, equity award and other benefits of the CEO (in executive session, during which the CEO shall not be present) based on this evaluation;
3. evaluate the annual performance of the SEC Officers, including the performance of the SEC Officers under previously established performance criteria, goals and objectives, and set the annual salary, bonus, equity award and other benefits of the SEC Officers based on this evaluation;

4. review and recommend to the Board for approval the following as they affect the CEO: (a) any employment agreements and separation arrangements; (b) any change in control agreements and severance protection plans and change in control provisions affecting any elements of compensation and benefits; and (c) any special or supplemental compensation and benefits for the CEO and individuals who formerly served as CEO, including supplemental retirement benefits and the perquisites provided to them during and after employment;
5. review and approve the following as they affect the SEC Officers: (a) any employment agreements and separation arrangements; (b) any change in control agreements and severance protection plans and change in control provisions affecting any elements of compensation and benefits; and (c) any special or supplemental compensation and benefits for the SEC Officers and individuals who formerly served as SEC Officers, including supplemental retirement benefits and the perquisites provided to them during and after employment;
6. 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;
7. periodically review policies in the area of senior management benefits and perquisites;
8. assess succession planning for management and leadership of the Company;
9. review and approve management recommendations on option grants or blocks of options to be distributed to the general employee population;
10. administer and interpret the Company's long term incentive and equity compensation plans;
11. review and recommend to the Board the appropriate structure and amount of compensation for the directors;
12. 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;
13. review and recommend to the Board for approval the frequency with which the Company will conduct a shareholder advisory vote on executive compensation required by Section 14A of the Exchange Act (the "Say on Pay Vote"), and review and approve proposals regarding the Say on Pay Vote and the frequency of the Say on Pay Vote to be included in the Company's proxy statement;
14. have the authority to obtain advice and assistance, as needed, from internal or external compensation consultants, legal counsel, accounting advisors, and other advisors (each, an "advisor") as it may deem appropriate, in its sole discretion, and shall be directly responsible for the appointment, compensation and oversight of the work of any advisor retained by the Compensation Committee;
15. prior to the initial retention of any external advisor to the Compensation Committee, and annually thereafter (other than advisors whose role is limited to activities for which no disclosure would be required under Item 407(e)(3)(iii) of Regulation S-K), consider the independence of such advisor, which consideration shall include the factors set forth in any applicable rules and regulations of the SEC and Nasdaq, namely:
 - a. the provision of other services to the Company by the person that employs the compensation advisor;

- b. the amount of fees received from the Company (as a percentage of the total revenue) by the person who employs the compensation advisor;
 - c. policies and procedures of the person who employs the compensation advisor that are designed to prevent conflicts;
 - d. any business or personal relationship of the compensation advisor with a member of the compensation committee;
 - e. any stock of the Company owned by the compensation advisor; and
 - f. any business or personal relationships between the executive officers of the Company and the compensation advisor or person employing the advisor.
16. have the authority to delegate any of its responsibilities to subcommittees as the Compensation Committee may deem appropriate, in its sole discretion;
 17. review and reassess the adequacy of the Compensation Committee's charter annually;
 18. review and approve the creation or revision of any clawback and hedging policies allowing the Company to recoup compensation paid to employees;
 19. formulate and administer the Company's stock ownership guidelines;
 20. review other information and recommend other actions as it deems appropriate.

Compensation for employees of the Company who are not the CEO or SEC Officers that are not specifically addressed above may be determined by the CEO, the President, if any, and their respective 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.