

02-22-1999

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To the Honorable Commissioner of Patent

100969971

red original documents or copy thereof.

## 1. Name of conveying party(ies):

Penn National Gaming, Inc.

- ☐ Individual(s) ☐ Association  
☐ General Partnership ☐ Limited Partnership  
☒ Corporation-State PA  
☐ Other

Additional name(s) of conveying party(ies) attached? ☐ Yes ☐ No

## 3. Nature of conveyance:

- ☐ Assignment ☐ Merger  
☒ Security Agreement ☐ Change of Name  
☐ Other

Execution Date: January 28, 1999

## 2. Name and address of receiving party(ies)

Name: First Union National Bank

Internal Address:

Street Address: 1339 Chestnut Street

City: Phila. State: PA ZIP: 19107

- ☐ Individual(s) citizenship  
☒ Association  
☐ General Partnership  
☐ Limited Partnership  
☐ Corporation-State  
☐ Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: ☐ Yes ☐ No

(Designations must be a separate document from assignment)

Additional name(s) & address(es) attached? ☐ Yes ☒ No

## 4. Application number(s) or patent number(s):

A. Trademark Application No.(s)

See Rider A attached

B. Trademark Registration No.(s)

See Rider A attached

Additional numbers attached? ☐ Yes ☒ No

## 5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Kathryn A. Donohue

Internal Address: Pepper Hamilton LLP

3000 Two Logan Square

18th and Arch Streets

Street Address:

City: Phila. State: PA ZIP: 19103

## 6. Total number of applications and registrations involved: 5

7. Total fee (37 CFR 3.41).....\$ 140.00

- ☐ Enclosed  
☒ Authorized to be charged to deposit account

## 8. Deposit account number:

16-1322

(Attach duplicate copy of this page if paying by deposit account)

02/19/1999 DC0ATES 00000129 161322 75456912

DO NOT USE THIS SPACE

01 FC:481 40.00 CH

02 FC:482 100.00 CH

## 9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Kathryn A. Donohue

Name of Person Signing

Signature

Date

Total number of pages including cover sheet, attachments, and document: 66

AMENDED AND RESTATED

SECURITY AGREEMENT

among

PENN NATIONAL GAMING, INC.,

CERTAIN OF ITS SUBSIDIARIES

and

FIRST UNION NATIONAL BANK,  
as Agent

January 28, 1999

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**AMENDED AND RESTATED**  
**SECURITY AGREEMENT**

**THIS AMENDED AND RESTATED SECURITY AGREEMENT** (this "Agreement") is made this 28th day of January, 1999 by each of the undersigned assignors (each an "Assignor" and, together with any other entity that becomes an assignor hereunder pursuant to Section 10. 13 hereof, the "Assignors") in favor of: (i) First Union National Bank, as Agent (the "Agent"), for the benefit of the Secured Creditors (as defined below) and (ii) First Union National Bank in its individual capacity ("First Union," First Union and the Agent are herein collectively known as "First Union/Agent"). Except as otherwise defined herein, capitalized terms used herein and defined in the Credit Agreement (as defined below) shall be used herein as so defined.

**WITNESSETH:**

**WHEREAS**, Penn National Gaming, Inc. (the "Borrower"), the lenders from time to time party thereto (the "Banks"), and First Union National Bank, as Agent (together with any successor agent, the "Agent"), have entered into a Second Amended and Restated Credit Agreement, dated of even date herewith, providing for: (i) the making of Revolving Loans and the issuance of, and participation in, Letters of Credit by Banks and (ii) the making of a Term Loan by First Union, in each case as contemplated therein (as amended, modified or supplemented from time to time, the "Credit Agreement") (the Banks and the Agent are herein called the "Bank Creditors");

**WHEREAS**, the Borrower and one or more of its Subsidiaries may at any time and from time to time enter into one or more Interest Rate Protection Agreements or Other Hedging Agreements with one or more Banks or any affiliate thereof (each such Bank or affiliate, even if the respective Bank subsequently ceases to be a Bank under the Credit Agreement for any reason, together with such Bank's or affiliate's successors and assigns, if any, collectively, the "Other Creditors," and together with the Bank Creditors, are herein called the "Secured Creditors");

**WHEREAS**, Borrower, each Subsidiary Guarantor (other than Tennessee Downs, Inc., The Downs Racing, Inc., and Wilkes Barre Downs, Inc., each of which were incorporated after November 27, 1996) and Penn National Gaming of Indiana, Inc., The Plains Company, Pocono Downs, Inc., Audio Video Concepts, Inc., The Downs Off-Track Wagering, Inc., Lehigh Off-Track Wagering, L.P. and Peach Street Limited Partnership (each of which were dissolved or merged out of existence effective on or before December 31, 1997, were parties to the Security Agreement dated November 27, 1996 in favor of Bankers Trust Company, as Collateral Agent, as amended by the Assumption and Acknowledgment Agreement dated December 17, 1997 by Borrower and each of the subsidiaries of Borrower signatory thereto in favor of Bankers Trust Company, as Agent ("Bankers Trust") (the "Original Security Agreement");

**WHEREAS**, pursuant to the Subsidiaries Guaranty each Subsidiary Guarantor has jointly and severally guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

**WHEREAS**, it is a condition precedent to the making of Loans and the issuance of Letters of Credit under the Credit Agreement that each Assignor shall have executed and delivered to First Union/Agent this Agreement;

**WHEREAS**, each Assignor will obtain benefits from the incurrence of Loans and the issuance of Letters of Credit under the Credit Agreement and the entering into of Interest Rate Protection Agreements or other Hedging Agreements and, accordingly, each Assignor desires to enter into this Agreement in order to satisfy the condition described in the preceding paragraph;

**NOW, THEREFORE**, in consideration of the benefits accruing to each Assignor, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, each Assignor hereby makes the following representations and warranties to: (i) the Agent for the benefit of the Secured Creditors and/or (ii) First Union, as applicable, and hereby covenants and agrees with: (i) the Agent for the benefit of the Secured Creditors and/or (ii) First Union, as applicable, as follows:

## **ARTICLE I**

### **SECURITY INTERESTS**

#### **1.1. Grant of Security Interests.**

(a) As security for the prompt and complete payment and performance when due of all of its Revolving Loans Obligations, each Assignor does hereby assign and transfer unto the Agent, and does hereby pledge and grant to the Agent for the benefit of the Secured Creditors, a continuing security interest of first priority in, all of the right, title and interest of such Assignor in, to and under all of the following, whether now existing or hereafter from time to time acquired: (i) each and every Receivable, (ii) all Contracts, together with all Contract Rights arising thereunder, (iii) all Inventory, (iv) all Equipment, (v) all Marks, together with the registrations and right to all renewals thereof, and the goodwill of the business of such Assignor symbolized by the Marks, (vi) all Patents and Copyrights, (vii) all computer programs of such Assignor and all intellectual property rights therein and all other proprietary information of such Assignor, including, but not limited to, Trade Secrets Rights, (viii) all other Goods, General Intangibles, Investment Property, Permits, Chattel Paper, Documents and Instruments, (ix) the Cash Collateral Account and all monies, securities, instruments and other investments deposited or required to be deposited in such Cash Collateral Account, and (x) all Proceeds and products of any and all of the foregoing (all of the above, collectively, the "Revolving Loans

Collateral"); **provided, however,** that the Revolving Loans Collateral shall not include the Term Loan Collateral.

(b) As security for the prompt and complete payment and performance when due of all of its Term Loan Obligations, the Borrower does hereby assign and transfer unto First Union, and does hereby pledge and grant to First Union, a continuing security interest of first priority in, all of the right, title and interest of such Assignor in, to and under: (i) those Charles Town Video Lottery Terminals now existing and owned by Borrower on the date of this Agreement (and substitutions or replacements thereof but not additions thereto acquired by Borrower after the date of this Agreement), together with all products, Proceeds, attachments, components, parts, equipment and accessories installed thereon or affixed thereto, including without limitation the central system for such Charles Town Video Lottery Terminals, located at West Virginia Lottery Commission headquarters and (ii) any and all leases of the Charles Town Video Lottery Terminals together with any extensions, renewals, amendments, modifications or replacements thereof, and all rents, income, receipts, revenue, issues and profits arising under any such lease, and all awards and payments of any kind derived from or relating to any such lease including, without limitation: (a) claims for the recovery of damages to the Charles Town Video Lottery Terminals by proceeds of any policy of insurance or otherwise, or for the abatement of any nuisance existing thereon; (b) claims for damages resulting from acts of insolvency or bankruptcy or otherwise; (c) lump sum payments for the cancellation or termination of any such lease, the waiver of any term thereof, or the exercise of any right of first refusal or option to purchase; and (d) the return of any insurance premiums or ad valorem tax payments made in advance and subsequently refunded; and the proceeds of any rental or loss of rents insurance carried by Assignor on the Charles Town Video Lottery Terminals; and all security deposits and escrow accounts made by any lessee under any such lease (the "Term Loan Collateral," and together with the Revolving Loans Collateral, the "Collateral").

(c) The security interest of the Agent under this Agreement extends to all Collateral of the kind which is the subject of this Agreement which any Assignor may acquire at any time during the term of this Agreement.

(d) Bankers Trust, as evidenced by its signature below, hereby assigns (without recourse and without any representation or warranty) to First Union/Agent its security interest in all of the Collateral (as defined in the Original Security Agreement) assigned and transferred, pledged and granted to it by Assignor pursuant to the Original Security Agreement.

1.2. **Power of Attorney.** Each Assignor hereby constitutes and appoints First Union/Agent its true and lawful attorney, irrevocably, with full power after the occurrence of and during the continuance of a Default or Event of Default (in the name of such Assignor or otherwise) to act, require, demand, receive, compound and give acquittance for any and all moneys and claims for moneys due or to become due to such Assignor under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which First Union/Agent may

deem to be necessary or advisable to protect the interests of the Secured Creditors, which appointment as attorney is coupled with an interest.

1.3. Amendment and Restatement. This Agreement amends and restates, replaces and supersedes the Original Security Agreement; provided, however, that the execution and delivery of this Agreement shall not in any circumstance be deemed to have terminated, extinguished, or discharged the Obligations under the Original Security Agreement, all of which Obligations shall continue under and be governed by this Agreement. This Agreement IS NOT A NOVATION.

## ARTICLE II

### GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Assignor represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Agreement, as follows:

2.1. Necessary Filings. All filings, registrations and recordings necessary or appropriate to create, preserve and perfect the security interest granted by such Assignor First Union/Agent hereby in respect of the Collateral have been accomplished and the security interest granted to First Union/Agent pursuant to this Agreement in and to the Collateral creates a perfected security interest therein prior to the rights of all other Persons therein and subject to no other Liens (other than Permitted Liens) and is entitled to all the rights, priorities and benefits afforded by the Uniform Commercial Code or other relevant law as enacted in any relevant jurisdiction to perfected security interests, in each case to the extent that the Collateral consists of the type of property in which a security interest may be perfected by filing a financing statement under the Uniform Commercial Code as enacted in any relevant jurisdiction or in the United States Patent and Trademark Office or in the United States Copyright Office.

2.2. No Liens. Such Assignor is, and as to Collateral acquired by it from time to time after the date hereof, such Assignor will be, the owner of all Collateral free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than Permitted Liens), and such Assignor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to First Union/Agent.

2.3. Other Financing Statements. As of the date hereof, there is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering or purporting to cover any interest of any kind in the Collateral (other than financing statements filed in respect of Permitted Liens), and so long as the Final Maturity Date has not occurred, such Assignor will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except financing statements filed or to be

filed in respect of and covering the security interests granted hereby by such Assignor or in connection with Permitted Liens.

**2.4. Chief Executive Office, Records.** The chief executive office of such Assignor is located at the address indicated on Annex A hereto for such Assignor. Such Assignor will not move its chief executive office except to such new location as such Assignor may establish in accordance with the last sentence of this Section 2.4. The originals of all documents evidencing all Receivables and Contract Rights of such Assignor and the only original books of account and records of such Assignor relating thereto are, and will continue to be, kept at such chief executive office, at one or more of the other locations set forth on Annex A hereto or at such new locations as such Assignor may establish in accordance with the last sentence of this Section 2.4. All Receivables and Contract Rights of such Assignor are, and will continue to be, maintained at, and controlled and directed (including, without limitation, for general accounting purposes) from, the office locations described above or such new location as may be established in accordance with the last sentence of this Section 2.4. No Assignor shall establish new locations for such offices until (i) it shall have given to First Union/Agent not less than 15 days' prior written notice of its intention to do so, clearly describing such new location, and providing such other information in connection therewith as First Union/Agent may reasonably request, (ii) with respect to such new location, it shall have taken all action, reasonably satisfactory to First Union/Agent, to maintain the security interest of First Union/Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect and (iii) at the request of First Union/Agent, it shall have furnished an opinion of counsel reasonably acceptable to First Union/Agent to the effect that all financing or continuation statements and amendments or supplements thereto have been filed in the appropriate filing office or offices, and all other actions have been taken, in order to perfect (and maintain the perfection of) the security interest granted hereby in respect of the types of Collateral referred to in Section 1.1 hereof.

**2.5. Location of Inventory and Equipment.** All Inventory and Equipment held on the date hereof by each Assignor is located at one of the locations shown on Annex B hereto for such Assignor. Each Assignor agrees that all Inventory and Equipment now held or subsequently acquired by it shall be kept at (or shall be in transport to) any one of the locations shown on Annex B hereto, or such new location as such Assignor may establish in accordance with the last sentence of this Section 2.5. Any Assignor may establish a new location for Inventory and Equipment only if (i) it shall have given to the Agent not less than 15 days' prior written notice of its intention so to do, clearly describing such new location and providing such other information in connection therewith as the Agent may request, (ii) with respect to such new location, it shall have taken all action reasonably satisfactory to the Agent to maintain the security interest of the Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect and (iii) at the request of the Agent, it shall have furnished an opinion of counsel reasonably acceptable to the Agent to the effect that all financing or continuation statements and amendments or supplements thereto have been filed in the appropriate filing office or offices, and all other actions have been taken, in order to perfect (and

maintain the perfection of) the security interest granted hereby in respect of the types of Collateral referred to in Section 1.1 hereof.

2.6. **Recourse.** This Agreement is made with full recourse to each Assignor (including, without limitation, with full recourse to all assets of such Assignor) and pursuant to and upon all the warranties, representations, covenants and agreements on the part of such Assignor contained herein, in the other Credit Documents and otherwise in writing in connection herewith or therewith.

2.7. **Trade Names: Change of Name.** No Assignor has or operates in any jurisdiction under, or in the preceding 12 months has had or has operated in any jurisdiction under, any trade names, fictitious names or other names except its legal name and such other trade or fictitious names as are listed on Annex C hereto for such Assignor. No Assignor shall change its legal name or assume or operate in any jurisdiction under any trade, fictitious or other name except those names listed on Annex C hereto for such Assignor and new names established in accordance with the last sentence of this Section 2.7. No Assignor shall assume or operate in any jurisdiction under any new trade, fictitious or other name until (i) it shall have given to the Agent not less than 15 days' prior written notice of its intention so to do, clearly describing such new name and the jurisdictions in which such new name shall be used and providing such other information in connection therewith as the Agent may reasonably request, (ii) with respect to such new name, it shall have taken all action reasonably requested by the Agent to maintain the security interest of the Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect and (iii) at the request of the Agent, it shall have furnished an opinion of counsel reasonably acceptable to the Agent to the effect that all financing or continuation statements and amendments or supplements thereto have been filed in the appropriate filing office or offices, and all other actions have been taken, in order to perfect (and maintain the perfection of) the security interest granted hereby in respect of the types of Collateral referred to in Section 1.1 hereof.

### ARTICLE III

#### SPECIAL PROVISIONS CONCERNING RECEIVABLES; CONTRACT RIGHTS; INSTRUMENTS; CHATTEL PAPER

3.1. **Additional Representations and Warranties.** As of the time when each of its Receivables arises, each Assignor shall be deemed to have represented and warranted that such Receivable, and all records, papers and documents relating thereto (if any) are what they purport to be, and such Receivable will evidence true and valid obligations of the account debtor named therein.

3.2. Maintenance of Records. Each Assignor will keep and maintain at its own cost and expense accurate records of its Receivables and Contracts, including, but not limited to, originals of all documentation (including each Contract) with respect thereto, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith, and such Assignor will make the same available on such Assignor's premises to First Union/Agent for inspection, at such Assignor's own cost and expense, at any and all reasonable times upon prior notice to such Assignor. Upon the occurrence and during the continuance of an Event of Default and at the request of First Union/Agent, such Assignor shall, at its own cost and expense, deliver all tangible evidence of its Receivables and Contract Rights (including, without limitation, all documents evidencing the Receivables and all Contracts) and such books and records to First Union/Agent or to its representatives (copies of which evidence and books and records may be retained by such Assignor). Upon the occurrence and during the continuance of an Event of Default and if First Union/Agent so directs, such Assignor shall legend, in form and manner satisfactory to First Union/Agent, the Receivables and the Contracts, as well as books, records and documents (if any) of such Assignor evidencing or pertaining to such Receivables and Contracts with an appropriate reference to the fact that such Receivables and Contracts have been assigned to First Union/Agent and that First Union/Agent has a security interest therein.

3.3. Direction to Account Debtors; Contracting Parties; etc. Upon the occurrence and during the continuance of a Default or Event of Default, and if First Union/Agent so directs any Assignor, such Assignor agrees (x) to cause all payments on account of the Receivables and Contracts to be made directly to the Cash Collateral Account, (y) that First Union/Agent may, at its option, directly notify the obligors with respect to any Receivables and/or under any Contracts to make payments with respect thereto as provided in the preceding clause (x) and (z) that First Union/Agent may enforce collection of any such Receivables and Contracts and may adjust, settle or compromise the amount of payment thereof, in the same manner and to the same extent as such Assignor. Without notice to or assent by any Assignor, First Union/Agent may apply any or all amounts then in, or thereafter deposited in, the Cash Collateral Account which application shall be effected in the manner provided in Section 7.4 of this Agreement; provided, however, that at such time as no Default or Event of Default shall be continuing, all funds in the Cash Collateral Account shall be disbursed to the respective Assignor. The costs and expenses (including reasonable attorneys' fees) of collection, whether incurred by an Assignor or First Union/Agent, shall be borne by the relevant Assignor. First Union/Agent shall deliver a copy of each notice referred to in the preceding clause (y) to the relevant Assignor, provided, that the failure by First Union/Agent to so notify such Assignor shall not affect the effectiveness of such notice or the other rights of First Union/Agent created by this Section 3.3.

3.4. Modification of Terms, etc. Except in accordance with such Assignor's ordinary course of business and consistent with sound business judgment, no Assignor shall rescind or cancel any indebtedness evidenced by any Receivable or under any Contract, or modify any term thereof or make any adjustment with respect thereto, or extend or renew the same, or compromise or settle any material dispute, claim, suit or legal proceeding relating thereto, or sell any Receivable or Contract, or interest therein, without the prior written consent of First Union/Agent. Each Assignor will duly fulfill all obligations on its part to be fulfilled under or in connection with the Receivables and Contracts and will do nothing to impair the rights of First Union/Agent in the Receivables or Contracts.

3.5. Collection. Each Assignor shall endeavor in accordance with reasonable business practices to cause to be collected from the account debtor named in each of its Receivables or obligor under any Contract, as and when due (including, without limitation, amounts which are delinquent, such amounts to be collected in accordance with generally accepted lawful collection procedures) any and all amounts owing under or on account of such Receivable or Contract, and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Receivable or under such Contract, except that, prior to the occurrence of a Default or an Event of Default, any Assignor may allow in the ordinary course of business as adjustments to amounts owing under its Receivables and Contracts (i) an extension or renewal of the time or times of payment, or settlement for less than the total unpaid balance, which such Assignor finds appropriate in accordance with reasonable business judgment and (ii) a refund or credit due as a result of returned or damaged merchandise or improperly performed services or for other reasons which such Assignor finds appropriate in accordance with reasonable business judgment. The reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) of collection, whether incurred by an Assignor or First Union/Agent, shall be borne by the relevant Assignor.

3.6. Instruments.

(a) If any Assignor owns or acquires any Instrument constituting Collateral, such Assignor will within 10 Business Days notify First Union/Agent thereof and promptly deliver such Instrument to First Union/Agent appropriately endorsed to the order of First Union/Agent as further security hereunder.

(b) Each Assignor, as applicable, hereby pledges and assigns to Agent, for the benefit of the Secured Creditors, all its right, title and interest in, to and under those promissory notes described on Schedule 1 attached hereto for which such Assignor is a payee and which were previously pledged to Bankers Trust under the Original Security Agreement (the "Original Assigned Notes") together with the proceeds thereof and all the benefits and advantages to be derived therefrom relating to the Original Assigned Notes, including notes which refinance, amend, consolidate or restate any Original Assigned Note and any collateral security granted to secure any Original Assigned Note, as Revolving Loans Collateral. Bankers Trust, as evidenced by its signature below, hereby assigns (without recourse and without any

representation or warranty) its security interest in the Original Assigned Notes and consents to the Assignors' pledge and assignment of the Original Assigned Notes to Agent.

(c) Each Assignor, as applicable, hereby pledges and assigns to Agent, for the benefit of Secured Creditors, all its right, title and interest in, to and under those promissory notes described on Schedule 2 attached hereto for which such Assignor is a payee (the "New Assigned Notes") together with the proceeds thereof and all benefits and advantages to be derived therefrom relating to the New Assigned Notes, including notes which refinance, amend, consolidate or restate any New Assigned Note and any collateral security granted to secure any New Assigned Note, as Revolving Loans Collateral.

(d) Each Assignor, as applicable, hereby pledges and assigns to Agent, for the benefit of the Secured Creditors, all its right, title and interest in, to and under the promissory note dated of even date herewith in favor of Borrower from FR Park Racing, L.P. in the original principal amount of \$11,250,000, issued pursuant to the terms of the Transaction (the "Transaction Note," and collectively with the Original Assigned Notes and New Assigned Notes the "Assigned Notes") and the proceeds thereof and all the benefits and advantages to be derived therefrom relating to the Transaction Note, including any note(s) which refinance, amend, consolidate or restate the Transaction Note and any collateral security granted to secure the Transaction Note, including without limitation the Mortgage and Security Agreement from FR Park Racing, L.P. in favor of Borrower dated of even date herewith and recorded at \_\_\_\_\_, as Revolving Loans Collateral.

(e) Each Assignor represents and warrants that: (a) the Assigned Notes are in full force and effect; and (b) such Assignor has good title to the Assigned Notes free and clear of all liens and encumbrances, has the power and right to assign the Assigned Notes, and no other person, firm or corporation other than Agent for the benefit of Secured Creditors has any right, title or interest in Assignor's rights under the Assigned Notes or its interests therein.

(f) Each Assignor shall promptly notify Agent in writing of any events materially and adversely affecting the validity and enforceability of any Assigned Notes or any other Instrument constituting Collateral. No Assignor shall agree to any assignment of its interest in or agree to forgiveness or modification of any Assigned Note or any other Instrument constituting Collateral without first obtaining the prior written approval of Agent.

3.7. Assignors Remain Liable Under Receivables. Anything herein to the contrary notwithstanding, the Assignors shall remain liable under each of the Receivables to observe and perform all of the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to such Receivables. Neither First Union/Agent nor any other Secured Creditor shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by First Union/Agent or any other Secured Creditor of any payment relating to such Receivable pursuant hereto, nor shall First Union/Agent or any other Secured

Creditor be obligated in any manner to perform any of the obligations of any Assignor under or pursuant to any Receivable (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by them or as to the sufficiency of any performance by any party under any Receivable (or any agreement giving rise thereto), to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to them or to which they may be entitled at any time or times.

3.8. Assignors Remain Liable Under Contracts. Anything herein to the contrary notwithstanding, the Assignors shall remain liable under each of the Contracts to observe and perform all of the conditions and obligations to be observed and performed by them thereunder, all in accordance with and pursuant to the terms and provisions of each Contract. Neither First Union/Agent nor any other Secured Creditor shall have any obligation or liability under any Contract by reason of or arising out of this Agreement or the receipt by First Union/Agent or any other Secured Creditor of any payment relating to such contract pursuant hereto, nor shall First Union/Agent or any other Secured Creditor be obligated in any manner to perform any of the obligations of any Assignor under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any performance by any party under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to them or to which they may be entitled at any time or times.

3.9. Further Actions. Each Assignor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to First Union/Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, certificates, reports and other assurances or instruments and take such further steps relating to its Receivables, Contracts, Instruments and other property or rights covered by the security interest hereby granted, as First Union/Agent may reasonably require.

#### ARTICLE IV

#### SPECIAL PROVISIONS CONCERNING TRADEMARKS

4.1. Additional Representations and Warranties. Each Assignor represents and warrants that it is the true and lawful owner of or otherwise has the right to use the Marks listed in Annex D hereto for such Assignor and that said listed Marks include all material marks and applications for marks registered in the United States Patent and Trademark Office that such Assignor owns or uses in connection with its business as of the date hereof. Each Assignor represents and warrants that it owns, is licensed to use or otherwise has the right to use all material Marks that it uses. Each Assignor further warrants that it has no knowledge of any third party claim that any material aspect of such Assignor's present or contemplated business operations infringes or will infringe any trademark, service mark or trade name. Each Assignor

represents and warrants that it is the true and lawful owner of or otherwise has the right to use all U.S. trademark registrations and applications listed in Annex D hereto and that said registrations are valid, subsisting, have not been canceled and that such Assignor is not aware of any third-party claim that any of said registrations are invalid or unenforceable, or is not aware that there is any reason that any of said registrations are invalid or unenforceable, or is not aware that there is any reason that any of said material applications will not pass to registration. Each Assignor hereby grants to the Agent an absolute power of attorney to sign, upon the occurrence and during the continuance of a Default or an Event of Default, any document which may be required by the United States Patent and Trademark Office or any office or agency of the United States or any State thereof or any foreign country in order to effect an absolute assignment of all right, title and interest in each Mark, and record the same.

4.2. Licenses and Assignments. Except as otherwise permitted by the Credit Documents, each Assignor hereby agrees not to divest itself of, abandon, forfeit or dedicate to the public any right under any Mark absent prior written approval of the Agent.

4.3. Infringements. Each Assignor agrees to use reasonable best efforts to detect infringements of the Marks and, promptly upon learning thereof, to notify the Agent in writing of the name and address of, and to furnish such pertinent information that may be available with respect to, any party who such Assignor believes is infringing or diluting or otherwise violating in any material respect any of such Assignor's rights in and to any material Mark, or with respect to any party claiming that such Assignor's use of any material Mark violates in any material respect any property right of that party. Each Assignor further agrees, unless otherwise agreed by the Agent, to prosecute any Person infringing any Mark in accordance with reasonable business practices.

4.4. Preservation of Marks. Each Assignor agrees to use its Marks in interstate commerce during the time in which this Agreement is in effect and to take all such other actions as are necessary to preserve, protect, defend and maintain the validity of such Marks as trademarks or service marks under the laws of the United States, including, without limitation, applying for registration of material unregistered Marks as such are created, adopted and used and shall diligently prosecute such applications.

4.5. Maintenance of Registration. Each Assignor shall, at its own expense, diligently process all documents required to maintain trademark registrations, including but not limited to affidavits of use and applications for renewals of registration in the United States Patent and Trademark Office for all of its registered Marks, and shall pay all fees and disbursements in connection therewith and shall not abandon any such filing of affidavit of use or any such application of renewal prior to the exhaustion of all administrative and judicial remedies without prior written consent of the Agent.

4.6. **Future Registered Marks.** If any Mark registration is issued hereafter to any Assignor as a result of any application now or hereafter pending before the United States Patent and Trademark Office, within 30 days of receipt of such certificate, such Assignor shall deliver to the Agent a copy of such certificate, and an assignment for security interest in such Mark, to the Agent and at the expense of such Assignor, confirming the assignment of a security interest in such Mark to the Agent hereunder, the form of such security interest to be substantially the same as the form hereof or in such other form as may be reasonably satisfactory to the Agent.

4.7. **Remedies.** If a Default or an Event of Default shall occur and be continuing, the Agent may, by written notice to the relevant Assignor, take any or all of the following actions: (i) declare the entire right, title and interest of such Assignor in and to each of the Marks, together with all trademark rights and rights of protection to the same and the goodwill of the business symbolized by such Marks, vested in the Agent for the benefit of the Secured Creditors, in which event such rights, title and interest shall immediately vest in the Agent for the benefit of the Secured Creditors, and the Agent shall be entitled to exercise the power of attorney referred to in Section 4.1 hereof to execute, cause to be acknowledged and notarized and record said absolute assignment with the applicable agency; (ii) take and use or sell the Marks and the goodwill of such Assignor's business symbolized by the Marks and the right to carry on the business and use the assets of such Assignor in connection with which the Marks have been used; and (iii) direct such Assignor to refrain, in which event such Assignor shall refrain, from using the Marks in any manner whatsoever, directly or indirectly, and such Assignor shall execute such further documents that the Agent may reasonably request to further confirm this and to transfer ownership of the Marks and registrations and any pending trademark applications therefor to the Agent.

## ARTICLE V

### SPECIAL PROVISIONS CONCERNING PATENTS, COPYRIGHTS AND TRADE SECRETS

5.1. **Additional Representations and Warranties.** Each Assignor represents and warrants that it is the true and lawful owner of all rights in (i) all trade secrets and proprietary information necessary to operate the business of the Assignor (the "Trade Secret Rights"), (ii) the Patents listed in Annex E hereto for such Assignor and that said Patents include all the material patents and applications for patents that such Assignor owns as of the date hereof and (iii) the Copyrights listed in Annex F hereto for such Assignor and that said Copyrights constitute all the material copyrights registered with the United States Copyright Office and applications to register copyrights that such Assignor owns as of the date hereof. Each Assignor further warrants that it has no knowledge of any third party claim that any material aspect of such Assignor's present or contemplated business operations infringes or will infringe any patent or copyright or such Assignor has misappropriated any trade secret or proprietary information.

Each Assignor either owns or otherwise has the right to use all material Patents and Copyrights used in the business of such Assignor. Each Assignor hereby grants to the Agent an absolute power of attorney to sign, upon the occurrence and during the continuance of any Default or Event of Default, any document which may be required by the United States Patent and Trademark Office, the United States Copyright Office or any office or agency of the United States or any foreign country in order to effect an absolute assignment of all right, title and interest in each Patent, Copyright and Trade Secret Right and to record the same.

5.2. Licenses and Assignments. Except as otherwise permitted by the Credit Documents, each Assignor hereby agrees not to divest itself of, abandon, forfeit or dedicate to the public any right under any Patent or Copyright or Trade Secret Right now owned or acquired after the date hereof absent prior written approval of the Agent.

5.3. Infringements. Each Assignor agrees to use reasonable efforts to detect infringements or misappropriation of the Patents, Copyrights and Trade Secret Rights and, promptly upon learning thereof, to furnish the Agent in writing with all pertinent information available to such Assignor with respect to any infringement, contributing infringement or active inducement to infringe in any material Patent or material Copyright or to any claim that the practice of any material Patent or use of any material Copyright violates any property right of a third party, or with respect to any misappropriation of any Trade Secret Right or any claim that practice of any Trade Secret Right violates any property right of a third party. Each Assignor further agrees, absent direction of the Agent to the contrary, diligently to prosecute any Person infringing any Patent or Copyright or any Person misappropriating any Trade Secret Right in accordance with such Assignor's reasonable business judgment.

5.4. Maintenance of Patents or Copyright. At its own expense, each Assignor shall make timely payment of all post-issuance fees required pursuant to 35 U.S.C. § 41 to maintain in force its rights under each Patent or Copyright, absent prior written consent of the Agent.

5.5. Prosecution of Patent Applications. At its own expense, each Assignor shall diligently prosecute all applications for (i) Patents listed in Annex E hereto and (ii) Copyrights listed on Annex F hereto, in each case for such Assignor and shall not abandon any such application prior to exhaustion of all administrative and judicial remedies, absent written consent of the Agent. Each Assignor shall apply for registration of material unregistered Copyrights and patentable inventions as such are created or invented and shall diligently prosecute such applications.

5.6. Other Patents and Copyrights. Within 30 days of the acquisition or issuance of a Patent, registration of a Copyright, or acquisition of a registered copyright, or of filing of an application for a Patent or Copyright, the relevant Assignor shall deliver to the Agent a copy of said Copyright or certificate or registration of, or application therefor, said patents, as the case may be, with an assignment for security as to such Patent or Copyright, as the case may be, to the Agent and at the expense of such Assignor, confirming the assignment of a security interest, the form of such assignment for security to be substantially the same as the form hereof or in such other form as may be reasonably satisfactory to the Agent.

5.7. Remedies. If a Default or an Event of Default shall occur and be continuing, the Agent may by written notice to the relevant Assignor, take any or all of the following actions: (i) declare the entire right, title, and interest of such Assignor in each of the Patents and Copyrights vested in the Agent for the benefit of the Secured Creditors, in which event such right, title, and interest shall immediately vest in the Agent for the benefit of the Secured Creditors, in which case the Agent shall be entitled to exercise the power of attorney referred to in Section 5.1 hereof to execute, cause to be acknowledged and notarized and to record said absolute assignment with the applicable agency; (ii) take and practice or sell the Patents and Copyrights; and (iii) direct such Assignor to refrain, in which event such Assignor shall refrain, from practicing the Patents and using the Copyrights directly or indirectly, and such Assignor shall execute such further documents as the Agent may reasonably request further to confirm this and to transfer ownership of the Patents and Copyrights to the Agent for the benefit of the Secured Creditors.

## ARTICLE VI

### PROVISIONS CONCERNING ALL COLLATERAL

6.1. Protection of First Union/Agent's Security. No Assignor will do anything to impair the rights of First Union/Agent in the Collateral. Each Assignor will at all times keep its Inventory and Equipment (including without limitation the Term Loan Collateral) insured in favor of First Union/Agent, at such Assignor's own expense to the extent and in the manner provided in the Credit Agreement. Except to the extent otherwise permitted to be retained by such Assignor or applied by such Assignor pursuant to the terms of the Credit Agreement, First Union/Agent shall, at the time any proceeds of such insurance are distributed to First Union or the Secured Creditors, apply such proceeds in accordance with Section 7.4 hereof. Each Assignor assumes all liability and responsibility in connection with the Collateral acquired by it and the liability of such Assignor to pay any of the Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, destroyed, stolen, damaged or for any reason whatsoever unavailable to such Assignor.

6.2. Warehouse Receipts Non-negotiable. Each Assignor agrees that if any warehouse receipt or receipt in the nature of a warehouse receipt is issued with respect to any of its Inventory, such Assignor shall request that such warehouse receipt or receipt in the nature thereof shall not be "negotiable" (as such term is used in Section 7-104 of the Uniform Commercial Code as in effect in any relevant jurisdiction or under other relevant law).

6.3. Further Actions. Each Assignor will, at its own expense and upon the request of First Union/Agent, make, execute, endorse, acknowledge, file and/or deliver to the First Union/Agent from time to time such lists, descriptions and designations of its Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which First Union/Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral.

6.4. Financing Statements. Each Assignor agrees to execute and deliver to First Union/Agent such financing statements, in form reasonably acceptable to First Union/Agent, as First Union/Agent may from time to time reasonably request or as are necessary or desirable in the opinion of First Union/Agent to establish and maintain a valid, enforceable, first priority perfected security interest in the Collateral as provided herein and the other rights and security contemplated hereby all in accordance with the UCC as enacted in any and all relevant jurisdictions or any other relevant law. Each Assignor will pay any applicable filing fees, recordation taxes and related expenses relating to its Collateral. Each Assignor hereby authorizes First Union/Agent to file any such financing statements without the signature of such Assignor where permitted by law.

## ARTICLE VII

### REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

7.1. Remedies: Obtaining the Collateral Upon Default. Each Assignor agrees that, if any Default or Event of Default shall have occurred and be continuing, then and in every such case, First Union/Agent, in addition to any rights now or hereafter existing under applicable law, shall have all rights as a secured creditor under any UCC, and such additional rights and remedies to which a secured creditor is entitled under the laws in effect, in all relevant jurisdictions and may:

(i) personally, or by agents or attorneys, immediately take possession of the applicable Collateral or any part thereof, from such Assignor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon such Assignor's premises where any of the applicable Collateral

is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of such Assignor;

(ii) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Receivables and the Contracts) constituting the applicable Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to First Union/Agent and may exercise any and all remedies of such Assignor in respect of such Collateral;

(iii) withdraw all monies, securities and instruments in the Cash Collateral Account for application to the Obligations in accordance with Section 7.4 hereof;

(iv) sell, assign or otherwise liquidate any or all of the applicable Collateral or any part thereof in accordance with Section 7.2 hereof, or direct the relevant Assignor to sell, assign or otherwise liquidate any or all of the applicable Collateral or any part thereof, and, in each case, take possession of the proceeds of any such sale or liquidation;

(v) take possession of the applicable Collateral or any part thereof, by directing the relevant Assignor in writing to deliver the same to First Union/Agent at any place or places designated by First Union/Agent, in which event such Assignor shall at its own expense;

(x) forthwith cause the same to be moved to the place or places so designated by First Union/Agent and there delivered to First Union/Agent;

(y) store and keep any of the applicable Collateral so delivered to First Union/Agent at such place or places pending further action by First Union/Agent as provided in Section 7.2 hereof; and

(z) while the applicable Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain them in good condition; and

(vi) license or sublicense, whether on an exclusive or nonexclusive basis, any Marks, Patents or Copyrights included in the applicable Collateral for such term and on such conditions and in such manner as the Agent shall in its sole judgment determine;

it being understood that each Assignor's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, First Union/Agent shall be entitled to a decree requiring specific performance by such Assignor of said obligation. By accepting the benefits of this Agreement, the Secured Creditors agree that

this Agreement may be enforced only by the action of First Union/Agent acting upon the instructions of the Required Secured Creditors and that no other Secured Creditor shall have any right individually to seek to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by First Union/Agent for the benefit of the Secured Creditors upon the terms of this Agreement and the Credit Agreement.

7.2. Quiet Enjoyment. Assignor shall be entitled to the quiet and peaceful enjoyment of the Revolving Loans Collateral and the Term Loan Collateral provided there shall be no Event of Default under the Credit Agreement and this Amended and Restated Security Agreement.

7.3. Remedies; Disposition of the Collateral. Any Collateral repossessed by First Union/Agent, as applicable, under or pursuant to Section 7.1 hereof and any other Collateral whether or not so repossessed by First Union/Agent, as applicable, may be sold, assigned, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as First Union/Agent may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any of the Collateral may be sold, leased or otherwise disposed of in the condition in which the same existed when taken by First Union/Agent or after any overhaul or repair at the expense of the relevant Assignor which First Union/Agent shall determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than 10 days' prior written notice to the relevant Assignor specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for the 10 days after the giving of such notice, to the right of the relevant Assignor or any nominee of such Assignor to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than 10 days' prior written notice to the relevant Assignor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at First Union/Agent's option, be subject to reserve), after publication of notice of such auction (where required by applicable law) not less than 10 days prior thereto. First Union/Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned. To the extent permitted by any such requirement of law, First Union/Agent may bid for and become the purchaser of the Collateral or any item thereof, offered for sale in accordance with this Section without accountability to the relevant Assignor. If, under mandatory requirements of applicable law, First Union/Agent shall be required to make disposition of the Collateral within a period of time which does not permit the giving of notice to the relevant Assignor as hereinabove specified, First Union/Agent need give such Assignor only such notice of disposition as shall be reasonably practicable in view of such

mandatory requirements of applicable law. Each Assignor agrees to do or cause to be done all such other acts and things as may be reasonably necessary to make such sale or sales of all or any portion of the Collateral valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at such Assignor's expense.

7.4. Waiver of Claims. Except as otherwise provided in this Agreement, **EACH ASSIGNOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH FIRST UNION/AGENT'S TAKING POSSESSION OR FIRST UNION/ AGENT'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND) HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES,** and each Assignor hereby further waives, to the extent permitted by law:

(i) all damages occasioned by such taking of possession, except any damages which are the direct result of First Union/Agent's gross negligence or willful misconduct;

(ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of First Union/Agent's rights hereunder; and

(iii) all rights of redemption, appraisalment, valuation, stay, extension or moratorium now or hereafter in force under any applicable law, in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and each Assignor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the relevant Assignor therein and thereto, and shall be a perpetual bar both at law and in equity against such Assignor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under such Assignor.

7.5. Application of Proceeds.

(a) All moneys collected by First Union/Agent (or, to the extent the Pledge Agreement, any Mortgage or any other Security Document require proceeds of collateral under such Security Document to be applied in accordance with the provisions of this Agreement, the Pledgee or Mortgagee under such other Security Document) upon any sale or

other disposition of the Collateral, together with all other moneys received by First Union/Agent hereunder, shall be applied as follows.

(i) first, as applicable: (i) to the payment of all amounts owing the Agent of the type described in clauses (iii) and (iv) of the definition of "Revolving Loans Obligations" or (ii) to the payment of all amounts owing to First Union of the type described in clauses (iii) and (iv) of the definition of "Term Loan Obligations";

(ii) second, to the extent proceeds remain after the application pursuant to the preceding clause (i), an amount equal to the outstanding Primary Obligations shall be paid to the Secured Creditors as provided in Section 7.4(e) hereof, with each Secured Creditor receiving an amount equal to such outstanding Primary Obligations or, if the proceeds are insufficient to pay in full all such Primary Obligations, its Pro Rata Share of the amount remaining to be distributed;

(iii) third, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii), an amount equal to the outstanding Secondary Obligations shall be paid to the Secured Creditors as provided in Section 7.4(e) hereof, with each Secured Creditor receiving an amount equal to its outstanding Secondary Obligations or, if the proceeds are insufficient to pay in full all such Secondary Obligations, its Pro Rata Share of the amount remaining to be distributed; and

(iv) fourth, to the extent proceeds remain after the application pursuant to the preceding clauses (i) through (iii), inclusive, and following the termination of this Agreement pursuant to Section 10.8(a) hereof, to the relevant Assignor or to whomever may be lawfully entitled to receive such surplus.

(b) For purposes of this Agreement: (x) "Pro Rata Share" shall mean, when calculating a Secured Creditor's portion of any distribution or amount, that amount (expressed as a percentage) equal to a fraction, the numerator of which is the then unpaid amount of such Secured Creditor's Primary Obligations or Secondary Obligations, as the case may be, and the denominator of which is the then outstanding amount of all Primary Obligations or Secondary Obligations, as the case may be; (y) "Primary Obligations" shall mean (i) in the case of the Credit Document Obligations, either: (I) all principal of, and interest on, all Revolving Loans, all Unpaid Drawings and all related Fees or (II) all principal of, and interest on, the Term Loan and all related Fees, and (ii) in the case of the Other Obligations that are secured by this Agreement or any other Security Document, all amounts due under such Interest Rate Protection Agreements or Other Hedging Agreements (other than indemnities, fees (including, without limitation, attorneys' fees) and similar obligations and liabilities) and (z) "Secondary Obligations" shall mean all Obligations other than Primary Obligations.

(c) When payments to Secured Creditors are based upon their respective Pro Rata Shares, the amounts received by such Secured Creditors hereunder shall be

applied (for purposes of making determinations under this Section 7.4 only) (i) first, to their Primary Obligations and (ii) second, to their Secondary Obligations. If any payment to any Secured Creditor of its Pro Rata Share on any distribution would result in overpayment to such Secured Creditor, such excess amount shall instead be distributed in respect of the unpaid Primary Obligations or Secondary Obligations, as the case may be, of the other Secured Creditors, with each Secured Creditor whose Primary Obligations or Secondary Obligations, as the case may be, have not been paid in full to receive an amount equal to such excess amount multiplied by a fraction the numerator of which is the unpaid Primary Obligations or Secondary Obligations, as the case may be, of such Secured Creditor and the denominator of which is the unpaid Primary Obligations or Secondary Obligations, as the case may be, of all Secured Creditors entitled to such distribution.

(d) Each of the Secured Creditors, by their acceptance of the benefits hereof, agrees and acknowledges that if the Bank Creditors are to receive a distribution on account of undrawn amounts with respect to Letters of Credit issued under the Credit Agreement (which shall only occur after all outstanding Loans and Unpaid Drawings with respect to such Letters of Credit have been paid in full), such amounts shall be paid to the Agent under the Credit Agreement and held by it, for the equal and ratable benefit of the Bank Creditors, as cash security for the repayment of Revolving Loans Obligations owing to the Bank Creditors as such. If any amounts are held as cash security pursuant to the immediately preceding sentence, then upon the termination of all outstanding Letters of Credit, and after the application of all such cash security to the repayment of all Revolving Loans Obligations owing to the Bank Creditors after giving effect to the termination of all such Letters of Credit, if there remains any excess cash, such excess cash shall be returned by the Agent to the Agent for distribution in accordance with Section 7.4(a) hereof.

(e) All payments required to be made hereunder shall be made (x) if to the Bank Creditors, to the Agent under the Credit Agreement for the account of the Bank Creditors; (y) if to the Other Creditors, to the trustee, paying agent or other similar representative (each a "Representative") for the Other Creditors or, in the absence of such a Representative, directly to the Other Creditors and (z) if to First Union individually, to First Union.

(f) For purposes of applying payments received in accordance with this Section 7.4, First Union/Agent shall be entitled to rely upon (i) as applicable, the Agent or First Union and (ii) the Representative for the Other Creditors or, in the absence of such a Representative, upon the Other Creditors for a determination (which First Union/Agent, each Representative for any Other Creditors and the Secured Creditors (as applicable) agree (or shall agree) to provide upon request of First Union/Agent) of the outstanding Primary Obligations and Secondary Obligations owed to the Bank Creditors or the Other Creditors, as the case may be. Unless it has actual knowledge (including by way of written notice from a Bank Creditor or an Other Creditor) to the contrary, First Union/Agent and each Representative, in furnishing information pursuant to the preceding sentence, and First Union/Agent, in acting hereunder, shall be entitled to assume that no Secondary Obligations are outstanding. Unless it has actual

knowledge (including by way of written notice from an Other Creditor) to the contrary, First Union/Agent, in acting hereunder, shall be entitled to assume that no Interest Rate Protection Agreements or Other Hedging Agreements are in existence.

(g) It is understood that the Assignors shall remain jointly and severally liable to the extent of any deficiency between the amount of the proceeds of the applicable Collateral and the aggregate amount of the applicable Obligations.

7.6. Remedies Cumulative. Each and every right, power and remedy hereby specifically given to First Union/Agent shall be in addition to every other right, power and remedy specifically given under this Agreement, the other Secured Debt Agreements or now or hereafter existing at law, in equity or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by First Union/Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of First Union/Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or an acquiescence therein. No notice to or demand on any Assignor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of First Union/Agent to any other or further action in any circumstances without notice or demand. In the event that First Union/Agent shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit First Union/Agent may recover reasonable expenses, including reasonable attorneys' fees, and the amounts thereof shall be included in such judgment.

7.7. Discontinuance of Proceedings. In case First Union/Agent shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to First Union/Agent, then and in every such case the relevant Assignor, First Union/Agent and each holder of any of the Obligations, as applicable, shall be restored to their former positions and rights hereunder with respect to the respective Collateral subject to the security interests created under this Agreement, and all rights, remedies and powers of First Union/Agent shall continue as if no such proceeding had been instituted.

## ARTICLE VIII

### INDEMNITY

#### 8.1. Indemnity.

(a) Each Assignor jointly and severally agrees: (i) to indemnify, reimburse and hold the Agent, each other Secured Creditor and their respective successors, permitted assigns, employees, agents and servants (each individually a "Revolving Loans Indemnitee," and collectively "Revolving Loans Indemnitees") harmless from any and all liabilities, obligations, damages, injuries, penalties, claims, demands, actions, suits, judgments and any and all costs, expenses or disbursements (including reasonable attorneys' fees and expenses) (for the purposes of this Section 8.1 the foregoing are collectively called "expenses") of whatsoever kind and nature imposed on, asserted against or incurred by any Revolving Loans Indemnitees in any way relating to or arising out of, in connection with the Revolving Loans (but not the Term Loan) and this Agreement, any other Secured Debt Agreement or any other document executed in connection herewith or therewith or in any other way connected with the administration of the Revolving Loans and transactions contemplated hereby or thereby or the enforcement of any of the terms of, or the preservation of any rights under any thereof, or in any way relating to or arising out of the manufacture, ownership, ordering, purchase, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition, or use of the Revolving Loans Collateral (including, without limitation, latent or other defects, whether or not discoverable), the violation of the laws of any country, state or other governmental body or unit, any tort (including, without limitation, claims arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of any Person (including any Revolving Loans Indemnitee), or property damage), or contract claim; provided that no Indemnitee shall be indemnified pursuant to this Section 8.1(a) for losses, damages or liabilities to the extent caused by the gross negligence or willful misconduct of such Revolving Loans Indemnitee.

(b) Each Assignor jointly and severally agrees: (i) to indemnify, reimburse and hold First Union and its successors, permitted assigns, employees, agents and servants (each individually a "Term Loan Indemnitee," and collectively "Term Loan Indemnitees," and together with the Revolving Loans Indemnitee(s), the "Indemnitee(s)") harmless from any and all expenses (as defined in Section 8.1 (a) and including without limitation all liabilities, obligations, damages, injuries, penalties, claims, demands, actions, suits, judgments and any and all costs, expenses or disbursements (including reasonable attorneys' fees and expenses) of whatsoever kind and nature imposed on, asserted against or incurred by any Term Loan Indemnitees in any way relating to or arising out of, in connection with the Term Loan (but not the Revolving Loans) and this Agreement, any other Secured Debt Agreement or any other document executed in connection herewith or therewith or in any other way connected with the administration of the Term Loan and transactions contemplated hereby or thereby or the enforcement of any of the terms of, or the preservation of any rights under any thereof, or in any

way relating to or arising out of the manufacture, ownership, ordering, purchase, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition, or use of the Term Loan Collateral (including, without limitation, latent or other defects, whether or not discoverable), the violation of the laws of any country, state or other governmental body or unit, any tort (including, without limitation, claims arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of any Person (including any Term Loan Indemnitee), or property damage), or contract claim; provided that no Indemnitee shall be indemnified pursuant to this Section 8.1(b) for losses, damages or liabilities to the extent caused by the gross negligence or willful misconduct of such Term Loan Indemnitee.

(c) Each Assignor agrees that upon written notice by any Indemnitee of the assertion of such a liability, obligation, damage, injury, penalty, claim, demand, action, suit or judgment, the relevant Assignor shall assume full responsibility for the defense thereof. Each Indemnitee agrees to use its best efforts to promptly notify the relevant Assignor of any such assertion of which such Indemnitee has knowledge.

(d) Without limiting the application of Section 8.1(a- c) hereof, each Assignor agrees, jointly and severally, to pay, or reimburse First Union/Agent for any and all reasonable fees, costs and expenses of whatever kind or nature incurred in connection with the creation, preservation or protection of First Union/Agent's Liens on, and security interest in, the Collateral, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes or Liens upon or in respect of the Collateral, premiums for insurance with respect to the Collateral and all other fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and First Union/Agent's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

(e) Without limiting the application of Section 8.1(a) or (b) hereof, each Assignor agrees, jointly and severally, to pay, indemnify and hold each Indemnitee harmless from and against any loss, costs, damages and expenses which such Indemnitee may suffer, expend or incur in consequence of or growing out of any misrepresentation by any Assignor in this Agreement, any Interest Rate Protection Agreement or Other Hedging Agreement, any other Credit Document or in any writing contemplated by or made or delivered pursuant to or in connection with this Agreement, any Interest Rate Protection Agreement or Other Hedging Agreement or any other Credit Document.

(f) If and to the extent that the obligations of any Assignor under this Section 8.1 are unenforceable for any reason, such Assignor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

8.2. Indemnity Obligations Secured by Collateral Survival. Any amounts paid by any Indemnitor as to which such Indemnitor has the right to reimbursement shall constitute Obligations secured by the respective Collateral. The indemnity obligations of each Assignor contained in this Article VIII shall continue in full force and effect notwithstanding the full payment of all of the other Obligations and notwithstanding the full payment of all the Notes issued under the Credit Agreement, the termination of all Interest Rate Protection Agreements or Other Hedging Agreements and the payment of all other Obligations and notwithstanding the discharge thereof.

## ARTICLE IX

### DEFINITIONS

The following terms shall have the meanings herein specified. Such definitions shall be equally applicable to the singular and plural forms of the terms defined.

“Agent” shall have the meaning provided in the recitals of this Agreement.

“Agreement” shall mean this Security Agreement as the same may be modified, supplemented or amended from time to time in accordance with its terms.

“Assignor” shall have the meaning provided in the first paragraph of this Agreement.

“Bank Creditors” shall have the meaning provided in the recitals of this Agreement.

“Banks” shall have the meaning provided in the recitals of this Agreement.

“Borrower” shall have the meaning provided in the recitals of this Agreement.

“Cash Collateral Account” shall mean a cash collateral account maintained with, and in the sole dominion and control of : (i) the Agent for the benefit of the Secured Creditors or (ii) First Union, as applicable.

“Chattel Paper” shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Pennsylvania.

“Class” shall have the meaning provided in Section 10.2 of this Agreement.

“Collateral” shall have the meaning provided in Section 1.1(b) of this Agreement.

**"Agent"** shall have the meaning provided in the first paragraph of this Agreement.

**"Contract Rights"** shall mean all rights of any Assignor under each Contract, including, without limitation, (i) any and all rights to receive and demand payments under any or all Contracts, (ii) any and all rights to receive and compel performance under any or all Contracts and (iii) any and all other rights, interests and claims now existing or in the future arising in connection with any or all Contracts.

**"Contracts"** shall mean all contracts between any Assignor and one or more additional parties (including, without limitation, any Interest Rate Protection Agreements or Other Hedging Agreements), but excluding any contract to the extent that the terms thereof prohibit (after giving effect to any approvals or waivers) the assignment of, or granting a security interest in, such contract (it being understood and agreed, however, that notwithstanding the foregoing, all rights to payment for money due or to become due pursuant to any such excluded contract shall be subject to the security interests created by this Agreement).

**"Copyrights"** shall mean any copyright owned by any Assignor, whether statutory or common law, registered or unregistered, now or hereafter in force throughout the world, including any registrations thereof as well as any applications for registration thereof now or hereafter made by any Assignor, and the right to sue for past, present and future infringements of any thereof, all rights corresponding thereto throughout the world, all extensions and renewals of any thereof and all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages and proceeds of suit.

**"Credit Agreement"** shall have the meaning provided in the recitals of this Agreement.

**"Credit Document Obligations"** shall mean, collectively, Credit Document Revolving Obligations and Credit Documents Term Obligations.

**"Default"** shall mean any event which, with notice or lapse of time, or both, would constitute an Event of Default.

**"Documents"** shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Pennsylvania.

**"Equipment"** shall mean any "equipment," as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Pennsylvania, now or hereafter owned by any Assignor and, in any event, shall include, but shall not be limited to, all machinery, equipment, furnishings, movable trade fixtures and vehicles now or hereafter owned by any Assignor and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

**"Event of Default"** shall mean any Event of Default under, and as defined in, the Credit Agreement and shall in any event, without limitation, include any payment default on any of the Other Obligations (to the extent secured hereby) after the expiration of any applicable grace period.

**"General Intangibles"** shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Pennsylvania and shall in any event include all of any Assignor's claims, rights, powers, privileges, authority, options, security interests, liens and remedies under any partnership agreement to which such Assignor is a party or with respect to any partnership of which such Assignor is a partner.

**"Goods"** shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Pennsylvania.

**"Indemnitee"** shall have the meaning provided in Section 8.1 of this Agreement.

**"Instrument"** shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Pennsylvania.

**"Inventory"** shall mean merchandise, inventory and goods, and all additions, substitutions and replacements thereof, wherever located, together with all goods, supplies, incidentals, packaging materials, labels, materials and any other items used or usable in manufacturing, processing, packaging or shipping same, in all stages of production -- from raw materials through work-in-process to finished goods -- and all products and proceeds of whatever sort and wherever located and any portion thereof which may be returned, rejected, reclaimed or repossessed by the Agent from any Assignor's customers, and shall specifically include all "inventory" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Pennsylvania, now or hereafter owned by any Assignor, provided that the term inventory shall not include any liquor located in any jurisdiction to the extent that the laws of such jurisdiction prohibit the creation of a security interest in liquor.

**"Investment Property"** shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Pennsylvania.

**"Liens"** shall mean any security interest, mortgage, pledge, lien, claim, charge, encumbrance, title retention agreement, lessor's interest in a financing lease or analogous instrument, in, of, or on any Assignor's property.

**"Marks"** shall mean all right, title and interest in and to any United States trademarks, service marks and trade names now held or hereafter acquired by any Assignor, including any registration of any trademarks and service marks in the United States Patent and Trademark Office or any office or agency of the United States, or any State thereof or any foreign

country and any trade dress including logos and/or designs used by any Assignor in the United States or any foreign country.

"Obligations" shall mean, collectively, the Revolving Loans Obligations and Term Loan Obligations.

"Other Creditors" shall have the meaning provided in the recitals of this Agreement.

"Other Obligations" shall mean, collectively, Other Revolving Obligations and Other Term Obligations.

"Patents" shall mean any patent to which any Assignor now or hereafter has title and any reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations thereof, as well as any application for a patent now or hereafter made by any Assignor.

"Permits" shall mean, to the extent permitted to be assigned by the terms thereof or by applicable law, all licenses, permits, rights, orders, variances, franchises or authorizations of or from any governmental authority or agency in connection with the maintenance or operation of any thoroughbred or harness race tracks, off-track wagering facilities, video lottery terminals or telephone account betting networks.

"Primary Obligations" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Pro Rata Share" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Proceeds" shall have the meaning provided in the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania on the date hereof or under other relevant law and, in any event, shall include, but not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to First Union/Agent or any Assignor from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to any Assignor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any applicable part of the Collateral by any governmental authority (or any person acting under color of governmental authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral, as applicable.

"Receivables" shall mean any "account" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Pennsylvania, now or hereafter owned by any Assignor and, in any event, shall include, but shall not be limited to, all

of such Assignor's rights to payment for goods sold or leased or services performed by such Assignor, whether now in existence or arising from time to time hereafter, including, without limitation, rights evidenced by an account, note, contract, security agreement, chattel paper, or other evidence of indebtedness or security, together with (a) all security pledged, assigned, hypothecated or granted to or held by such Assignor to secure the foregoing, (b) all of any Assignor's right, title and interest in and to any goods, the sale of which gave rise thereto, (c) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, (d) all powers of attorney for the execution of any evidence of indebtedness or security or other writing in connection therewith, (e) all books, records, ledger cards, and invoices relating thereto, (f) all evidences of the filing of financing statements and other statements and the registration of other instruments in connection therewith and amendments thereto, notices to other creditors or secured parties, and certificates from filing or other registration officers, (g) all credit information, reports and memoranda relating thereto and (h) all other writings related in any way to the foregoing.

"Representative shall have the meaning provided in Section 7.4(e) of this Agreement.

"Required Secured Creditors" shall mean (i) as applicable: (a) First Union or (b) the Required Banks (or, to the extent required by Section 12.13 of the Credit Agreement, each of the Banks) under the Credit Agreement so long as any Credit Document Obligations remain outstanding and (ii) in any situation not covered by preceding clause (i), the holders of a majority of the outstanding principal amount of the Other Obligations that are secured by this Agreement.

"Requisite Creditors" shall have the meaning provided in Section 10.2 of this Agreement.

"Revolving Loans Collateral" shall have the meaning provided in Section 1.1(a) of this Agreement.

"Revolving Loans Obligations" shall mean (i) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and indebtedness (including, without limitation, indemnities, Fees and interest thereon) of each Assignor to the Bank Creditors, whether now existing or hereafter incurred under, arising out of, or in connection with the Revolving Loans under the Credit Agreement and the other Credit Documents to which such Assignor is a party (including, in the case of the Subsidiary Guarantors, all such obligations and indebtedness of such Subsidiary Guarantors under the Subsidiaries Guaranty) and the due performance and compliance by such Assignor with all of the terms, conditions and agreements contained in the Credit Agreement and such other Credit Documents in connection with the Revolving Loans (all such obligations and liabilities under this clause (i) except to the extent consisting of obligations or indebtedness with respect to Interest Rate Protection Agreements or Other Hedging Agreements, being herein collectively called the "Credit Document Revolving Obligations"); (ii) the full and prompt payment when due

(whether at the stated maturity, by acceleration or otherwise) of all obligations and liabilities owing by such Assignor to the Other Creditors under, or with respect to (including by reason of the Subsidiaries Guaranty), any Interest Rate Protection Agreement or Other Hedging Agreement, whether such Interest Rate Protection Agreement or Other Hedging Agreement is now in existence or hereafter arising, and the due performance and compliance by such Assignor with all of the terms, conditions and agreements contained therein (all such obligations and liabilities described in this clause (ii) being herein collectively called the "Other Revolving Obligations"); (iii) any and all sums advanced by the Assignee in order to preserve the Revolving Loans Collateral or preserve its security interest in the Revolving Loans Collateral; (iv) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of such Assignor referred to in clauses (i) and (ii) above, after an Event of Default shall have occurred and be continuing, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Revolving Loans Collateral, or of any exercise by the Assignee of its rights hereunder, together with reasonable attorneys' fees and court costs; and (v) all amounts paid by any Revolving Loans Indemnitee as to which such Revolving Loans Indemnitee has the right to reimbursement under Section 8.1 of this Agreement; all such obligations, liabilities, sums and expenses set forth in clauses (i) through (v) of this definition being herein collectively called the "Revolving Loans Obligations," it being acknowledged and agreed that the "Revolving Loans Obligations" shall include extensions of credit of the types described above, whether outstanding on the date of this Agreement or extended from time to time after the date of this Agreement.

"Secondary Obligations" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Secured Creditors" shall have the meaning provided in the recitals of this Agreement.

"Secured Debt Agreements" shall mean and include this Agreement, the other Credit Documents and, to the extent entitled to the benefits of this Agreement, the Interest Rate Protection Agreements and Other Hedging Agreements.

"Term Loan Collateral" shall have the meaning provided in Section 1.1(b) of this Agreement.

"Term Loan Obligations" shall mean (i) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and indebtedness (including, without limitation, indemnities, Fees and interest thereon) of each Assignor to First Union, whether now existing or hereafter incurred under, arising out of, or in connection with the Term Loan under the Credit Agreement and the other Credit Documents to which such Assignor is a party (including, in the case of the Subsidiary Guarantors, all such obligations and indebtedness of such Subsidiary Guarantors under the Subsidiaries Guaranty) and the due performance and compliance by such Assignor with all of the terms, conditions and agreements

contained in the Credit Agreement and such other Credit Documents in connection with the Term Loan (all such obligations and liabilities under this clause (i) except to the extent consisting of obligations or indebtedness with respect to Interest Rate Protection Agreements or Other Hedging Agreements, being herein collectively called the "Credit Document Term Obligations"); (ii) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and liabilities owing by such Assignor to the Other Creditors under, or with respect to (including by reason of the Subsidiaries Guaranty), any Interest Rate Protection Agreement or Other Hedging Agreement, whether such Interest Rate Protection Agreement or Other Hedging Agreement is now in existence or hereafter arising, and the due performance and compliance by such Assignor with all of the terms, conditions and agreements contained therein (all such obligations and liabilities described in this clause (ii) being herein collectively called the "Other Term Obligations"); (iii) any and all sums advanced by the Assignee in order to preserve the Term Loan Collateral or preserve its security interest in the Term Loan Collateral; (iv) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of such Assignor referred to in clauses (i) and (ii) above, after an Event of Default shall have occurred and be continuing, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Term Loan Collateral, or of any exercise by the Assignee of its rights hereunder, together with reasonable attorneys' fees and court costs; and (v) all amounts paid by any Term Loan Indemnitee as to which such Term Loan Indemnitee has the right to reimbursement under Section 8.1 of this Agreement; all such obligations, liabilities, sums and expenses set forth in clauses (i) through (v) of this definition being herein collectively called the "Term Loan Obligations," it being acknowledged and agreed that the "Term Loan Obligations" shall include extensions of credit of the types described above, whether outstanding on the date of this Agreement or extended from time to time after the date of this Agreement.

"Termination Date" shall have the meaning provided in Section 10.8 of this Agreement.

"Trade Secret Rights" shall have the meaning provided in Section 5.1 of this Agreement.

## ARTICLE X

### MISCELLANEOUS

10.1. **Notices.** Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made when delivered to the party to which such notice, request, demand or other communication is required or permitted to be given. or made under this Agreement, addressed as follows:

(a) if to any Assignor, at:

Wyomissing Professional Center  
825 Berkshire Boulevard, Suite 203  
Wyomissing, Pennsylvania 19610  
Attention: Robert S. Ippolito  
Tel. No.: (610) 373-2400  
Fax. No.: (610) 373-2842

(b) if to First Union or the Agent, at:

First Union National Bank  
600 Penn Street  
P.O. Box 1102-PA6464  
Reading, Pennsylvania 19603  
Attention: Lynn B. Eagleson, Vice President  
Tel. No.: (610) 655-2950  
Fax. No.: (610) 655-1027

(c) if to any Bank Creditor, at such address as such Bank Creditor shall have specified in the Credit Agreement;

(d) if to any Other Creditor, at such address as such Other Creditor shall have specified in writing to each Assignor and First Union/Agent;

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

10.2. Waiver. Amendment. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by each Assignor directly effected thereby and, as applicable: (i) First Union or (ii) the Agent (with the written consent of the Required Secured Creditors); **provided, however,** that any change, waiver, modification or variance affecting the rights and benefits of a single Class of Secured Creditors (and not all Secured Creditors in a like or similar manner) shall require the written consent of the Requisite Creditors of such affected Class. For the purpose of this Agreement, the term "Class" shall mean each class of Secured Creditors, i.e., if and as applicable, (x) the Bank Creditors as holders of the Credit Document Revolving Obligations; First Union as holder of the Credit Document Term Obligations or (z) the Other Creditors as the holders of the Other Obligations. For the purpose of this Agreement, the term "Requisite Creditors" of any Class shall mean each of (x) with respect to the Credit Document Revolving Obligations, the Required Banks; with respect to the Credit Documents Term Obligations, First Union and (z) with respect to the Other Obligations that are secured by this Agreement, the holders of at least a majority of all obligations outstanding from time to time under the respective Interest Rate Protection Agreements or Other Hedging Agreements.

10.3. Obligations Absolute. The obligations of each Assignor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of such Assignor; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of this Agreement or any other Secured Debt Agreement; or (c) any amendment to or modification of any Secured Debt Agreement or any security for any of the Obligations; whether or not any Assignor shall have notice or knowledge of any of the foregoing.

10.4. Successors and Assigns. This Agreement shall be binding upon each Assignor and its successors and assigns (although no Assignor may assign its rights and obligations hereunder except in accordance with the provisions of the Secured Debt Agreements) and shall inure to the benefit of First Union or Agent and the Secured Creditors, as applicable, and their respective successors and assigns. All agreements, statements, representations and warranties made by each Assignor herein or in any certificate or other instrument delivered by such Assignor or on its behalf under this Agreement shall be considered to have been relied upon by the Secured Creditors and shall survive the execution and delivery of this Agreement and the other Secured Debt Agreements regardless of any investigation made by the Secured Creditors or on their behalf.

10.5. Headings Descriptive. The headings of the several sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

10.6. Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE COMMONWEALTH OF PENNSYLVANIA.

10.7. Assignor's Duties. It is expressly agreed, anything herein contained to the contrary notwithstanding, that each Assignor shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and First Union/Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement, nor shall First Union/Agent be required or obligated in any manner to perform or fulfill any of the obligations of each Assignor under or with respect to any Collateral.

10.8. Termination. Release.

(a) After the Termination Date, this Agreement shall terminate (provided that all indemnities set forth herein including, without limitation, in Section 8.1 hereof shall survive such termination) and the Agent, at the request and expense of the respective Assignor, will promptly execute and deliver to such Assignor a proper instrument or instruments (including Uniform, Commercial Code termination statements on form UCC-3) acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Agent and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement. As used in this Agreement, "Termination Date" shall mean the date upon which the Total Commitments and, to the extent entitled to the benefits of this Agreement, all Interest Rate Protection Agreements or Other Hedging Agreements have been terminated, no Note is outstanding (and all Loans have been repaid in full), all Letters of Credit have been terminated (or cash collateralized in a manner satisfactory to the Agent in its sole discretion) and all Obligations then owing have been paid in full.

(b) In the event that any part of the Collateral is sold in connection with a sale permitted by Section 8.02 of the Credit Agreement (other than a sale to any Assignor or a Subsidiary thereof) or otherwise released at the direction of the Required Secured Creditors and the proceeds of such sale or sales or from such release are applied in accordance with the provisions of the Credit Agreement, to the extent required to be so applied, such Collateral will be sold free and clear of the Liens created by this Agreement and the Agent, at the request and expense of the relevant Assignor, will duly assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral as is then being (or has been) so sold or released and as may be in the possession of the Agent and has not theretofore been released pursuant to this Agreement.

(c) At any time that an Assignor desires that the Agent take any action to acknowledge or give effect to any release of Collateral pursuant to the foregoing Section

10.8(a) or (b), such Assignor shall deliver to the Agent a certificate signed by a principal executive officer of such Assignor stating that the release of the respective Collateral is permitted pursuant to Section 10.8(a) or (b).

10.9. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with each Assignor and the Agent.

10.10. Severability. Any provision Of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.11. First Union/Agent.

(a) The Agent will hold in accordance with this Agreement all items of the Revolving Loans Collateral at any time received under this Agreement. It is expressly understood and agreed that the obligations of the Agent as holder of the Revolving Loans Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement and in Section 11 of the Credit Agreement. The Agent shall act hereunder and thereunder on the terms and conditions set forth herein and in Section 11 of the Credit Agreement.

(b) First Union will hold in accordance with this Agreement all items of Term Loan Collateral at any time received under this Agreement. It is expressly understood and agreed that the obligations of First Union as holder of the Term Loan Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this agreement. First Union shall act hereunder on the terms and conditions set forth herein.

10.12. Benefit of Agreement. This Agreement shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of and be enforceable by each of the parties hereto and its successors and assigns.

10.13. Additional Assignors. It is understood and agreed that any Subsidiary of the Borrower that is required to execute a joinder to this Agreement after the date hereof pursuant to the Credit Agreement shall automatically become an Assignor hereunder by executing a counterpart hereof and delivering the same to First Union/Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

PENN NATIONAL GAMING, INC., as an Assignor

By Robert S. Ippolito  
Name: ROBERT S. IPPOLITO  
Title: CHIEF FINANCIAL OFFICER

MOUNTAINVIEW THOROUGHBRED RACING ASSOCIATION, as an Assignor

By Robert S. Ippolito  
Name: ROBERT S. IPPOLITO  
Title: SEC / TREAS.

PENNSYLVANIA NATIONAL TURF CLUB, INC., as an Assignor

By Robert S. Ippolito  
Name: ROBERT S. IPPOLITO  
Title: SEC / TREAS.

PENN NATIONAL SPEEDWAY, INC., as an Assignor

By Robert S. Ippolito  
Name: ROBERT S. IPPOLITO  
Title: SECRETARY

STERLING AVIATION, INC., as an  
Assignor

By Robert S. Ippolito  
Name: ROBERT S. IPPOLITO  
Title: SEC / TREAS.

PENN NATIONAL HOLDING  
COMPANY, as an Assignor

By Robert S. Ippolito  
Name: ROBERT S. IPPOLITO  
Title: SEC / TREAS.

PENN NATIONAL GAMING OF WEST  
VIRGINIA, INC., as an Assignor

By Robert S. Ippolito  
Name: ROBERT S. IPPOLITO  
Title: SEC / TREAS.

PNGI POCONO, INC., as an Assignor

By Robert S. Ippolito  
Name: ROBERT S. IPPOLITO  
Title: SEC / TREAS.

TENNESSEE DOWNS, INC.

By Robert S. Ippolito  
Name: ROBERT S. IPPOLITO  
Title: SECRETARY

THE DOWNS RACING, INC.

By

  
Name: JOSEPH A. LASHINGER, JR  
Title: PRESIDENT

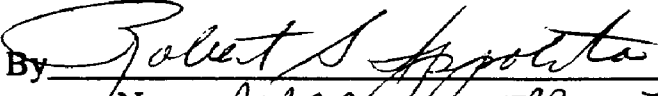
NORTHEAST CONCESSIONS, INC., as an  
Assignor

By

  
Name: ROBERT S. IPPOLITO  
Title: U.P.

BACKSIDE, INC., as an Assignor

By

  
Name: ROBERT S. IPPOLITO  
Title: ASSISTANT SEC.

MILL CREEK LAND, INC., as an Assignor

By

  
Name: ROBERT S. IPPOLITO  
Title: ASSISTANT SEC.

WILKES BARRE DOWNS, INC., as an  
Assignor

By

  
Name: ROBERT ABRAMAM  
Title: PRESIDENT

Accepted and Agreed to:

**FIRST UNION NATIONAL BANK,**  
on its own behalf and as Agent

By Lynn B. Erickson  
Name: LYNN B. ERICKSON  
Title: Vice President

**BANKERS TRUST COMPANY**

By \_\_\_\_\_  
Name:  
Title:

Accepted and Agreed to:

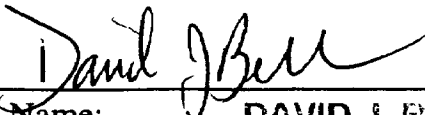
FIRST UNION NATIONAL BANK,  
on its own behalf and as Agent

By \_\_\_\_\_

Name:

Title:

BANKERS TRUST COMPANY

By  \_\_\_\_\_

Name:

DAVID J. BELL

Title:

VICE PRESIDENT

**ANNEX A**

**SCHEDULE OF OFFICE ADDRESSES OF CEO OF EACH ASSIGNOR**

Penn National Gaming, Inc., Penn National Gaming of West Virginia, Inc. and Tennessee Downs, Inc.: 825 Berkshire Boulevard, Suite 200, Wyomissing, PA, 19610.

Mountainview Thoroughbred Racing Association, Pennsylvania National Turf Club, Inc., and Penn National Speedway, Inc.: P.O. Box 32, Exit 28 off Interstate 81, Grantville, PA.

Sterling Aviation Inc., Penn National Holding Company and PNGI Pocono, Inc.: Executive Office: 825 Berkshire Boulevard, Suite 200, Wyomissing, PA, 19610; Registered Office: 300 Delaware Avenue, 9<sup>th</sup> Floor, Wilmington, DE 19801

Northeast Concessions, Inc., Backside, Inc., Mill Creek Land, Inc., Wilkes Barre Downs, Inc. and The Downs Racing, Inc.: 1280 Highway 315, Wilkes Barre PA 18702-7095.

**ANNEX B**

**SCHEDULE OF LOCATIONS OF ALL INVENTORY & EQUIPMENT**

Penn National Gaming, Inc.  
825 Berkshire Boulevard, Suite 200  
Wyomissing Professional Center  
Wyomissing, PA 19610

Penn National Holding Company  
825 Berkshire Boulevard, Suite 200  
Wyomissing Professional Center  
Wyomissing, PA 19610

Penn National Speedway, Inc.  
Penn National Race Course  
Exit 28 off Interstate 81  
Grantville, PA 17551

Mountainview Thoroughbred Racing Association  
Penn National Race Course  
Exit 28 off Interstate 81  
Grantville, PA 17551

Reading Off-Track Wagering Facility  
5430 Perkeomen Avenue  
Reading, PA 19606

Chambersburg Off-Track Wagering Facility  
393 Beding Boulevard  
Chambersburg, PA

WITF-TV33  
Post Office Box 2954  
Harrisburg, PA 17105  
(the radio station is in Cumberland County)

Pennsylvania National Turf Club, Inc.  
Penn National Race Course  
Exit 28 off Interstate 81  
Grantville, PA 17551

York Off-Track Wagering Facility  
Manchester Crossroads  
351 Loucks Road  
York, PA 17404

Lancaster Off-Track Wagering Facility  
East Towne Mall  
2090 Lincoln Highway East  
Lancaster, PA

Sterling Aviation, Inc.  
825 Berkshire Boulevard, Suite 203  
Wyomissing Professional Center  
Wyomissing, PA 19610

Reading Airport (location of plane)

Penn National Gaming of West Virginia, Inc.  
825 Berkshire Boulevard, Suite 203  
Wyomissing Professional Center  
Wyomissing, PA 19610

PNGI Pocono, Inc.  
7700 Peach Street  
Summit Township  
Erie County, PA 16509

1780 Airport Road  
Hanover Township  
Lehigh County, PA 18103

Northeast Concessions, Inc.  
7700 Peach Street  
Summit Township  
Erie County, PA 16509

1780 Airport Road  
Hanover Township  
Lehigh County, PA 18103

1280 Highway 315  
Plains Township, PA 18702

Backside, Inc.  
1280 Highway 315  
Plains Township, PA 18702

The Downs Racing, Inc.  
1280 Highway 315  
Plains Township, PA 18702

1258 Highway 315  
Plains Township, PA 18702

1780 Airport Road  
Hanover Township, Lehigh County, PA 18103

Charles Town Entertainment Complex  
Flowing Springs Road  
Charlestown WV 25414

In addition to the above locations, Penn National Gaming leases decoders to all of the sites that simulcast its races.

## ANNEX C

### SCHEDULE OF TRADE NAMES AND FICTICIOUS NAMES

#### **Penn National Gaming, Inc.**

**Penn National Race Course**

**Penn National Speedway**

**Tennessee Downs**

**Penn National**

**Charles Town Races\***

\* Charles Town Races is used by PNGI Charles Town Gaming Limited Liability Company, for purposes of this Security Agreement it listed with regard to the video lottery slot machines located at the Charles Town Entertainment Complex.

#### **The Downs Racing, Inc.**

**The Downs at Erie**

**The Downs at Lehigh Valley**

**The Downs at Wilkes-Barre**

**The Downs at Carbondale**

**The Downs at Hazelton**

**The Downs**

**Pocono Downs**

**ANNEX D**

**SCHEDULE OF MARKS**

**Penn National Gaming, Inc.**

**Racing Alive**

**Telebet\***

**Dial-A-Bet\***

**Penn National Race Course**

**Penn National Speedway**

**Silver Screen Gaming\***

**Silver Screen Casino\***

**Tennessee Downs**

**Penn National**

**Player's Choice\*\***

**Charles Town Races\*\*\***

logos -- profile of two horse heads, with one slightly ahead of the other, over the words "Penn National"; "silks and suits"

**Pennsylvania National Turf Club, Inc.**

**The World Series of Handicapping®**

**The Downs Racing, Inc.**

**The Downs at Erie**

**The Downs at Lehigh Valley**

**The Downs at Wilkes-Barre**

**The Downs at Carbondale**

**The Downs at Hazelton**

**The Downs**

**Pocono Downs**

logo—harness racer enclosed in a double oval

**\* Indicates marks for which applications to register on the Principal Register of the USPTO have been filed but which are still pending.**

**\*\* Indicates a mark that the Borrower intends to use and for which an intent-to-use application will be filed.**

**\*\*\* Charles Town Races is used by PNGI Charles Town Gaming Limited Liability Company, for purposes of this Security Agreement it listed with regard to the video lottery slot machines located at the Charles Town Entertainment Complex.**

**ANNEX E**

**SCHEDULE OF COPYRIGHTS**

None

**ANNEX F**

**SCHEDULE OF PATENTS**

None

## ANNEX G

### ASSIGNMENT OF SECURITY INTEREST IN UNITED STATES TRADEMARKS AND PATENTS

FOR GOOD AND VALUABLE CONSIDERATION, receipt and sufficiency of which are hereby acknowledged, [Name of Assignor], a \_\_\_\_\_ [partnership] [corporation] (the "Assignor") with offices at \_\_\_\_\_, hereby assigns and grants to First Union National Bank, as Agent, with principal offices at \_\_\_\_\_, (the "Assignee"), a security interest in (i) all of the Assignor's right, title and interest in and to the United States trademarks, trademark registrations and trademark applications (the "Marks") set forth on Schedule A attached hereto, (ii) all of the Assignor's rights, title and interest in and to the United States patents (the "Patents") set forth on Schedule B attached hereto, in each case together with (iii) all Proceeds (as such term is defined in the Security Agreement referred to below) and products of the Marks are associated and (v) all causes of action arising prior to or after the date hereof for infringement of any of the Marks and Patents or unfair competition regarding the same.

THIS ASSIGNMENT is made to secure the satisfactory performance and payment of all Obligations of the Assignor, as such term is defined in the Amended and Restated Security Agreement among the Assignor, the other assignors from time to time party thereto and the Assignee, dated as of \_\_\_\_\_, \_\_\_, 1999 (as amended from time to time, the "Security Agreement"). Upon the occurrence of the Termination Date (as defined in the Security Agreement), the Assignee shall, upon such satisfaction, execute, acknowledge, and deliver to the Assignor an instrument in writing releasing the security interest in the Marks and Patents acquired under this Assignment.

This Assignment has been granted in conjunction with the security interest granted to the Assignee under the Security Agreement. The rights and remedies of the Assignee with respect to the security interest granted herein are without prejudice to, and are in addition to those set forth in the Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Assignment are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of  
the \_\_ day of \_\_\_\_\_, 199\_.

[NAME OF ASSIGNOR], Assignor

By: \_\_\_\_\_

Title:

FIRST UNION NATIONAL BANK

Assignee

By: \_\_\_\_\_

Title:

COMMONWEALTH OF PENNSYLVANIA )

**SS.:**

On this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally came

who, being by me duly sworn, did state as follows: that [s]he is

of [Name of Assignor], that [s]he is authorized to execute the foregoing

Assignment on behalf of said [partnership] [corporation] and that [s]he did so by authority of the

[Executive Committee] [Board of Directors] of said [partnership] [corporation].

COUNTY OF \_\_\_\_\_

is \_\_\_\_\_ of First Union National Bank that he is authorized to execute the foregoing Assignment on behalf of said corporation and that he did so by authority of the Board of Directors of said corporation.

Notary Public

**SCHEDULE A**

**MARK**

**REG. NO.**

**REG. DATE**

0634050.01

**TRADEMARK**  
**REEL: 1856 FRAME: 0495**

**SCHEDULE B**

**PATENT**

**PATENT NO.**

**ISSUE DATE**

0634050.01

**TRADEMARK**  
**REEL: 1856 FRAME: 0496**

**ANNEX H**

**ASSIGNMENT OF SECURITY INTEREST  
IN UNITED STATES COPYRIGHTS**

WHEREAS, [Name of Assignor], a \_\_\_\_\_ [corporation] [partnership] (the "Assignor"), having its chief executive office at \_\_\_\_\_, is the owner of all right, title and interest in and to the United States copyrights and associated United States copyright registrations and applications for registration set forth in Schedule A attached hereto;

WHEREAS, FIRST UNION NATIONAL BANK, as Agent, having its offices at \_\_\_\_\_ (the "Assignee"), desires to acquire a security interest in said copyrights and copyright registrations and applications therefor; and

WHEREAS, the Assignor is willing to assign to the Assignee, and to grant to the Assignee a security interest in and lien upon the copyrights and copyright registrations and applications therefor described above.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, and subject to the terms and conditions of the Amended and Restated Security Agreement, dated as of \_\_\_\_\_, \_\_\_, 1999, made by the Assignor, the other assignors from time to time party thereto and the Assignee (as amended from time to time, the "Security Agreement"), the Assignor hereby assigns to the Assignee, and grants to the Assignee a security interest in the copyrights and copyright registrations and applications therefor set forth in Schedule A attached hereto.

This Assignment has been granted in conjunction with the security interest granted to the Assignee under the Security Agreement. The rights and remedies of the Assignee with respect to the Security Agreement. The rights and remedies of the Assignee with respect to the security interest granted herein are without prejudice to, and are in addition to those set forth in the Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Assignment are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

Executed at \_\_\_\_\_, Pennsylvania, the \_\_\_\_ day of \_\_\_\_\_,

[NAME OF ASSIGNOR], as Assignor

By: \_\_\_\_\_  
Title:

FIRST UNION NATIONAL BANK, as  
Agent, Assignee

By: \_\_\_\_\_  
Title:

COUNTY OF \_\_\_\_\_

[Executive Committee] [Board of Directors] of said [partnership] [corporation]

100

COUNTY OF \_\_\_\_\_

On this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally came \_\_\_\_\_ who, being by me duly sworn, did state as follows: that he is \_\_\_\_\_ of First Union National Bank, that he is authorized to execute the foregoing Assignment on behalf of said corporation and that he did so by authority of Board of Directors of said corporation.

Notary Public

**U.S. COPYRIGHTS**

**REGISTRATION  
NUMBERS**

**PUBLICATION  
DATE**

**COPYRIGHT TITLE**

**SCHEDULE 1**  
(Assigned Bankers Trust Notes)

<u>No.</u>	<u>Payor</u>	<u>Payee</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Mat. Date</u>
17	PNGI Pocono	Penn Nat'l Gaming	11/27/96	20MM	11/26/01
19	Downs OTW (1)	PNGI Pocono	11/27/96	20MM	11/26/01
20	Penn Nat'l Gaming	Mountainview	11/27/96		
21	Penn Nat'l Gaming	Penn Nat'l Turf Club	11/27/96		
22	Penn Nat'l Gaming	Penn Nat'l Spdwy	11/27/96		
23	Penn Nat'l Gaming	Sterling Aviation	11/27/96		
24	Penn Nat'l Gaming	Penn Nat'l Holding	11/27/96		
26	Penn Nat'l Holding	PNGI Pocono	11/27/96		
27	Penn Nat'l Holding	Penn Nat'l Gaming of WV	11/27/96		
30	Pocono Downs (3)	Mill Creek Land	11/27/96		
31	Pocono Downs (3)	Northeast Concessions	11/27/96		
33	Pocono Downs (3)	Backside	11/27/96		
36	Mill Creek Land	Pocono Downs (2)	11/27/96		
37	Northeast Concessions	Pocono Downs (2)	11/27/96		
39	Backside	Pocono Downs (2)	11/27/96		
42	Penn Nat'l Gaming of WV	Penn Nat'l Holding	11/27/96		
44	PNGI Pocono	Penn Nat'l Holding	11/27/96		
45	Mountainview	Penn Nat'l Gaming	11/27/96		
46	Penn Nat'l Turf Club	Penn Nat'l Gaming	11/27/96		
47	Penn Nat'l Speedway	Penn Nat'l Gaming	11/27/96		
48	Sterling Aviation	Penn Nat'l Gaming	11/27/96		
49	Penn Nat'l Holding	Penn Nat'l Gaming	11/27/96		

(1) Pursuant to Articles of Merger filed on January 8, 1999, The Downs Off-Track Wagering, Inc. merged with and into The Downs Racing, Inc. Therefore, the Payor of this Intercompany Note is now The Downs Racing, Inc.

(2) Pursuant to Articles of Merger filed on December 26, 1997, Pocono Downs, Inc. merged with and into The Downs Racing, Inc. Therefore, the Payee of this Intercompany Note is now The Downs Racing, Inc.

(3) Pursuant to Articles of Merger filed on December 26, 1997, Pocono Downs, Inc. merged with and into The Downs Racing, Inc. Therefore, the Payor of this Intercompany Note is now The Downs Racing, Inc.

**SCHEDULE 2**  
**(New Intercompany Notes)**

<u>No.</u>	<u>Payor</u>	<u>Payee</u>	<u>Date of Issue</u>	<u>Amount</u>
50	PNGI Pocono	The Downs Racing	1/28/99	
51	PNGI Pocono	Wilkes Barre Downs	1/28/99	
52	The Downs Racing	PNGI Pocono	1/28/99	
53	Wilkes Barre Downs	PNGI Pocono	1/28/99	
54	Penn Nat'l Holding	Tennessee Downs	1/28/99	
55	Tennessee Downs	Penn Nat'l Holding	1/28/99	

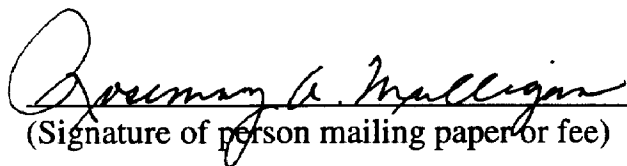
"EXPRESS MAIL" MAILING LABEL NUMBER: EL159774326US

DATE OF DEPOSIT: 2/17/99

I HEREBY CERTIFY THAT THIS PAPER OR FEE IS BEING DEPOSITED WITH THE UNITED STATES POSTAL SERVICE "EXPRESS MAIL POST OFFICE TO ADDRESSEE" SERVICE UNDER 37 CFR 1.10 ON THE DATE INDICATED ABOVE AND IS ADDRESSED TO COMMISSIONER OF PATENTS AND TRADEMARKS, BOX ASSIGNMENTS, WASHINGTON, DC 20231.

Rosemary A. Mulligan

(Typed or printed name of person mailing paper or fee)

  
(Signature of person mailing paper or fee)

PHLEGAL: #417083 v. (8XTN01!.WPD)

TRADEMARK  
REEL: 1856 FRAME: 0504

3000 Two Logan Square  
Eighteenth and Arch Streets  
Philadelphia, PA 19103-2799  
215.981.4000  
Fax 215.981.4750

215.981.4915  
mulliganr@pepperlaw.com

February 17, 1999

Via Express Mail No. EL159774326US

Commissioner of Patents and Trademarks  
BOX ASSIGNMENTS  
Washington, DC 20231

Re: Recordation of Security Agreement

Dear Sir/Madam:

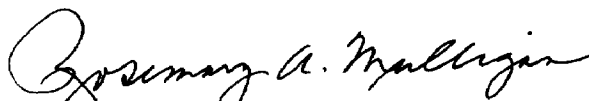
On behalf of First Union National Bank, I am enclosing the following:

1. The Trademark Recordation Form Cover Sheet recording an assignment of security interest in the Trademarks as listed on Annex D of the Amended and Restated Security Agreement among Penn National Gaming, Inc. and First Union National Bank dated January 28, 1999.

2. A copy of the Amended and Restated Security Agreement among Penn National Gaming, Inc. and First Union National Bank dated January 28, 1999.

Please charge deposit account No. 16-1322 for the required filing fee. If you have any comments or questions concerning the enclosures, please feel free to contact me.

Very truly yours,



Rosemary A. Mulligan  
Legal Assistant

Enclosures

PHLEGAL: #653846 v1 (#0\$#01!.WPD)

Washington, D.C.

Detroit, Michigan

New York, New York

Pittsburgh, Pennsylvania

Wilmington, Delaware

Harrisburg, Pennsylvania

Berwyn, Pennsylvania

Cherry Hill, New Jersey

**TRADEMARK**  
**REEL: 1856 FRAME: 0505**

**RIDER A**

<b>Mark</b>	<b>Status</b>	<b>Application/Registration No.</b>
DIAL-A-BET	Pending	75/456,912
SILVER SCREEN CASINO	Pending	75/463,102
SILVER SCREEN GAMING	Pending	75/463,117
TELEBET	Pending	75/463,103
THE WORLD SERIES OF HANDICAPPING	Registered	1,104,969

PHLEGAL: #653874 v1 (#0J601!.WPD)

**RECORDED: 02/10/1999**

**TRADEMARK  
REEL: 1856 FRAME: 0506**