

PENN NATIONAL GAMING INC

Form 10-Q

August 07, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 0-24206

PENN NATIONAL GAMING, INC.

(Exact name of registrant as specified in its charter)

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Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2234473
(I.R.S. Employer
Identification No.)

825 Berkshire Blvd., Suite 200
Wyomissing, PA 19610

(Address of principal executive offices) (Zip Code)

610-373-2400

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of Common Stock, as of the latest practicable date.

Title
Common Stock, par value \$.01 per share

Outstanding as of July 29, 2009
78,551,680 (includes 485,500 shares of restricted stock)

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may vary materially from expectations. Although Penn National Gaming, Inc. and its subsidiaries (collectively, the Company) believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from our expectations. Meaningful factors that could cause actual results to differ from expectations include, but are not limited to, risks related to the following: our ability to maintain regulatory approvals for our existing businesses and to receive regulatory approvals for our new businesses; the passage of state, federal or local legislation or referenda that would expand, restrict, further tax, prevent or negatively impact operations (such as a smoking ban at any of our facilities) in or adjacent to the jurisdictions in which we do business; the activities of our competitors and the emergence of new competitors; increases in the effective rate of taxation at any of our properties or at the corporate level; delays or changes to, or cancellations of, planned capital projects at our gaming and pari-mutuel facilities or an inability to achieve the expected returns from such projects; construction factors, including delays and increased cost of labor and materials; the ability to recover proceeds on significant insurance claims (such as claims related to the fire at Empress Casino Hotel); the existence of attractive acquisition candidates and development opportunities, the costs and risks involved in the pursuit of those acquisitions and development opportunities and our ability to integrate those acquisitions; the availability and cost of financing; the maintenance of agreements with our horsemen, pari-mutuel clerks and other organized labor groups; the outcome of legal proceedings instituted against the Company in connection with the termination of the previously announced acquisition of the Company by certain affiliates of Fortress Investment Group LLC and Centerbridge Partners, L.P.; the effects of local and national economic, credit, capital market, housing, and energy conditions on the economy in general and on the gaming and lodging industries in particular; changes in accounting standards; our dependence on key personnel; the impact of terrorism and other international hostilities; the impact of weather on our operations; and other factors as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the SEC. The Company does not intend to update publicly any forward-looking statements except as required by law.

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION	4
ITEM 1.	FINANCIAL STATEMENTS	4
	Consolidated Balance Sheets June 30, 2009 and December 31, 2008	4
	Consolidated Statements of Income Three and Six Months Ended June 30, 2009 and 2008	5
	Consolidated Statements of Changes in Shareholders' Equity Six Months Ended June 30, 2009 and 2008	6
	Consolidated Statements of Cash Flows Six Months Ended June 30, 2009 and 2008	7
	Notes to the Consolidated Financial Statements	8
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (unaudited)	28
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	44
ITEM 4.	CONTROLS AND PROCEDURES	44
PART II.	OTHER INFORMATION	45
ITEM 1.	LEGAL PROCEEDINGS	45
ITEM 1A.	RISK FACTORS	45
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	49
ITEM 6.	EXHIBITS	49

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****Penn National Gaming, Inc. and Subsidiaries****Consolidated Balance Sheets**

(in thousands, except share and per share data)

	June 30, 2009 (unaudited)	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 795,117	\$ 746,278
Receivables, net of allowance for doubtful accounts of \$4,014 and \$3,797 at June 30, 2009 and December 31, 2008, respectively	45,463	43,574
Insurance receivable	32,545	
Prepaid expenses and other current assets	94,114	95,386
Deferred income taxes	21,541	21,065
Total current assets	988,780	906,303
Property and equipment, net	1,818,467	1,812,131
Other assets		
Investment in and advances to unconsolidated affiliate	13,754	14,419
Goodwill	1,595,875	1,598,571
Other intangible assets	690,443	693,764
Deferred financing costs, net of accumulated amortization of \$44,533 and \$38,914 at June 30, 2009 and December 31, 2008, respectively	29,291	34,910
Other assets	80,394	129,578
Total other assets	2,409,757	2,471,242
Total assets	\$ 5,217,004	\$ 5,189,676
Liabilities		
Current liabilities		
Current maturities of long-term debt	\$ 99,106	\$ 105,281
Accounts payable	49,774	35,540
Accrued expenses	91,200	106,769
Accrued interest	62,050	80,190
Accrued salaries and wages	57,849	55,380
Gaming, pari-mutuel, property, and other taxes	42,211	44,503
Insurance financing		8,093
Other current liabilities	36,758	34,730
Total current liabilities	438,948	470,486
Long-term liabilities		
Long-term debt, net of current maturities	2,280,253	2,324,899
Deferred income taxes	274,344	265,610
Noncurrent tax liabilities	52,625	68,632
Other noncurrent liabilities	6,568	2,776
Total long-term liabilities	2,613,790	2,661,917
Shareholders' equity		

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Preferred stock (\$.01 par value, 1,000,000 shares authorized, 12,500 issued and outstanding at June 30, 2009 and December 31, 2008)		
Common stock (\$.01 par value, 200,000,000 shares authorized, 78,536,680 and 78,148,488 shares issued at June 30, 2009 and December 31, 2008, respectively)	784	782
Additional paid-in capital	1,463,757	1,442,829
Retained earnings	731,496	662,355
Accumulated other comprehensive loss	(31,771)	(48,693)
Total shareholders' equity	2,164,266	2,057,273
Total liabilities and shareholders' equity	\$ 5,217,004	\$ 5,189,676

See accompanying notes to the consolidated financial statements.

Penn National Gaming, Inc. and Subsidiaries

Consolidated Statements of Income

(in thousands, except per share data)

(unaudited)

Three Months Ended June 30,
2009 2008

Six Months Ended June 30,
2009 2008

<p>Revenues</p>	<p>&t-size: 10pt; font-family: "Times New Roman', Times, serif; font-style: italic;">Item 5 is hereby amended and supplemented as follows:</p>
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(a, b) The aggregate number of Shares and the percentage of total outstanding Shares beneficially owned by the Reporting Persons as of the date hereof is set forth below:

Reporting Person	Number of Shares Beneficially Owned ¹	Percentage of Outstanding Shares
Capital Group	19,889,174 ²	16.0% ⁴
Management	19,889,174 ²	16.0% ⁴
Mr. Ulrich	19,889,174 ²	16.0% ⁴
ACMO	19,746,222 ³	15.9% ⁵

1 The beneficial ownership for which each figure is provided in this column is the shared, not sole, power to vote or to direct the vote, and the shared, not sole, power to dispose or to direct the disposition of the Shares.

2. This amount includes 423,604 Shares that Capital Group, Management and Mr. Ulrich can acquire upon exercise of 211,802 warrants. The Shares and warrants are held as follows: (A) 19,330,830 Shares, and 415,392 Shares obtainable upon exercise of 207,696 warrants, held for the account of ACMO; (B) 8,212 Shares obtainable upon exercise of 4,106 warrants, held for the account of AIOOM III; and (C) 134,740 Shares held for the account of the PCI Fund.

SCHEDULE 13D

Page 7 of 8 Pages

3. This amount includes 415,392 Shares that ACMO can acquire upon exercise of 207,696 warrants.
4. Calculation is based upon 124,089,529 Shares outstanding, which is the sum of the 123,665,925 Shares outstanding as of February 1, 2019 as reported by the Issuer in its annual report on Form 10-K filed February 28, 2019, and the 423,604 Shares that Capital Group, Management and Mr. Ulrich can acquire upon exercise of warrants.
5. Calculation is based upon 124,081,317 Shares outstanding, which is the sum of the 123,665,925 Shares outstanding as of February 1, 2019 as reported by the Issuer in its annual report on Form 10-K filed February 28, 2019, and the 415,392 Shares that ACMO can acquire upon exercise of warrants.
- (c) On March 7, 2019, 622,230 Shares were sold for the account of AIOOM III directly to a broker at a price of \$7.75 per Share.
- (d) See disclosure in Items 2 and 5(a, b) hereof. Certain funds identified in Item 2 have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, certain of the Shares covered by this statement.
- (e) This Item 5(e) is not applicable.
-

SCHEDULE 13D

Page 8 of 8 Pages

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

ANCHORAGE
CAPITAL
GROUP,
L.L.C.

By: /s/
Kevin M.
Ulrich
Name:
Kevin M.
Ulrich
Title:
Chief
Executive
Officer

ANCHORAGE
ADVISORS
MANAGEMENT,
L.L.C.

By: /s/
Kevin M.
Ulrich
Name:
Kevin M.
Ulrich
Title:
Senior
Managing
Member

ANCHORAGE
CAPITAL
MASTER
OFFSHORE,
LTD.

By:
Anchorage

Capital Group,
L.L.C., its
investment
manager

By: /s/

Natalie

Birrell

Name:

Natalie

Birrell

Title:

Chief

Operating

Officer

KEVIN

M.

ULRICH

/s/

Kevin

M.

Ulrich

March 8, 2019
