

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): January 28, 1999

PENN NATIONAL GAMING, INC
(Exact name of Registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of incorporation or organization)

0-24206 23-2234473
(Commission File Number) (I.R.S. Employer Identification No.)

825 BERKSHIRE BLVD, SUITE 200, WYOMISSING, PA
19610 (Address of principal executive offices
including Zip code)

610-373-2400
(Registrant's telephone number including area code)

Not applicable
(Former name and former address, if changed since last report)

Item 5. Other Events

GENERAL

On January 28, 1999, pursuant to a First Amendment to an Asset Purchase Agreement, by, between and among Greenwood New Jersey, Inc. ("Greenwood"), International Thoroughbred Breeders, Inc., Garden State Race Track, Inc., Freehold Racing Association, Atlantic City Harness, Inc. and Circa 1850, Inc., the original parties to an Asset Purchase Agreement entered into as of July 2, 1998, and Penn National Gaming, Inc. ("Penn") (the "Agreement"), and pursuant to which Penn entered into a joint venture ("Joint Venture"), Penn, along with its Joint Venture partner, Greenwood agreed to purchase certain assets of the Garden State Race Track and Freehold Raceway, both located in New Jersey (the "Acquisition").

BASIC TERMS OF THE ACQUISITION

The purchase price for the Acquisition is approximately \$46,000,000 (subject to reduction of up to approximately \$1,000,000 based upon the resolution of certain disputed items, for which amounts have been placed in escrow). The purchase price will consist of \$23,000,000 in cash and \$23,000,000 pursuant to two deferred purchase price promissory notes in the amount of \$22,000,000 and \$1,000,000, each. Penn is responsible for approximately 50% for the purchase price. The parties to the Joint Venture are also contingently liable to the sellers in an amount of an additional \$10,000,000, if the Joint Venture receives approvals for off-track betting or phone betting.

THE JOINT VENTURE

Greenwood and Penn entered into the Joint Venture on January 28, 1999, whereby the parties to the Joint Venture will effectuate the Acquisition. The Joint Venture is contingent upon, among other things, Penn obtaining approvals necessary to effect the Joint Venture, which approvals include: (i) full and complete New Jersey regulatory approval (including but not limited to approval of the New Jersey Racing Commission), (ii) Hart Scott Rodino compliance; and (iii) the written consent of a majority of the holders of its \$80 Million Senior Notes issued December 17, 1997 to any necessary modification to the Indenture dated December 12, 1997 to permit Penn's investment in the Joint Venture (the "Penn Approvals"). At the initial closing of the Acquisition on January 28, 1999, Penn loaned FR Park Racing, LP, a New Jersey limited partnership ("FRPRLP") \$11,250,000, which is secured by certain assets. After obtaining the above Approvals, Penn will invest an additional \$11,750,000 into the Joint

Venture with a portion of this amount being treated as capital and the balance as debt. Penn will have approximately 50% interest in the Joint Venture.

CERTAIN RELATED AGREEMENTS

The Joint Venture will enter into various agreements with respect to the operation of the racing facilities.

ACCOUNTING TREATMENT

The acquisition of its interests in the Joint Venture will be accounted for under the purchase method of accounting.

Item 7. Financial Statements and Exhibits

(c) Exhibits

Exhibit No.	Description
2.1	First Amendment to Asset Purchase Agreement dated as of January 28, 1999 by and among Greenwood New Jersey, Inc., International Thoroughbred Breeders, Inc., Garden State Race Track, Inc., Freehold Racing Association, Atlantic City Harness Inc., Circa 1850, Inc., and Penn national Gaming, Inc.
2.2	First Amendment to Joint Venture Agreement dated as of January 28, 1999, by and between Greenwood New Jersey, Inc., and Penn National Gaming, Inc. (^)

(^) Penn will upon request provide the Commission with copies of any schedule or exhibits to this agreement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PENN NATIONAL GAMING, INC

February 12, 1999
Date

By: /s/Robert S. Ippolito
Robert S. Ippolito, Chief Financial Officer

Exhibit Index

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2.2	First Amendment to Joint Venture Agreement dated as of January 28, 1999, by and between Greenwood New Jersey, Inc., and Penn National Gaming, Inc. (^)

(^) Penn will upon request provide the Commission with copies of any schedule or exhibits to this agreement.

FIRST AMENDMENT TO
ASSET PURCHASE AGREEMENT

This First Amendment to Asset Purchase Agreement is made and entered into as of the 28th day of January, 1999, by, between and among the parties to an Asset Purchase Agreement entered into as of July 2, 1998 (the AAgreement@), and Penn National Gaming, Inc. (APenn@). Defined terms in this First Amendment, except as specifically defined herein, shall have the same meaning as in the Agreement. Buyer, ITB, Sellers and Penn have executed a Fourth Extension Agreement extending the Closing Date to January 28, 1999.

The parties have agreed to certain modifications to the terms of the transactions.

NOW, THEREFORE, intending to be legally bound, the parties hereto agree as follows:

1. Adjustments to Purchase Price.

(1) Cash Portion of the Purchase Price. The Cash Portion of the Purchase Price set forth in Subsection 6(a)(i) of the Agreement is hereby amended from Thirty-Three Million Dollars (\$33,000,000) to Twenty-Three Million Dollars (\$23,000,000). In connection with this change, the amount of Buyer=s Senior Financing referred to in Subsection 6(a)(vii) shall be the original principal amount of Thirty-Three Million Dollars (\$33,000,000).

(2) Deferred Purchase Price Notes. In lieu of Buyer=s delivery of the \$12 Million Note as called for by Subsection 6(a)(ii), Buyer will deliver two promissory notes with an aggregate original principal amount of \$23 Million. The notes shall be in the original principal amounts of \$22 Million and \$1 Million, and in the form of Exhibits A and B attached hereto (the ADeferred Purchase Price Notes@). The \$22 Million Deferred Purchase Price Note has been made payable to CSFB at ITB and Sellers direction and is on account of ITB and Sellers obligations to CSFB. In consideration of Buyer=s issuance of this Note, CSFB will credit ITB and Sellers in an amount agreed to among CSFB, ITB and Sellers. The \$22 Million Deferred Purchase Price Note shall be secured as provided in the Deferred Purchase Price Mortgage in the form of Exhibit C attached hereto.

(3) Escrow Agreement. The principal payment of the \$1 Million Deferred Purchase Price Note shall be directly deposited by Buyer into escrow and held in accordance with the terms of an Escrow Agreement substantially in the form attached as Exhibit D to this First Amendment to Asset Purchase Agreement.

(4) 10 Acre Parcel.

(1) Acquisition of 10 Acre Parcel. Any additional purchase price for the 10 Acre Parcel is eliminated, in consideration of the acceleration of the payment of the Purchase Price as set forth above. The 10 Acre Parcel will be transferred to Buyer within thirty (30) days after the payment of the \$1 Million Deferred Purchase Price Note and the obtaining of subdivision and other approvals required for the conveyance of the 10 Acre Parcel, whichever is later. To facilitate the obtaining of approvals, at the Closing GSRT will provide GRI=s operating entity, GS Park Racing, LP (AGSPRLP@) with a Power of Attorney which will permit GSPRLP to pursue the approvals in the name of GRST and GSPRLP; provided, however, GSPRLP may not use the Power of Attorney in a manner which will create any burden upon the real estate owned by GSRT which is not part of the 10 Acre Parcel, without GSRT consent, which consent will not be unreasonably withheld; and further provided, however, the provisions of a Memorandum of Conveyance Obligation between GSPRLP and GSRT shall apply to the obtaining of the approvals for the 10 Acre Parcel. A site plan of the 10 Acre Parcel is attached as Exhibit E-1 hereto. In addition, the 10 Acre Parcel will benefit from an easement to permit the use of the existing access to and from Route 70 to be available to the 10 Acre Parcel, and no separate access to Route 70 will be provided for the 10 Acre Parcel. The terms of the easement are attached as Exhibit E-2 hereto.

(2) GSRT Right of First Refusal. If within three (3) years of the Closing Date: (A) the entity affiliated with Buyer which acquired the 10 Acre Parcel (AOwner@) receives a bona fide offer to sell the 10 Acre Parcel and intends to accept such offer (AOffer@); (B) an OTB Facility is not then operating on the 10 Acre Parcel; and (C) GSRT owns the contiguous real estate; then Owner shall give GSRT

a right of first refusal to acquire the 10 Acre Parcel by the matching of the price and terms of the Offer. To effect the foregoing, Owner shall give GSRT written notice of the Offer, and GSRT will then have fourteen (14) days to match the Offer (Offering Period). If GSRT shall not have executed and delivered to Owner a Purchase agreement containing all the terms and conditions of the Offer, including the providing of deposits, by the end of the Offering Period, this right of first refusal shall terminate and be of no further force or effect. GSRT's purchase agreement shall not be required to contain provisions of the Offer which deal with the purchase of assets or property other than the 10 Acre Parcel and improvements thereon. GSRT's acceptance must be accompanied by either: (y) an ITB guarantee; or (z) such other security or financial arrangements which demonstrate to Buyer's reasonable satisfaction that GSRT has the financial ability to consummate the acquisition. In the event GSRT does not exercise its right of first refusal after being offered the opportunity to do so, or if it defaults on its acquisition after exercising its right, the right of first refusal will be eliminated and of no further force and effect. This right of first refusal may not be assigned or transferred by GSRT except to ITB or an affiliate of ITB, which may not further assign or transfer this right.

2. Admission of Penn. Sellers and ITB agree to the admission of Penn to a 50% ownership interest in the Joint Venture Entities and the participation of Penn at the Initial and Subsequent Closings. At the Initial Closing, Penn will provide its Contingent Guaranty of the \$1 Million Deferred Purchase Price and the Contingent Promissory Notes, which Contingent Guaranty will be effective only upon Penn obtaining approvals necessary to effect the Joint Venture, which approvals are as follows: (i) full and complete New Jersey regulatory approval (including but not limited to approval of the Racing Commission), (ii) HSR Compliance; and (iii) the written consent of a majority of the holders of its \$80 Million Senior Notes issued December 17, 1997 to any necessary modification to the Indenture dated December 12, 1997 to permit Penn's investment in the Joint Venture (the APenn Approvals@). The form of the Penn Contingent Guaranty is attached hereto as Exhibit F. Penn undertakes to use its best efforts to obtain the Penn Approvals by March 1, 1999, or as soon thereafter as possible.

3. Shareholder Approval. ITB represents and warrants that it has obtained the approval of the transaction contemplated by the Agreement as amended herein by shareholders holding more than a majority of the shares of ITB, and that the condition to Closing set forth in Section 13(d) calling for the approval of ITB shareholders has been satisfied.

4. Fairness Opinion. ITB has selected the firm of Janney Montgomery Scott (AJMS@) to provide the fairness opinion referred to in Section 13(c) of the Agreement, and JMS has issued its affirmative opinion in draft form. ITB will cause JMS to issue its final opinion three (3) business days following execution of this First Amendment. The selection of JMS is acceptable to Buyer.

5. Fiduciary Out. The fiduciary out contained in Subsection 22(b) of the Agreement shall be of no further force and effect upon the execution of this First Amendment.

6. Lease Rental Payment. The License Agreement set forth as Exhibit D to the Lease Agreement for GSP is hereby eliminated, and GSRT shall not have any right to operate a flea market at GSP. In consideration of this change, the annual rent shall be increased from \$100,000 to \$300,000.

7. Further Lease Revisions; Waiver of Right of First Refusal; Covenant. The Declaration of Restrictive Covenants set forth as Exhibit C to the Lease Agreement (ACovenant@) is modified to delete the exceptions to the permanent nature of the Covenant by the elimination of subparagraphs (1)(b)(i) and (ii), and subparagraph (1)(c); and to delete the Right of First Refusal set forth in subparagraphs 2(b) and (c).

8. Condition Precedent to \$5 Million Contingent Promissory Note; Transfer of Assets Subject to Contingent Notes. The \$5 Million Contingent Promissory Note in the form of Exhibit 6(a)(iii)(A) to the Asset Purchase Agreement shall be amended to provide that the right to operate an OTB Facility described in the Note as a Condition Precedent need not be at GSP, and the Condition Precedent will be satisfied if any OTB Facility can be operated by Buyer in Camden County, New Jersey, or elsewhere as a matter of right directly resulting from its holding or having previously held rights to conduct live racing at GSP, including if such rights are maintained by conducting live racing elsewhere than at the Garden State Park Facility on account of licenses to conduct live racing at the Garden State Park Facility, and all licenses, consents, approvals and permits for such OTB Facility are received within three (3) years of Closing.

9. Purse Accounts. Within the Thoroughbred Purse Agreement, there exists an obligation of Sellers in the amount of \$45,000 per annum payable in years 1999 and 2000 that relates to a purse under calculation in 1996. In addition, the purse accounts at both GSP and Raceway appear to be underfunded. A good faith estimate of the amount of any under funding as determined by Sellers and approved by Buyer will be credited to Buyer at the Closing. As on thereafter as a final reconciliation of the purse accounts up to the Effective Date can be determined, but not later than 45 days after Closing, any required adjustment will be made in accordance with Subparagraph 4(c) of the Agreement.

10. Liquor License at GSP. In order to continue operations at GSP in the event the present food and beverage service contract is terminated, GSP will require a liquor license. In accordance with Subparagraph 4(a) of the Asset Purchase Agreement, and consistent with the lease arrangement, Buyer is only responsible for payments and costs during its operations of GSP. Therefore, in the event Buyer is required to acquire a liquor license in its name, or the name of its nominee, for the benefit of Buyer=s operations at GSP and/or the OTB Facility at GSP, and Buyer elects to have Seller participate in the acquisition of the liquor license, then Buyer will pay the lesser of \$100,000 or the purchase price toward the acquisition of a liquor license for GSP and/or the OTB Facility at GSP, and GSRT will contribute the balance of the costs, if any. Furthermore, if GSRT has participated in the acquisition of the liquor license, and if within three (3) years of the Closing Date, Buyer no longer has a use for the license at GSP and/or the OTB Facility at GSP, GSRT will have the option to acquire the liquor license from Buyer at such time, by reimbursing Buyer the amount Buyer contributed to the acquisition of the liquor license. Seller is presently pursuing the obtaining of a liquor license for GSPRLP. The terms of this Paragraph will apply to this liquor license. Buyer=s obligation to pay \$100,000 towards the acquisition of a liquor license is effective only upon Buyer=s obtaining free and clear title to the liquor license in its or its designee=s name. Notwithstanding the foregoing, the liquor license will be subject to a Management Agreement giving Service America Corporation the ability to perform its duties under a Concession Agreement dated November 4, 1983, as amended, and a Phoenix Room Agreement dated November 4, 1983, as amended.

11. Buyer Conditions - CCC. In connection with Subsection 12(b) of the Agreement, Buyer waives as a condition the obtaining of any approval from the New Jersey Casino Control Commission for the simulcast of its races from GSP and Raceway, provided, however, such waiver shall not limit the requirement of obtaining other regulatory approvals as set forth in Subsection 12(b).

12. Raceway Property. At the Closing, Sellers will assign to Buyer any and all third party leases as to which any Seller is a lessor, which leases are set forth in Exhibit J hereto. All real property will be conveyed to Buyer at the Closing.

13. Allocation of Purchase Price. The allocation of the Purchase Price required by Subsection 6(b), is attached hereto as Exhibit K.

14. Use of Names. The parties agree as follows:

(1) GSRT may retain the use of the name Garden State Race Track, Inc. as its corporate name. Buyer shall have the right to use the name AGarden State Race Track@ so long as it conducts racing or wagering operations at the GSP Facility.

(2) Buyer shall have the exclusive rights to use of the name AGarden State Park@, subject only to GSRT reserving the right to the name AGarden State Park@ to be used for any residential, commercial or retail real estate use on the land owned by it which constitutes GSRT=s presently owned real property and only with Buyer=s prior written approval, which approval shall not be unreasonably withheld.

(3) It is specifically further agreed that Sellers may not use the names Garden State Park or Garden State Race Track in connection with any wagering or gaming operations, horse racing, simulcasting, off-track betting, wagering activities and gambling and gaming of any sort whether on the GSP property or elsewhere within the State of New Jersey.

15. Environmental Matters.

(1) Unresolved Matters. The parties acknowledge that those matters referred to in Exhibit I remain unresolved and are likely to remain unresolved as of Closing. Each Seller and ITB agrees to undertake its best efforts to resolve such matters at their expense to attain full compliance with all applicable laws, including all Environmental Laws, as defined in the Agreement in Section 10(i)(D), as promptly as possible after the Closing. Each Seller and ITB agrees and acknowledges that:

(1) Continuing Obligations. The matters set forth on Exhibit I are matters which each Seller and ITB has jointly and severally agreed to indemnify Buyer for any costs, expenses, fines, or damages incurred by Buyer relating thereto under Section 17(a) of the Agreement, Section 12, of the Lease or otherwise;

(2) Preservation of Rights. The provisions of this paragraph, this First Amendment to Agreement, or the Closing contemplated under the Agreement, is not intended to, and shall not waive any of Buyer=s rights with respect to the matters listed on Exhibit I, or any other environmental matter, or change or modify Seller=s respective responsibilities and obligations in any way with respect thereto, and all such rights and obligations shall remain in full force and effect and shall survive the Closing.

(2) GSP Lease. On December 4, 1998 the New Jersey Department of Environmental Protection (ANJDEP@) issued to GSRT a New Jersey Pollutant Discharge Elimination System discharge to surface water permit (APermit@). Subject to the provisions of this Subsection 15(b), GSRT agrees to comply in all respects with the terms and conditions of the Permit. The Permit=s effective date is January 1, 1999. The Permit requires that a Stormwater Pollution Preventative Plan (ASPPP@) be developed by June 30, 1999 and implemented by June 30, 2000. GSRT has authorized Buyer to assist it in negotiations with NJDEP regarding the timetable for an SPPP, and the elements of an SPPP. Buyer=s assignee, GSPRLP, which will be the Tenant of GSRT and will operate GSP in accordance with the terms of the Permit, to the extent consistent with normal racing track standards which do not require extra material expense or inconvenience to GSPRLP, but has no obligation for extraordinary expense or structural changes at GSP to comply with the Permit. Buyer recognizes that the potential short term lease of GSP does not justify GSRT making major construction expenditures at GSP to implement an SPPP. Accordingly, to the extent implementation of an SPPP would require expenditures by GSRT in the aggregate over the term of the GSP Lease exceeding \$100,000, GSRT shall have the option, by written notice to tenant at least 90 days prior to when construction must commence, to decline to undertake such construction. If GSRT declines to undertake such construction, or at anytime the Permit is not in effect, GSPRLP may, but shall not be obligated to undertake the construction, or at its option, upon 30 days written notice to GSRT, terminate the lease for GSP.

(3) Cooperation. From the date hereof, and continuing so long as the GSP Lease is in effect, GSRT and the tenant shall fully cooperate with one another in connection with environmental matters, including a free exchange of information as to such matters; and, furthermore, ITB, the Sellers and Buyer shall fully cooperate with one another in connection with remediation efforts at Raceway.

16. Employment Matters.

(1) Assumption of Contracts. At the Closing, Buyer will expressly assume, or cause to be assumed, only the following collective bargaining contracts:

Agreements between Freehold Racing Association and Laborer=s Local 472 (AAdmissions and Security Departments@ and AMaintenance Department@): and Agreement between Freehold Racing Association and Teamsters Local 469.

(2) Contract Assumption Indemnity. In addition to the indemnity provisions of Section 17(b) of the Agreement, Buyer shall indemnify, hold harmless and defend each Seller and ITB from and against any loss incurred or suffered by any Seller or ITB, directly or indirectly, by reason of any and all obligations, duties, liabilities and claims, except those relating to any failure to engage in effects bargaining, arising out of Seller=s failure to require Buyer to assume, or cause to be assumed, pursuant to Section 4(c) of the Agreement, any collective bargaining agreement set forth below. This indemnification is subject to the provisions of Subsection (c), (d) and (e) of Section 17 of the Agreement. The following collective bargaining agreements are the agreements to which the foregoing indemnity applies:

(1) Freehold Racing Association and Sports Arena Employees= Union, Local 137;

(2) Freehold Racing Association (by the Building Contractors Association of New Jersey) and Monmouth County Carpenters= Local No. 2250;

(3) Garden State Park and Carpenters District Council of South Jersey;

(4) Garden State Park and International Laborers= Association of North America Local Union No. 222;

(5) Garden State Park and International Brotherhood of Electrical Workers Local Union No. 351;

(6) Garden State Park and Brotherhood of Painters and Allied Trades of America, Camden Local Union No. 1171;

(7) Garden State Park and United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry, Local Union No. 322;

(8) Garden State Park and Construction and General Laborers= Union Local 172.

(9) Freehold Racing Association and International Union of Operating Engineers Locals 68, 68A and 68B.

(3) WARN Compliance. ITB and Sellers represent and warrant that the aggregate number of employees permanently laid-off or terminated, whether for reasons related to the transaction or otherwise, in the ninety (90) days immediately preceding Closing (including employees who earlier had been temporarily laid off but whose period of layoff reached, within such ninety (90) day period, six months in length without such employee having been recalled) is 54. ITB and Sellers further represent and warrant that the aggregate number of employees temporarily laid-off, whether for reasons related to the transaction or otherwise, in the ninety (90) days immediately preceding Closing is 44. A schedule listing such employees and the dates of and reasons for the separation of each is attached hereto as Exhibit AJ@. In reliance on these representations, Buyer waives Sellers= compliance with WARN prior to Closing. Buyer represents and warrants that it intends to hire, within thirty (30) days of Closing, individuals employed by Sellers at Garden State Park and Freehold Raceway sufficient in number to avoid, as a result of Closing, a Aplant closing@ or Amass layoff@ under WARN. Buyer agrees to indemnify, hold harmless and defend Sellers and ITB from and against any loss incurred or suffered by any Seller or ITB, directly or indirectly, by reason of any and all obligations, duties, liabilities and claims under WARN as a consequence of Buyer=s failure to hire individuals employed by Sellers at Garden State Park and Freehold Raceway sufficient in number to avoid, as a result of Closing, a Aplant closing@ or Amass layoff@ under WARN.

17. Closing Date. The Closing Date set forth in Sections 9 and 22(e) of the Agreement is hereby amended to Thursday, January 28, 1999.

18. Release of Claims. Effective upon the Closing of the transaction, automatically and without the necessity of further action by Buyer, Buyer shall be deemed to have waived any claims it has alleged against ITB and Sellers for conduct between the date of the Agreement and the Closing, as relates to fair dealing, cooperation, and prompt and diligent pursuit in obtaining approvals required for the consummation of the transaction.

19. Chiller Lease. GECC has failed to confirm in writing that Buyer=s sole obligation to GECC is to make scheduled monthly payments and routine maintenance of the Chiller Lease during the term of the Lease of GSP. In the event GECC accelerates the obligation of GSRT or takes any other collection actions under the GECC Chiller Lease, except due to Buyer=s failure to make scheduled monthly payments or perform routine maintenance, GSRT shall be responsible for all payments or obligations under the GECC Chiller Lease, except scheduled monthly payments.

20. Agent for Contingent Notes. In accordance with Subsection 6(a)(vii), the Contingent Promissory Notes and related Mortgage are to be payable to an agent for the benefit of ITB and the Sellers. ITB and Sellers need additional time to arrange for such an agent. Buyer is not waiving this requirement by closing without an agent in place. Accordingly, ITB and Sellers agree that any payments required to be made under the Contingent Promissory Notes prior to an agent, as described in Subsection 6(a)(vii) being in place and the Contingent Promissory Notes have been assigned to such agent, shall be made to Buyer=s counsel, Fox, Rothschild, O'Brien & Frankel, LLP, to be held in escrow until an agent is in place, and then shall be paid to ITB, or as ITB shall direct. Furthermore, the Mortgage delivered at Closing shall be held by Buyer=s counsel and released for recording only after such agent is in place and can be identified on such Mortgage.

21. Time of the Essence. Time is of the essence in connection with the obligations of the parties under the Asset Purchase Agreement, as amended.

22. Ratification. In all other respects, the Asset Purchase Agreement is hereby ratified and affirmed; and the rights and obligations of the parties thereunder preserved. By the execution of this First Amendment, no party is waiving any rights or claims under the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Asset Purchase Agreement on the date first above written.

GREENWOOD NEW JERSEY, INC.

By: /s/ Harold G. Handel_____
Harold G. Handel, President

INTERNATIONAL THOROUGHBRED BREEDERS, INC.

By: /s/ Nunzio DeSantis_____

GARDEN STATE RACE TRACK, INC.

By: /s/ Nunzio DeSantis_____

FREEHOLD RACING ASSOCIATION

By: /s/ Nunzio DeSantis_____

ATLANTIC CITY HARNESS, INC.

By: /s/ Nunzio DeSantis_____

CIRCA 1850, INC.

By:/s/ Nunzio DeSantis_____

PENN NATIONAL GAMING, INC.,

By: /s/ William J. Bork_____
William J. Bork, President

LIST OF EXHIBITS TO
FIRST AMENDMENT TO
ASSET PURCHASE AGREEMENT

1. \$22 Million Deferred Purchase Price Promissory Note*
2. \$1 Million Deferred Purchase Price Promissory Note
3. Mortgage and Security Agreement related to Deferred Purchase Price Notes*
4. Escrow Agreement
 - E-1. 10 Acre Parcel
 - E-2. Easement relating to the 10 Acre Parcel
 - F. Penn Contingent Guaranty
 - G. Raceway Leases
 - H. Allocation of Purchase Price
 - I. Environmental Matters
 - J. Employees Laid-Off or Terminated Since April 1, 1998

*Exhibits A and C are omitted. The form of these documents will be negotiated among ITB, Sellers, Buyer and CSFB.

FIRST AMENDMENT TO JOINT VENTURE AGREEMENT

RELATING TO NEW JERSEY ASSETS

This First Amendment to Joint Venture Agreement is made and entered into as of the 28th day of January, 1999, by and between Greenwood New Jersey, Inc. (AGreenwood@) and Penn National Gaming, Inc. (APenn@), the parties to a Joint Venture Agreement dated October 30, 1998, as previously modified by a letter from Penn to Greenwood dated November 2, 1998 (the AJV Agreement@). Certain defined terms used herein are based on the definitions of the Asset Purchase Agreement of July 2, 1998.

The parties desire to further amend their Joint Venture Agreement, and agree as follows:

1. Term of the Joint Venture. It is the intention of the parties that neither be free to deal independently in connection with the acquisition of the New Jersey Assets, unless for any reason, one of the parties is unable to proceed due to circumstances outside its control, for example, the inability to obtain regulatory approval. The parties therefore agree that neither will act alone in connection with the acquisition of the assets until July 1, 1999, unless one of the joint venture parties is unable to proceed due to circumstances outside its control and abandons its efforts to seek the required approvals.

2. Best Efforts. Each party to the Joint Venture will use its best efforts to obtain or meet all consents, approvals or requirements necessary to effect the Joint Venture, and to allow the parties to jointly acquire the New Jersey Assets. For purposes of this First Amendment, for Greenwood the approval required shall be only full and complete New Jersey regulatory approval (including but not limited to approval of the Racing Commission); and for Penn, only (i) full and complete New Jersey regulatory approval (including but not limited to approval of the Racing Commission), (ii) HSR Compliance; and (iii) the written consent of a majority of the holders of its \$80 Million Senior Notes issued December 17, 1997 to any necessary modification to the Indenture dated December 12, 1997 to permit Penn=s investment in the Joint Venture (the APenn Approvals@).

3. Structure of the Transaction.

(1) Operating Entities. Greenwood intends to assign its rights to acquire the Assets related to Raceway to FR Park Racing, LP, a New Jersey limited partnership (AFRPRLP@); and the Assets related to GSP, including the leasehold interest, to GS Park Racing, LP, a New Jersey limited partnership (AGSPRLP@). Greenwood Limited Partner, Inc., a Delaware corporation (AGLP@) will hold the entire limited partnership interest of 99.9% in each of FRPRLP and GSPRLP; and Pennwood Racing, Inc., a Delaware corporation (APennwood@), will hold the entire general partnership interest of .1% in each of FRPRLP and GSPRLP.

(2) Service Companies. Employees of Raceway will be employed by FR Park Services, LP, a New Jersey limited partnership (AFR Park Services@); and employees of GSP will be employed by GS Park Services, L.P., a New Jersey limited partnership (AGS Park Services@). Benstone Partners, a Pennsylvania general partnership (ABenstone@) is owned indirectly 100% by Greenwood Racing, Inc. (AGRI@). Benstone will hold the entire limited partnership interest of 99.9% in each of FR Park Services and GS Park Services; and Pennwood will hold the entire general partnership interest of .1% of each. Pennwood is owned 100% by GRI.

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(1)

(3) Documentation. Prior to the execution of this First Amendment, the documents relating to the formation, organization and governance of the limited partnerships referred to in Paragraph 3(a) and 3(b) above have been agreed to by Penn and GRI. FRPRLP, GSPRLP, FR Park Services, and GS Park Services are referred to herein as the Joint Venture Entities.

4. Participation by Penn at Initial and Subsequent Closings.

(1) Initial Closing. The Closing Date of the Asset Purchase Agreement with ITB, et al, is presently scheduled for January 1999 (the AInitial Closing@), prior to

Penn=s obtaining the Penn Approvals.

(2) Penn Loan. At the Initial Closing, Penn will loan to FRPRLP Eleven Million Two Hundred and Fifty Thousand Dollars (\$11,250,000), and GRI, or affiliate of GRI will loan to FRPRLP Eleven Million Seven Hundred Fifty Thousand Dollars (\$11,750,000). These loans will be subordinated to the Deferred Purchase Price Notes issued to the Sellers. The loan from Penn will be evidenced by a \$11,250,000 Promissory Note (the APenn Note@) from FRPRLP to Penn, guaranteed by GRI. The loan from GRI, or an affiliate of GRI, will be a demand loan, subject to the provisions of Subparagraph 4(f) below, and will be evidenced by a \$11,750,000 Promissory Note in the form of the Penn Note. The Penn Note will have an initial maturity of April 30, 2000, and will bear interest at PNG=s cost of borrowing. Interest will be payable quarterly. The Penn Note will be secured by a Mortgage and Security Agreement subordinated to FRPRLP obligations to CSFB contained in a \$22 Million Note to be delivered at the Initial Closing, and subject to CSFB=s lien in an amount not to exceed \$22 Million. The maturity of the Penn Note shall be extended in the event that as of the original maturity date Penn has not obtained approval to participate in the Put obligation referred to below in Paragraph 5 and the Put obligation to CSFB remains applicable to GRI. At such time, the Penn Note shall be converted to the Put Loan (as defined in Paragraph 5), and shall have the maturity of the Put Loan. At its original maturity date, if the maturity date has been extended pursuant to this Paragraph 4(b), the principal amount of the Penn Note shall be reduced to Eight Million Seven Hundred and Fifty Thousand Dollars (\$8,750,000) by the payment by FRPRLP of any principal amount in excess of this amount.

(3) Subsequent Closing. Upon the obtaining of the Penn Approvals, and at the time required by the Asset Purchase Agreement, as amended (the ASubsequent Closing@), Penn will invest in the Joint Venture Entities an aggregate of an additional Eleven Million Seven Hundred Fifty Thousand Dollars (\$11,750,000), adjusted to represent 50% of the payment then due the Sellers, plus 50% of all other payments to Seller, less the principal amount of the loan made at the Initial Closing (the ASubsequent Closing@). Penn shall not be able to use or convert the Penn Note to equity or Joint Venture Entity debt until it has obtained Noteholder approval for the Put obligation, the Put obligation has been extinguished, or Penn has loaned GRI or its affiliate which purchased the GSP real estate 50% of the Purchase Price, whichever is the earliest. At the Subsequent Closing, Penn will acquire 50% of the equity of Pennwood, and 49.95% of the limited partnership interests of each of the Joint Venture Entities. Penn will be allocated profit or loss in the Joint Venture Entities on a pro rata basis reflecting the portion of the year it owned its interests in the Joint Venture Entities. Attached hereto as Exhibit A is a schedule showing the present intention of the parties as to the equity and debt structure of the Joint Venture Entities. Changes to Exhibit A shall require the approval of both Penn and Greenwood.

(4) Termination of Joint Venture. In the event and at such time as Penn determines that it will not be able to obtain one or more of the Penn Approvals, and abandons its efforts to obtain such approval(s), or December 31, 1999, whichever is earlier (the ATermination Date@), the initial maturity date of the Penn Note will be changed to the earlier of (i) eighteen (18) months from the Termination Date; or (ii) five (5) business days after the successful closing of a financing transaction specifically intended to repay Penn, which financing is in an amount at least as great as the Penn debt. Such maturity date is subject to extension in the event the Put obligation continues and the Penn Loan has been converted to the Put Loan; provided, that, FRPRLP shall have reduced the amount of the Put Loan by payment of any principal amount in excess of \$8,750,000.

(5) Escrow and Conduct Pending Subsequent Closing. At the Initial Closing GRI, FRPRLP, GSPRLP, FR Park Services, GS Park Services, Pennwood and Penn will enter into an Escrow Agreement providing that the documents necessary to issue interests or shares constituting ownership of one-half interest in the Joint Venture Entities and Pennwood will be placed in Escrow to be distributed at the Subsequent Closing or such other time as determined by the Escrow Agreement. From the Initial Closing until the earlier of (i) the Subsequent Closing, or (ii) the Termination Date, GRI will not permit a change in the governing documents, capitalization or ownership of any Joint Venture Entity or Pennwood, without the prior approval of Penn, which approval will not be unreasonably withheld.

(f) Greenwood Failure to Participate in the Subsequent Closing. In the event that Penn has obtained the Penn Approvals, but Greenwood breaches its obligations to participate in the Subsequent Closing, Penn may proceed with the Subsequent Closing and may make all necessary payments to Sellers at the Subsequent Closing. Provided that Penn makes all necessary payments at the Subsequent Closing such that the Subsequent Closing is consummated, and Greenwood fails to participate at the Subsequent Closing, then (i) the maturity of the GRI loan to FRPRLP made at the Initial Closing will convert from a demand loan to a loan with a fixed maturity date eighteen (18) months from the Subsequent Closing; and (ii) GRI and its affiliates shall execute and deliver to Penn all such documents, shares, or interests necessary to transfer the full and complete ownership of the Joint Venture Entities to Penn, and the Joint Venture shall be immediately terminated; provided, however, that GRI=s loan to FRPRLP shall remain in accordance with its terms and Penn shall reimburse GRI for one-half of its reasonable costs incurred in connection with the Initial Closing.

(g) Penn Failure to Participate in the Subsequent Closing. In the event that Penn has obtained the Penn Approvals but breaches its obligation to participate in the Subsequent Closing, Greenwood may proceed with the Subsequent Closing and may make all necessary payments to Seller at the Subsequent Closing. Provided that Greenwood makes all necessary payments at the Subsequent Closing such that the Subsequent Closing is consummated, the Joint Venture shall be immediately terminated; provided, however, that Penn=s loan to FRPRLP shall remain in accordance with its terms.

5. Penn Responsibility in Connection with CSFB Put.

(a) Put. At the Closing, arrangements are to be entered into between GRI, or another related entity of GRI (which may include a Joint Venture Entity) and CSFB, whereby GRI, or a designee of GRI may be the purchaser of the GSP real estate. In the event the Penn Approvals are not obtained, or Penn otherwise does not acquire an interest in the Joint Venture Entities, Penn will nevertheless join in the purchase of the GSP real estate to the extent of a fifty percent participation, including providing 50% of all deposits and other required payments, and the assumption of 50% of any debt incurred in connection with the purchase of the real estate. The obligations of the GRI and Penn to Sellers and CSFB shall be several and not joint. The parties will form a limited liability company for such purchase, unless a different form of ownership is agreed to by the parties at a later date. To the extent GS Park Racing, LP continues operating at GSP, the lease governing its use will be amended to reflect rental and other terms, as the parties shall agree.

(b) Approval for Penn Participation in the Put; Put Loan. To accelerate the date by which Penn receives approval of the holders of its Senior Notes, Penn will commence its efforts to obtain such approval immediately following the Initial Closing. To the extent Penn requires approval of the holders of its Senior Notes referred to in Paragraph 2 above for this participation, and has not obtained such approval by the time the acquisition of the GSP real estate must occur, Penn will nevertheless loan to GRI 50% of the purchase price on the terms of the Penn Note; provided, however, the loan in connection with the GSP real estate will have a maturity date which will be the earliest of (i) when GRI, or its affiliate, sells the GSP real estate; (ii) when GRI, or its affiliate obtains a mortgage loan for the GSP real estate in an amount equal to or greater than its purchase price under the Put; or (iii) eighteen (18) months from the date the GSP real estate is acquired by GRI or its affiliate, and then, in either case, until Penn's undertaking in Paragraph 5(c) below has been fulfilled (the APut Loan@). The following provisions shall also apply to the Put Loan:

(y) Upside Participation. In the event the GSP real estate is sold while the Put Loan is outstanding, then Penn will be entitled to receive a payment equal to thirty-three percent (33%) of the gain, if any, measured by the difference between the net proceeds to the seller and the purchase price (including costs of acquisition) at acquisition, which amount will be paid at the closing of the sale. In the event an agreement of sale anticipated to produce a gain for the seller is entered into while the Put Loan is outstanding, but closing under the agreement is scheduled for after the due date of the Put Loan, Penn shall have the option of extending the maturity of the Put Loan to the closing date. In the event Penn does not extend the Put Loan, Penn will forego its upside participation if closing occurs after the Put Loan is repaid. In the event that an agreement of sale is entered into within sixty (60) days of the payoff of the Put Loan, based on an offer arising after such payoff, Penn will be entitled to receive a payment equal to thirty-three percent (33%) of the gain, if any, measured by the difference between the net proceeds to the seller and the purchase price (including the costs of acquisition) at acquisition, which amount will be paid at the closing of the sale.

(z) Refinance or Sale. GRI will use its reasonable efforts to refinance the GSP real estate, or sell it on commercially reasonable terms designed to net the owner more than its costs of acquisition, holding and selling the property. GRI will keep Penn advised of any offers received to refinance or sell the property. Furthermore, in the event the owner of the GSP real estate receives a bona fide cash offer to sell the GSP real estate for a price in excess of Twenty Million Dollars (\$20,000,000) when the Put Loan is outstanding, and rejects the offer, the Put Loan shall be repaid within sixty (60) days of the rejection of the offer. For purposes of this subparagraph, a bona fide cash offer shall mean a written offer which: (1) is from a financially responsible person with demonstrated ability to fund the purchase price; (2) is likely to close on a timely basis; (3) has a closing date of not longer than one hundred twenty (120) days from the date of the offer; (4) has no material conditions to the Buyer=s obligation to close other than the delivery of title to the real estate in the same condition as that which was acquired by GRI through the Put option; (5) provides for a sale of the property As is@ Awhere is@ with no representations or warranties from the Seller; (6) is a sale subject to the Covenant and the obligation to convey the 10 Acre Parcel; (7) preserves the rights of GRI to conduct any gaming or other activities relating thereto, which it may have (such as the right to operate an OTB at GSP or phone betting) other than live racing at GSP; (8) does not contain material provisions relating to matters other than the sale of the real property, or material post closing obligation on GRI or material obligations that may affect other activities of GRI or its affiliates or require GRI or its affiliates to take or refrain from taking action other than the conveyance of the property to the Buyer. For purposes of this subparagraph, a rejection of an offer shall mean a rejection which terminates negotiations of a bona fide cash offer meeting the requirements above, and not one which is part of ongoing negotiations, such as a counterproposal.

(c) Penn Failure to Participate in the Put Obligation. In the event Penn fails to participate in the Put obligation to the extent of a 50% participation, whether because it has not obtained the Penn Approvals, has not obtained the approval of the holders of the Senior Notes, or any other reason, Penn shall nevertheless remain liable to Greenwood, GRI, and their affiliates for any loss it incurs as a result of the failure of GRI to purchase the GSP property pursuant to the Put obligation. If Greenwood, GRI, or an affiliate completes the purchase, Penn will also, at Greenwood=s request, indemnify and hold Greenwood, GRI, and their affiliates harmless to the extent of 50% of all costs, expenses, losses or claims incurred in purchasing, holding, selling or realizing upon such property, including any loss suffered in a sale.

(d) Greenwood Failure to Participate in the Put Obligation. In the event Greenwood fails to participate in the Put obligation to the extent of a 50% participation, Penn shall have the option of exercising the Put on behalf of itself and Greenwood, through a Joint Venture Entity or otherwise, at its option. In the case of Greenwood=s failure to participate in the Put Obligation, GRI shall nevertheless remain liable to Penn and its affiliates for any loss Penn incurs as a result of the failure of Penn or a Joint Venture Entity to purchase the GSP property pursuant to the Put obligation. GRI, directly or through an affiliate, will also continue to have an obligation to participate to the extent of a 50% interest, and will further have an obligation to indemnify and hold Penn harmless to the extent of 50% of all costs, expenses, losses or claims incurred in purchasing, holding, selling or realizing upon such property, including any loss suffered in a sale.

6. Assignment. Neither party shall have the right to assign its interest in the Joint Venture to any party not controlled by it or under common control of such party, except as contemplated by the terms of this First Amendment.

In all other respects the Joint Venture Agreement is ratified and affirmed.

IN WITNESS WHEREOF, the parties have executed this First Amendment to Joint Venture Agreement as of the first date above written.

GREENWOOD NEW JERSEY, INC.

By: /s/ Harold G.
Handel_____

Harold G. Handel, President

PENN NATIONAL GAMING, INC.

By: /s/ William J. Bork_____

William J. Bork, President

For purposes of agreement to the guaranty referred to in Paragraph 4(b) and the undertakings of Paragraphs 5(b) and 5(d):

GREENWOOD RACING, INC.

By: /s/ Robert W. Green_____

Robert W. Green, President