

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant /X/
Filed by a Party other than the Registrant / /

Check the appropriate box:

- / / Preliminary Proxy Statement
/ / Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
/X/ Definitive Proxy Statement
/ / Definitive Additional Materials
/ / Soliciting Material Pursuant to ss.240.14a-11(c) or ss.240.14a-12

PENN NATIONAL GAMING, INC.

(Name of Registrant as Specified In Its Charter)

PENN NATIONAL GAMING, INC.

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

/X/ No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
2) Aggregate number of securities to which transaction applies:
3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4) Proposed maximum aggregate value of transaction:
5) Total fee paid:

/ / Fee paid previously with preliminary materials.

/ / Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- 1) Amount previously paid:
2) Form, Schedule or Registration Statement no.:
3) Filing Party:
4) Date Filed:

PENN NATIONAL GAMING, INC.

825 Berkshire Boulevard
Suite 200
Wyomissing, Pennsylvania 19610

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Penn National Gaming, Inc. (the "Company"), a Pennsylvania corporation, will be held on May 20, 1998, at 10:00 AM, local time, at Charles Town Entertainment Complex, Flowing Springs Road, Charles Town, West Virginia, 25414, for the following purposes:

1. To elect two Class II directors for a term of three years and until their successors are duly elected and qualified.
2. To consider and act upon a proposal to ratify the appointment of BDO Seidman, LLP as independent public accountants for the Company for the fiscal year ending December 31, 1998.
3. To consider and transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting.

Only shareholders of record at the close of business on April 3, 1998 are entitled to notice of and to vote at the Annual Meeting and any postponement or adjournment thereof.

All shareholders are cordially invited to attend the Annual Meeting in person. Any shareholder attending the Annual Meeting may vote in person even if such shareholder previously signed and returned a proxy.

FOR THE BOARD OF DIRECTORS

Robert S. Ippolito
Secretary

Wyomissing, Pennsylvania
April 20, 1998

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE PROVIDED FOR THAT PURPOSE TO ASSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES.

PENN NATIONAL GAMING, INC.
Wyomissing Professional Center
825 Berkshire Boulevard, Suite 200
Wyomissing, Pennsylvania 19610
(610) 373-2400

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON
MAY 20, 1998

This Proxy Statement and the enclosed Proxy are first being sent or given to shareholders of Penn National Gaming, Inc. (the "Company") on or about April 20, 1998, in connection with the solicitation of proxies for use at the Company's Annual Meeting of Shareholders ("Annual Meeting") to be held May 20, 1998, at 10:00 a.m., local time, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting. The Annual Meeting will be held at the Charles Town Entertainment Complex, Flowing Springs Road, Charles Town, West Virginia, 25414. This solicitation is being made on behalf of the Board of Directors of the Company.

INFORMATION CONCERNING SOLICITATION AND VOTING

Record Date and Shares Outstanding

The Board of Directors has fixed the close of business on April 3, 1998, as the record date ("Record Date") for the determination of shareholders of the Company entitled to notice of, and to vote at, the Annual Meeting. At the Record Date, 15,155,830 shares of the Company's Common Stock were issued and outstanding and entitled to vote at the Annual Meeting.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Secretary of the Company written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person.

Voting and Solicitation

The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast is necessary for a quorum to be present at the Annual Meeting. Each share of the Company's Common Stock outstanding is entitled to one vote on each matter which may be brought before the Annual Meeting.

Proxies given in the form enclosed, unless previously revoked, will be voted at the Annual Meeting in accordance with the instructions contained therein, and if no choice is specified, will be voted in favor of the proposals set forth in the notice of meeting. Assuming a quorum is present, the affirmative vote of a majority of the votes cast at the Annual Meeting is required for (i) the election of directors; (ii) the ratification of BDO Seidman, LLP as the independent public accountants for the year ending December 31, 1998; and (iii) the approval of any other matters which may properly come before the Annual Meeting or any postponement or adjournment thereof. For purposes of determining the number of votes cast, only those cast

"for" or "against" are counted. Abstentions and broker non-votes are counted only for purposes of determining whether a quorum is present at the Annual Meeting. Under Pennsylvania law, a quorum is required to conduct business at the Annual Meeting.

It is expected that the solicitation of proxies will be conducted primarily by mail. Proxies may also be solicited personally or by telephone, telegraph, or teletype. The cost of this solicitation will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers and employees, without additional compensation, personally or by telephone, telegram, or teletype.

ELECTION OF DIRECTORS

Information about Nominees and Other Directors

Two Class II directors will be elected at the Annual Meeting to hold office, subject to the provisions of the Company's By-Laws, until the annual meeting of shareholders of the Company to be held in the year 2001, and until their respective successors are duly elected and qualified.

The following table sets forth the name, age, principal occupation, and respective service date of each person who has been nominated to be a director of the Company:

Name of Nominee	Age	Principal Occupation	Director Since	Term Expires
William J. Bork	64	President and Chief Operating Officer of the Company	1995	2001
Robert P. Levy	66	Chairman of the Board of the Atlantic City Racing Association	1995	2001

William J. Bork. Mr. Bork was elected President, Chief Operating Officer and a Director in June 1995. From 1987 to June 1995 he was Vice President for Ladbroke Racing Corporation. Prior to working with Ladbroke, Mr. Bork served as Vice President of Operations of racetracks previously owned by Ogden Corporation including Fairmount Park in Collinsville, Illinois; Mountaineer Park in Chester, West Virginia; Wheeling Downs in Wheeling, West Virginia; and Suffolk Downs in Boston, Massachusetts.

Robert P. Levy. Mr. Levy has been a director of the Company since 1995. He is Chairman of the Board of the Atlantic City Racing Association and served a two-year term from 1989 to 1990 as President of the Thoroughbred Racing Association. Mr. Levy has served as the Chairman of the Board of DRT Industries, Inc., a diversified business based in the Philadelphia metropolitan area, since 1960. Mr. Levy owns the Robert P. Levy Stable, a thoroughbred racing and breeding operation which has bred and owned several award-winning horses, including the 1987 Belmont Stakes winner, Bet Twice.

The following table sets forth the name, age, principal occupation, and respective service date of each director whose term of office extends beyond the date of the Annual Meeting:

Name of Nominee	Age	Principal Occupation	Director Since	Term Expires
David A. Handler	33	Senior Vice President of Corporate Finance of Jefferies & Company, Inc.	1994	2000
John M. Jacquemin	51	President of Mooring Financial Corporation	1995	2000
Peter M. Carlino	51	Chairman of the Board and Chief Executive Officer of the Company	1994	1999
Harold Cramer	70	Of Counsel to Mesirov Gelman Jaffe Cramer & Jamieson, LLP	1994	1999

David A. Handler. Mr. Handler has been a Director of the Company since 1994. From 1995 to the present, Mr. Handler has been an investment banker and is currently a Senior Vice President of Corporate Finance at Jefferies & Company, Inc. From 1991 to 1995, he was a Vice President at Fahnstock & Co., Inc.

John M. Jacquemin. Mr. Jacquemin has been a director of the Company since 1995 and is President of Mooring Financial Corporation, a financial services group specializing in the purchase and administration of commercial loan portfolios and equipment leases. Mr. Jacquemin joined Mooring Financial Corporation in 1982 and has served as its President since 1987.

Peter M. Carlino. Mr. Carlino has served as Chairman of the Board and Chief Executive Officer of the Company since April 1994, and has devoted a significant amount of time to the activities of the Company as a director since 1991. From 1984 to 1994, Mr. Carlino devoted a substantial portion of his business time to developing, building and operating residential and commercial real estate projects located primarily in Central Pennsylvania. Since 1976 he has been President of Carlino Financial Corporation ("Carlino Financial"), a holding company which owns and operates various Carlino family businesses, in which capacity he has been continuously active in strategic planning for the Company and monitoring its operations. From 1972 until 1976, Mr. Carlino served as President of Mountainview Thoroughbred Racing Association, a predecessor in interest of the Company ("Mountainview").

Harold Cramer. Mr. Cramer has been a director of the Company since 1994. Since November 1996, Mr. Cramer has been Of Counsel to Mesirov Gelman Jaffe Cramer & Jamieson, LLP, a Philadelphia law firm which provides legal services to the Company. From November 1995 until November 1996, Mr. Cramer was Chairman of the Board and Chief Executive Officer of HSI Management Co., Inc. From 1989 until November 1995, Mr. Cramer was Chairman of the Board and Chief Executive Officer of Graduate Health System, Inc. ("GHS") and has been a Director of GHS since November 1996. He also serves as a director of Mountainview and as a director of Pennsylvania National Turf Club, Inc., a subsidiary of the Company.

Meetings of the Board of Directors and Information About Board Committees

The Board of Directors held five meetings during the fiscal year ended December 31, 1997. Each director attended 100% of all meetings of the Board and all meetings of Board committees on which he served except for David A. Handler who attended 80% of such meetings.

The Company has two standing Committees: The Audit and Compensation Committees. David A. Handler and John M. Jacquemin are members of the Audit Committee, and Harold

Cramer and Robert P. Levy are members of the Compensation Committee. The principal functions of the Audit Committee are to recommend engagement of the Company's independent auditors, to consult with the Company's auditors concerning the scope of the audit, to review with the auditors the results of the examination, to review and approve any material accounting policy changes affecting the Company's operating results, and to review the Company's financial control procedures and personnel. The Compensation Committee reviews compensation and benefits for the Company's executives and administers the grant of stock options to executive officers under the Company's 1994 Stock Option Plan. Two meetings of the Audit Committee and one meeting of the Compensation Committee were held in 1997. The Board of Directors does not have a nominating committee.

The Company pays director's fees to each Director who is not an employee of the Company. During the year ending December 31, 1997, each outside Director received an annual fee of \$12,000, plus \$1,000 for each Board meeting attended and reimbursement for out-of-pocket expenses in connection with his attendance at such meetings. In addition, each non-employee Director was granted an initial option to purchase 5,000 (now 15,000 shares as a result of stock splits) shares of Common Stock and an option to purchase an additional 15,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of the grant. All grants of options to non-employee Directors vest in four equal annual installments, commencing on the first anniversary of the date of grant.

COMPENSATION COMMITTEE REPORT

The Company's executive officer compensation program is administered and reviewed by the Compensation Committee of the Board of Directors (the "Compensation Committee"). The Compensation Committee consists of two independent, non-employee Directors of the Company.

Policies and Mission

The Compensation Committee has determined that compensation of executive officers should include a mixture of short and long range compensation plans which attract, motivate and retain competent executive personnel, increase executive ownership interests in the Company and encourage increases in the Company's productivity and profitability. As such, the Company's policy is that executive compensation should be directly and materially related to the short-term and long-term operating performance and objectives of the Company. To achieve these ends, executive compensation, including base salary and stock option grants, is to a significant extent dependent upon the Company's financial performance and the return on its Common Stock. However, to ensure that the Company is strategically and competitively positioned for the future, the Compensation Committee also attributes significant weight to other factors in determining executive compensation, such as maintaining competitiveness, implementing capital improvements, expanding markets and achieving other long-range business and operating objectives.

Compensation Plan

To determine appropriate levels of executive compensation, the Compensation Committee periodically reviews the executive compensation programs and policies of the Company's competitors, in addition to a broader group of companies in its marketplace, to ensure that the Company's plans and practices are competitive and appropriately based on the Company's performance and compensation philosophy.

Base Salary

The objective for computing executive base salaries is to structure salaries that are competitive with those of similarly situated companies. In setting base salary levels for individual executives in the future, the Compensation Committee will consider such factors as the executive's scope of responsibility, current performance, future potential and overall competitive positioning relative to comparable positions at other companies. The base salaries for Peter M. Carlinio, William J. Bork, and Robert S. Ippolito are set pursuant to employment agreements and currently are \$335,000, \$235,000, and \$135,000 per year, respectively.

Stock Options

Stock options are granted under the provisions of the Company's 1994 Stock Option Plan (the "Plan") as amended and restated. Stock options are granted to reinforce the importance of improving shareholder value over the long-term and to encourage and facilitate executive stock ownership. Stock options are granted at not less than 100% of the fair market value of the stock on the date of grant to ensure that executives can only be rewarded for appreciation in the price of the Common Stock where the Company's shareholders are similarly benefitted. For future grants, the Compensation Committee will establish levels of participation for the stock option program based upon each executive officer's or other employee's position in the Company. The number of options to be granted to each executive officer will be contingent on the individual executive's performance, tenure and future potential.

Compensation Committee of the Board of Directors
Harold Cramer and Robert P. Levy

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to beneficial ownership of the Company's Common Stock as of April 3, 1998, by (i) each person known to the Company to own beneficially more than five percent of the Company's outstanding Common Stock, (ii) each director, (iii) the chief executive officer and each of the four other most highly compensated executive officers of the Company, and (iv) all of the executive officers and directors of the Company as a group.

Amount and Nature of Beneficial
Ownership of Common Stock

Name and Address (1)	Number of Shares	Percentage of Outstanding Shares
Peter D. Carlino (2)	5,696,595	37.6%
Peter M. Carlino (3)	6,436,429	41.4%
David E. Carlino (4)	5,216,533	34.4%
Richard J. Carlino (5)	5,209,189	34.4%
Harold Cramer (6)	5,399,331	35.6%
Carlino Family Trust (7)	5,198,003	34.3%
Carlino Financial Corporation (7)	301,132	2.0%
William J. Bork	133,333	*
Philip T. O'Hara, Jr.	56,250	*
David A. Handler	106,252	*
Robert S. Ippolito	70,350	*
John M. Jacquemin	11,850	*
Robert P. Levy	11,250	*
Robert Abraham	8,000	*
FMR Corp. (8) 8 Devonshire Street Boston, MA 02109	1,664,400	11.0%
All executive officers and directors as a group (9 persons)(2)(3)(5)	7,035,042	44.2%

* Less than 1%

(1) The persons named in the above table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them except as otherwise shown in the succeeding footnotes, and the address of each such person other than FMR Corp. is c/o the Company, 825 Berkshire Boulevard, Suite 200, Wyomissing, Pennsylvania 19610. The number of shares included in the table as to each person(s) also includes shares which may be acquired by such person(s) within sixty days of April 3, 1998 pursuant to stock options.

(2) The number of shares in the table includes 301,132 shares owned of record by Carlino Financial Corporation ("Carlino Financial"); such shares are reported as beneficially owned by Peter D. Carlino because he is the Chairman of the Board of Carlino Financial and has shared voting and investment power over such shares. The number of shares in the table also includes 5,198,003 shares owned by an irrevocable trust (the "Family Trust") among Peter D. Carlino and his eight children, as settlors, and certain trustees, as to which Peter D. Carlino has shared investment and voting power with respect to certain matters; 7,000 shares held by PennTitle, Inc. f/k/a Penn Title Insurance Company ("PennTitle") as to which Peter D. Carlino has voting and investment power; and 182,578 shares owned by a marital trust for the benefit of Peter D. Carlino and by a residuary trust for the benefit of Peter D. Carlino's children as to both of which Peter D. Carlino has shared investment power and shared voting power.

(footnotes continued on following page)

(footnotes continued from preceding page)

(3) The number of shares in the table includes 301,132 shares of Common Stock owned of record by Carlino Financial as to which shares Peter M. Carlino has shared voting and investment power; 5,198,003 shares owned by the Family Trust, as to which Peter M. Carlino has sole voting power for the election of directors and certain other matters, shared voting power with respect to certain matters, and shared investment power; 7,000 shares held by PennTitle as to which Peter M. Carlino has shared voting and investment power and 530,294 shares owned jointly by Mr. Carlino and his wife, Marshia Carlino.

(4) The number of shares in the table includes 5,198,003 shares owned by the Family Trust, as to which David E. Carlino has shared investment power and shared voting power as to certain matters; 7,000 shares held by PennTitle as to which David E. Carlino has shared voting and investment power and 182,578 shares owned beneficially by David E. Carlino's children as to which he disclaims beneficial ownership.

(5) The number of shares in the table includes 5,198,003 shares of Common Stock owned by the Family Trust, as to which Richard J. Carlino has shared investment power and shared voting power as to certain matters.

(6) The number of shares in the table includes 5,198,003 shares owned by the Family Trust, and an aggregate of 182,578 shares owned by a marital trust for the benefit of Peter D. Carlino and by a residuary trust for the benefit of Peter D. Carlino's children as to both of which Harold Cramer has shared investment power and shared voting power.

(7) See note (2).

(8) The information in the table is based on information contained in a Statement on Schedule 13G filed by FMR Corp. with the Securities and Exchange Commission dated February 14, 1998. Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp., acting as an investment advisor to various investment companies registered under the Investment Company Act of 1940, as amended, is the beneficial owner of 1,516,100 shares (of which 1,510,000 shares are owned by Fidelity Trend Fund). 148,300 shares are owned by other entities under common control with FMR Corp. Edward C. Johnson, III, Chairman of FMR Corp., and Abigail P. Johnson, a director of FMR, and other members of the Johnson family share investment and voting power with respect to these shares.

EXECUTIVE COMPENSATION

The following table sets forth a summary of all compensation paid or accrued by the Company for services rendered for the last three fiscal years to the Company's Chief Executive Officer and each executive officer whose aggregate cash compensation in 1997 exceeded \$100,000:

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG TERM COMPENSATION		ALL OTHER COMPENSATION(2)
	YEAR	SALARY	BONUS	RESTRICTED STOCK AWARDS	SECURITIES UNDERLYING OPTIONS(1)	
Peter M. Carlino, Chairman of the Board and Chief Executive Officer	1997	\$315,341	\$126,000	--	--	\$4,750
	1996	\$274,997	\$25,000	--	300,000	\$4,750
	1995	\$254,273	--	--	--	\$4,500
William J. Bork, President and Chief Operating Officer	1997	\$223,666	\$84,000	--	--	\$3,357
	1996	\$205,958	--	--	100,000	\$1,615
	1995	\$113,077	--	--	150,000	--
Philip T. O'Hara, Jr. Vice President General Manager	1997	\$179,087	\$25,000	--	--	\$3,357
	1996	\$149,501	\$25,000	--	--	\$2,981
	1995	\$122,346	\$ 4,600	--	--	\$3,347
Robert S. Ippolito Chief Financial Officer Secretary/Treasurer	1997	\$127,902	\$40,000	--	--	\$3,447
	1996	\$110,385	\$18,600	--	10,000	\$2,959
	1995	\$100,462	--	--	--	\$2,735

(1) Adjusted for all stock splits to date.

(2) Includes amounts contributed by the Company to its profit sharing and 401(k) plan for the account of such executive officers.

GRANT OF STOCK OPTIONS IN 1997

No stock options were granted to eligible executive officers during 1997.

EXERCISE OF STOCK OPTIONS IN 1997

The following table provides information with respect to the named executive officers concerning the exercise of stock options during 1997 and unexercised options held as of December 31, 1997. There are no outstanding stock appreciation rights.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 1997		Value of Unexercised In-the-Money Options at December 31, 1997	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Peter M. Carlino	0	\$0.00	325,000	275,000	\$1,289,174	\$429,725
William J. Bork	0	\$0.00	133,000	116,667	\$ 356,300	\$178,150
Robert S. Ippolito	0	\$0.00	49,750	26,250	\$ 270,727	\$107,431
Philip T. O'Hara, Jr.	0	\$0.00	37,500	18,750	\$ 214,862	\$107,431

Employment Agreements

On April 12, 1994, the Company entered into employment agreements with Peter M. Carlino, its Chairman and Chief Executive Officer, Robert S. Ippolito, its Chief Financial Officer, Secretary, and Treasurer, at annual base salaries of \$225,000 and \$95,000, respectively. The agreements with Messrs. Carlino and Ippolito were effective beginning June 1, 1994 and terminate on June 30, 1999. Effective June 1, 1997, Mr. Carlino's annual base salary was increased to \$335,000, and effective June 1, 1997, Mr. Ippolito's annual base salary was increased to \$135,000. Each agreement prohibits the applicable employee from competing with the Company during its term and for one year thereafter and requires a death benefit payment by the Company equal to 50% of the employee's annual salary in effect at the time of his death. Pursuant to his employment agreement, Mr. Carlino agreed to devote his full time to the Company, except that Mr. Carlino may complete and monitor certain real estate investments in which he has a substantial interest and which were previously commenced by him, as long as such activities do not materially interfere with his duties to the Company.

On June 1, 1995, the Company entered into an employment agreement with William J. Bork, its president and chief operating officer, at an annual base salary of \$210,000. The agreement terminates on June 12, 1998. Effective June 12, 1997, Mr. Bork's annual base salary was increased to \$235,000. The agreement prohibits Mr. Bork from competing with the Company during its term and for two years thereafter, and requires a death benefit payment by the Company equal to 50% of the employee's annual salary in effect at the time of his death.

The above employment agreements have been approved by the Pennsylvania Racing Commission.

Certain Transactions

On April 11, 1994, the Company executed a Plan of Reorganization with the shareholders and partners of entities now comprising the Company, all of whom with the exception of one person, are members of the Carlino family. The total number of shares (2,800,000) issued by the Company in the Reorganization and the allocation thereof among the respective shareholders was determined by the interested parties. Pursuant to the Plan of Reorganization, the parties agreed that any income tax refunds or tax liabilities which relate to a tax period prior to the effective date of the Plan of Reorganization shall be paid to or be the responsibility of the appropriate taxpayer, not the Company. However, if the refund results from a position inconsistent with a prior position taken by the entities whose shareholders and partners participated in the Reorganization and in turn results in a tax liability on the part of the Company, the Company will be entitled to receive from Carlino Financial or the shareholders and partners of such entities an amount equal to the lesser of such refund or the increased tax liability. In addition, if the tax liability results from a position inconsistent with a prior position taken by the entities whose shareholders and partners participated in the Reorganization and in turn results in a reduced tax liability to the Company, the Company will pay Carlino Financial or the shareholders and partners of PNR Reading Inc., PNR Chambersburg, Inc., PNR Limited Partnership and Carlino Family Partnership an amount equal to the lesser of such reduction in its tax liability and the increased liability of the appropriate taxpayers. This provision, however, does not apply to the tax matters which were the subject of litigation between the Company and the IRS. Any other refunds or liabilities shall belong to or be the responsibility of the Company.

Prior to the date of the Plan of Reorganization, Mountainview had historically joined in filing a consolidated federal income tax return with Carlino Financial, its previous parent company. Current federal income taxes have been paid to or recovered from Carlino Financial, based upon the terms of a tax sharing agreement which applies to the periods prior to the Reorganization. Such obligations continue for open tax year 1994 (short year).

James A. Irwin, the husband of Anne Carlino Irwin, a beneficiary of the Family Trust, is an officer, director and minority shareholder in Flanigan O'Hara and Gentry d/b/a USI MidAtlantic, Inc. insurance agency, which is the broker for all of the Company's property and casualty insurance. In 1997 the Company paid premiums of \$552,000 for such insurance.

In August 1994, the Company signed a five-year consulting agreement with Peter D. Carlino, former Chairman of the Company, at an annual fee of \$125,000.

The Company currently leases 6,183 square feet of office space in an office building in Wyomissing, Pennsylvania for the Company's executive offices. The lease expires in April 2005 and provides for an annual rental of \$71,100 plus common area expenses and electric utility charges. The office building is owned by an affiliate of Peter M. Carlino, the Chairman and Chief Executive Officer of the Company. The Company believes that the lease terms are not less favorable than lease terms that could have been obtained from an unaffiliated third party.

The Company currently leases an aircraft from a company owned by John Jacquemin, a director of the Company. The lease expires in August 2007, and provides for monthly payments of \$8,356. The Company believes that the lease terms are not less favorable than lease terms that could have been obtained from an unaffiliated third party.

The Company has agreed to pay the premiums on four life insurance policies, two payable when Peter M. Carlino dies and two payable when the survivor of Peter M. Carlino and his wife, Marshia M. Carlino, dies, under a "split-dollar" arrangement by which certain irrevocable trusts established by Peter M. Carlino are obligated to reimburse the Company for all premiums paid when the insurance matures or possibly sooner. The owners and beneficiaries of the life insurance policies are the irrevocable trusts. In 1997, the Company paid a total of \$239,000 in premiums on the life insurance policies pursuant to this arrangement.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act requires the Company's executive officers and directors and persons who own more than ten percent of the Company's Common Stock to file reports of ownership and changes in ownership of the Company's Common Stock and any other equity securities of the Company with the Security and Exchange Commission (SEC) and the NASD. Executive officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of Forms 3, 4 and 5 furnished to the Company, or written representations from certain reporting persons that no such Forms were required to be filed by such persons, the Company believes that all its executive officers, directors and greater than 10% shareholders complied with all filing requirements applicable to them during 1997.

COMPANY STOCK PRICE PERFORMANCE

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN*

The following graph compares the cumulative total shareholder return for the Company's Common Stock since the Company's initial public offering of shares of Common Stock on May 26, 1994 to the cumulative total returns of (i) the NASDAQ Market Index and (ii) a Peer Group Index comprised of the following gaming and thoroughbred horse racing companies: Churchill Downs, Inc., Global Casinos, Inc., Hollywood Casino Corp., Hollywood Park, Inc., International Gaming Technologies, International Thoroughbred Racing Inc., Mirage Resorts, Inc., President Casinos, Inc., and Primadonna Resorts, Inc.

[GRAPHIC]

In the printed version of the document, a line graph appears which depicts the following plot points:

Legend

Symbol	Index Description	Year Ended				
		05/26/94	12/31/94	12/31/95	12/31/96	12/31/97
- --o--	Penn National Gaming, Inc.	100.0	65.0	128.8	427.3	292.35
- +++--	Nasdaq Market Index	100.0	101.3	131.4	163.3	135.43
- ---=--	Peer Group	100.0	85.0	86.1	115.9	199.73

- Notes:
- A. The lines represent annual index levels, assuming reinvestment of all dividends paid during the measurement period.
 - B. The indexes are reweighted daily, using the market capitalization on the previous trading day.
 - C. If the annual interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
 - D. The index level for all series was set to 100.0 on 05/26/94
-

APPROVAL OF THE APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee of the Board, which is composed entirely of non-employee Directors, has selected BDO Seidman, LLP as certified public accountants to audit the books, records and accounts of Penn National Gaming, Inc., and its subsidiaries for the year 1998. The Board has endorsed this appointment and it is being presented to the shareholders for approval.

All audit services provided by BDO Seidman, LLP are approved by the Audit Committee.

Representatives of BDO Seidman, LLP will be present at the Annual Meeting, will have an opportunity to make statements if they desire, and will be available to respond to appropriate questions.

If the shareholders do not approve the appointment of BDO Seidman, LLP, the Audit Committee will select another firm of auditors for the ensuing year.

The Board of Directors recommends that Shareholders vote FOR the appointment of BDO Seidman, LLP as Independent Public Accountants.

Other Matters

The Company has mailed a 1997 Annual Report to Shareholders and a proxy card together with this proxy statement to all shareholders of record at the close of business on April 3, 1998. The Board of Directors does not know of any other business which will be presented for consideration at the Annual Meeting. Except as the Board of Directors may otherwise permit, only the business set forth and discussed in the Notice of Annual Meeting and Proxy Statement may be acted on at the Annual Meeting. If any other business does properly come before the Meeting or any postponement or adjournment thereof, the proxy holders will vote in regard thereto according to their discretion insofar as such proxies are not limited to the contrary.

SHAREHOLDER PROPOSALS

Shareholders who wish to submit proposals for inclusion in the Proxy Statement for the Company's 1999 Annual Meeting of Shareholders must submit the same to the Company on or before December 11, 1998, at the Company's principal executive office, Wyomissing Professional Center, 825 Berkshire Blvd., Suite 200, Wyomissing, Pennsylvania 19610, directed to the attention of the Secretary.

FORM 10-K

THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON SOLICITED BY THIS PROXY STATEMENT, ON THE WRITTEN REQUEST OF ANY SUCH PERSON, A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K INCLUDING FINANCIAL STATEMENTS AND THE SCHEDULES THERETO. SUCH WRITTEN REQUESTS SHOULD BE DIRECTED TO THE COMPANY AT 825 BERKSHIRE BOULEVARD, SUITE 200, WYOMISSING, PENNSYLVANIA 19610, ATTENTION: CORPORATE SECRETARY.

Please sign, date and return your Proxy Card as soon as possible.

(14)

PENN NATIONAL GAMING, INC.

The undersigned hereby appoints Peter M. Carlino and Harold Cramer, and each of them, the attorneys and proxies of the undersigned, with full power of substitution, to vote on behalf of the undersigned all of the shares of Common Stock of Penn National Gaming, Inc., which the undersigned is entitled to vote at the Annual Meeting of Shareholders thereof to be held on May 20, 1998 and at any and all postponements and adjournments thereof, upon the following matters:

- 1. For the election of William J. Bork and Robert P. Levy to serve as Class II Directors until the Annual Meeting of Shareholders of the Company to be held in the year 2000 and until their successors are elected and qualified:

// For Both Nominees // Against Both Nominees

(INSTRUCTIONS: TO VOTE AGAINST ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH THE NOMINEE'S NAME BELOW):

William J. Bork Robert P. Levy

[over]

- 2. To ratify the appointment of BDO Seidman, LLP as independent auditors of the Company for the year ending December 31, 1998.

___ For ___ Against ___ Abstain

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" ITEMS NO. 1 AND 2. IF NO SPECIFICATION IS MADE, SUCH PROXY WILL BE VOTED "FOR" EACH SUCH ITEM.

Signature of Shareholder Dated _____, 1998

Signature of Shareholder Please sign exactly as name appears. For joint accounts, each joint owner must sign.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS PLEASE DATE, SIGN AND RETURN THIS PROXY PROMPTLY