

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(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, 1996

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.

State or other jurisdiction of(I.R.S. Employer incorporation or organization Identification No.)

Pennsylvania 23-2234473

Penn National Gaming, Inc.
825 Berkshire Blvd.
Wyomissing, PA 19610

610-373-2400

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 X No ____

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

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

Title	Outstanding as of August 12, 1996
Common Stock par value .01 per share	6,665,145

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES

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PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	June 30, 1996 (unaudited)	December 31, 1995
	-----	-----
Assets		
Current		
Cash	\$ 9,310	\$ 7,514
Accounts and notes receivable	2,792	1,618
Prepaid expenses and other current assets	1,304	600
Deferred income taxes	62	104
	-----	-----
Total current assets	13,468	9,836
	-----	-----
Property, plant and equipment, at cost		
Land and improvements	3,359	3,336
Building and improvements	8,700	8,651
Furniture, fixtures and equipment	4,870	4,696
Transportation equipment	309	309
Leasehold improvements	4,396	4,363
Leased equipment under capitalized lease	824	824
Construction in progress	2,020	255
	-----	-----
	24,478	22,434
Less accumulated depreciation and amortization	7,286	6,728
	-----	-----
Net property and equipment	17,192	15,706
	-----	-----
Other assets		
Excess of cost over fair market value of net assets acquired (net of accumulated amortization)	1,864	1,898
Miscellaneous	344	92
Total other assets	2,208	1,990
	-----	-----
	\$ 32,868	\$ 27,532
	=====	=====

See accompanying notes to consolidated financial statements

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	June 30, 1996 (unaudited)	December 31, 1995
	-----	-----
Liabilities and Shareholders Equity		
Current		
Maturities of long-term debt and capital lease obligations	\$ 246	\$ 250
Accounts payable	2,521	1,395
Purses due horseman	1,421	1,293
Uncashed pari-mutuel tickets	418	704
Accrued expenses	710	702
Customer deposits	525	315
Taxes, other than income taxes	192	246
Income taxes	532	797
	-----	-----
Total current liabilities	6,565	5,702
	-----	-----
Long-term liabilities		
Long-term debt and capital lease obligations, net of current maturities	103	140
Deferred income taxes	948	888
	-----	-----
Total long-term liabilities	1,051	1,028
	-----	-----
Commitments and contingencies		
Shareholders' equity		
Preferred stock, \$.01 par value, 1,000,000 shares authorized; none issued	-	-
Common stock, \$.01 par value, 10,000,000 shares authorized; 6,665,145 and 6,472,500 issued and outstanding	46	43
Additional paid in capital	14,304	12,821
Retained earnings	10,902	7,938
	-----	-----
Total shareholders' equity	25,252	20,802
	-----	-----
	\$ 32,868	\$ 27,532
	=====	=====

See accompanying notes to consolidated financial statements

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Six Months Ended June 30,	
	1996	1995
	----	----
Revenues		
Pari-mutuel revenues		
Penn National races	\$ 9,672	\$ 10,967
Import simulcasting	15,509	13,143
Export simulcasting	1,776	1,002
Admissions, programs and other racing revenues	2,048	1,791
Concession revenues	1,601	1,560
	-----	-----
Total revenues	30,606	28,463
Operating expenses		
Purses, stakes and trophies	6,448	6,120
Direct salaries, payroll taxes and employee benefits	3,967	3,786
Simulcast expenses	4,680	4,541
Pari-mutuel taxes	2,630	2,438
Other direct meeting expenses	4,478	4,144
Off-track wagering concessions expenses	1,045	1,059
Other operating expenses	2,485	2,321
	-----	-----
Total operating expenses	25,733	24,409
	-----	-----
Income from operations	4,873	4,054
	-----	-----
Other income (expenses)		
Interest (expense)	(38)	(34)
Interest income	153	139
Other	-	4
	-----	-----
Total other income	115	109
	-----	-----
Income before income taxes	4,988	4,163
Taxes on income	2,024	1,717
	-----	-----
Net Income	\$ 2,964	\$ 2,446
	-----	-----
Earnings per share	\$ 0.44	\$ 0.38
	-----	-----
Weighted average number of common shares outstanding	6,798	6,450
	=====	=====

See accompanying notes to consolidated financial statements

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended June 30,	
	1996	1995
	----	----
Revenues		
Pari-mutuel revenues		
Penn National races	\$ 5,191	\$ 5,772
Import simulcasting	7,915	7,229
Export simulcasting	926	530
Admissions, programs and other racing revenues	1,171	1,123
Concession revenues	840	978
Total revenues	16,043	15,632
	-----	-----
Operating expenses		
Purses, stakes and trophies	3,522	3,244
Direct salaries, payroll taxes and employee benefits	2,058	2,053
Simulcast expenses	2,391	2,351
Pari-mutuel taxes	1,363	1,308
Other direct meeting expenses	2,252	2,301
Off-track wagering concessions expenses	536	651
Other operating expenses	1,087	1,230
	-----	-----
Total operating expenses	13,209	13,138
	-----	-----
Income from operations	2,834	2,494
	-----	-----
Other income (expenses)		
Interest (expense)	(24)	(16)
Interest income	85	72
Other	-	8
	-----	-----
Total other income	61	64
	-----	-----
Income before income taxes	2,895	2,558
Taxes on income	1,170	1,039
	-----	-----
Net Income	\$ 1,725	\$ 1,519
	-----	-----
Earnings per share	\$ 0.25	\$ 0.23
	-----	-----
Weighted average number of common shares outstanding	6,938	6,450
	=====	=====

See accompanying notes to consolidated financial statements

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	Common Stock Shares	Stock Amounts	Additional Paid-In Capital	Retained Earnings	Total
Balance, at January 1, 1996	6,472,500	\$ 43	\$ 12,821	\$ 7,938	\$ 20,802
Issuance of common stock	192,645	3	1,483	-	1,486
Net income for the six months ended June 30, 1996 (unaudited)	-	-	-	2,964	2,964
	-----	-----	-----	-----	-----
Balance at June 30, 1996 (unaudited)	6,665,145	\$ 46	\$ 14,304	\$ 10,902	\$ 25,252
	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
(IN THOUSANDS)
(UNAUDITED)

	Six months ended June 30,	
	1996	1995
	----	----
Cash flows from operating activities		
Net income	\$ 2,964	\$ 2,446
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	592	430
Deferred income taxes	102	13
Decrease (Increase) in		
Accounts and notes receivable	(1,174)	10
Prepaid expenses	(704)	(119)
Miscellaneous other assets	(252)	(169)
Increase (decrease) in		
Accounts payable	1,126	(251)
Purses due horsemen	128	1,120
Uncashed pari-mutuel tickets	(286)	(147)
Accrued expenses	8	(688)
Customers deposits	210	170
Taxes other than income payable	(54)	152
Income taxes payable	(265)	95
	-----	-----
Net cash provided by operating activities	2,395	3,062
	-----	-----
Cash flows from investing activities		
expenditures for property and equipment	(2,044)	(2,219)
	-----	-----
Net cash (used) by investing activities	(2,044)	(2,219)
	-----	-----
Cash flows from financing activities		
Proceeds of sale common stock	1,486	-
Principal payments on long-term debt and Capital lease obligations	(41)	(61)
	-----	-----
Net cash provided by (used) in financing activities	1,445	(61)
	-----	-----
Net increase in cash	1,796	782
Cash, at beginning of period	7,514	5,502
	-----	-----
Cash, at end of period	\$ 9,310	\$ 6,284
	=====	=====

See accompanying notes to consolidated financial statements

PENN NATIONAL GAMING , INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

The consolidated financial statements include the accounts of Penn National Gaming, Inc. and its wholly-owned subsidiaries, Mountainview Thoroughbred Racing Association, Pennsylvania National Turf Club, Inc., Penn National Speedway, Inc., Sterling Aviation, Inc., Penn National Holding Company, Penn National Gaming of West Virginia, Inc., and PNGI Charles Town Limited Liability Company (collectively, the "Company").

The financial information has been prepared in accordance with the Company's customary accounting practices and has not been audited. All significant intercompany balances and transactions have been eliminated. In the opinion of management, the information presented reflects all adjustments necessary for a fair statement of interim results. All such adjustments are of a normal and recurring nature. The foregoing interim results are not necessarily indicative of the results of operations for the full year ending December 31, 1996.

2. Wagering Information (In Thousands):

	Three months ended June 30,		Six months ended June 30,	
	1996	1995	1996	1995
	----	----	----	----
Pari-mutuel wagering in Pennsylvania on Penn National races	\$ 24,798	\$ 27,620	\$ 46,105	\$ 52,372
	-----	-----	-----	-----
Pari-mutuel wagering on simulcasting				
Import simulcasting from other Pennsylvania racetracks	6,074	8,436	11,449	15,158
Import simulcasting from out of Pennsylvania racetracks	34,546	29,302	70,002	53,648
Export simulcasting to out of Pennsylvania wagering facilities	31,450	17,666	59,788	33,414
	-----	-----	-----	-----
	72,070	55,404	141,239	102,220
	-----	-----	-----	-----
Total pari-mutuel wagering	\$ 96,868	\$ 83,024	\$187,344	\$154,592
	=====	=====	=====	=====

PENN NATIONAL GAMING , INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

3. Commitments

The Company has a \$4,200,000 credit facility with a commercial bank. The facility provides for a working capital line of credit in the amount of \$2,500,000 at optional interest rates and a letter of credit facility for \$1,700,000. The credit facility is unsecured and contains various covenants which include tangible net worth, debt to tangible net worth and debt coverage ratios. At June 30, 1996, the Company was contingently obligated under the letter of credit facility with face amounts aggregating \$1,436,000. The \$1,436,000 consists of \$1,336,000 relating to the horsemen's account balances and \$100,000 for Pennsylvania pari-mutuel taxes. All letters of credit expire December 31, 1996.

In February 1996, the Company entered into an agreement to purchase land for its proposed Williamsport OTW facility. The agreement provides for a purchase price of \$555,000 and is subject to numerous contingencies including approval from the Pennsylvania State Horse Racing Commission. On May 22, 1996 the Company received Phase I approval from the Pennsylvania State Horse Racing Commission for the Williamsport OTW facility.

On February 26, 1996, the Company entered into a joint venture agreement with Bryant Development Company, the holder of an option to purchase the Charles Town Race Track in Jefferson County, West Virginia. The Company will hold an 80% interest in the joint venture with Bryant Development holding the remainder. The joint venture intends to purchase the track from its current owners, subject to approval of a referendum permitting installation of video lottery terminals at the track, for a purchase price which is currently being renegotiated. On March 29, 1996, the Company paid \$250,000 to extend the purchase option until December 31, 1996.

In March 1996, the Company entered into an agreement to purchase land for its proposed Downingtown OTW facility. The agreement provides for a purchase price of \$1,696,000 and is subject to numerous contingencies including approval from the Pennsylvania State Horse Racing Commission. On March 26, 1996, the Company submitted an application to the Pennsylvania State Horse Racing Commission for approval of the Downingtown OTW facility.

4. Supplemental Disclosures of Cash Flow Information

Cash paid during the six months ended June 30, 1996 and 1995 for interest was \$37,000 and \$30,000 respectively.

Cash paid during the six months ended June 30, 1996 and 1995 for income taxes was \$2,186,000 and \$1,616,000 respectively.

PENN NATIONAL GAMING , INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Cash received during the six months ended June 30, 1996 for the issuance of 192,645 shares of stock from the exercise of options and warrants was \$1,486,000.

5. Subsequent Items

On August 7, 1996 the Company entered into an agreement with a contractor to begin construction of the Williamsport OTW facility. The agreement provides for a construction price of \$1,648,000.

6. Earnings Per Share

On April 17, 1996, the Board of Directors declared a three for two stock split in the form of a dividend payable May 23, 1996, to shareholders of record on May 3, 1996. Accordingly, all shares and per share data has been restated to reflect the split.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Three months ended June 30, 1996 compared to three months ended June 30, 1995

Total revenue increased by approximately \$411,000 or 2.6% from \$15.6 million to \$16.0 million for the three months ended June 30, 1996. The increase was attributable to an increase in import and export simulcasting revenues offset by a decrease in pari-mutuel revenues on Penn National races. The increase in export simulcasting revenues of \$397,000 or 75% from \$530,000 to \$926,000 resulted from the Company's races being broadcast to additional out-of-state locations. The decrease in pari-mutuel revenues on Penn National races was due to increased import simulcasting revenue from wagering on other race tracks at Penn National facilities. For the quarter, Penn National scheduled and ran 52 live race days.

Total operating expenses increased by approximately \$71,000 from \$13.1 million to \$13.2 million for the three months ended June 30, 1996. The increase in operating expenses resulted from an increase in purses, stakes and trophies, pari-mutuel taxes, and simulcast expenses resulting from an increase in revenue from import simulcasting.

Income from operations increased by approximately \$340,000 or 13.6% from \$2.5 million to \$2.8 million due to the factors described above.

Net income increased by approximately \$206,000 or 13.6% from \$1,519,000 to \$1,725,000 for the three months ended June 30, 1996. Income tax expense increased from \$1,039,000 to \$1,170,000 due to the increase in income for the period.

Six months ended June 30, 1996 compared to six months ended June 30, 1995

Total revenue increased by approximately \$2.1 million or 7.5% from \$28.5 million to \$30.6 million for the six months ended June 30, 1996. The increase was attributable to an increase in import and export simulcasting revenues offset by a decrease in pari-mutuel revenues on Penn National races. The increase in export simulcasting revenues of \$774,000 or 77% from \$1.0 million to \$1.8 million resulted from the Company's races being broadcast to additional out-of-state locations. The decrease in pari-mutuel revenues on Penn National races was due to increased import simulcasting revenue from wagering on other race tracks at Penn National facilities. For the six month period, Penn National was scheduled to run 113 live race days but canceled 11 days in the first quarter due to inclement weather.

Total operating expenses increased by approximately \$1.3 million from \$24.4 million to \$25.7 million for the six months ended June 30, 1996. The increase in operating expenses resulted from an increase in purses, stakes and trophies, pari-mutuel taxes, and simulcast expenses resulting from an increase in revenue from import simulcasting and from six months of operating expenses for the York OTW facility in 1996 compared to three months of expenses in 1995.

Income from operations increased by approximately \$817,000 or 20.1% from \$4.1 million to \$4.9 million due to the factors described above.

Net income increased by approximately \$518,000 or 21.2% from \$2.4 million to \$2.9 million for the six months ended June 30, 1996. Income tax expense increased from \$1.7 million to \$2.0 million due to the increase in income for the period.

Liquidity and Capital Resources

Historically, the Company's primary sources of liquidity and capital resources have been cash flow from operations and borrowing from banks and related parties. During the six months ended June 30, 1996, the Company's cash position increased by approximately \$1.8 million from \$7.5 million at December 31, 1995 to \$9.3 million as a result of increased cash flow from operations.

Net cash provided from operating activities totaled approximately \$2.4 million for the six months ended June 30, 1996 of which \$3.6 million came from net income and non-cash expenses.

Cash flows used in investing activities totaled approximately \$2.0 million for capital expenditures. Capital expenditures were primarily for improvements and equipment at the race track and the construction of the Lancaster OTW facility.

Cash flows from financing activities totaled approximately \$1,486,000 from the exercise of stock options and warrants and the issuance of 192,645 shares of common stock.

The Company has a \$4,200,000 credit facility with a commercial bank. The facility provides for a working capital line of credit in the amount of \$2,500,000 at optional interest rates and a letter of credit facility for \$1,700,000. The credit facility is unsecured and contains various covenants which include tangible net worth, debt to tangible net worth and debt coverage ratio. At June 30, 1996, the Company was contingently obligated under the letter of credit facility with face amounts aggregating \$1,436,000. The \$1,436,000 consists of \$1,336,000 relating to the horsemen's account balances and \$100,000 for Pennsylvania pari-mutuel taxes. All letters of credit expire December 31, 1996.

On February 26, 1996, construction began on the Lancaster OTW facility. The construction costs totaling approximately \$2.4 million were funded from the Company's cash reserves. The Lancaster OTW facility opened July 11, 1996.

On February 26, 1996, the Company entered into a joint venture agreement with Bryant Development Company, the holder of an option to purchase the Charles Town Race Track in Jefferson County, West Virginia. The Company will hold an 80% interest in the joint venture with Bryant Development holding the remainder. The joint venture intends to purchase the track from its current owners, subject to approval of a referendum permitting installation of video lottery terminals at the track, for a purchase price which is currently being renegotiated. On March 29, 1996, the Company paid

\$250,000 to extend the purchase option until December 31, 1996. The Company intends to fund, if successful, the joint venture operations through additional borrowing and the Company's working capital.

On May 13, 1996, the Company entered into a Mortgage Note Receivable with the company it has entered into an agreement for the purchase of land for the Downingtown OTW facility. The note has a principal sum of \$400,000 with interest due on the unpaid balance at a rate of 10% per annum. The note matures on the later of the first anniversary date of the note or six months after the termination of the land purchase agreement for the Downingtown OTW facility.

On June 4, 1996, the Company entered into a Loan and Security Agreement with Charles Town Races, Inc. The Agreement provides for a working capital line of credit in the amount of \$1,250,000. As of June 30, 1996, Charles Town Races, Inc. has borrowed \$860,000 of the available credit.

The Company believes that the cash on hand, cash generated from operations, and the above credit facility will be sufficient to fund its anticipated future cash requirements.

Part II. Other Information

6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.52 General contractor agreement dated August 7, 1996, between Pennsylvania National Turf Club, Inc. and Warfel Construction Company.

(b) Reports on Form 8-K

On June 17, 1996, the Company filed Form 8-K which reflected an agreement entered into on June 4, 1996, between the Company and Charles Town Races Limited Partnership and Charles Town Races, Inc. The Company agreed to lend Charles Town Races \$1,250,000.

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.

By: /s/ Robert S. Ippolito
Robert S. Ippolito
Chief Financial Officer
Secretary/Treasurer

Date: August 14, 1996

EXHIBIT INDEX

Exhibit Nos.	Description of Exhibits	Page No.
10.52	General contractor agreement dated August 7, 1996, between Pennsylvania National Turf Club, Inc. And Warfel Construction Company.	18-28

T H E A M E R I C A N I N S T I T U T E O F A R C H I T E C T S

AIA Document A101

Standard Form of Agreement Between
Owner and Contractor
where the basis of payment is a

STIPULATED SUM

1987 EDITION

THIS DOCUMENT HAS IMPORTANT LEGAL CONSEQUENCES; CONSULTATION WITH AN ATTORNEY IS ENCOURAGED WITH RESPECT TO ITS COMPLETION OR MODIFICATION.

The 1987 Edition of AIA Document A201, General Conditions of the Contract for Construction, is adopted in this document by reference. Do not use with other general conditions unless this document is modified. This document has been approved and endorsed by The Associated General Contractors of America.

AGREEMENT

made as of the Seventh day of August in the year of Nineteen Hundred and Ninety-Six

BETWEEN the Owner: Pennsylvania National Turf Club, Inc.
(Name and address) P. O. Box 32
Grantville, PA 17028

and the Contractor: Warfel Construction Company
(Name and address) 812 North Prince Street, P. O. Box 4488
Lancaster, PA 17604

The Project is: Off-Track Wagering Facility
(Name and Location) Lycoming Mall
Williamsport, PA

The Architect is: Architectural Concepts
(Name and address) 967 East Swedesford Road
Suite 200
Exton, PA 19341

The Owner and Contractor agree as set forth below.

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ARTICLE 1
THE CONTRACT DOCUMENTS

The Contract Documents consist of this Agreement, Conditions of the Contract (General, Supplementary and other Conditions), Drawings, Specifications, addenda issued prior to execution of this Agreement other documents listed in this Agreement and Modifications issued after execution of this Agreement; these form the Contract, and are as fully a part of the Contract as if attached to this Agreement or repeated herein. The Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral. An enumeration of the Contract Documents, other than Modifications, appears in Article 9.

ARTICLE 2
THE WORK OF THIS CONTRACT

The Contractor shall execute the entire work described in the Contract Documents, except to the extent specifically indicated in the Contract Documents to be the responsibility of others, or as follows:

ARTICLE 3
DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION

3.1 The date of commencement is the date from which the Contract Time of Paragraph 3.2 is measured, and shall be the date of this Agreement, as first written above, unless a different date is stated below or provision is made for the date to be fixed in a notice to proceed issued by the Owner.

(Insert the date of commencement, if it differs from the date of this Agreement or, if applicable, state that the date will be fixed in a notice to proceed)

Date of commencement shall be 5 days after receipt of Notice to Proceed

Unless the date of commencement is established by a notice to proceed issued by the Owner, the Contractor shall notify the Owner in writing not less than five days before commencing the Work to permit the timely filing of mortgages, mechanic's liens and other security interests,

3.2 The Contractor shall achieve Substantial Completion of the entire Work not later than 171 calendar days after receipt of Notice to Proceed

(Insert the calendar date or number of calendar days after the date of commencement. Also insert any requirements for earlier Substantial Completion of certain portions of the Work, if not stated elsewhere in the Contract Documents)

* Tote Room needs to be substantially complete 6 weeks prior to overall substantial completion date.

* Kitchen needs to be substantially complete 2 weeks prior to overall substantial completion

subject to adjustments of this Contract Time as provided in the Contract Documents.

(Insert provisions, if any, for liquidated damages relating to failure to complete on time)

ARTICLE 4
CONTRACT SUM

4.1 The Owner shall pay the Contractor in current funds for the Contractor's performance of the Contract the Contract Sum of ONE MILLION SIX HUNDRED FORTY EIGHT THOUSAND Dollars (\$ 1,648,000.00), subject to additions and deductions as provided in the Contract Documents.

4.2 The Contract Sum is based upon the following alternates, if any, which are described in the Contract Documents and are hereby accepted by the Owner:

(State the numbers or other identification of accepted alternates. If decisions on other alternates are to be made by the Owner subsequent to the execution of this Agreement, attach a schedule of such other alternates showing the amount for each and the date until which that amount is valid.)

4.3 Unit prices, if any, are as follows:

ARTICLE 5
PROGRESS PAYMENTS

5.1 Based upon Applications for Payment submitted to the Architect by the Contractor and Certificates for Payment issued by the Architect, the Owner shall make progress payments on account of the Contract Sum to the Contractor as provided below and elsewhere in the Contract Documents.

5.2 The period covered by each Application for Payment shall be one calendar month ending on the last day of the month,

5.3 Provided an Application for Payment is received by the Architect not later than the 31st day of a month, the Owner shall make payment to the Contractor not later than the 25th day of the following month. If an Application for Payment is received by the Architect after the application date fixed above, payment shall be made by the Owner not later than ____days after the Architect receives the Application for Payment.

5.4 Each Application for Payment shall be based upon the schedule of values submitted by the Contractor in accordance with the Contract Documents. The schedule of values shall allocate the entire Contract Sum among the various portions of the Work and be prepared in such form and supported by such data to substantiate its accuracy as the Architect may require. This schedule, unless objected to by the Architect, shall be used as a basis for reviewing the Contractor's Applications for Payment.

5.5 Applications for Payment shall indicate the percentage of completion of each portion of the Work as of the end of the period covered by the Application for Payment.

5.6 Subject to the provisions of the Contract Documents, the amount of each progress payment shall be computed as follows:

5.6.1. Take that portion of the Contract Sum properly allocable to completed Work as determined by multiplying the percentage completion of each portion of the Work by the share of the total Contract Sum allocated to that portion of the Work in the schedule of values, less retainage of ten percent (10 %). Pending final determination of cost to the Owner of changes in the Work, amounts not in the dispute may be included as provided in Subparagraph 7.3.7 of the General Conditions even though the Contract Sum has not yet been adjusted by Change Order;

5.6.2 Add that portion of the Contract Sum properly allocable to materials and equipment delivered and suitably stored at the site for subsequent incorporation in the completed construction (or, if approved in advance by the Owner, suitably stored off the site at a location agreed upon in writing), less retainage of ten percent (10 %);

5.6.3 Subtract the aggregate of previous payments made by the Owner; and

5.6.4 Subtract amounts, if any, for which the Architect has withheld or nullified a Certificate for

Payment as provided in Paragraph 9.5 of the General Conditions.

5.7 The progress payment amount determined in accordance with Paragraph 5.6 shall be further modified under the following circumstances:

5.7.1 Add, upon Substantial Completion of the Work, a sum sufficient to increase the total payments to ninety-nine percent (99 %) of the Contract Sum, less such amounts as the Architect shall determine for incomplete Work and unsettled claims; and

5.7.2 Add, if final completion of the Work is thereafter materially delayed through no fault of the Contractor, any additional amounts payable in accordance with Subparagraph 9.10.3 of the General Conditions.

5.8 Reduction or limitation of retainage, if any, shall be as follows:

(If it is intended, prior to Substantial Completion of the entire Work, to reduce or limit the retainage resulting from the percentages inserted in Subparagraphs 5.6.1 and 5.6.2 above, and this is not explained elsewhere in the Contract Documents, insert here provisions for such reduction or limitation.)

Reduce to 5% when 50% complete with work.

Reduce to 0% when contract work complete.

ARTICLE 6
FINAL PAYMENT

Final payment, constituting the entire unpaid balance of the Contract Sum, shall be made by the Owner to the Contractor when (1) the Contract has been fully performed by the Contractor except for the Contractor's responsibility to correct nonconforming Work as provided in Subparagraph 12.2.2 of the General Conditions and to satisfy other requirements, if any, which necessarily survive final payment; and (2) a final Certificate for Payment has been issued by the Architect; such final payment shall be made by the Owner not more than 30 days after the issuance of the Architect's final Certificate for Payment, or as follows:

ARTICLE 7
MISCELLANEOUS PROVISIONS

7.1 Where reference is made in this Agreement to a provision of the General Conditions or another Contract Document, the reference refers to that provision as amended or supplemented by other provisions of the Contract Documents.

7.2 Payments due and unpaid under the Contract shall bear interest from the date payment is due at the rate stated below, or in the absence thereof, at the legal rate prevailing from time to time at the place where the Project is located. (Insert rate of interest agreed upon, if any)

12% per annum

(Usury laws and requirements under the Federal Truth in Lending Act, similar state and local consumer credit laws and other regulations at the Owner's and Contractor's principal places of business, the location of the Project and elsewhere may affect the validity of this provision. Legal advice should be obtained with respect to deletions or modifications, and also regarding requirements such as written disclosures or waivers.)

7.3 Other provisions:

1. Rock excavation is excluded
2. Concrete testing (only) is included.
3. No utility fees are included
4. We have included no SAMS counters (detail 8/A4.1) in our proposal.
5. No Performance & Payment Bond costs are included.

7.3.1 is attached.*

ARTICLE 8
TERMINATION OR SUSPENSION

8.1 The Contract may be terminated by the Owner or the Contractor as provided in Article 14 of the General Conditions.

8.2 The Work may be suspended by the Owner as provided in Article 14 of the General Conditions.

* 7.3.1 ROCK EXTRA CHARGES: Should we encounter rock on your job, the following charges will apply: Trench Rock \$_____ per C.Y.; Bulk Rock \$ _____ per C.Y; Rippable Rock \$ _____per C.Y.; Unblastable Rock \$ _____ per C.Y.; Rock less than 15 C.Y. per day or which needs to be hand drilled will be billed on a time and material basis.

* See attached Warfel 7.3.1

7.3.1: ROCK EXTRA CHARGES:

Should we encounter rock on this project, the following charges will apply:

Unit Prices:	\$/cy
Trench Rock (blasted):	\$73
Trench Rock (machine) (unblastable):	\$75
Bulk Rock (blasted):	\$25
Bulk Rock (machine) (unblastable):	\$75
Rippable Rock (machine):	\$75
Bulk Earth:	\$ 3
Trench Earth:	\$12
Borrow Fill (load, haul, place and compact):	\$ 7
Unsuitable material(s) removal (remove and disp	\$ 5
Foundation excavation (trench):	\$12
Foundation excavation (bulk):	\$ 7

8/7/1996 WCC

ARTICLE 9
ENUMERATION OF CONTRACT DOCUMENTS

9.1 The Contract Documents, except for Modifications issued after execution of this Agreement, are enumerated as follows:

9.1.1 The Agreement is this executed Standard Form of Agreement Between Owner and Contractor, AIA Document AIOI, 1987 Edition.

9.1.2 The General Conditions are the General Conditions of the Contract for Construction, AIA Document A201, 1987 Edition.

9.1.3 The Supplementary and other Conditions of the Contract are those contained in the Project Manual dated and are as follows:

Document	Title	Pages
00800	Supplementary Conditions	2

9.1.4 The Specifications are those contained in the Project Manual dated as in Subparagraph 9.1.3, and are as follows:

(Either list the Specifications here or refer to an exhibit attached to this Agreement.)

Section	Title	Pages
	See attached Table of Contents	

9.1.5 The Drawings are as follows and are dated unless a different date is shown below:
(Either list the Drawings here or refer to an exhibit attached to this Agreement.)

Number	Title	Date
See attached listing		

9.1.6 The addenda, if any, are as follows:

Number	Date	Pages
1	5/24/96	4
2	6/05/96	5 + duct size schedule
3	6/13/96	2 + fixture spec.

Portions of addenda relating to bidding requirements are not part of the Contract Documents unless the bidding requirements are also enumerated in this Article 9.

9.1.7 Other documents, if any, forming part of the Contract Documents are as follows:

(List here any additional documents which are intended to form part of the Contract Documents. The General Conditions provide that bidding requirements such as advertisement or invitation to bid, Instructions to Bidders, sample forms and the Contractor's bid are not part of the Contract Documents unless enumerated in this Agreement. They should be listed here only if intended to be part of the Contract Documents.)

None

This Agreement is entered into as of the day and year first written above and is executed in at least three original copies of which one is to be delivered to the Contractor, one to the Architect for use in the administration of the Contract, and the remainder to the Owner.

OWNER Pennsylvania National Turf Club, Inc.

CONTRACTOR Warfel Construction Company

/s/Philip T. O'Hara, Jr.

/s/ T. W. Peters

Philip T. O'Hara, Jr., V.P. Gen.Mgr.
(Printed name and title)

T. W. Peters, President
(Printed name and title)

CAUTION: You should sign an original AIA document which has this caution printed in red. An original assures that changes will not be obscured as may occur when documents are reproduced.

1,000

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JAN-01-1996

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