

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1998

OR

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

For the transition period from _____ to _____

Commission file number: 0-24206

Penn National Gaming, Inc.
(Exact name of Registrant as specified in its charter)

Pennsylvania 23-2234473
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Penn National Gaming, Inc.
825 Berkshire Blvd., Suite 200
Wyomissing, PA 19610
(Address of principal executive offices)

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

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

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

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents
and reports required to be filed by Section 12, 13 or 15(d) of the
Securities Exchange Act of 1934 subsequent to the distribution of
securities under a plan confirmed by a court.
Yes 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 May 15, 1998
Common Stock par value .01 per share	15,155,830

This Report contains forward-looking statements that inherently involve
risks and uncertainties. The Company's actual result could differ
materially from those anticipated in these forward-looking statements as
a result of certain factors, including those discussed in this Quarterly
Report and those discussed in the Company's Annual Report on Form
10-K. References to "Penn National Gaming" or the "Company" include
Penn National Gaming, Inc. and its subsidiaries.

Penn National Gaming, Inc. And Subsidiaries

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Part I. Financial Information

Item 1. Financial Statements

PENN NATIONAL GAMING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	March 31, 1998 (Unaudited)	December 31, 1997
Assets		
Current assets		
Cash and cash equivalents	\$ 23,555	\$ 21,854
Accounts receivable	3,418	2,257
Prepaid expenses and other current assets	1,779	1,441
Deferred income taxes	513	469
Prepaid income taxes	2,138	3,003
Total current assets	31,403	29,024
Property, plant and equipment, at cost		
Land and improvements	25,875	24,643
Building and improvements	66,035	56,298
Furniture, fixtures and equipment	15,497	13,847
Transportation equipment	494	490
Leasehold improvements	8,245	6,778
Leased equipment under capitalized lease	824	824
Construction in progress	964	11,288
	117,934	114,168
Less accumulated depreciation and amortization	12,159	11,007
Net property, plant and equipment	105,775	103,161
Other assets		
Excess of cost over fair market value of net assets acquired (net of accumulated amortization of \$1,542 and \$1,389, respectively)	22,902	23,055
Deferred financing costs	3,066	3,014
Miscellaneous	805	624
Total other assets	26,773	26,693
	\$ 163,951	\$ 158,878

See accompanying notes to consolidated financial statement
PENN NATIONAL GAMING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	March 1998 (Unaudited)	December 31, 1997
Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt and capital lease obligations	\$ 197	\$ 204
Accounts payable	7,920	7,405
Purses due horsemen	1,281	-
Uncashed pari-mutuel tickets	1,724	1,504
Accrued interest	2,422	326
Accrued expenses	1,951	2,427
Accrued salaries and wages	692	813
Customer deposits	525	470
Taxes, other than income taxes	884	649
Total current liabilities	17,596	13,798
Long term liabilities		
Long-term debt and capital lease obligations, net of current maturities	80,123	80,132
Deferred income taxes	11,156	11,092
Total long-term liabilities	91,279	91,224
Commitments and contingencies		
Shareholders' equity		
Preferred stock, \$.01 par value, authorized 1,000,000 shares; none issued	-	-
Common stock, \$.01 par value, authorized 20,000,000 shares; 15,155,830 and 15,12,580 issued and outstanding, respectively	37,987	37,969
Additional paid in capital	16,937	15,735
Retained earnings	55,076	53,856
Total Shareholders' equity	\$ 163,951	\$ 158,878

See accompanying notes to consolidated financial statements

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	1997	1998
Revenues		
Pari-mutuel revenues		
Live races	\$ 5,305	\$ 4,369
Import simulcasting	16,351	14,797
Export simulcasting	1,326	1,123
Gaming revenue	7,156	-
Admissions, programs and other racing revenue	1,260	1,258
Concession revenues	1,955	1,273
Total revenues	33,353	22,820
Operating expenses		
Purses, stakes, and trophies	6,307	4,202
Direct salaries, payroll taxes and employee benefits	4,365	3,246
Simulcast expenses	3,101	2,836
Pari-mutuel taxes	2,697	1,957
Lottery taxes and administration	2,347	-
Other direct meeting expenses	5,442	3,378
Off-track wagering concession expenses	1,505	966
Other operating expenses	2,396	1,698
Depreciation and amortization	1,419	861
Total operating expenses	29,579	19,144
Income from operations	3,774	3,676
Other income (expenses)		
Interest (expense)	(2,110)	(900)
Interest income	201	86
Total other (expenses)	(1,909)	(814)
Income before income taxes and extraordinary item	1,865	2,862
Taxes on income	663	1,178

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

Net income before extraordinary item	1,202	1,684
Extraordinary Item		
Loss of early extinguishment of debt, net of income taxes of \$264	-	383
Net income	\$ 1,202	\$ 1,301
Per share data		
Basic		
Income per share before extraordinary item	\$.08	\$.12
Extraordinary item	-	.03
Net income per share	.08	.09
Diluted		
Income per share before extraordinary item	\$.08	\$.11
Extraordinary item	-	.02
Net income per share	.08	.09
Shares outstanding		
Basic	15,153	14,281
Diluted	15,586	14,835

See accompanying notes to consolidated financial statements

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Common Shares	Stock Amounts	Additional Paid-In Capital	Retained Earnings	Total
Balance, January 1, 1998	15,152,580	\$ 152	\$ 37,969	\$15,735	\$53,856
Issuance of common stock	3,250	-	18	-	18
Net income for the three months ended March 31, 1998	-	-	-	1,202	1,202
Balance, March 31, 1998	15,155,830	\$ 152	\$ 37,987	\$16,937	\$55,076

See accompanying notes to consolidated financial statements

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

Three Months Ended
March 31,

	1997	1998
Cash flows from operating activities		
Net income	\$ 1,202	\$ 1,301
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,417	841
Deferred income taxes	20	58
Extraordinary item	-	647
Decrease (increase) in:		
Accounts receivable	(1,161)	1,245
Prepaid expenses and other current assets	(338)	(556)
Prepaid income taxes	865	-
Miscellaneous other assets	(181)	(88)
Increase (decrease) in:		
Accounts payable	515	840
Purses due horsemen	1,281	942
Uncashed pari-mutuel tickets	220	262
Accrued expenses	(476)	(267)
Accrued interest	2,096	97
Accrued salaries and wages	(121)	(70)
Customers deposits	55	139
Taxes other than income payable	235	293
Net cash provided by operating activities	5,629	5,684
Cash flows from investing activities		
Expenditures for property, plant and equipment	(3,766)	(2,456)
Acquisition of business	-	(16,000)
Increase in prepaid acquisition costs	-	(176)
Net cash (used in) investing activities	(3,766)	(18,632)

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

Cash flows from financing activities		
Proceeds from sale of common stock	18	23,214
Tax benefit related to stock options exercised	-	573
Proceeds of long-term debt	-	16,500
Principal payments on long-term debt and capital lease Obligations	(16)	(19,270)
Increase in unamortized finance costs	(164)	(167)
Net cash provided by (used in) financing activities	(162)	20,850
Net increase in cash and cash equivalents	1,701	7,902
Cash and cash equivalents, at beginning of period	21,854	5,634
Cash and cash equivalents, at end of period	\$ 23,555	\$13,536

See accompanying notes to consolidated financial statements

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

1. Basis of Financial Statement Presentation

The accompanying consolidated financial statements are unaudited and include the accounts of Penn National Gaming, Inc., (Penn) and its wholly and majority owned subsidiaries, (collectively the "Company"). All significant intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform to current year presentation.

In the opinion of management, all adjustments (consisting of normal recurring accruals) have been made which are necessary to present fairly the financial position of the Company as of March 31, 1998 and the results of its operations for the three month periods ended March 31, 1998 and 1997. The results of operations experienced for the three month period ended March 31, 1998 are not necessarily indicative of the results to be experienced for the fiscal year ended December 31, 1998.

The statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying notes should therefore be read in conjunction with the Company's December 31, 1997 annual financial statements.

2. Wagering Information (in thousands)

	Three months ended March 31, 1998			
	Penn National	Pocono Downs	Charles Town	Total
Pari-mutuel wagering in-state on Company live races	\$ 19,610	\$ 915	\$ 4,118	\$ 24,643
Pari-mutuel wagering on simulcasting:	42,845	31,065	10,153	84,063
Import simulcasting from other racetracks	43,620	574	-	44,194
Export simulcasting to out of Pennsylvania wagering facilities	86,465	31,639	10,153	128,257
Total pari-mutuel wagering	\$106,075	\$32,554	\$ 14,271	\$ 152,900

	Three months ended March 31, 1997			Total
	Penn National	Pocono Downs	Charles Town	
Pari-mutuel wagering in-state on Company live races	\$ 22,490	\$ -	\$ -	\$ 22,490
Pari-mutuel wagering on simulcasting	43,420	32,196	-	75,436
Import simulcasting from other racetracks	37,431	-	-	37,431
Export simulcasting to out of Pennsylvania wagering facilities	80,671	32,196	-	112,867
Total pari-mutuel wagering	\$103,161	\$ 32,196	\$ -	\$135,357

3. Commitments

At March 31, 1998, the Company was contingently obligated under letters of credit with face amounts aggregating \$2,041,000. The \$2,041,000 consisted of \$1,786,000 relating to the horsemen's account balances, \$100,000 for Pennsylvania pari-mutuel taxes and \$155,000 for purses.

4. Supplemental Disclosures of Cash Flow Information

Cash paid during the three months ended March 31, 1998 and 1997 for interest was \$14,000 and \$1,034,000 respectively.

Cash paid during the three months ended March 31, 1998 and 1997 for income taxes was \$218,000 and \$398,000 respectively.

5. Potential Tennessee Development Project

In June 1997, the Company acquired twelve one-month options to purchase approximately 100 acres of land in Memphis, Tennessee. Since such time, the Company, through its subsidiary, Tennessee Downs, Inc. ("Tennessee Downs"), has pursued the development of a harness track and simulcast facility on this option site, which is located in the northeastern section of Memphis. The Company submitted an application to the Tennessee State Racing Commission (the "Tennessee Commission") in October 1997 for an initial license for the development and operation of a harness track and OTW facility at this site. A land use plan for the construction of a 5/8-mile harness track, clubhouse and grandstand area were approved in October 1997 by the Land Use Hearing Board for the City of Memphis and County of Shelby. Tennessee Downs was determined to be financially suitable by the Tennessee Commission and a public comment hearing before the Tennessee Commission was held in November 1997. In December 1997, the Company received the necessary zoning and land development approvals from the Memphis City Council.

In April 1998, the Tennessee Commission granted a contingent license to the Company which expires the earlier of (i) December 31, 2000 or (ii) the Tennessee Commission's term on June 30, 1998, if such term is not extended by the Tennessee legislature. On May 1, 1998, the Tennessee State Legislature voted against extending the life of the Tennessee Commission, allowing the Tennessee Commission's term to expire on June 30, 1998. The Company intends to continue its efforts to obtain an unconditional racing license prior to the June 30, 1998 expiration from the Tennessee Commission. The Company is also considering legal action to secure an unconditional racing license that would expire December 31, 2000. There can be no assurance that the Company's efforts to obtain an unconditional racing license will be successful. As of May 15, 1998, the Company has invested approximately \$500,000 in the Tennessee Development Project.

6. Subsidiary Guarantors

Summarized financial information as of March 31, 1998 and for the three months ended March 31, 1998, for Penn National Gaming, Inc. ("Parent"), the Subsidiary Guarantors and Subsidiary Nonguarantors is as follows:

	March 31, 1998				
	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Current assets	\$ 16,667	\$ 9,936	\$ 3,162	\$ (1,638)	\$ 31,403
Net property, plant and equipment	439	61,714	43,622	-	105,775
Other assets	103,284	146,333	1,370	224,213	26,774
Total	120,390	217,983	48,154	222,575	163,952
Current liabilities	912	11,188	3,857	(1,639)	17,596
Long-term liabilities	80,023	81,116	50,081	119,941	91,279
Shareholders' equity	39,455	125,679	(5,784)	104,273	55,077
Total	\$120,390	\$217,983	\$ 48,154	\$ 222,575	\$ 163,952

	Three months ended March 31, 1998				
	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Total revenues	\$ 2,313	\$ 20,521	\$ 10,969	\$ 450	\$ 33,353
Total operating expenses	834	18,477	10,718	450	29,579
Income from operations	1,479	2,044	251	-	3,774
Other income (expenses)	(1,387)	644	(1,166)	-	(1,909)
Income before income taxes	92	2,688	(915)	-	1,865
Taxes on income	(67)	730	-	-	663
Net income	\$ 159	\$ 1,958	\$ (915)	\$ -	\$ 1,202

Summarized financial information as of March 31, 1997, and for the three months ended March 31, 1997, has not been presented. Separate financial statements of the Subsidiary Guarantors and Subsidiary Nonguarantors are not presented because management does not believe such statements are material to investors.

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

Result of Operations

Three months ended March 31, 1998 compared to three months ended March 31, 1997

Total revenue increased by approximately \$10.5 million or 46.2% from \$22.8 million for the three months ended March 31, 1997 to 33.4 million for the three months ended March 31, 1998. Charles Town Races, which was purchased in January of 1997 and began racing operations on April 30, 1997 and video lottery machines operations on September 10, 1997, accounted for an \$11.0 million increase. Revenues at Penn National Race Course and its OTW facilities decreased by \$.6 million due primarily to a decrease in revenues at its Chambersburg OTW facility resulting from the opening of the Charles Town Facility. Revenue increased at the Williamsport OTW facility due to a full period of operations in 1998 compared to 1997 but were offset by a decrease in revenues at the other facilities. Revenues at Pocono Downs increased by \$163,000 due to increased revenue at the race track facility, the Allentown OTW and the opening of two new facilities in Hazleton and Carbondale in March 1998. This increase was offset by a decrease in revenue at the Erie OTW facility.

Total operating expenses increased by approximately \$10.5 million or a 54.5% from \$19.1 million for the three months ended March 31, 1998 to \$29.6 million for the three months ended March 31, 1998. Charles Town Races accounted for \$10.2 million of this increase. Penn National Race Course and its OTW facility operations accounted for a \$508,000 decrease in total operating expenses primarily due to a decrease in revenue at its facilities. Pocono Downs had a \$58,000 increase in operating expenses at its facilities due to the opening of the Hazleton and Carbondale facilities. Corporate expenses increased by \$124,000 due to the hiring of additional staff and the leasing of additional office space. Depreciation and amortization increased by \$556,000 or 64.6% from \$861,000 for the three months ended March 31, 1997 to \$1,417,000 for the three months ended March 31, 1998. The increase was primarily due to depreciation associated with new facilities in Williamsport (February 1997), Charles Town Races (April 1997) and Charles Town Gaming (September 1997).

Income from operations increased by approximately \$98,000 or 2.7% from \$3.7 million for the three months ended March 31, 1997 to \$3.8 million for the three months ended March 31, 1998 due to the factors described above. Other expenses for the three months ended March 31, 1998 consisted of \$1.9 million in net interest expense (primarily due to the 10 5/8% Senior Notes issued December 1997) compared to \$.8 million in net interest expense for the three months ended March 31, 1997.

Income tax expense decreased approximately \$537,000 or 44.7% from \$1.2 million for the three months ended March 31, 1997 to \$663,000 for the three months ended March 31, 1998 due to the decrease in income for the period.

The extraordinary item in 1997 consisted of a loss on the early extinguishment of debt in the amount of \$383,000 net of income taxes. The Company used approximately \$19 million of the \$23 million in proceeds from the February 1997 equity offering to reduce long-term debt, resulting in a write-off of \$647,000 for fees associated with the early extinguishment of debt.

Liquidity and Capital Resources

Historically, the Company's primary sources of liquidity and capital resources have been cash flow from operations, borrowings from banks and proceeds from issuance of equity securities.

Net cash provided from operating activities for the three months ended March 31, 1998 (\$5.6 million) consisted of net income and non-cash expenses (\$2.6 million), an increase of purses due horsemen (\$1.3 million), and other changes in working capital (\$1.7 million).

Cash flows used in investing activities (\$3.8 million) consisted of renovation and refurbishment of the Charles Town facility (\$.9 million) and \$2.9 million in capital expenditures, including approximately \$2.5 million for the completion of the Hazleton and Carbondale OTW facilities.

Cash flows from financing activities (\$162,000) consisted principally of additional financing fees associated with the sale of Senior Notes in December 1997.

The Company is subject to possible liabilities arising from the environmental condition at the landfill adjacent to Pocono Downs. Specifically, the Company may incur expenses in connection with the landfill in the future. Such expenses may not be reimbursed by the four municipalities that are parties to the settlement agreement. The Company is unable to estimate the amount, if any, that it may be required to expend.

During the balance of 1998, the Company anticipates capital expenditures of approximately \$4.7 million to complete construction of two additional OTW facilities. For the existing racetracks and OTW facilities at Penn National Race Course and Pocono Downs, the Company plans to spend an additional \$500,000 and \$350,000, respectively, on building improvements and equipment. The Company anticipates expending approximately \$.5 million on the refurbishment of the Charles Town Entertainment Complex (excluding the cost of Gaming Machines). If approval of the Tennessee license beyond June 30, 1998 is ultimately received, the Company anticipates expending \$9.0 million to complete the first phase of the project.

The Company entered into a credit facility in December 1997 (the "Credit Facility") with Bankers Trust Company, as agent. The Credit Facility provides for, subject to certain terms and conditions, a \$12.0 million revolving credit facility and has a five-year term from its closing. The Credit Facility, under certain circumstances, requires the Company to make mandatory prepayments and commitment reductions and to comply with certain covenants, including financial ratios and maintenance tests. In addition, the Company may make optional prepayments and commitment reductions pursuant to the terms of the Credit Facility. Borrowings under the Credit Facility will accrue interest, at the option of the Company, at either a base rate plus an applicable margin of up to 2.0% or a eurodollar rate plus an applicable margin of up to 3.0%. The Credit Facility contains certain covenants that, among other things, restrict the ability of the Company and its subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, repay indebtedness or amend debt instruments, pay dividends, create liens on assets, make investments, make acquisitions, engage in mergers or consolidations, make capital expenditures, or engage in certain transactions with subsidiaries and affiliates and otherwise restrict corporate activities. The Credit Facility is secured by the assets of the Company and certain of its subsidiaries and guaranteed by all subsidiaries, except the Charles Town Joint Venture. In addition, the Credit Facility requires the Company to comply with certain financial ratios and maintenance tests. As of December 31, 1997, the Company would not have been in compliance with certain covenants under the Credit Facility had the bank group not granted a waiver, through March 30, 1998, of certain defaults regarding minimum consolidated net worth, consolidated cash interest coverage ratio and minimum leverage ratio. As of May 15, 1998, the bank group granted a waiver of a default regarding the minimum consolidated net worth and, to the extent any such other default exists as of March 31, 1998 (which is to be calculated on or before May 15, 1998) and has amended the above ratios for the periods going forward. As of May 15, 1998, the Company had not drawn any portion of the Credit Facility (although a \$2.0 million letter of credit was issued against such Credit Facility) and had adequate capital resources even without consideration of the Credit Facility.

A portion of the net proceeds of the offering of the 10 5/8% Senior Notes was used to repay amounts outstanding immediately prior to the offering under a pre-existing credit facility. The Company currently estimates that excess proceeds from the offering, cash generated from operations and available borrowings under the Credit Facility will be sufficient to finance its current operations, planned capital expenditure requirements and the costs associated with the Tennessee development project. There can be no assurance, however, that the Company will not be required to seek additional capital through public or private financing, including equity financing, in addition to that available from the foregoing sources. There can be no assurance that adequate funding will be available as needed or, if available, on terms acceptable to the Company.

Item 3. Changes in Information About Market Risk

All of the Company's debt obligations at March 31, 1998, were fixed rate obligations and Management, therefore, does not believe that the Company has any material market risk from its debt obligations.

Part II. Other Information

Item 1. Legal Proceedings

In December 1997, Amtote International, Inc. ("Amtote"), filed an action against the Company and the Charles Town Joint Venture in the United States District Court for the Northern District of West Virginia. In its complaint, Amtote (i) states that the Company and the Charles Town Joint Venture allegedly breached certain contracts with Amtote and its affiliates when it entered into, a wagering services contract with a third party (the "Third Party Wagering Services Contract"), and not with Amtote, effective January 1, 1998, (ii) sought preliminary and injunctive relief through a temporary restraining order seeking to prevent the Charles Town Joint Venture from (a) entering into a wagering services contract with a party other than Amtote and (b) having a third party provide such wagering services, (iii) seeks declaratory relief that certain contracts allegedly bind the Charles Town Joint Venture to retain Amtote for wagering services through September 2004 and (iv) seeks unspecified compensatory damages, legal fees and costs associated with the action and other legal and equitable relief as the Court deems just and appropriate. On December 24, 1997, a temporary restraining order was issued, which prescribes performance under the Third Party Wagering Contract. On January 14, 1998, a hearing was held to rule on whether a preliminary injunction should be issued or whether the temporary restraining order should be lifted, On February 20, 1998, the temporary restraining order was lifted by the court. The Company intends to pursue legal remedies in order to terminate Amtote and proceed under the Third Party Wagering Services Contract. The Company believes that this action, and any resolution thereof, will not have any material adverse impact upon its financial condition, results, or the operations of either the Charles Town Joint Venture or the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.75 General Contractor Agreement dated April 24, 1998, between Pennsylvania National Turf Club, Inc. and Warfel Construction Company.

10.76 First Amendment and Waiver dated May 15, 1998, among Penn National Gaming, Inc., CoreStates Bank, N.A. and Bankers Trust Company.

(b) Reports on Form 8-K

None

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.

May 15, 1998
Date

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

EXHIBIT INDEX

Exhibit Nos.	Description of Exhibits	Page No.
10.75	General Contractor Agreement dated April 24, 1998, between Penn National Turf Club and Warfel Construction Company	21-27
10.76	First Amendment and Waiver dated May 15, 1998, among Penn National Gaming, Inc., CoreStates Bank, N.A. and Bankers Trust Company.	28-31

Standard Form of Agreement Between Owner and Contractor. 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 twelfth day of November in the year of Nineteen Hundred
and Ninety Seven

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

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

The Project is:
(Name, address and brief description) Altoona OTW
Off-Track Wagering
Facility
Altoona, PA

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

The Owner and Contractor agree as set forth below.

ARTICLE 1
THE CONTRACT DOCUMENT

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:

* See Attachment A for clarification of contract scope and sum.

ARTICLE 3
DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION

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 10 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 interest.

3.2 The Contractor shall achieve Substantial Completion of the entire Work not later than (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.)

138 calendar days after receipt of Notice to Proceed

1. Facility needs to be substantially complete and ready for Beneficial Occupancy no later than 9/1/98.
2. Warfel will do their best to attempt to achieve final completion (punchlist done) by 9/18/98.

, 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.)

None

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 Two Hundred Ninety Seven Thousand Dollars (\$1,297,000.00), 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 number 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 price, if any, are as follows:

None

ARTICLE 5 PROGRESS PAYMENTS

5.1 Based upon Applications for Payment submitted to the Owner by the Contractor 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 Owner not later than the 31st day of a month, the Owner shall make payments to the Contractor not later than the 20th day of the following month. If an Application for Payment is received by the Owner after the application dated fixed above, payment shall be made by the Owner not later than _____ days after the Owner 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 support by such data to substantiate its accuracy as the Architect may require. The Schedule, unless objected to by the Architect, shall be used as a basis for reviewing the Contractor's Applications form Payment.

5.5 Applications for Payment shall indicated 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 (10 %). Pending finial determination of cost to the Owner of changes in the Work, amounts not in dispute may be included as provided in Subparagraph 7.3.7 of the General Contract 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 payment 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 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 retain age 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 2.5% when work is 90% complete
Reduce to 0% when contract work is 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 payments 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 Documents, 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 the time at the place where the Project is located.
(Insert rate if 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 effect the validity of this provision. Legal advise should be obtained with respect to deletions or modifications, and also regarding requirements such as written disclosures or waivers.)

7.3 Other provisions:

See attached clarifications A, B & C

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.

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 A101, 1987 Edition.

9.1.2 The General Conditions are the General Conditions of the Contract of 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 Not applicable and are as follows:

Document	Title	Pages
	None available at time of contract agreement	

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
	None available at time of contract agreement	

9.1.5 The Drawings are as follows, and are dated unless a different date is shown below:
(Either list the Drawings 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
None		

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.)

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 Penn National Turf Club CONTRACTOR Warfel Construction Company

/s/ Arthur E. Manuel
(Signature)

/s/ T. W. Peters
(Signature)

Arthur E. Manuel, General Manager
(Printed Name and Title)

T. W. Peters, President
(Printed Name and Title)

FIRST AMENDMENT AND WAIVER

FIRST AMENDMENT AND WAIVER (this "Amendment"), dated as of May 15, 1998, among PENN NATIONAL GAMING, INC. (the "Borrower"), the lenders party to the Credit Agreement referred to below (the "Banks"), CORESTATES BANK, N.A., as Co-Agent (the "Co-Agent"), and BANKERS TRUST COMPANY, as Agent (the "Agent"). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided such terms in the Credit Agreement referred to below.

WITNESSETH:

WHEREAS, the Borrower, the Banks, the Co-Agent, and the Agent are parties to a Credit Agreement, dated as of November 27, 1996 and amended and restated as of December 17, 1997 (as further amended, modified or supplemented to, but not including, the date hereof, the "Credit Agreement");

WHEREAS, the parties hereto wish to further modify the Credit Agreement as herein provided; and

WHEREAS, subject to the terms and conditions of this Amendment, the parties hereto agree as follows;

NOW, THEREFORE, it is agreed:

1. The Banks hereby waive any Default or Event of Default that may have arisen under the Credit Agreement solely as a result of the Borrower failing to comply with Sections 8.10 and 8.11 of the Credit Agreement for the Test Period ended on March 31, 1998.
2. The table appearing in Section 8.10 of the Credit Agreement is hereby amended by (i) deleting the ratio "2.50:1.00" appearing opposite the date "June 30, 1998" appearing therein and inserting the ratio "2.50:1.00" in lieu thereof and (ii) deleting the ratio "2.50:1.00" appearing opposite the date "September 30, 1998" appearing therein and inserting the ratio "2.35:1.00" in lieu thereof.
3. Section 8.11 of the Credit Agreement is hereby amended by deleting the table appearing therein in its entirety and inserting the following new table in lieu thereof:

Period	Ratio
Restatement Effective Date through and including March 30, 1998	4.80:1.00
March 31, 1998 through and including September 29, 1998	4.90:1.00
September 30, 1998 through and including December 30, 1998	4.80:1.00
December 31, 1998 through and including December 30, 1999	3.75:1.00
December 31, 1999 and thereafter	3.00:1.00

4. The definition of Minimum Consolidated Net Worth appearing in Section 10.01 of the Credit Agreement is hereby amended by deleting the reference to "\$55,500,000" appearing therein and inserting the amount "\$53,856,000" in lieu thereof.
5. This Amendment shall become effective on the date (the "First Amendment Effective Date") when the Borrower, the Agent and the Required Banks shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of facsimile transmission) the same to the Agent at the Notice Office.

6. In order to induce the Banks to enter into this Amendment, the Borrower hereby represents and warrants that:

- (a) no Default or Event of Default exists on the First Amendment Effective Date, after giving effect to this Amendment; and
- (b) on the First Amendment Effective Date, and after giving

effect to this Amendment, all representations and warranties contained in the Credit Agreement and in the other Credit Documents are true and correct in all material respects as though such representations and warranties were made on the First Amendment Effective Date.

7. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be delivered to the Borrower and the Agent.

8. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

9. From and after the First Amendment Effective Date, all references in the Credit Agreement and each of the other Credit Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as modified hereby.

10. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreement or any other Credit Document.

* * *

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

PENN NATIONAL GAMING, INC.

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

BANKERS TRUST COMPANY,
Individually and as Agent

By: /s/ David Bell
Title: Vice President

CORESTATES BANK, N.A.,
Individually and as Co-Agent

By: /S/ Donald W. Hounl
Title: Senior Vice President

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