FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended JUNE 30, 1999

OR

o 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) (Zip code)

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

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 10, 1999
Common Stock Par value $.01 per share	14,869,021

THIS REPORT INCLUDES "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDED IN THIS REPORT LOCATED ELSEWHERE HEREIN REGARDING THE COMPANY'S OPERATIONS, FINANCIAL POSITION AND BUSINESS STRATEGY, MAY CONSTITUTE FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY", "WILL", "EXPECT", "INTEND", "ESTIMATE", "ANTICIPATE", "BELIEVE" OR "CONTINUE" OR THE NEGATIVE THEREOF OR VARIATIONS THEREON OR SIMILAR TERMINOLOGY. ALTHOUGH THE COMPANY BELIEVES THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS ARE REASONABLE AT THIS TIME, IT CAN GIVE NO ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO HAVE BEEN CORRECT. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE COMPANY'S EXPECTATIONS ("CAUTIOUNARY STATEMENTS") ARE DISCLOSED IN THIS REPORT AND IN OTHER MATERIALS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE COMPANY OR PERSONS ACTING ON ITS BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS.

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)

	June 30, 1999 (Unaudited)	December 31, 1998
Assets		
Current assets		
Cash and cash equivalents	$ 10,484	$ 6,826
Accounts receivable	5,995	3,840
Prepaid expenses and other current assets	2,081	2,131
Deferred income taxes	332	458
Prepaid income tax	114	859
Total current assets	19,006	14,114
Property, plant and equipment, at cost		
Land and improvements	27,500	26,969
Building and improvements	68,433	66,918
Furniture, fixtures and equipment	30,286	29,772
Transportation equipment	603	527
Leasehold improvements	9,767	9,579
Leased equipment under capitalized lease	824	824
Construction in progress	1,601	1,847
	139,014	136,436
Less accumulated depreciation and amortization	19,235	15,684
Net property, plant and equipment	119,779	120,752
Other assets		
Note receivable	11,250	-
Excess of cost over fair market value of net assets acquired (net of accumulated amortization of $2,308 and $2,002, respectively)	21,885	22,442
Deferred financing costs	2,700	2,403
Miscellaneous	1,107	1,087
Total other assets	36,942	25,932
	$ 175,727	$ 160,798

See accompanying notes to consolidated financial statements.

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

	June 30, 1999 (Unaudited)	December31, 1998
Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt and capital lease obligations	$ 5,158	$ 168
Accounts payable	6,575	6,217
Purses due horsemen	3,478	887
Uncashed pari-mutuel tickets	1,094	1,597
Accrued expenses	1,362	1,063
Accrued interest	413	468
Accrued salaries & wages	752	752
Customer deposits	719	548
Taxes, other than income taxes	965	503
Total current liabilities	20,516	12,203
Long Term Liabilities		
Long-term debt and capital lease obligations, net of current maturities	81,272	78,088
Deferred income taxes	11,917	11,471
Total long-term liabilities	93,189	89,559
Commitments and contingencies		
Shareholders' equity		
Preferred stock,$.01 par value, authorized 1,000,000 shares; issued none	-	-
Common stock,$.01 par value, authorized 20,000,000 shares; issued 15,286,021 and 15,164,080, respectively	154	152
Treasury stock, 424,700 shares at cost	(2,379)	(2,379)
Additional paid in capital	38,447	38,025
Retained earnings	25,800	23,238
Total shareholders' equity	62,022	59,036
	$ 175,727	$ 160,798

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	1999	1998
Revenues		
Pari-mutuel revenues		
Live races	$ 8,283	$ 12,928
Import simulcasting	35,050	34,114
Export simulcasting	1,358	2,828
Gaming revenue	24,913	16,160
Admissions, programs and other racing revenue	2,984	2,956
Concessions revenues	5,584	4,427
Total revenues	78,172	73,413
Operating expenses		
Purses, stakes, and trophies	14,098	13,946
Direct salaries, payroll taxes and employee benefits	8,720	9,263
Simulcast expenses	6,071	6,896
Pari-mutuel taxes	4,103	4,589
Lottery taxes and administration	9,904	6,302
Other direct meeting expenses	10,613	11,564
Concessions expenses	4,968	3,453
Other operating expenses	6,435	5,021
Horsemen's action expenses	1,250	-
Depreciation and amortization	4,145	2,841
Total operating expenses	70,307	63,875
Income from operations	7,865	9,538
Other income (expenses)		
Interest (expense)	(4,333)	(4,243)
Interest income	605	451
Other	(7)	30
Total other (expenses)	(3,735)	(3,762)
Income before taxes	4,130	5,776
Taxes on income	1,568	2,099
Net Income	$ 2,562	$ 3,677
Basic earnings per share on net income	$ 0.17	$ 0.24
Diluted earnings per share on net income	$ 0.17	$ 0.24
Weighted average number of basic common shares outstanding	14,784	15,154
Weighted average number of diluted common shares outstanding	15,135	15,558

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 June 30,	
	1999	1998
Revenues		
Pari-mutuel revenues		
Live races	$ 5,868	$ 7,623
Import simulcasting	19,749	17,763
Export simulcasting	847	1,502
Gaming revenue	13,616	9,004
Admissions, programs and other racing revenue	1,865	1,694
Concessions revenues	3,438	2,472
Total revenues	45,383	40,058
Operating expenses		
Purses, stakes, and trophies	8,388	7,639
Direct salaries, payroll taxes and employee benefits	5,005	4,904
Simulcast expenses	3,685	3,795
Pari-mutuel taxes	2,434	2,476
Lottery taxes and administration	5,415	3,371
Other direct meeting expenses	6,021	6,122
Concessions expenses	2,945	1,948
Other operating expenses	3,360	2,625
Depreciation and amortization	2,130	1,422
Total operating expenses	39,383	34,302
Income from operations	6,000	5,756
Other income (expenses)		
Interest (expense)	(2,208)	(2,134)
Interest income	396	250
Other	(7)	30
Total other (expenses)	(1,819)	(1,854)
Income before taxes	4,181	3,902
Taxes on income	1,641	1,435
Net income	$ 2,540	2,467
Basic earnings per share on net income	$ 0.17	$ 0.16
Diluted earnings per share on net income	$ 0.17	$ 0.16
Weighted average number of basic common shares outstanding	14,822	15,156
Weighted average number of diluted common shares outstanding	15,183	15,542

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 Stock Shares	Common Stock Amounts	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, at January 1, 1999	15,164,080	$ 152	$ (2,379)	$ 38,025	$ 23,238	$ 59,036
Issuance of common stock	121,941	2		422		424
Net income for the six months ended June 30, 1999	-	-	-	-	2,562	2,562
Balance, at June 30, 1999	15,286,021	$ 154	$ (2,379)	$ 38,447	$ 25,800	$ 62,022

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	1999	1998
Cash flows from operating activities		
Net income	$ 2,562	$ 3,677
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,145	2,841
Net deferred income tax assets and liabilities	572	222
Decrease (Increase) in		
Accounts receivable	(2,155)	(1,803)
Prepaid expenses	50	(668)
Prepaid income taxes	745	2,123
Miscellaneous other assets	(25)	(213)
Increase (decrease) in		
Accounts payable	358	(312)
Purses due horsemen	2,591	1,423
Uncashed pari-mutuel tickets	(503)	(554)
Accrued expenses	299	(579)
Accrued interest	(55)	8
Accrued salaries & wages	-	138
Customers deposits	171	233
Taxes other than income payable	462	157
Net cash provided by operating activities	9,217	6,693
Cash flows from investing activities		
Expenditures for property and equipment	(2,578)	(4,932)
Notes receivable	(11,250)	-
Other	251	-
Net cash (used in) investing activities	(13,577)	(4,932)

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	1999	1998
Cash flows from financing activities		
Proceeds from sale of common stock	424	18
Proceeds from long term debt	11,500	-
Principal payments on long-term debt and capital lease obligations	(3,326)	(34)
Increase in unamortized financing cost	(580)	(107)
Net cash provided by (used) in financing activities	8,018	(123)
Net increase in cash	3,658	1,638
Cash and cash equivalents, at beginning of period	6,826	21,854
Cash and cash equivalents, at end of period	$ 10,484	$ 23,492

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 June 30, 1999 and the results of its operations for the three and six month periods ended June 30, 1999 and 1998. The results of operations experienced for the six month period ended June 30, 1999 are not necessarily indicative of the results to be experienced for the fiscal year ended December 31, 1999.

The statements and related notes herein 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, 1998 annual financial
statements.

2. Wagering Information (in thousands)

	Three months ended June 30, 1999			
	Penn National	Pocono Downs	Charles Town	Total
Pari-mutuel wagering in-state on Company's live races	$ 11,291	$ 7,197	$ 8,346	$ 26,834
Pari-mutuel wagering on simulcasting:				
Import simulcasting from other racetracks	49,421	34,831	12,962	97,214
Export simulcasting to out of state wagering facilities	20,228	6,348	2,042	28,618
	69,649	41,179	15,004	125,832
Total pari-mutuel wagering	$ 80,940	$48,376	$ 23,350	$ 152,666

	Three months ended June 30, 1998			
	Penn National	Pocono Downs	Charles Town	Total
Pari-mutuel wagering in-state on Company's live races	$ 21,605	$ 7,410	$ 5,524	$ 34,539
Pari-mutuel wagering on simulcasting:				
Import simulcasting from other racetracks	43,735	35,040	10,917	89,692
Export simulcasting to out of state wagering facilities	42,964	7,188	-	50,152
	86,699	42,228	10,917	139,844
Total pari-mutuel wagering	$ 108,304	$ 49,638	$ 16,441	$ 174,383

	Six months ended June 30, 1999			
	Penn National	Pocono Downs	Charles Town	Total
Pari-mutuel wagering in-state on Company's live races	$ 17,970	$ 7,197	$ 13,389	$ 38,556
Pari-mutuel wagering on simulcasting:				
Import simulcasting from other racetracks	77,026	69,995	25,561	172,582
Export simulcasting to out of state wagering facilities	37,382	6,348	2,042	45,772
	114,408	76,343	27,603	218,354
Total pari-mutuel wagering	$132,378	$83,540	$ 40,992	$256,910

	Six months ended June 30, 1998			
	Penn National	Pocono Downs	Charles Town	Total
Pari-mutuel wagering in-state on Company's live races	$ 41,215	$ 8,325	$ 9,642	$ 59,182
Pari-mutuel wagering on simulcasting:				
Import simulcasting from other racetracks	86,580	66,105	21,070	173,755
Export simulcasting to out of state wagering facilities	86,584	7,763	-	94,347
	173,164	73,868	21,070	268,102
Total pari-mutuel wagering	$ 214,379	$ 82,193	$ 30,712	$ 327,284

3. Commitments

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 Off-Track Wagering Facilities ("OTW") at a site in the city of Memphis (the "Tennessee Development Project"). A land use plan for the construction of a 5/8-mile harness track, clubhouse and grandstand area was approved in October 1997 by the Land Use Hearing Board for the City of Memphis and County of Shelby. Tennessee Downs, Inc. ("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 license to the Company, which would expire on the earlier of: (i) December 31, 2000 or (ii) the expiration of Tennessee Commission's term on June 30, 1998, if such term was not extended by the Tennessee State Legislature. 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 Tennessee Commission held a meeting on May 29, 1998 at which it rejected the Company's request: (i) to grant the Company an extended timeframe for the effectiveness of its racing license; (ii) to operate a temporary simulcast facility. On July 28, 1998, the Company filed for a preliminary injunction and a declaratory ruling on the legal status of racing in Memphis. On November 23, 1998, the court ruled that the Tennessee Racing Control Act had not been repealed and cannot be repealed by implication by dissolving the Tennessee Commission. It is the opinion of the court that because the Tennessee Racing Control Act is still in force, horse-racing and pari-mutuel betting is a legal unregulated activity in Tennessee. This opinion has been appealed by the Tennessee Attorney General and a hearing was held before the Court of Appeals on June 21, 1999. On July 30, 1999, the Court of Appeals in Tennessee dissolved the injunction. The court reversed the lower court ruling on the basis of jurisdiction. Tennessee Downs intends to take a direct appeal to the Supreme Court of the State of Tennessee so that it may continue its efforts to develop and operate a harness track in Tennessee. Costs incurred as of June 30, 1999 regarding the Tennessee license amounted to $534,135 and are presented in prepaid expenses and other current assets.

On July 14, 1998, the Company entered into a lease agreement for an OTW facility in East Stroudsburg. The lease is for approximately 14,000 square feet at the Eagle's Glen Shopping Plaza located in East Stroudsburg, Pennsylvania. The initial term of the lease is for ten years with two additional five-year renewal options available. On November 6, 1998, the Company submitted its application for approval by the Pennsylvania Harness Racing Commission. The Pennsylvania Harness Racing Commission approved the application on February 23, 1999. The Company was denied building and zoning permits by the zoning office of the Borough of East Stroudsburg and filed suit on November 13, 1998 to obtain the permits. On May 17, 1999, the Court of Common Pleas of Monroe County granted a peremptory judgment in favor of the Company that directed the Borough of East Stroudsburg and its zoning officer to issue the required building and zoning permits to construct the OTW facility. The Company expects to start construction on the $2 million facility in August 1999 with a projected opening date in the first quarter of 2000.

On March 23, 1999, the Company entered into a new four-year, nine-month purse agreement with the Horsemen's Benevolent and Protection Association, which represents the horsemen at the Company's Penn National Race Course facility in Grantville, Pennsylvania. The agreement ended a strike by the horsemen which began on February 16, and caused the Company to close Penn National Race Course and its six affiliated OTWs. The initial term of the agreement ends on January 1, 2004 and automatically renews for another two year period, without change, unless notice is given by either party at least ninety days prior to the end of the initial term.

On April 9, 1999, the State of West Virginia passed legislation approving the use of coin-out and reel spinning slot machines at the four racetracks in West Virginia. The Company plans to convert certain machines at Charles Town to coin-out as well as replace a number of lesser-performing machines with reel spinning models. On April 27, 1999, the Company placed an additional thirty-six (36) machines in operation for a total machine base of 935. During the remainder of 1999, the Company plans to add, subject to regulatory approval, 565 more machines to bring the total machine base to 1,500.

On May 10, 1999, the Company commenced a consent solicitation (the "Consent Solicitation") from the holders of its 10.625% Senior Notes due 2004, Series B (the Notes) to amend the Indenture pursuant to which the Notes were issued to permit the Company to make certain investments in a joint venture with Greenwood New Jersey, Inc., that will operate Freehold Raceway in Freehold, New Jersey and Garden State Track in Cherry Hill, New Jersey (the "Joint Venture"). The Consent Solicitation originally expired at 5:00 p.m., New York City time, on May 19, 1999 but was extended by the Company until July 30, 1999, by which time holders of more than a majority of the Company's had delivered consents. The Company and the Trustee under the Indenture relating to the Notes have executed and delivered a Supplemental Indenture containing the amendments described in the Company's Consent Solicitation. The amendments became effective on July 30, 1999 when the Company acquired the Joint Venture. The consent fee payable to holders who delivered consents (and did not validly revoke such consents) prior to the expiration date is $32.50 per $1,000 principal amount of Notes as to which a consent was given. Pursuant to the terms and conditions of the Consent Solicitation, the Company made all consent payments contemporaneously with the closing of the Joint Venture transaction.

On June 1, 1999, the Company amended its employment agreement with its Chairman which became effective June 1, 1999 and as amended, shall continue thereafter from year to year. The agreement provides for an annual base salary of $380,000, and prohibits the employee from competing with the Company during its term and for one year, thereafter. The agreement also provides for a death benefit payment by the Company equal to the amount of employee's annual salary in effect at the time of his death, for a period of two years following the date of employee's death.

On June 1, 1999, the Company amended its employment agreement with its Chief Financial Officer which became effective on June 1, 1999, and as amended, shall continue from year to year unless terminated by the Company upon 90 days written notice. The agreement provides for an annual base salary of $150,000, and prohibits the employee from competing with the Company during its term and for one year thereafter. The agreement also provides for a death benefit payment by the Company equal to the amount of the employee's annual salary in effect at the time of his death for a period of one year following the date of employees death.

On June 30, 1999, all the race tracks in West Virginia (the "Tracks"), entered into a hardware and software purchase agreement (the "Agreement") with International Game Technology (IGT), for the purchase of a new video lottery central control computer system. The aggregate cost of the new system is $5.5 million of which PNGI Charles Town Gaming LLC is obligated to pay $1.4 million. On July 22, 1999, the Company submitted a check in the amount of $257,000 as the initial deposit and issued a letter of credit in the amount of $1,156,000 to secure the remaining payments due. In addition, the Tracks agreed to collectively acquire from IGT at least one thousand video lottery terminals by September 30, 1999. (Charles Town is to acquire 400 new terminals) The Agreement also requires each track to pay to IGT the sum of $7.50 per terminal, per day for each video lottery terminal offering progressive games operated through the IGT central system. Installation of the new central system should be completed by December 31, 1999.

At June 30, 1999, the Company was contingently obligated under letters of credit with face amounts aggregating $2,031,000. These amounts consisted of $1,776,000 relating to 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 six months ended June 30, 1999 and 1998 for interest was $4,307,204 and $4,230,000, respectively.

Cash paid during the three months ended June 30, 1999 and 1998 for income taxes was $206,000 and $1,476,000, respectively.

5. Subsidiary Guarantors

Summarized financial information as of June 30, 1999 and 1998 for the three and six months ended June 30, 1999 and 1998 for Penn National Gaming, Inc. ("Parent"), the Subsidiary Guarantors and Subsidiary Nonguarantors is as follows:

	Parent Company	Susbsidiary Guarantors	Subsidiary Non-Guarantors	Elimin-ations	Consoli-dated
As of June 30,1999 Consolidated Balance Sheet (In Thousands)					
Current assets	$ 6,699	$ 6,164	$ 7,685	$ (1,542)	$ 19,006
Net property plant and equipment	13,051	61,720	45,008	-	119,779
Other assets	111,679	156,936	1,539	(233,212)	36,942
Total	$ 131,429	$ 224,820	$ 54,232	$ (234,754)	$ 175,727
Current liabilities	8,259	15,416	$9,216	(12,375)	20,516
Long-term liabilities	84,633	78,342	47,553	(117,339)	93,189
Shareholders'equity (deficiency)	38,537	131,062	(2,537)	(105,040)	62,022
Total	$ 131,429	$ 224,820	$ 54,232	$ (234,754)	$ 175,727
Three months ended June 30, 1999 Consolidated Statement of Income (In Thousands)					
Total revenues	$ 4,515	$ 22,173	$ 20,205	$ (1,510)	$ 45,383
Total operating expenses	2,141	21,291	17,461	(1,510)	39,383
Income from operations	2,374	882	2,744	-	6,000
Other income (expenses)	(1,464)	749	(1,104)	-	(1,819)
Income before income taxes	910	1,631	1,640	-	4,181
Taxes on income	376	609	656	-	1,641
Net income	$ 534	$ 1,022	$ 984	$ -	$ 2,540
Six months ended June 30, 1999 Consolidated Statement of Income (In Thousands)					
Total revenues	$ 2,038	$ 42,199	$ 36,570	$ (2,635)	$ 78,172
Total operating expenses	(2,012)	42,642	32,312	(2,635)	70,307
Income (loss) from operations	4,050	(443)	4,258	-	7,865
Other income (expenses)	(2,969)	1,504	(2,270)		(3,735)
Income before income taxes	1,081	1,061	1,988	-	4,130
Taxes on income	465	285	818		1,568
Net income	$ 616	$ 776	$ 1,170	$ -	$ 2,562
Six months ended June 30, 1999 Consolidated Statement of Cash Flow (In Thousands)					
Net Cash Flows from Operating Activities	$ 6,000	$ 239	$ 2,978	$ -	$ 9,217
Net Cash Flows from Investing Activities	(11,736)	(745)	(1,096)	-	(13,577)
Net Cash Flows from Financing Activities	8,527	(509)	-	-	8,018
Increase (decrease) in cash	2,791	(1,015)	1,882	-	3,658
Cash and cash equivalents at January 1, 1999	2,001	1,705	3,120	-	6,826
Cash and cash equivalents at June 30,1999	$ 4,792	$ 690	$ 5,002	$ -	$ 10,484

	Parent Company	Susbsidiary Guarantors	Subsidiary Non-Guarantors	Elimin-ations	Consoli-dated
As of December 31, 1998 Consolidated Balance Sheet (In Thousands)					
Current assets	$ 3,558	$ 6,944	$ 4,204	$ (592)	$ 14,114
Net property plant and equipment	13,576	62,598	44,578	-	120,752
Other assets	102,400	153,818	1,779	(232,065)	25,932
Total	$ 119,534	$ 223,360	50,561	(232,657)	160,798
Current liabilities	1,000	13,961	7,520	(10,278)	12,203
Long-term liabilities	81,037	78,527	47,334	(117,339)	89,559
Shareholders'equity (deficiency)	37,497	130,872	(4,293)	(105,040)	59,036
Total	$ 119,534	$ 223,360	$ 50,561	$ (232,657)	$ 160,798
Three months ended June 30, 1998 Consolidated Statement of Income (In Thousands)					
Total revenues	$ -	$ 27,057	$ 13,697	$ (696)	$ 40,058
Total operating expenses	(1,765)	24,674	12,089	(696)	34,302
Income from operations	1,765	2,383	1,608	-	5,756
Other income (expenses)	(1,390)	700	(1,164)	-	(1,854)
Income before income taxes	375	3,083	444	-	3,902
Taxes on income	94	1,341	-	-	1,435
Net income	$ 281	$ 1,742	$ 444	$ -	$ 2,467
Six months ended June 30, 1998 Consolidated Statement of Income (In Thousands)					
Total revenues	$ 2	$ 49,889	$ 24,667	$ (1,145)	$ 73,413
Total operating expenses	(3,243)	45,460	22,803	(1,145)	63,875
Income from operations	3,245	4,429	1,864	-	9,538
Other income (expenses)	(2,777)	1,345	(2,330)		(3,762)
Income before income taxes	468	5,774	(466)	-	5,776
Taxes on income	26	2,073	-		2,099
Net income (Loss)	$ 442	$ 3,701	$ (466)	$ -	$ 3,677
Six months ended June 30, 1998 Consolidated Statement of Cash Flow (In Thousands)					
Net Cash Flows from Operating Activities	$ 3,945	$ (12,596)	$ 565	$ 14,779	$ 6,693
Net Cash Flows from Investing Activities	(6,812)	7,168	2,844	(8,132)	(4,932)
Net Cash Flows from Financing Activities	154	6,370	-	(6,647)	(123)
Increase (decrease) in cash	(2,713)	942	3,409	-	1,638
Cash and cash equivalents at January 1, 1998	3,015	17,895	944	-	21,854
Cash and cash equivalents at June 30, 1999	$ 302	$ 18,837	$ 4,353	$ -	$ 23,492

6. Year 2000 Compliance

The "Year 2000 issue" is typically the result of software and hardware being written using two digits rather than four to define the applicable year. If the Company's software and hardware with date-sensitive functions are not Year 2000 compliant, these systems may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruption of operations, including, among other things, interruptions in pari-mutuel wagering or the inability to operate the Company's video lottery machines.

The Company, has been and is currently conducting a review of all systems and contacting all software suppliers to determine major areas of exposure to Year 2000 issues. The Company believes that, with minor modifications and testing of its systems, the Year 2000 issue will not pose a significant operations problem. The Company is using its internal resources to reprogram or replace and test its software for Year 2000 modifications. If the Company is unable to make the required modifications to existing software or convert to new software in a timely manner, the Year 2000 issue could have a material adverse impact on the Company's operations.

The Company has initiated formal communication with significant suppliers and third party vendors to determine the extent to which the Company's operations are vulnerable to those third parties failure to remediate their own Year 2000 hardware and software issues. All of these parties state that they intend to be Year 2000 compliant by 2000. In the event that any of the Company's significant suppliers are unable to become Year 2000 compliant, the Company's business or operations could be adversely affected. There can be no assurance that the systems of other companies on which the Company relies will be compliant by the year 2000 and would not have an adverse effect on operations.

The Company does not expect the total cost associated with required modifications to become Year 2000 compliant to be material to its financial position.

The Company has not yet fully developed a comprehensive contingency plan addressing situations that may result if the Company is unable to achieve Year 2000 readiness of its critical operations. Contingency plan development is in process and the Company expects to finalize its plan during the remainder of 1999. There can be no assurance that the Company will be able to develop a contingency plan that will adequately address issues that may arise in the year 2000.

7. Subsequent Events

On July 9, 1999, the Company entered into an agreement with American Digital Communications, Inc. ("TrackPower") to serve as the exclusive pari-mutuel wagering hub operator for TrackPower. TrackPower provides direct-to-home digital satellite transmissions of horse racing to its subscriber base. The initial term of the contract is for five years with an additional five year option available. The agreement is subject to approval by the Pennsylvania Horse Racing Commission. In connection with the agreement the Company received Warrants to purchase 5,000,000 shares of common stock of TrackPower at prices ranging from $1.58 per share to $2.58 per share. The Warrants vest at 20% per year and expire on April 30, 2004.

On July 29, 1999, after receiving the necessary approvals from the New Jersey Racing Commission and the consent from the holders of its 10.625% Senior Notes due 2004, Series B, the Company completed its investment in the 50%/50% Joint Venture, Pennwood, Inc., with Greenwood New Jersey, Inc., (a wholly-owned subsidiary of Greenwood Racing, Inc. the owner of Philadelphia Park Race Track).

Pursuant to the Joint Venture Agreement, the Company agreed to guarantee severally: (i) up to 50% of the obligations of the Joint Venture under its Put Option Agreement ($17.5 million) with Credit Suisse First Boston Mortgage Capital LLC ("CSFB"); (ii) up to 50% of the Joint Venture obligation for the seven year lease at Garden State Park; (iii) up to 50% to International Thoroughbred Breeders, Inc. for the contingent purchase price notes ($10.0 million) relating to the operating, if passed by the New Jersey legislature, by the Joint Venture of OTW's and a telephone wagering accounts in New Jersey. In conjunction with the closing, the Company entered into a Debt Service Maintenance Agreement with Commerce Bank, N.A. for the funding of a $23.0 million credit facility to the Joint Venture. The Joint Venture Agreement provides for a limited obligation of the Company of $11.5 million subject to limitations provided for in the Company's 10.625% Senior Notes Indenture. A Form 8-K will be filed regarding this event.

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

Three months ended June 30, 1999 compared to three months ended June 30, 1998

Total revenue increased by approximately $5.3 million or 13.3% from $40.1 million for the three months ended June 30, 1998 to $45.4 million for the three months ended June 30, 1999. Revenues decreased by $1.6 million or 9.9% at Penn National Race Course and its OTW facilities due to the strike by The Horsemen's Benevolent Protective Association (Horsemen) that resulted in the closure of the facilities from February 16 to March 24, 1999. Penn National Race Course re-opened for live racing on a limited basis on April 23 and resumed a full live racing schedule the week of June 26, 1999. For the second quarter, Penn National Race Course ran 32 live race days in 1999 compared to 52 live race days in 1998. Charles Town Races had increased revenues of $6.5 million or 47.5% for the quarter. Video lottery machine revenue increased by $4.6 million due to an increase in the average number of machines in play of 700 in 1998 compared to 915 in 1999 and an increase in the average win per machine of $141 in 1998 compared to $164 in 1999. Racing revenue increased by $1.3 million due to the improved quality of the live race card, a stronger full-card simulcast program, and the start of export simulcasting the Charles Town live race program to tracks across the country beginning on June 5, 1999. Concession revenues increased by $.6 million due to the increased attendance at the Charles Town facility. At Pocono Downs and its OTW facilities revenues increased by $121,000 or 1.2%.

Total operating expenses increased by approximately $5.1 million or 14.8% from $34.3 million for the three months ended June 30, 1998 to $39.4 million for the three months ended June 30, 1999. Expenses decreased by $.4 million or 3.4% at Penn National Race Course and its OTW facilities due to the Horsemen's strike that resulted in 20 fewer live race days for the second quarter in 1999 compared to the second quarter in 1998. Charles Town Races had increased expenses of $5.2 million or 45.2% due to an increase in direct costs associated with additional wagering on horse racing and video lottery machine play, an increase in the number of video lottery machines and export simulcast expenses. Pocono Downs and its OTW facilities had a $.1 million net decrease in expenses. Corporate expenses increased by approximately $.5 million due to the consolidation of the marketing and information technology departments at the corporate level and the development of an OTW facility management department. Depreciation and amortization expense increased by $.7 million due to the purchase of the video lottery machines from GTECH in November 1998.

Income from operations increased by approximately $200,000 or 3.4% from $5.8 million for the three months ended June 30, 1998 to $6.0 million for the three months ended June 30, 1999 due to the factors described above.

Net income increased by approximately $73,000 or 2.9% from $2,467,000 for the three months ended June 30, 1998 to $2,540,000 for the three months ended June 30, 1999 due to the factors described above. Income tax expense increased by approximately $206,000 or 14.4% from $1,435,000 for the three months ended June 30, 1998 to $1,641,000 for the three months ended June 30, 1999 due to the increase in income for the quarter.

Six months ended June 30, 1999 compared to six months ended June 30, 1998

Total revenue increased by approximately $4.8 million or 6.5% from $73.4 million for the six months ended June 30, 1998 to $78.1 million for the six months ended June 30, 1999. Revenues decreased by $8.8 million or 27.4% at Penn National Race Course and its OTW facilities due to the Horsemen's strike that resulted in the closure of the facilities from February 16 to March 24, 1999. Penn National Race Course re-opened for live racing on a limited basis on April 23 and resumed a full live racing schedule the week of June 26, 1999. For the six-month period, Penn National Race Course ran 50 live race days in 1999 compared to 102 live race days in 1998. Charles Town Races had increased revenues of $11.9 million or 48.2% for the period. Video lottery machine revenue increased by $8.8 million due to an increase in the average number of machines in play of 632 in 1998 to 876 in 1999 and an increase in the average win per machine of $141 in 1998 compared to $157 in 1999. Racing revenue increased by $2.1 million due to the improved quality of the live race card, a stronger full-card simulcast program, and the start of export simulcasting the Charles Town live race program to tracks across the country beginning June 5, 1999. Concession revenues increased by $1.0 million due to the increased attendance at the Charles Town facility. At Pocono Downs and its OTW facilities revenues increased by $1.1 million or 6.3%. The increase resulted from a full period of operations for the Carbondale ($1.0 million) and Hazleton OTW's ($ .7 million) that offset the decrease in revenues at the Pocono Downs racetrack ($.6 million) due to the close proximity of these three facilities.

Total operating expenses increased by approximately $6.4 million or 10.0% from $63.9 million for the six months ended June 30, 1998 to $70.3 million for the six months ended June 30, 1999. Expenses decreased by $4.4 million or 17.4% at Penn National Race Course and its OTW facilities due to the closing of the facilities from February 16 to March 24, 1999 and the loss of 52 live races in 1999 compared to 1998. Included in the operating expenses were $1.3 million in shutdown related expenses. Charles Town Races had increased expenses of $9.4 million or 43.2% due to an increase in direct costs associated with additional wagering on horse racing and video lottery machine play, additional video lottery machines and export simulcast expenses. Pocono Downs and its OTW facilities had a $.5 million net increase in expenses due to a full period of operations at the Carbondale and Hazleton OTW facilities that was offset by a decrease in expenses at the Pocono Downs racetrack. Corporate expenses increased by approximately $1.0 million due to the consolidation of the marketing and information technology departments at the corporate level and the development of an OTW facility management department. Depreciation and amortization expense increased by $1.3 million due to the purchase of the video lottery machines from GTECH in November 1998.

Income from operations decreased by approximately $1.7 million or 17.7% from $9.6 million for the six months ended June 30, 1998 to $7.9 million for the six months ended June 30, 1999 due to the factors described above

Net income decreased by approximately $1.1 million or 30.3% from $3.7 million for the six months ended June 30, 1998 to $2.6 million for the six months ended June 30, 1999 due to the factors described above. Income tax expense decreased by approximately $.5 million or 25.3% from $2.1 million for the six months ended June 30, 1998 to $1.6 million for the six months ended June 30, 1999 due to the decrease 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, borrowings from banks and proceeds from the issuance of equity securities.

Net cash provided by operating activities for the six months ended June 30, 1999 ($9.2 million) consisted of net income and non-cash expenses ($7.3 million), an increase in purses due Horsemen ($2.6 million), an increase in accounts payable ($.4 million) and an increase in other working capital ($1 million), offset by an increase in account receivables ($2.2 million). The increase in accounts receivable was due to an increase in the amount due from the West Virginia Lottery for VLT revenues and administration fee refund ($707,000), tourism grants receivable ($142,000), escrow settlement ($400,000) other receivable at Charles Town ($251,000), and increased settlement receivables for Pocono Downs and Charles Town ($700,000) due to live racing and export simulcasting.

Cash flows used in investing activities ($13.8 million) consisted of a note receivable ($11.2 million) from FR Park Racing, LP, a New Jersey limited partnership and a part of the New Jersey Joint Venture agreement and $2.6 million in capital expenditures.

Cash flows provided by financing activities ($8.1 million) consisted of principal payments on long-term debt ($3.3 million), borrowings under the credit facility ($11.5 million) for the New Jersey Joint Venture and debt repayment, proceeds from the exercise of stock options and warrants ($.4 million) and an increase in financing costs ($.5 million) for amending the credit facility.

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, which expenses may not be reimbursed by the four municipalities, which are parties to the settlement agreement. The Company is unable to estimate the amount, if any, that it may be required to expend.

In the first quarter of 1999, the Company incurred approximately $1.3 million in expenses associated with the actions by the Horsemen on February 16, 1999 that resulted in the closing of Penn National Race Course and its six OTW facilities in Reading, Chambersburg, York, Lancaster, Williamsport and Johnstown, from February 16, 1999 through March 24, 1999.

During the remainder of 1999 the Company anticipates spending approximately $22.0 million on capital expenditures at its racetracks and OTW facilities. The Company plans to spend approximately $1.0 million at Pocono Downs, Penn National Race Course and the OTW facilities for building improvements and equipment. The Company will also spend approximately $2.0 million on leasehold improvements, furniture and fixtures and equipment for the new OTW facility in East Stroudsburg, Pennsylvania that is scheduled to open in the first quarter of 2000. At Charles Town, the Company has applied to the West Virginia Lottery Commission for approval to increase the number of gaming machines to 1,500. If approved, the Company plans to spend approximately $19.0 million on an outdoor paddock and jockey room ($1.0 million), renovations for a new slot machine area ($4.3 million), new gaming machines ($5.7 million, conversion of existing machines to coin drop ($2.5 million), player tracking ($1.1 million), a new central system for the West Virginia Lottery Commission ($1.4 million) and other improvements ($2.5 million). If the State of Tennessee reinstates the Tennessee Commission and the Company's racing license or if the racing industry is regulated under another government agency, the Company anticipates expending an additional $9.0 million to complete the first phase of its Tennessee Development Project.

The Company entered into its Credit Facility with Bankers Trust Company, as Agent in 1996. This Credit Facility was amended and restated on January 28, 1999 with First Union National Bank replacing Bankers Trust Company, as Agent. The amended Credit Facility provides for, subject to certain terms and conditions, a $20.0 million revolving credit facility, a $5.0 million term loan due in one year, a $3.0 million sublimit for standby letters of credit and has a four-year term for 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 is secured by the assets of the Company and contains certain financial ratios and maintenance tests. On June 30, 1999, the Company was in compliance with all applicable ratios. On July 22, 1999 the Company entered into Amendment No. 1 to the Credit Facility which increased the sublimit for the standby letter of credit from $3.0 million to $3.5 million.

On July 29, 1999 the Company entered into Amendment No. 2 to the Credit Facility which provided for the consent of the Banks, which are a party to the Credit Facility, to permit the Company to enter into a Debt Service Maintenance Agreement for the benefit of Commerce Bank, N.A. The Debt Service Maintenance Agreement supports the extension of credit to the Joint Venture by Commerce Bank, N.A. In addition , the Company entered into a Subordination and Intercreditor Agreement with FR Park Racing, L.P. and Commerce Bank, N.A.

The Company currently estimates that the 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 first phase of the Tennessee Development Project. There can be no assurance, however, that the Company will not be required to seek additional capital, in addition to that available from the foregoing sources. The Company may, from time to time, seek additional funding through public or private financing, including equity financing. 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 June 30, 1999 were fixed rate obligations, and management, therefore, does not believe that the Company has any material 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 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 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 is pursuing legal remedies in order to terminate Amtote and proceed under the Third Party Wagering Services Contract. This matter was tried before the State Court of West Virginia on June 17, 1999 and a decision is still pending. The Company believes that its 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

10.89	Amendment to Employment Agreement dated June 1, 1999, between the Company and Peter M. Carlino.
10.90	Amendment to Employment Agreement dated June 1, 1999, between the Company and Robert S. Ippolito.
10.91	Second Amendment to Joint Venture Agreement dated as of July 29, 1999, between the Company and Greenwood Racing, Inc.
10.92	Shareholder's Agreement dated July 29, 1999, between Penn National Holding Company and Greenwood Racing, Inc.
10.93	Amended and Restated Limited Partnership Agreement dated July 29, 1999, between FR Park Racing, L.P., Pennwood Racing, Inc. and Penn National GSFR, Inc.
10.94	Amended and Restated Limited Partnership Agreement dated July 29, 1999, between FR Park Services, L.P., Pennwood Racing, Inc. and Penn National GSFR, Inc.
10.95	Amended and Restated Limited Partnership Agreement dated July 29, 1999, between GS Park Racing, L.P., Pennwood Racing, Inc. and Penn National GSFR, Inc.
10.96	Amended and Restated Limited Partnership Agreement dated July 29, 1999, between GS Park Services, L.P., Pennwood Racing, Inc. and Penn National GSFR, Inc.
10.97	Amendment No. 1 to Second Amended and Restated Credit Agreement dated July 29, 1999, between the Company and First Union National Bank.
10.98	Amendment No. 2 to Second Amended and Restated Credit Agreement dated July 29, 1999, between the Company and First Union National Bank.
10.99	Agreement dated July 9, 1999, between the Company and American Digital Communications, Inc. (Portions of this Exhibit have been omitted pursuant to a request for confidential treatment).
10.01a	Subordination and Intercreditor Agreement dated July 29, 1999, between the Company, FR Park Racing, L.P. and Commerce Bank, N.A.
10.02a	Debt Service Maintenance Agreement dated July 29, 1999, between the Company and Commerce Bank, N.A.
10.03a	First Supplemental Indenture dated May 19, 1999, between the Company and State Street Bank and Trust Company, Trustee.

(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.

08/12/99 By: /s/Robert S. Ippolito
Date Robert S. Ippolito, Chief Financial Officer

Exhibit Index

AMENDMENT TO EMPLOYMENT AGREEMENT

This AMENDMENT TO EMPLOYMENT AGREEMENT ("Amendment"), effective as of the 1st day of June, 1999, by and between PENN NATIONAL GAMING, INC., a Pennsylvania corporation, with its principal offices at 825 Berkshire Boulevard, Suite 200, Wyomissing, Pennsylvania 19160 (the "Company") and Peter M. Carlino, individual residing at 3 Open Hearth Drive, Reading, Pennsylvania 19607 (the "Employee").

B A C K G R O U N D

Company and Employee are parties to an Employment Agreement dated as of April 12, 1994 (the "Employment Agreement") and desire to amend the Employment Agreement as set forth in this Amendment. In consideration of their mutual promises and covenants set forth herein, and intending to be legally bound hereby, Company and Employee agree as follows:

1. Paragraphs 2, 3 and 10 of the Employment Agreement be and the same is hereby amended and restated in its entirety as follows:

2. Term. The term of this Agreement shall continue from year to year or sooner terminated in accordance with the provisions of Paragraph 11 of this Agreement.

3. Compensation. For all services rendered by Employee under this Agreement, Company agrees to pay Employee a salary at the annual rate of $380,000 ("Annual Salary"), payable in weekly installments, plus such additional compensation and bonuses as may be awarded from time to time to Employee by the Board of Directors of Company.

10. Death. In the event of the death of the Employee during the term of this Agreement, this Agreement shall terminate effective as of the date of the Employee's death, and the Company shall not have any further obligation or liability hereunder except that the Company shall pay to Employee's designated beneficiary or, if none, his estate (i) the portion, if any, of the Employee's Annual Salary, and any reimbursements, for the period up to the end of the month of Employee's date of death which remains unpaid, and (ii) the amount of Employee's Annual Salary in effect at the time of his death, for a period of twenty four months following the date of Employee's death in equal bi-weekly installments, which death benefit shall be in addition to any life insurance carried or paid for by Company on the life of Employee.

2. The Employment Agreement, except as amended hereby, shall continue in full force and effect in accordance with the terms and provisions thereof.

IN WITNESS WHEREOF, this Amendment has been executed by the parties as of the date first above written.

PENN NATIONAL GAMING, INC.

BY: /s/ William J. Bork
WILLIAM J. BORK,
President and COO

/s/ Peter M. Carlino
PETER M. CARLINO

AMENDMENT TO EMPLOYMENT AGREEMENT

This AMENDMENT TO EMPLOYMENT AGREEMENT ("Amendment"), effective as of the 1st day of June, 1999, by and between PENN NATIONAL GAMING, INC., a Pennsylvania corporation, with its principal offices at 825 Berkshire Boulevard, Suite 200, Wyomissing, Pennsylvania 19160 (the "Company") and Robert Ippolito, an individual residing at 1858 Fox Run Terrace, Warrington, Pennsylvania 18976 (the "Employee").

B A C K G R O U N D

Company and Employee are parties to an Employment Agreement dated as of April 12, 1994 (the "Employment Agreement") and desire to amend the Employment Agreement as set forth in this Amendment. In consideration of their mutual promises and covenants set forth herein, and intending to be legally bound hereby, Company and Employee agree as follows:

1. Paragraphs 2, 3 and 10 of the Employment Agreement be and the same is hereby amended and restated in their entirety as follows:

2. Term. The term of this Agreement shall commence on June 1, 1999 and shall terminate on May 31, 2000 and shall continue thereafter from year to year unless terminated by Company upon ninety (90) days written notice to Employee or sooner terminated in accordance with the provisions of Paragraph 11 of this Agreement.

3. Compensation: For all services rendered by Employee under this Agreement, Company agrees to pay Employee a salary at the annual rate of $150,000 ("Annual Salary"), payable in bi-weekly installments, plus such additional compensation and bonuses as may be awarded from time to time to Employee by the Chairman or the Board of Directors of Company.

10. Death. In the event of the death of the Employee during the term of this Agreement, this Agreement shall terminate effective as of the date of the Employee's death, and the Company shall not have any further obligation or liability hereunder except that the Company shall pay to Employee's designated beneficiary or, if none, his estate (i) the portion, if any, of the Employee's Annual Salary, and any reimbursements, for the period up to the end of the month of Employee's date of death which remains unpaid, and (ii) the amount of Employee's Annual Salary in effect at the time of his death, payable in 26 equal bi-weekly installments following the date of Employee's death, which death benefit shall be in addition to any life insurance carried or paid for by Company on the life of Employee.

2. The Employment Agreement, except as amended hereby, shall continue in full force and effect in accordance with the terms and provisions thereof.

IN WITNESS WHEREOF, this Amendment has been executed by the parties as of the date first above written.

PENN NATIONAL GAMING, INC.

BY: /s/ Peter M. Carlino
PETER M. CARLINO,
Chairman and CEO

/s/ Robert S. Ippolito
ROBERT S. IPPOLITO

SECOND AMENDMENT TO JOINT VENTURE AGREEMENT

RELATING TO NEW JERSEY ASSETS

This Second Amendment to Joint Venture Agreement (the ASecond Amendment@) is made and entered into as of the _29 day of July, 1999, by, between and among Greenwood New Jersey, Inc., (AGNJ@) Greenwood Racing Inc. as successor in interest to Greenwood New Jersey, Inc. (AGRI@) (GNJ and GRI are collectively referred to as "Greenwood") and Penn National Gaming, Inc. ("Penn"), the parties to a Joint Venture Agreement dated October 30, 1998, as previously modified by a letter from Penn to Greenwood dated November 2, 1998 and as amended by the First Amendment to Joint Venture Agreement dated January 28, 1999 and as may be further amended or modified (the "Joint Venture Agreement"). Certain defined terms used herein are based on the definitions of the Asset Purchase Agreement of July 2, 1998.

The parties desire to enter into this Second Amendment to Joint Venture Agreement, and agree as follows:

1. Subsequent Closing. Penn's admission to the Joint Venture Entities (as defined in the First Amendment to Joint Venture Agreement) is conditioned upon and is taking place simultaneously with the closing and funding of the Loan, as defined below (the "Commerce Bank Closing"), which shall occur simultaneously with the execution of this Second Amendment. In lieu of further investments as provided in the First Amendment to Joint Venture Agreement, pursuant to which the parties had agreed that Penn would invest an additional eleven million seven hundred fifty thousand dollars ($11,750,000) and Greenwood would invest an additional eleven million two hundred fifty thousand ($11,250,000) in the Joint Venture Entities, two of the Joint Venture Entities, GS Park Racing, L.P. and FR Park Racing, L.P. (collectively, the "Borrowers"), are simultaneously borrowing twenty three million dollars ($23,000,000) (the "Loan") from Commerce Bank, N.A., a national banking association (the "Lender"). A portion of the proceeds of the Loan will be used to repay principal and any accrued interest on such principal to certain affiliates of Greenwood which loaned nineteen million dollars ($19,000,000) to the Joint Venture Entities in May and June 1999, with the balance of the Loan to be used by the Joint Venture for working capital.

2. Distribution of Profits. The amount of one million four hundred fifty thousand dollars ($1,450,000), representing an advance against the net profit of the Joint Venture Entities for the period from January 28, 1999 through 11:59 PM EST on the Closing Date (the "First Period"), shall be distributed at the Commerce Bank Closing to those affiliates of Greenwood Racing Inc. which are the partners in the Joint Venture Entities prior to the admission of the Penn affiliates as partners in the Joint Venture Entities (the "Distribution"). All net profit of the Joint Venture Entities shall be allocated to the Greenwood affiliates for the First Period. The actual net profit for the First Period shall be determined by generally accepted accounting principles not later than forty-five (45) days after the date hereof, and an adjustment in the Distribution to reflect such actual net profit shall be made within five (5) days of such determination. It is currently estimated that the net profit through the date hereof is approximately two million dollars ($2,000,000).

3. Capitalization. At the Initial Closing, the parties to the Joint Venture Agreement or their affiliates lent unequal amounts to the Joint Venture Entities. The amount lent by Penn was eleven million two hundred fifty thousand dollars ($11,250,00) and the amount lent by Greenwood affiliates was eleven million five hundred dollars ($11,500,000). These loans are hereinafter referred to as the "Penn Loan" and the "Greenwood Loan", respectively. The Greenwood loan has been assigned to Rock Ltd. and Vectura Establishment. At the Commerce Bank Closing, FR Park Racing, L.P. will reduce the principal balance of the Greenwood Loan by two hundred fifty thousand dollars ($250,000) by payment of such amount to equalize the principal amount of the loans. Attached hereto as Exhibit "A" and made a part hereof, is a schedule showing the agreed upon equity and debt structure of the Joint Venture Entities following the admission of Penn as an owner. At the Commerce Bank Closing, the parties to the Joint Venture Agreement or their affiliates will make aggregate equity contributions of five hundred thousand ($500,000) to the Joint Venture Entities as set forth on Exhibit A.

4. Credit Enhancement.

(1) Pursuant to the Joint Venture Agreement, the costs, obligations, responsibilities, liabilities and risks involved with this Joint Venture are to be borne equally by the parties. Nothing in the First Amendment to Joint Venture Agreement, this Second Amendment or the Joint Venture Documents is intended to modify this provision.

(2) In consideration of the fact that the DMSA and the Greenwood Guaranties are unequal in their nature due to a limitation on Penn's performance under the

DMSA as may be required by the Indenture dated December 12, 1997 relating to Penn's $80 Million Senior Notes ("Indenture"), on the date hereof, and as a condition precedent to Penn's admission as an owner, Penn will pay to Greenwood the sum of four hundred thousand dollars ($400,000) as a credit enhancement fee. Thereafter, on July 30, 2000 and each quarterly anniversary thereof, Penn will pay to Greenwood an additional credit enhancement fee in the amount of one-half of one percent (0.5%) of the outstanding principal balance of the Loan, plus the amount of any Loan repayments by Greenwood or an affiliate of Greenwood under the Greenwood Guaranties, reduced by the amount of any required compensating balances, calculated as of each quarterly date on which each payment is being made; provided, however, that the credit enhancement fee payments will cease upon the first of the following to occur: (i) the obligation under the Greenwood Guaranties is no longer in existence; (ii) the obligations of Penn under the DMSA are equal in dollar amount and in all other material respects to the obligation of the Greenwood Guaranties, and not limited by the Indenture or any provision of Penn's loan from First Union, or any other contractual obligation of Penn; or (iii) Penn has, from its own assets, paid to the holder of the Loan, an amount equal to one-half of the balance of the Loan in accordance with the DMSA, or otherwise, and the Loan balance has been reduced by such amount.

5. Purchase of Commerce Bank Obligation.

(1) Until one or more of the conditions to the elimination of the credit enhancement fee set forth in Paragraph 4(b) has occurred, Penn acknowledges that any member of the Greenwood Group, following a default by borrowers under the Loan, or if Greenwood has a reasonable basis for concluding that a default under the Loan is likely to occur in the near term, may purchase from the Lender the obligations of the Joint Venture Entities to the Lender, and that Greenwood or its affiliates may exercise all rights of the Lender, without consultation with Penn, and in doing so will not breach any duty or obligation owed to Penn or its affiliates.

(1)

(2) If one or more of the conditions to the elimination of the credit enhancement fee set forth in Paragraph 4(b) has occurred, either Penn or Greenwood (or an affiliate of Greenwood) may

purchase the Loan or an interest in the Loan if the purchasing party gives the other joint venture party (including Greenwood affiliates by notice to Greenwood, in the case of Greenwood), the option to acquire an equal interest in the Loan.

(3) Both GRI and Penn, under their respective Subordination and Intercreditor Agreements with Commerce Bank, have rights to acquire Freehold Raceway and/or the Garden State Assets from Commerce Bank under certain circumstances. The right is first offered to GRI and the parties agree that any offer submitted to Commerce Bank shall be submitted as a joint offer on behalf of the Joint Venture to Commerce Bank, unless either Penn or GRI determine that it does not desire to participate in such joint offer. If Penn determines that it does not agree to participate in the joint offer, GRI may exercise its rights and may make an offer for itself. If GRI determines that it does not agree to participate in the joint offer, Penn may exercise its rights and may make an offer for itself. In the event that after the submission of the joint offer, either party fails to perform its obligation as a purchaser, the non-breaching party may proceed to purchase Freehold Raceway and/or the Garden State Assets for itself.

6. Structure of Joint Venture. The parties to the Joint Venture Agreement hereby acknowledge and agree that the Joint Venture will be structured in accordance with the chart attached hereto as Exhibit "B" and made a part hereof.

7. Future Capital Requirements of the Joint Venture. The parties to the Joint Venture Agreement acknowledge that additional capital may be required in connection with the operations of the Joint Venture, including, but not limited to, the development of off-track wagering facilities and telephone wagering networks, if permitted by New Jersey legislation ("Development"). An Amendment to the Indenture of Penn dated May 19, 1999 obtained by Penn (the "Amended Indenture") permits Penn to invest up to four million dollars ($4,000,000) for Development (the "Restricted Funds"). In addition, pursuant to a formula in the Indenture, Penn may have funds available under its "Restricted Payments" basket for investment without restrictions (the "Restricted Payments Basket"). In connection with future capital requirements, the parties agree as follows:

(1) Penn presently has available not less than two million dollars ($2,000,000) of its Restricted Payments Basket which it agrees to restrict for a possible equity investment in or to fund capital requirements of the Joint Venture Entities (the "Unrestricted Funds"), in addition to the Restricted Funds presently available under the Amended Indenture. At all time from the date hereof and until the earlier of (i) Development is complete following authorizing legislation, or (ii) efforts to obtain authorizing legislation is abandoned by the Joint Venture (the "Development Period"), Penn will have available both the Restricted Funds or the otherwise Unrestricted Funds for Development purposes. During the Development Period, Penn will refrain from making any investment or other use of the funds that would diminish either the level of Unrestricted Funds or Restricted Funds, except to the extent that such Restricted Funds or Unrestricted Funds are diminished by Penn's investment in the Joint Venture, subsequent to the investment by Penn through the time of the Commerce Bank Closing ("Subsequent Investment"). Any Subsequent Investment must first be made from Unrestricted Funds until two million dollars ($2,000,000) has been invested from Unrestricted Funds, after which Subsequent Investment will be made from Restricted Funds.

(2) Penn's Chief Financial Officer shall within forty-five (45) days after the end of each of Penn's fiscal quarters during the Development Period certify to Greenwood the amount of Unrestricted Funds and Restricted Funds available for Development. At any time that the aggregate Unrestricted Funds and Restricted Funds available for Development do not equal at least six million dollars ($6,000,000), less Penn's Subsequent Investment, upon Greenwood's written notice to Penn of

not less than fifteen (15) days, the voting rights of Greenwood and Penn in Pennwood Racing, Inc.
shall be automatically immediately modified to provide Greenwood with sixty percent (60%) of the voting rights and Penn with forty percent (40%) of the voting rights; and the composition of Pennwood Racing, Inc.=s Board of Directors will be changed to four (4) representatives of Greenwood and three (3) representatives of Penn. The voting rights of Greenwood and Penn shall be restored to a 50-50 relationship and the Board composition to Pennwood restored to an even representation on the fifteenth (15th) day following the date that the aggregate Unrestricted Funds and Restricted Funds available for Development equal at least six million dollars ($6,000,000) diminished only by Penn=s Subsequent Investment, and Penn=s Chief Financial Officer certifies that fact in writing to Greenwood.

(3) Each year, prior to November 30, Hal Handel, Bill Bork, Tony Ricci, Robert Ippolito, and in each case, their successors in office in the event they are no longer serving as officers of Greenwood or Penn, shall in good faith, develop a business plan for the Joint Venture Entities for the year which will commence on the subsequent January 1. The Business Plan will include a good faith estimate of capital which will be required from the Joint Venture partners, if any, during the year for which the Business Plan is developed. The parties agree to use their best efforts to have available the capital required for effecting the Business Plan.

8. Additional Conditions. In order for the Joint Venture to be reinstated and Penn admitted to ownership in the Joint Venture Entities concurrently with the execution hereof, the following additional conditions precedent must be satisfied, as determined by Greenwood in its reasonable opinion:

(1) Penn has received the approval of its noteholders and of all other persons, parties or entities whose approval would be required, to perform its obligations pursuant to the following documents, or in the case of subparagraph (iii) below, does not require any such approvals:

(1) The Contingent Guaranty, executed by Penn for the benefit of International Thoroughbred Breeders, Inc., dated January 28, 1999 (the "Contingent Guaranty");

(2) The Trigger Guaranty by, between and among Greenwood, Penn and Credit Suisse First Boston Mortgage Capital LLC ("CSFB"), dated January 28, 1999 (the "Trigger Guaranty"); and

(3) The Joint Venture documents identified on Schedule I to Exhibit "C" attached hereto.

(2) All conditions to the effectiveness of the Contingent Guaranty as set forth in Section 1 of the Contingent Guaranty have been satisfied.

(3) All conditions to the effectiveness of the Trigger Guaranty as set forth in Section 20 of the Trigger Guaranty have been satisfied.

(4) Morgan, Lewis & Bockius, LLP shall have delivered its opinion to Greenwood, in the form attached hereto as Exhibit "C". ----------

9. Scope of the Joint Venture. Paragraph 5 of the Joint Venture Agreement dated October 30, 1998 is hereby amended and restated so as to read in its entirety: "The joint venture provided for in this Joint Venture Agreement relates to the ownership and operation of (a) Freehold Raceway, (b) Garden State Race Track, and (c) OTB Facilities and phone betting operations to be operated in New Jersey to the extent such OTB Facilities and phone betting operations are permitted by New Jersey legislation to be conducted as a result of the holding of licenses to conduct racing at Freehold Raceway and Garden State Race Track. However, each party conducts other related businesses outside of New Jersey, including competing businesses, and this Agreement shall not apply to any such other activities; nor shall it prevent the parties from individually engaging in additional activities both within and outside of New Jersey which are not related to the ownership and operation of Freehold Raceway and Garden State Race Track, including without limitation, the ownership and operation of one or more additional racetracks in New Jersey, or OTB Facilities not operated as a result of the holding of licenses to conduct racing at Freehold Raceway or Garden State Race Track.@

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

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

GREENWOOD NEW JERSEY, INC.

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

GREENWOOD RACING INC.

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

PENN NATIONAL GAMING, INC.

By: /s/ Robert S.
Ippolito
Robert S. Ippolito, Secretary and Treasurer

SHAREHOLDERS= AGREEMENT

THIS SHAREHOLDERS= AGREEMENT, made and entered into this _29_ day of July, 1999, by, between and among those entities listed on Exhibit AA@ attached hereto (individually a AParty@, collectively the AParties@).

BACKGROUND

A. Pennwood Racing, Inc., a Delaware corporation (APennwood@), is authorized to issue 1,000 shares of common stock, $1.00 par value per share of which 100 shares are issued and outstanding and are owned as follows:

Shareholder	Shares of Stock
Greenwood Racing, Inc. ("Greenwood")	50
Penn National Holding Company ("Penn Holding")	50
Total	100

B. Pennwood is the sole general partner of the Limited Partnerships (hereinafter defined) and owns a one tenth percent (.1%) general partnership interest in each Limited Partnership.

C. Penn National GSFR, Inc. ("Penn GSFR"), a wholly owned subsidiary of Penn Holding, owns a forty-nine and ninety-five hundredths percent (49.95%) limited partnership interest in each of the following Limited Partnerships: (i) GS Park Racing, L.P., a New Jersey limited partnership, and (ii) FR Park Racing, L.P., a New Jersey limited partnership.

D. Pennsylvania National Turf Club, Inc. ("Pennsylvania Turf Club") owns a forty-nine and ninety-five hundredths percent (49.95%) limited partnership interest in each of the following Limited Partnerships: (i) GS Park Services, L.P., a New Jersey limited partnership, and (ii) FR Park Services, L.P., a New Jersey limited partnership.

E. Keystone Turf Club, Inc. (AKeystone@) and Bensalem Racing Association, Inc. (ABensalem@) are the sole general partners of Benstone Partners, a Pennsylvania general partnership (ABenstone@). Benstone owns a forty-nine and ninety-five hundredths percent (49.95%) limited partnership interest in each of the following Limited Partnerships: (i) GS Park Services, L.P., a New Jersey limited partnership, and (ii) FR Park Services, L.P., a New Jersey limited partnership.

F. Greenwood Limited Partner, Inc. (AGLPI@), a wholly owned subsidiary of Greenwood, owns a forty-nine and ninety-five hundredths percent (49.95%) limited partnership interest in each of the following Limited Partnerships: (i) GS Park Racing, L.P., a New Jersey limited partnership and (ii) FR Park Racing, L.P., a New Jersey limited partnership.

NOW, THEREFORE, the parties hereto, in consideration of the agreements and covenants hereinafter set forth, and intending to be legally bound, hereby agree as follows:

DEFINITIONS.

For the purposes of this Agreement, the following definitions shall apply:

AAffiliate@ means any entity owned or controlled, directly or indirectly, by any Person, or any entity controlling, controlled by, or under common control with any Person, directly or

indirectly. As used in this definition, Acontrol@ means the possession, directly or indirectly, or the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Shareholders= Agreement as may be amended or modified from time to time.

ABusiness@ means the ownership and operation of (a) Freehold Raceway, (b) Garden State Race Track, and (c) OTB Facilities and phone betting operations to be operated in New Jersey to the extent such OTB Facilities and phone betting operations are permitted by New Jersey legislation to be conducted by the operators of or affiliates of the operators of Freehold Raceway and Garden State

Race Track.

"Code" means the Internal Revenue Code of 1986, as amended.

AConsent of Shareholders@ means the affirmative vote of all of the Pennwood Shareholders.

AFair Market Value@ means the value for the Interests as determined in accordance with Exhibit AB@ attached hereto.

AFreehold Raceway@ means that certain real property and improvements located in Monmouth County, New Jersey known as Freehold Raceway.

AGarden State Race Track@ means that certain real property and improvements located in Camden County, New Jersey known as Garden State Race Track.

AGreenwood Director@ means any Director appointed by Greenwood to the Pennwood Board.

AGreenwood Group@ means the following entities: Greenwood, GLPI, and Benstone.

AGreenwood Interests@ means any right, title or interest (including the right to vote and any rights in profits, losses, dividends or distributions) owned or held, directly or indirectly by any member of the Greenwood Group in the following: (a) Pennwood and (b) the Limited Partnerships.

AGroup@ means the Greenwood Group or the Penn National Group, as the case may be.

"Indebtedness" means (a) all indebtedness, liabilities, and obligations, now existing or hereafter arising, for money borrowed by Pennwood or the Limited Partnerships, or any of their subsidiaries, whether or not evidenced by any note, indenture, or agreement, (b) all indebtedness of others for money borrowed with respect to which Pennwood or the Limited Partnerships, or any of their subsidiaries have become liable by way of a guarantee or indemnity, (c) indebtedness under all accounts payable created by Pennwood or the Limited Partnerships, and (d) indebtedness incurred under capitalized leases.

AIndemnified Capacity@ means any and all past, present and future service by an Indemnified Representative.

AIndemnified Representative@ means any and all Directors, Shareholders, officers, agents, employees, counsel and managers of Pennwood or the Limited Partnerships and any other person designated as an indemnified representative by the Pennwood Board (which may, but need not, include any person serving at the request of the Pennwood Board as a member, manager, officer, employee, agent, fiduciary or trustee of another limited liability company, corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise).

AInterests@ means collectively the Limited Partnership Interests and the Pennwood Stock.

AJoint Venture Agreement@ means that certain Joint Venture Agreement Relating to New Jersey Assets dated October 30, 1998 as modified by letter from Penn to Greenwood dated November 2, 1998 and as amended by the First Amendment to Joint Venture Agreement dated January 28, 1999 and by the Second Amendment to Joint Venture Agreement dated July 29, 1999.

1.18 ALiability@ means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense of any nature (including, without limitation, attorneys= fees and disbursements).

1.19 "Lender" means any person or entity as to which the Limited Partnerships, Pennwood or any of their subsidiaries owes an Indebtedness.

1.20 ALimited Partnerships@ means the following New Jersey limited partnerships: (a) GS Park Services, L.P.; (b) FR Park Services, L.P.; (c) GS Park Racing, L.P., and (d) FR Park Racing, L.P.

1.21 ALimited Partnership Agreements@ means certain Amended and Restated Limited Partnership Agreements as to the Limited Partnerships each dated July 29, 1999, as same may be amended, modified or replaced from time to time.

1.22 ALimited Partnership Interests@ means any right, title or interest in and to any Limited Partnership and shall include all benefits, rights in profits, losses, dividends and distributions.

1.23 "Notice" means written notice in accordance with Section 12.2.

1.24 "Offered Interests" means the Interests subject to an offer.

1.25 "Offering Group" shall have the meaning ascribed to such term in Section 5.2. Following acceptance of such an offer, the Offering Group is collectively referred to in this Agreement as the "Seller".

1.26 AOTB Facilities@ means the off-track betting and phone betting operations to be operated in New Jersey to the extent such OTB Facilities and phone betting operations are permitted by New Jersey legislation to be conducted as a result of the holding of licenses to conduct racing at Freehold Raceway and Garden State Race Track

1.27 APenn Director@ means any Director appointed by the Penn National Group to the Pennwood Board.

1.28 "Penn National Group" means the following entities: Penn Holding, Penn GSFR, Pennsylvania Turf Club and Penn National Gaming, Inc.

1.29 APenn National Interests@ means any right, title or interest (including the right to vote and any rights in profits, losses or distributions) owned or held, directly or indirectly, by the Penn National Group in the following: (a) Pennwood and (b) the Limited Partnerships.

1.30 APennwood@ means Pennwood Racing, Inc., a Delaware corporation.

1.31 "Pennwood Board" or ABoard@ means the Board of Directors of Pennwood.

1.32 APennwood Shareholders@ or AShareholders@ means Penn Holding, Greenwood and any other Person who becomes a shareholder of Pennwood pursuant to the terms of this Agreement.

1.33 "Pennwood Stock" means shares of Pennwood=s Common Stock, $1.00 par value per share, including any right to vote and to receive distributions of dividends.

1.34 APerson@ means any person, firm, corporation, partnership, company, limited liability company, association, trust, estate, custodian, nominee, joint venture, foreign business organization or other individual or other entity.

1.35 "Pro Rata" means the ratio of the number of shares of Pennwood Stock owned by a shareholder to the total number of shares of Pennwood Stock issued and outstanding.

1.36 "Purchaser" means a Party that purchases any Interest from another party pursuant to the terms of this Agreement.

1.37 "Remaining Group" shall have the meaning ascribed to such term in Section 5.2.

1.38 "Seller" means the Offering Group that has agreed to sell its Interest.

1.39 "Transfer" means any sale, assignment, gift, donation, bequest, pledge, disposition, encumbrance, alienation or other disposition or transfer, whether voluntary or involuntary.

1.40 "Year" means a calendar year.

INTERESTS SUBJECT TO AGREEMENT.

Pennwood Stock.

All Pennwood Stock now owned or hereafter acquired by Pennwood Shareholders, and all Pennwood Stock, if any, which may hereafter be issued by Pennwood, shall be issued, held and transferred under and subject to the terms and provisions of this Agreement. Except with respect to stock splits, stock dividends and similar issuances of stock which are made Pro Rata among all then existing Pennwood Shareholders, no additional Pennwood Stock may be issued by Pennwood without the Consent of the Shareholders. Except as otherwise provided herein, the Pennwood Shareholders shall not Transfer any Pennwood Stock and if any Pennwood Shareholder attempts to do so, no effect shall be given thereto by Pennwood.

Any transferee who acquires Pennwood Stock from a Pennwood Shareholder pursuant to this Agreement shall, immediately upon such acquisition, become bound by the

terms of this Agreement, and the Transfer of the Pennwood Stock shall not be made on the books of Pennwood until a copy of this Agreement has been executed by such transferee. Failure or refusal to sign this Agreement shall not relieve such transferee from any obligations hereunder.

Limited Partnership Interests.

All Limited Partnership Interests owned or hereafter acquired by any of the Parties, shall be issued, held or transferred under and subject to the terms and provisions of this Agreement and the Limited Partnership Agreements. Except as otherwise provided herein or in the Limited Partnership Agreement, the Greenwood Group and the Penn National Group shall not Transfer any Limited Partnership Interest and in the event any attempt to do so, no effect shall be given hereto.

Any transferee who acquires any Limited Partnership Interest from a Party pursuant to this Agreement or the applicable Limited Partnership Agreements shall, immediately upon such acquisition, become bound by the terms of this Agreement and the Limited Partnership Agreements, and the Transfer of any Limited Partnership Interests shall not be made on the books of any Limited Partnership until a copy of this Agreement and the applicable Limited Partnership Agreement(s) has been executed by such transferee. Failure or refusal to sign this Agreement or the applicable Limited Partnership Agreement shall not relieve such transferee from any obligations hereunder.

LEGEND ON STOCK CERTIFICATES. All certificates representing Pennwood Stock now outstanding and owned or hereafter owned by the Pennwood Shareholders or hereafter to be issued and delivered by Pennwood shall have the following legend endorsed thereon:

> "The shares of stock represented by this certificate are held under and subject to the provisions of a certain Shareholders= Agreement dated July 29, 1999, a copy of which is on file in the office of the Secretary of the Corporation (Pennwood), and all transfers thereof are subject to the terms and conditions of said Shareholders= Agreement."

FAIR MARKET VALUE. The Parties agree that the Fair Market Value of the Interests shall be determined in accordance with the provisions of Exhibit AB@.

REGULATORY COMPLIANCE.

Compliance. The Parties acknowledge and have advised their affiliates that ownership of any Interests may require licensing of the Parties and their affiliates by various regulatory commissions, including the New Jersey Racing Commission and other state commissions in the State of New Jersey or elsewhere (collectively, ARegulatory Authorities@) or may require the Parties and their affiliates to comply with and to consent to conditions, restrictions or limitations imposed by various Regulatory Authorities upon Pennwood, the Limited Partnerships and/or related third parties. The Parties (on behalf of themselves and their affiliates) therefore agree to cooperate in good faith and use their best efforts to take such actions as may be reasonably requested by any Regulatory Authorities in connection with such licensing and to comply with all such conditions, restrictions or limitations.

Compliance Failure. In the event that any member of a Group or their affiliates cannot be licensed or fail or refuse to comply with such conditions, restrictions or limitations of any of the Regulatory Authorities which threatens Pennwood or the Limited Partnerships license(s) or ability to conduct pari-mutuel wagering at their locations in New Jersey, or in the event that such conditions, restrictions or limitations require that any member of a Group or their affiliates dispose of any Interests, each member of such Group (AOffering Group@) shall, if requested by the remaining group (ARemaining Group@), promptly either (a) transfer all Interests to a transferee who can be so licensed or can and will comply with such conditions, restrictions and limitations (subject to the right of the other Group to consent to any such transfer in its sole and absolute discretion) or (b) if transfer under Section 5.2(a) has not occurred on or before 60 days after the Notice by the Remaining Group to Offering Group, than the Remaining Group giving such Notice shall have a right to purchase the Interests of the Offering Group at the Fair Market Value and subject to the terms contained in Section 6 of this Agreement.

TERMS OF SALE AND CLOSING.

Payment of Sale Price.Payment of Sale Price.Payment of Sale Price.Payment of Sale Price.Payment of Sale Price.Payment of Sale Price.Payment of Sale Price.Payment of Sale Price. Payment of the Sale Price owed with respect to the purchase of any Interest offered or deemed offered, or otherwise purchased, under the terms of this Agreement shall be made in cash at settlement.

Repayment of Loans and Advances.Repayment of Loans and Advances.Repayment of Loans and Advances.Repayment of Loans and Advances.Repayment of Loans and Advances.Repayment of Loans and Advances. If any Party=s Interest is purchased under the terms of this Agreement, then, at the settlement:

All loans or advances between the Seller and Pennwood or the Limited Partnerships shall become due and payable in full. If Pennwood or the Limited Partnerships owe money to the Seller, then the net amount of such loans or advances shall be payable in full to the Seller at the settlement. If the Seller owes money to either Pennwood or the Limited Partnership, then the net amount of such loans or advances shall be payable in full to Pennwood or the Limited Partnerships at the settlement, which sum shall be paid by the Seller from the proceeds received from the sale of such Interests at settlement.

Pennwood shall, and the Pennwood Shareholders shall cause Pennwood and any Limited Partnership to, with respect to any obligation of Pennwood or the Limited Partnerships to any Lender as to which any member the Offering Group has guaranteed payment, acted as surety or co-maker, or has pledged collateral: (i) use its best efforts to obtain a complete release of the members of the Offering Group and of the pledged collateral, if any; or (ii) if and only if Pennwood or the Limited Partnerships are unable to obtain a complete release of all of the members of the Offering Group and of the pledged collateral, agree to indemnify and hold the members of such Offering Group harmless from and against any and all losses that may result or be incurred as a result of such guarantee, surety or pledge.

Settlement; Mutual Releases.Settlement; Mutual Releases.Settlement; Mutual Releases.Settlement; Mutual Releases.Settlement; Mutual Releases.Settlement; Mutual Releases.Settlement; Mutual Releases.Settlement; Mutual Releases.

All settlements on the purchase of any shares of Interests hereunder shall take place at the principal executive offices of Pennwood or at such other place as may be mutually acceptable to the parties thereto, within sixty (60) days after the date on which the option to purchase such stock is exercised or deemed to be exercised, as the case may be.

At any such settlement: (i) the Seller shall execute general releases in favor of Pennwood, the Limited Partnerships and the Purchaser(s) regarding any and all claims, liabilities, damages, debts and demands whatsoever, known and unknown, foreseen and unforseen, which the Seller has or might have against the Pennwood, the Limited Partnerships or the Purchaser(s) with respect to this Agreement or any actions taken by (or any inaction of) Pennwood, the Limited Partnerships or the Purchaser(s) prior to the date of settlement; and (ii) Pennwood, the Limited Partnerships and the Purchaser(s) shall execute general releases in favor of the Seller regarding any and all claims, liabilities, damages, debts and demands whatsoever, known and unknown, foreseen and unforseen, which Pennwood, the Limited Partnerships or the Purchaser(s) have or might have against the Seller with respect to this Agreement or any actions taken by (or any inaction of) the Seller prior to the date of settlement.

In addition, at any such settlement, the Seller shall deliver a certificate or such other documents to each Purchaser in which the Seller shall represent and warrant to such Purchaser the Seller has sole, good, valid and marketable title to the Interests being purchased at such settlement, free and clear of any and all liens, mortgages, pledges, prior assignments, encumbrances, claims, charges, restrictions or security interests of any kind or character.

GOVERNANCE.

General. From and after the execution of this Agreement, each Pennwood Shareholder shall vote its Pennwood Stock, at any regular or special meeting of shareholders of Pennwood, or in any written consent executed in lieu of such a meeting of stockholders, and shall take all other actions necessary to give effect to the agreements contained in this Agreement and the Limited Partnership Agreements and the Joint Venture Agreement and to ensure that the articles of incorporation of Pennwood, the by-laws of Pennwood and the Certificates of Formation of the Limited Partnerships (collectively the ACharter Documents@) do not at any time hereafter conflict in any respect with the provisions of this Agreement, the Limited Partnership Agreements or the Joint Venture Agreement. Further, each Pennwood Shareholder shall use its best efforts to cause the Pennwood Board to adopt, either at a meeting of the Pennwood Board or by unanimous written consent of the Pennwood Board, all the resolutions necessary to effectuate the provisions of this Agreement, the Limited Partnership Agreement and the Joint Venture Agreement. Each Shareholder shall use its best efforts to cause the Pennwood Board to cause the Secretary of Pennwood, or if there be no Secretary, such other officer of Pennwood as the Pennwood Board may appoint to fulfill the duties of Secretary, to not record any vote or consent contrary to the terms of this Section 7.1.

Election of Directors.

Election.

(i) Except as provided in subsection 7.2(a)(ii), there shall be six (6) Directors three (3) of whom shall be appointed by each Pennwood Shareholder. The names of the initial Director representatives of each Pennwood Shareholder are set forth on Exhibit AC@ opposite the name of such Pennwood Shareholder. Each Pennwood Shareholder shall have the right, by written notice to Pennwood and the other Pennwood Shareholders, to designate and appoint any Director to replace any Director previously appointed by it in the event of the latter's death, resignation, retirement or removal from office or for any other reason whatsoever. Each Director shall hold office until he dies, resigns, retires or is removed from office by the Shareholder that appointed him.

(ii) In the event that the voting rights of the Pennwood Shareholders are modified to provide the Greenwood Group with sixty percent (60%) of the voting rights of Pennwood and the Penn National Group with forty percent (40%) of the voting rights of Pennwood as provided in the Joint Venture Agreement, Greenwood shall appoint four (4) of the six (6) Pennwood Directors and Penn shall appoint two (2) of the six (6) Pennwood Directors.

Quorum.

(i) A presence of two (2) Greenwood Directors and two (2) Penn Directors shall be necessary to constitute a quorum for the transaction of business and the acts of the two (2) Greenwood Directors and the two (2) Penn Directors of the Directors present and voting at a meeting at which a quorum is present shall be the acts of the Pennwood Board.

(ii) In the event that the voting rights of the Pennwood Shareholders are modified to provide the Greenwood Group with sixty percent (60%) of the voting rights of Pennwood and the Penn National Group with forty percent (40%) of the voting rights of Pennwood pursuant to the Joint Venture Agreement, the presence of four (4) Directors shall be necessary to constitute a quorum for the transaction of business, and in such event, the acts of a majority Directors at the meeting at which a quorum is present shall be the acts of the Pennwood Board.

Unanimous Consent. Notwithstanding any other provision of this Agreement to the contrary, actions or decisions with respect to any of the following matters shall require the unanimous approval of all of the Directors:

adoption each year of a line-by-line annual operating and capital budget ("Budget") of Pennwood and the Limited Partnerships with respect to the next succeeding year;

calls for additional capital contributions in excess of the amounts provided for in a Budget;

(i) except for distributions as provided for in Paragraph 2 of the Second Amendment to the Joint Venture Agreement, making distributions or dividends;

other Pennwood or the Limited Partnerships, except as contemplated increase or reduction of reserves for either Pennwood or the Limited Partnerships, except as contemplated by the Budget;

transactions between the Pennwood, any Limited Partnership and either a Pennwood Shareholder or Affiliate of a Pennwood Shareholder, except for transactions provided for in a Budget;

(ii) the change or reorganization of Pennwood or any of Limited Partnerships into any other legal form; any capital expenditures by the Pennwood or any of Limited Partnerships in excess of $250,000 not provided for in any Budget;

entering into any contract or materially modifying any contract or commitment in excess of $250,000, or incurring any obligation or commitment in excess of $250,000, except as provided for in any Budget which has been approved by the Directors;

sale or other disposition of any assets of Pennwood or any Limited Partnership having a value in excess of $250,000;

the borrowing or lending of money by Pennwood or any Limited Partnership, except for short-term indebtedness for working capital of up to $1,000,000, ("Permitted Debt"), the mortgaging or encumbering of assets of the Pennwood or any Limited Partnership other than to secure Permitted Debt, or the assumption by the Pennwood or any Limited Partnership of liability for the obligations of others;

admission of additional or substituted Shareholders to the Pennwood (except as otherwise provided herein); admission of additional or substituted partners to any Limited Partnership, (except as otherwise provided herein);

Pennwood's or any Limited Partnership=s entry into any business other than the Business;

Amendment of the Limited Partnership Agreements;

the voluntary Bankruptcy or entering into receivership of the Pennwood or any Limited Partnership;

(iii) election or removal of any officers of Pennwood;

(xvii) the filing or settlement of any material litigation or administrative proceeding in or before any court or governmental authority;

(xviii) change in name of Pennwood.

(d) In the event that the voting rights of the Pennwood Shareholders are modified to provide the Greenwood Group with sixty percent (60%) of the voting rights of Pennwood and the Penn National Group with forty percent (40%) of the voting rights of Pennwood pursuant to the Joint Venture Agreement, and for so long as such condition continues, (i) only the items (v), (vi), (xi), (xii), (xiv), (xv), (xvi) and (xviii) of paragraph 7.2(c) shall require the unanimous approval of all the Directors and (ii) all other items not specified in this paragraph 7.2(d)(i) shall only require the majority approval of the Directors.

Dispute Resolution. If the Directors are unable to reach an agreement on any of the matters described in Section 7.2(c), either Pennwood Shareholder may elect, by written notice to the other Shareholder, to seek to resolve such disagreement by means of the procedure set forth in Section 7.2(e) or may elect to submit the matter to a vote of the Pennwood Shareholders. Within five days after any written notice of a disagreement or dispute is given, Penn Holding shall present the facts and circumstances of such matter to the Chief Executive Officer of Penn National Gaming, Inc. Penn Holding and Greenwood shall present the facts and circumstances of such matter to the Chief Executive Officer of Greenwood, and within five days after any such notice is given, such Chief Executive Officers shall confer, together with such of their advisors as they may respectively select, in order to attempt, in good faith, to formulate a mutually acceptable resolution of such matter, to determine a procedure by which such resolution shall be determined or to agree upon any mutually acceptable alternative course of action. If the Chief Executive Officers are unable to reach agreement, the contemplated action shall not occur and Pennwood shall proceed in accordance with the Budget.

OFFICERS.

Officers. The officers of Pennwood shall include a President, one or more Vice Presidents (and in the case of each such Vice President, with such descriptive title, if any, as the Pennwood Board shall deem appropriate), a Secretary and a Treasurer. Any two or more offices may be held by the same person. The compensation of all officers shall be fixed from time to time by the Pennwood Board. The initial officers shall be as listed on Exhibit AC@, attached hereto.

Term of Office; Removal; Filling of Vacancies. Each officer of Pennwood shall hold office until his successor is chosen and qualified in his stead or until his earlier death, resignation, retirement, disqualification or removal from office. Designation of an officer shall not of itself create contract rights. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Pennwood Board.

DIVIDENDS AND DISTRIBUTIONS.

Limitations on Distributions. The Company shall not make a distribution or dividend to a Shareholder to the extent that at the time of the distribution, after giving effect to the distribution, all liabilities of Pennwood exceed the fair value of the assets of Pennwood.

Amounts of Tax Paid or Withheld.Amounts of Tax Paid or Withheld.Amounts of Tax Paid or Withheld.Amounts of Tax Paid or Withheld.Amounts of Tax Paid or Withheld.Amounts of Tax Paid or Withheld.Amounts of Tax Paid or Withheld.Amounts of Tax Paid or Withheld. All amounts paid or withheld pursuant to the Code or any provision of any state or local tax law with respect to any Shareholder shall be treated as amounts distributed to the Shareholder pursuant to this Section for all purposes under this Agreement.

Distribution in Kind.Distribution in Kind.Distribution in Kind.Distribution in Kind.Distribution in Kind.Distribution in Kind.Distribution in Kind.Distribution in Kind.Distribution in Kind. No Shareholder, regardless of the nature of its capital contribution, shall have a right to demand and receive any distribution in any form other than cash.

INDEMNIFICATION.

Indemnification by Pennwood.

Pennwood shall indemnify an Indemnified Representative against any Liability incurred in connection with any Proceeding in which the Indemnified Representative may be involved as a party or otherwise by reason of the fact that such person is or was serving in an Indemnified Capacity, including, without limitation, liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability.

If an Indemnified Representative is entitled to indemnification in respect of a portion, but not all, of any Liabilities to which such person may be subject, Pennwood shall indemnify such Indemnified Representative to the maximum extent for such portion of the Liabilities.

The termination of a proceeding by settlement shall not create a presumption that the Indemnified Representative is not entitled to indemnification.

To the extent that an Indemnified Representative of Pennwood has been successful on the merits or otherwise in defense of any proceeding or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees and disbursements) actually and reasonably incurred by such person in connection therewith.

Proceedings Initiated by Indemnified Representatives.Proceedings Initiated by Indemnified Representatives.Proceedings Initiated by Indemnified Representatives.Proceedings Initiated by Indemnified Representatives.Proceedings Initiated by Indemnified Representatives.Proceedings Initiated by Indemnified Representatives.Proceedings Initiated by Indemnified Representatives.Proceedings Initiated by Indemnified Representatives. Notwithstanding any other provision of this Section, Pennwood shall not indemnify under this Section an Indemnified Representative for any liability incurred in a proceeding initiated (which shall not be deemed to include counterclaims or affirmative defenses) or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either

before or after its commencement, by the unanimous vote of the Pennwood Directors. This Section does not apply to reimbursement of expenses incurred in successfully prosecuting or defending the rights of an Indemnified Representative granted by or pursuant to this Section.

Advancing Expenses.Advancing Expenses.Advancing Expenses.Advancing Expenses.Advancing Expenses.Advancing Expenses.Advancing Expenses.Advancing Expenses.Advancing Expenses. Pennwood shall pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an Indemnified Representative in advance of the final disposition of a proceeding described in Section 10.1 or the initiation of or participation in which is authorized pursuant to Section 10.2 upon receipt of an undertaking by or on behalf of the Indemnified Representative to repay the amount if it is ultimately determined that such person is not entitled to be indemnified by Pennwood pursuant to this Section. The financial ability of an Indemnified Representative to repay an advance shall not be a prerequisite to the making of such advance.

Securing of Indemnification Obligations.Securing of Indemnification Obligations.Securing of Indemnification Obligations.Securing of Indemnification Obligations.Securing of Indemnification Obligations.Securing of Indemnification Obligations.Securing of Indemnification Obligations.Securing of Indemnification Obligations. To further effect, satisfy or secure the indemnification obligations provided in this Section or otherwise, Pennwood may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of Pennwood, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Pennwood Directors shall deem appropriate.

Payment of Indemnification.Payment of Indemnification.Payment of Indemnification.Payment of Indemnification.Payment of Indemnification.Payment of Indemnification.Payment of Indemnification.Payment of Indemnification. An Indemnified Representative shall be entitled to indemnification within thirty (30) days after a written request for indemnification has been delivered to the secretary of Pennwood. The indemnification pursuant to this Section shall be made only from the assets of Pennwood and the Limited Partnerships.

Contribution.Contribution.Contribution.Contribution.Contribution.Contribution.. If the indemnification provided for in this Section or otherwise is unavailable for any reason in respect of any liability or portion thereof, Pennwood shall contribute to the liabilities to which the indemnified representative may be subject in such proportion as is appropriate to reflect the intent of this Section or otherwise.

Contract Rights; Amendment or Repeal.Contract Rights; Amendment or Repeal.Contract Rights; Amendment or Repeal.Contract Rights; Amendment or Repeal.Contract Rights; Amendment or Repeal.Contract Rights; Amendment or Repeal.Contract Rights; Amendment or Repeal.Contract Rights; Amendment or Repeal. All rights under this Section shall be deemed a contract between Pennwood and the Indemnified Representative pursuant to which Pennwood and each Indemnified Representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.

Scope of Section.Scope of Section.Scope of Section.Scope of Section.Scope of Section.Scope of Section.Scope of Section.Scope of Section. The rights granted by this Section shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, or otherwise, both as to action in an indemnified capacity and as to action in any other capacity. The indemnification, contribution and advancement of expenses provided by or granted pursuant to this Section shall continue as to a person who has ceased to be an indemnified representative in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

Reliance on Provisions.Reliance on Provisions.Reliance on Provisions.Reliance on Provisions.Reliance on Provisions.Reliance on Provisions.Reliance on Provisions.Reliance on Provisions.Reliance on Provisions.Reliance on Provisions. Each person who shall act as an indemnified representative of Pennwood shall be deemed to be doing so in reliance upon the rights of indemnification, contribution and advancement of expenses provided by this Section.

OTHER INTERESTS OF THE PARTIES. The Parties, the Directors, the Officers and their Affiliates, may engage in any business or possess any interest in other businesses of every nature and description, independently or with others, including owning and operating pari-mutuel racetracks or participation in any other gaming business activity. No Party shall have any rights in such independent ventures including, without limitation, any rights to the income or profits thereof by virtue of having become a shareholder in Pennwood or a Partner in the Limited Partnerships. Each Party conducts other related businesses outside of New Jersey, including competing businesses, and this Agreement shall not apply to any such other activities; nor shall it prevent the parties from individually engaging in additional activities both within and outside of New Jersey which are not related to the ownership and operation of Freehold Raceway and Garden State Race Track, including without limitation, the ownership and operation of one or more additional racetracks in New Jersey, or OTB Facilities not operated as a result of the holding of licenses to conduct racing at Freehold Raceway or Garden State Race Track.

MISCELLANEOUS.

Arbitration. Any controversy or claim or dispute arising out of or relating to this Agreement, or the failure or refusal to perform the whole or any part thereof, shall be settled by arbitration in Wilmington, Delaware, in accordance with the rules then obtaining, of the American Arbitration Association. The parties, and each of them, hereby submit themselves to the jurisdiction of the courts of the State of Delaware in any proceeding for the enforcement of this Agreement to arbitrate and for the enforcement of the award rendered by the arbitrators, and agree that judgment upon such award may be entered in any court, in or out of the State of Delaware, having jurisdiction thereof.

Notices. All notices, writing, offers, acceptances, refusals, payments or agreements given or required to be given hereunder shall be made in writing and sent by registered or certified mail, return receipt requested, or delivered in person at the addresses listed on Exhibit AA@.

Severability. All provisions of this Agreement are distinct and severable and if any clause shall be held to be invalid, illegal or against public policy, the validity or the legality of the remainder of this Agreement shall not be affected thereby.

Construction. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware. Headings. Any headings preceding the text of the several sections hereof are inserted solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they in any way affect its meaning, construction or interpretation.

Entire Agreement, Modification. This Agreement, the Joint Venture Agreement and the Limited Partnership Agreements express the entire and final understanding of the parties and supersede all prior agreements with reference to the subject matter hereof. This Agreement may not be altered or modified except by a writing duly signed by all of the parties hereto.

Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, personal representatives, successors and assigns.

Conflicting Documents. In the event any provision of this Agreement conflicts in any way with any provision of the Joint Venture Agreement, the provisions of the Joint Venture Agreement shall control.

Other. Each party to this Agreement agrees to perform any and all further acts, and to execute and deliver any and all documents and instruments that may be reasonably necessary and appropriate to carry out the terms and conditions of this Agreement. As required by the context, the singular shall be construed to include the plural and vice versa, and the use of any gender shall be construed to include all genders. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof signed by less than all, but together signed by all of the parties hereto.

[REMAINDER OF PAGE LEFT BLANK]

IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals, and Pennwood has caused this Agreement to be executed by a duly authorized officer of Pennwood, attested, and the corporate seal to be hereunto affixed the day and year first above written.

ATTEST: GREENWOOD RACING, INC.

By:_/s/Anthony D. Ricci
Anthony D. Ricci, Secretary

By:_/s/ Harold G. Handel
Harold G. Handel, Chief Executive Officer

BENSTONE PARTNERS
By its sole general partners

BENSALEM RACING ASSOCIATION, INC.

By:/s/Anthony D. Ricci
Anthony D. Ricci, Secretary

By:_/s/Harold G. Handel_____
Harold G. Handel, Chief Executive Officer

KEYSTONE TURF CLUB, INC.

By:_/s/Anthony D. Ricci_____
Anthony D. Ricci, Secretary

By:_/s/Harold G. Handel_____
Harold G. Handel, Chief Executive Officer

GREENWOOD LIMITED PARTNER, INC.

By:_/s/Francis E. McDonnell
Francis E. McDonnell, Secretary

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

PENN NATIONAL GAMING, INC.

By: /s/ Robert S. Ippolito

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

PENN NATIONAL HOLDING COMPANY

By:_/s/John Limongelli_____

By:__/s/Robert S. Ippolito_____

PENN NATIONAL GSFR, INC.

By:_/s/John Limongelli_____

By:_/s/Robert S. Ippolito_____

PENNSYLVANIA NATIONAL TURF CLUB, INC.

By:_/s/John Limongelli_____

By:_/s/Robert S. Ippolito_____

PENNWOOD RACING, INC.

By: /s/ Francis E. McDonnell
Francis E. McDonnell, Secretary

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

EXHIBIT A

PARTIES TO THE SHAREHOLDERS= AGREEMENT

1. Greenwood Racing, Inc., a Delaware corporation (AGreenwood@).
3001 Street Road
Bensalem, PA 19020
Attention: Harold G. Handel

2. Pennwood Racing, Inc., a Delaware corporation (APennwood@).
c/o Greenwood Racing, Inc.
3001 Street Road
Bensalem, PA 19020
Attention: Harold G. Handel

3. Greenwood Limited Partner, Inc., a Delaware corporation (AGLPI@).
c/o Greenwood Racing, Inc.
3001 Street Road
Bensalem, PA 19020
Attention: Harold G. Handel

4. Benstone Partners, a Pennsylvania general partnership (ABenstone@).
c/o Greenwood Racing, Inc.
3001 Street Road
Bensalem, PA 19020
Attention: Harold G. Handel

5. Penn National Gaming, Inc., a Pennsylvania corporation (APNG@)
825 Berkshire Boulevard, Suite 200
Wyomissing, PA 19610
Attention: Joseph A. Lashinger, Jr.

6. Penn National Holding Company, a Delaware corporation (Penn Holding@).
825 Berkshire Boulevard, Suite 200
Wyomissing, PA 19610
Attention: Joseph A. Lashinger, Jr.

7. Penn National GSFR, Inc., a Delaware corporation (APenn GSFR@).
825 Berkshire Boulevard, Suite 200
Wyomissing, PA 19610
Attention: Joseph A. Lashinger, Jr.

8. Pennsylvania National Turf Club, Inc., a Pennsylvania corporation (APennsylvania Turf Club@).

825 Berkshire Boulevard, Suite 200
Wyomissing, PA 19610
Attention: Joseph A. Lashinger, Jr.

EXHIBIT B

FAIR MARKET VALUE

This is Exhibit AB@ to the Shareholders= Agreement executed as of July 29, 1999 by and among the parties listed on Exhibit AA@ to the Shareholders= Agreement (as may be amended AShareholders= Agreement@). The provisions of this Exhibit AB@ are an integral part of the Shareholders= Agreement.

Definitions.

Capitalized terms shall have the meaning assigned to such term in the Shareholders= Agreement.

Determination of Fair Market Value of Interests.

The Fair Market Value shall be determined by such appraisers or investment bankers (AAppraiser@) as agreed to by the Greenwood Racing, Inc. and Penn National Holding Company. If such Parties cannot agree with respect to such Fair Market Value or cannot agree with respect to the selection of an Appraiser(s), the determination of fair market value shall be made by Appraisers, one of whom shall be selected by Greenwood Racing, Inc., the second of whom shall be selected by Penn National Holding Company, and the third of whom shall be selected by the other two Appraisers. If the three Appraisers thus selected cannot agree with respect to any item subject to valuation, the determination of the third Appraiser shall be used.

All costs and fees of the valuation referenced herein shall be paid by Pennwood.

EXHIBIT C

DIRECTORS AND OFFICERS

1. Greenwood Directors:

Harold G. Handel
Francis E. McDonnell, Esq.
Anthony D. Ricci

2. Penn National Directors:

William J. Bork
Peter M. Carlino
Joseph A. Lashinger, Jr., Esq.

3. Officers:

President: Harold G. Handel

Vice President: William J. Bork

Chief Financial Officer: Anthony D. Ricci

Secretary/Treasurer: Robert S. Ippolito

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT
OF
FR PARK RACING, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF FR PARK RACING, L.P. ("Agreement") is made as of July _29, 1999 by, between and among PENNWOOD RACING, INC., a Delaware corporation whose address appears on Schedule "A" attached hereto, as the general partner (the "General Partner"), and the undersigned limited partners whose names and addresses appear on Schedule "A" attached hereto as the limited partners (collectively referred to hereinafter as the "Limited Partners"). This Agreement shall constitute the Limited Partnership Agreement of FR PARK RACING, L.P. (the "Partnership"). The General Partner and the Limited Partners are hereinafter individually referred to as "Partner" and collectively referred to as the "Partners."

WHEREAS, Penn National GSFR, Inc. is being admitted as a Partner as of the date hereof; and

WHEREAS, this Agreement replaces, amends and restates the Limited Partnership Agreement entered into as of January 1, 1999.

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein, and intending to be legally bound hereby, the Partners hereby agree as follows:

FORMATION, NAME, PLACE OF BUSINESS,
PURPOSES AND TERM OF PARTNERSHIP

Formation. The Partnership has been formed as a limited partnership pursuant to the relevant provisions of the Act in the State of New Jersey.

SECTION .1 Name and Office. The name of the Partnership shall continue to be "FR PARK RACING, L.P.", and its business shall continue to be conducted in such name. The principal office and place of business of the Partnership shall continue to be located at Route 70 & Haddonfield Road, Cherry Hill, New Jersey 08034, or at such other place as the General Partner may, from time to time, determine. The address of the registered office and the name and address of the registered agent for service of process shall continue to be Corporation Service Company, 830 Bear Tavern Road, West Trenton, New Jersey 08628.

Purposes, Business and Objectives.

The primary purpose of the Partnership is the ownership and operation of (a) Freehold Raceway, (b) Garden State Race Track, and (c) OTB Facilities. The Partnership shall possess and may exercise all the powers and privileges now or hereafter granted by the Act or by any other law, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business, purposes or activities of the Partnership, including, without limitation:

To enter into and perform contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Partnership;

To acquire, construct, operate, maintain, improve, manage, buy, own, sell, convey, assign, mortgage, refinance, rent or lease any property, real or personal, in fee or under lease, or any rights therein or appurtenant thereto, necessary or appropriate for the operation of the Partnership;

To borrow money from any source, including, but not limited to, any Partner or their affiliates, and to make, issue or execute any notes, drafts, loan

agreements, guaranties or other evidences of indebtedness and to secure the same by mortgage, pledge, assignment or other lien in all or any part of the property of the Partnership;

To negotiate for and conclude an agreement or agreements for the sale, exchange or other disposition of all or any part of the Partnership's property;

To hire and compensate employees, agents, independent contractors, attorneys and accountants;

To carry on any other activities necessary to, in connection with, or incidental to the foregoing, and

To form and establish any subsidiaries, partnerships, or limited liability companies to be owned in whole or in part by the Partnership, and to conduct business through such subsidiaries, partnerships or limited liability companies.

The Partnership shall not engage in any other business without the prior consent of the General Partner.

CAPITAL

Capital of the Partnership. The capital of the Partnership is the aggregate amount of cash and the agreed fair market value of property contributed or deemed contributed by the Partners to the Partnership as set forth in Schedule "A" attached hereto and made a part hereof. The capital described on Schedule "A" represents the agreed upon fair market value of the Partners' interest in the capital of the Partnership as of the date hereof.

General Provisions.

Schedule AA@ shall be amended from time to time to reflect the withdrawal or admission of Partners, any changes in the Percentage Interest of any Partner arising from the transfer of any part of a Partnership Interest to or by such Partner and any changes in the amounts contributed or agreed to be contributed by any Partner. Notwithstanding the foregoing, no Partner shall be permitted to withdraw or be admitted unless such admission or withdrawal is in accordance with the terms of the Shareholders= Agreement.

A Capital Account shall be established for each Partner, and shall be increased by: (1) the amount of money contributed by the Partner to the Partnership; (2) the fair market value of property contributed by the Partner to the Partnership (net of liabilities that the Partnership is considered to assume or take subject to under Code Section 752); and (3) allocations to the Partner of Partnership Profits (or items thereof). The Capital Account for each Partner shall be decreased by: (1) the amount of money distributed to the Partner by the Partnership; (2) the fair market value of property distributed to the Partner by the Partnership (net of liabilities that such Partner is considered to assume or take subject to under Code Section 752); and (3) allocations to the Partner of Partnership Losses (or items thereof). In all events, the Capital Account of each Partner will be determined and maintained throughout the term of the Partnership in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv).

The General Partner, in its discretion, may elect to have the Capital Accounts of the Partners adjusted to reflect a revaluation of Partnership assets on the Partnership's books (the "Revaluation Adjustment") in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f).

Any Partner, including any additional or substitute Partner, who acquires any interest in the Partnership or whose Partnership Interest is increased by means of the transfer to him of all or part of the Partnership Interest of another Partner, shall have a Capital Account which has been appropriately established or adjusted to reflect such acquisition or transfer. Any Partner who shall acquire any Partnership Interest by means of the transfer to him of all or any part of the Partnership Interest of any other Partner shall, with respect to the Percentage Interest so transferred, be deemed to be a Partner of the same class as the transferor.

The Partnership may, at the discretion of the General Partner and as provided in the Shareholders= Agreement, borrow for Partnership purposes at any time and from any source. No Limited Partner shall be liable for any indebtedness of the Partnership or be required to contribute any capital or to lend any funds to the Partnership other than its Capital Contribution. If the allocation of Losses or distributions required or permitted under this Agreement result in the reduction of a Limited Partner's Capital Account, such reduction need not be restored. The General Partner shall have no personal liability for the repayment of the Capital Contribution of any Limited Partner.

No interest shall be paid on or with respect to the Capital Contribution or the Capital Account of any Partner.

No Partner shall have the right to withdraw or reduce its Capital Contribution.

RIGHTS, POWERS AND DUTIES OF PARTNERS

SECTION .1 Conduct of Partnership Business. The General Partner shall use its best efforts to carry out the purposes, business and objectives of the Partnership. Except as otherwise provided herein, all decisions with respect to the management of the Partnership's business shall be made by the General Partner as provided in the Shareholders= Agreement. The General Partner shall have general responsibility for all aspects of the Partnership's business and operations and which hereby is designated as the "tax matters partner" of the Partnership within the meaning of Code Section 6231(a)(7).

Powers of the General Partner. Except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the necessary powers to carry out the purposes, business and objectives of the Partnership, including, without limitation, the right to cause a Refinancing or Sale of Assets to occur without the approval of the other Partners, and, except as otherwise provided herein or by the laws of the State of New Jersey, shall possess and enjoy all of the rights and powers of a partner of a partnership without limited partners. Except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the right and power to execute and deliver, on the Partnership's behalf, evidences of indebtedness and documents granting security for the payment thereof (with or without warrant of attorney to confess judgment against the Partnership or its property). Without limiting the generality of the foregoing, except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the power and authority and is specifically authorized to grant a warrant of attorney to confess judgment against the Partnership. The General Partner shall not permit the funds of the Partnership to be commingled with those of any other entity.

Authority of the General Partner to Deal with Affiliates. Except as limited by the terms of the Shareholders= Agreement, the General Partner may,

on behalf of the Partnership, perform, or agree, contract or arrange with any of its Affiliates for the performance of services for the Partnership with compensation to be paid for such services as if it or such Affiliate were an independent contractor, at such rates and terms that independent contractors would impose.

Duties and Obligations of the General Partner.

The General Partner shall take any and all actions which may be reasonably necessary or appropriate for the continuation of the Partnership's valid existence as a limited partnership under the laws of the State of New Jersey.

The General Partner shall prepare or cause to be prepared and shall file on or before the due date (or any extension thereof) any Federal, state or local tax returns required to be filed by the Partnership. The General Partner shall cause the Partnership to pay any taxes payable by the Partnership.

The General Partner shall, from time to time, submit to any appropriate state securities administrator or any other state agency such documents, papers, information and reports as are required to be filed with or submitted to such state securities administrator or any other state agency with respect to the Partnership.

The General Partner shall, from time to time, prepare and file all certificates (or amendments thereto) and other similar documents required by law to be filed and recorded with respect to the Partnership for any reason, in such office or offices as are required under the any applicable laws. The General Partner shall do any and all other acts and things (including making publications or periodic filings of this Agreement, any certificates or amendments thereto or other similar documents) which may now or hereafter be required or deemed by the General Partner to be necessary.

Limited Partners. Except as otherwise expressly provided elsewhere herein, the Limited Partners shall not participate in the management of the Partnership, have any control over the Partnership's business or assets or have any right or authority to act for or obligate the Partnership.

Other Interests of Partners. The Partners, as well as Affiliates of the Partners, may engage in any business or possess any interest in other businesses of every nature and description, independently or with others, including owning and operating pari-mutuel racetracks or participation in any other gaming business activity. Neither the Partnership nor the Partners shall have any rights in such independent ventures including, without limitation, any rights to the income or profits thereof by virtue of having become Partners in the Partnership. Each Partner conducts other related businesses outside of New Jersey, including competing businesses, and this Agreement shall not apply to any such other activities; nor shall it prevent the Partners from individually engaging in additional activities both within and outside of New Jersey, other than the ownership and operation of Freehold Raceway and Garden State Race Track and OTB Facilities (as defined herein),

including without limitation, the ownership and operation of one or more additional racetracks, off-track betting or phone betting operations in New Jersey or elsewhere, other than OTB Facilities.

Title to Property and Partition. All property of the Partnership, whether tangible or intangible, real, personal or mixed, shall be owned by the Partnership as an entity and no Partner shall have any ownership interest in such property in its individual name or right, and each Partner=s Partnership Interest shall be personal property for all purposes. No Partner, nor any successor-in-interest to any Partner, shall have the right, while this Agreement remains in effect, to have the property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have any of the property of the Partnership partitioned, and each of the Partners, on behalf of itself and its successors, representatives and assigns, hereby irrevocably waives any such right.

ALLOCATIONS

SECTION .1 Profits and Losses. Any Profits or Losses shall be allocated among all of the Partners in accordance with, and in proportion to, their respective Percentage Interests.

Allocation Upon Admission. Upon the admission of the Partners to the Partnership, Profit and Loss during the month of admission shall be allocated using the "monthly convention" (i.e., Partners admitted in a month are treated as admitted on the first day of that month). If that method is determined to be invalid for tax purposes, the allocation of Profit and Loss in such month shall be made under any other permissible method which may be selected by the General Partner taking into account its judgment of the best interests of the Limited Partners as a class.

Tax Allocations: Code Section 704(c). Except as otherwise provided herein, allocations of Profits and Losses for tax purposes shall be made in the same manner as the allocations for book purposes described in Section 4.1 of this Agreement. However, in accordance with Code Section 704(c) and the Regulations thereunder, items of income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the basis of the property and its fair market value at the time the property was contributed to the Partnership.

Allocations to Reflect Capital Account Adjustments. Notwithstanding any other provision hereof, in the event of a Revaluation Adjustment to the Partners' Capital Accounts pursuant to Section 2.2(c) hereof, items of depreciation, income, gain, loss or deduction with respect to the assets held by the Partnership at the time of such Revaluation Adjustment shall be computed and allocated for tax purposes in a manner which takes into account the variation between the adjusted tax basis and the book value of such assets in a manner consistent with Section 704(c) of the Code and Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

DISTRIBUTIONS

Distributions. Except as provided in Section 7.3 regarding liquidating distributions, Net Cash Flow, as determined by the General Partner in accordance with the terms of the Shareholders= Agreement, shall be distributed to the Partners no less frequently than annually in accordance with their respective Percentage Interests.

Distribution of Proceeds from a Sale or Refinancing or Dissolution of the Partnership. In the event of a sale of a portion of Partnership property which does not cause the dissolution of the Partnership or a financing of Partnership property, the General Partner may, in its sole and absolute discretion, distribute all or a portion of the net cash proceeds therefrom to the Partners in accordance with the Partners= Percentage Interest.

Limitation Upon Distributions. No distribution shall be declared and paid unless, after the distribution is made, the assets of the Partnership (valued at fair market value) are in excess of all liabilities of the Partnership.

Reserves. The General Partner shall have the right to establish, maintain and expend reserves for working capital, future investments, debt service and such other purposes as they may deem necessary or advisable (?Reserves").

CERTAIN CHANGES OF GENERAL PARTNER

Withdrawal of General Partner. The General Partner may not voluntarily withdraw from the Partnership without the written consent or approval of the Limited Partners. The Limited Partners shall not have the right to remove the General Partner.

Changes of General Partner Generally. Any substitute general partner shall, immediately upon admission as a general partner, become the owner of the Partnership Interest of the general partner whose place it is taking.

TERMINATION, DISSOLUTION AND WINDING UP

No Termination. Except as otherwise provided herein or in the Shareholders= Agreement, the Partnership shall not be terminated by the death, substitution, admission or withdrawal of any Partner.

Termination.

The Partnership shall be terminated and dissolved and its affairs wound up upon the first of the following to occur:

A Sale of Assets;

The withdrawal, dissolution or Bankruptcy of the General Partner, unless, within sixty (60) days of such event, Limited Partners owning sixty-seven percent (67%) of the Percentage Interests owned by all Partners elect a substitute general partner to continue the Partnership's business and such substitute general partner agrees in writing to accept such election; or

The determination of Limited Partners owning sixty-seven percent (67%) or more of the Percentage Interests owned by all Limited Partners, with or without the General Partner's consent, that the Partnership should be dissolved.

Notwithstanding anything herein to the contrary, upon a Sale of Assets at a gain, where all or any portion of the consideration payable to the Partnership is to be received by the Partnership more than ninety (90) days after the date on which such Sale of Assets occurs, the Partnership shall continue solely for purposes of collecting the deferred payments and making distributions to the Partners.

SECTION .2 Dissolution and Winding Up. Upon the Partnership's termination, the following steps shall be taken in the following order of priority:

The Capital Account of each Partner shall be determined. Profit or Loss to the date of termination, including realized gain or loss (whether or not recognized for tax purposes) from a sale or other disposition, the taking by eminent domain or the damage and destruction of all or substantially all of the Partnership's assets, shall be allocated as set forth in Article IV above and credited or charged to the Partners' Capital Accounts.

The Partnership shall be dissolved and its affairs shall be wound up. All debts and obligations of the Partnership shall be paid, discharged or provided for by setting up appropriate Reserves.

The assets of the Partnership not required to pay, discharge or provide for the Partnership's debts and obligations shall be distributed among all Partners having positive Capital Accounts in the same proportion as the positive Capital Account of each such Partner bears to the sum of all such Partners' positive Capital Accounts.

PARTNERSHIP INTERESTS OF LIMITED PARTNERS

Additional Limited Partners. No Person shall be admitted to the Partnership as a Limited Partner except upon a sale, transfer, assignment, pledge, mortgage, hypothecation, grant of a security interest, or other disposition by a Limited Partner of all or a portion of his Partnership Interest (each a "Disposition") in accordance with this Article VIII or in accordance with the terms of the Shareholders= Agreement, as herein defined.

Assignment.

Except as provided in the Shareholders= Agreement, no Partnership Interest of a Limited Partner or any portion thereof, or any Percentage Interest of a Limited Partner in the Partnership, may be sold, assigned, transferred, pledged, mortgaged, hypothecated, made subject to a security interest or otherwise disposed of to any Person without the prior written consent of the General Partner, which consent may be withheld in its sole discretion. The Partners hereby acknowledge and agree that, notwithstanding any general fiduciary duty that the General Partner may have as general partner or otherwise, the General Partner, in its sole discretion, may withhold consent to such sale, assignment, transfer, pledge, mortgage, hypothecation, grant of a security interest or other disposition without any liability or accountability to any Person. Any actual or attempted sale, assignment, transfer, pledge, mortgage, hypothecation, grant of a security interest or other disposition by any Limited Partner in violation of this Section 8.2(a) shall be null and void and of no force or effect whatsoever. Each Limited Partner hereby acknowledges the reasonableness of the restrictions imposed by this Section 8.2(a) in view of the Partnership purposes and the relationship of the Partners. Accordingly, the restrictions in this Section 8.2(a) shall be specifically enforceable. Neither the Partnership nor any Partner shall be bound by: (i) any attempted disposition or pledge, mortgage, hypothecation or grant of security interest which has not been approved by the General Partner as required hereby; or (ii) a disposition, pledge, mortgage, hypothecation or creation of a security interest which has been consented to in writing by the General Partner until a counterpart of the instrument accomplishing the same, executed and acknowledged by the parties thereto, is delivered to the General Partner and the terms of Section 8.3 hereof have been satisfied with respect to dispositions which result in the admission of new Limited Partners.

Substitution and Addition of Limited Partners.

No Person shall have the right to be admitted to the Partnership as a Limited Partner unless all of the following conditions are satisfied:

A fully executed and acknowledged written instrument effectuating a Disposition has been filed with the General Partner setting forth the intention of the Limited Partner making the Disposition ("Transferor"), that his buyer, transferee or assignee (each a "Transferee") become a Limited Partner;

The Transferor and Transferee execute and acknowledge such other instruments as the General Partner may deem necessary or desirable to effect such admission, including the written acceptance and adoption by the Transferee of the provisions of this Agreement to which the Transferor is a party, and the assumption by the Transferee of all obligations of the Transferor under this Agreement;

The Transferee has paid all reasonable expenses incurred by the Partnership (including its legal fees) in connection with its admission to the Partnership, including but not limited to the cost of the preparation, filing and publishing of any amendment to the Certificate and any amendments of filings under fictitious name registration statutes or registration statutes lawfully required to qualify the Partnership to do business in foreign jurisdictions; and

The General Partner has consented in writing to the Transferee's admission to the Partnership as a Limited Partner pursuant to Section 8.2 above or per the Limited Partnership Interests in accordance with section 2.2 of the Shareholders' Agreement.

Once the above conditions have been satisfied, the Transferee shall become a Limited Partner on the first day of the next following calendar month. Upon admission of a Limited Partner pursuant to the provisions of this Article, the Partnership shall make all further distributions on account of the Partnership Interests or Percentage Interests in the Partnership so assigned or issued to such a Limited Partner for such time as the Partnership Interests or Percentage Interests are designated on its books in accordance with the above provisions. Any Transferee so admitted to the Partnership as a Limited Partner shall be subject to all provisions of this Agreement to which his Transferor was a party as if originally a party hereto and thereto.

FISCAL MATTERS

Books and Records. The General Partner shall maintain full and accurate books of the Partnership at the Partnership's principal place of business, showing all receipts and expenditures, assets and liabilities, profits and losses, and all other records necessary for recording the Partnership's business and affairs, including those sufficient to record the allocations and distributions. The books of the Partnership shall be kept on an accrual method of accounting. During regular business hours and upon reasonable notice, each Partner and his duly authorized representatives shall have access to and may inspect and copy any of such books and records.

Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

Reports.

Within ninety (90) days after the end of each fiscal year of the Partnership, the General Partner shall furnish each Limited Partner with such information as is necessary for the preparation of such Partner's income tax returns.

Within one hundred twenty (120) days after the end of each fiscal year of the Partnership, the General Partner shall furnish each Limited Partner with an unaudited statement showing the income and expenses of the Partnership for such fiscal year and the balance sheet of the Partnership as of the end of such year, prepared by an independent certified public accountant selected by the General Partner.

Bank Accounts. All funds of the Partnership shall be deposited in its name in such checking and savings accounts or time deposits or certificates of deposit as shall be designated by the General Partner from time to time. Withdrawals therefrom shall be made upon such signature(s) as the General Partner may designate.

Accounting Decision. All decisions with respect to accounting matters shall be made by the General Partner. The Partners agree that, for financial and accounting purposes, the Partnership may elect to treat certain items differently from the manner in which such items are treated for tax purposes. For tax purposes, Capital Accounts shall be determined in accordance with tax accounting principles in the same manner as the Partnership prepares its Federal income tax return.

Income Tax Elections. Except as specifically provided to the contrary herein, all decisions as to income tax matters shall be made by the General Partner.

The General Partner shall elect to claim the maximum deduction allowed with respect to each item of cost recovery property of the Partnership.

The General Partner may, at any time, make or petition to revoke (as the case may be) the election referred to in Code Section 754 or the corresponding provision of any subsequent revenue act. Each Partner agrees in the event of such an election to supply the Partnership with the information necessary to give effect thereto.

Meetings. The General Partner shall not be required to call any annual meetings of the Limited Partners. However, upon the request of Limited Partners owning at least twenty-five percent (25%) of the Percentage Interests, the General Partner shall promptly call an informational meeting of the Partners.

Documents. The General Partner shall not have an obligation to deliver copies of any filed Partnership certificates or amendments thereof to any Limited Partner unless otherwise specifically requested by such Limited Partner.

COMPENSATION FOR SERVICES

Compensation of the General Partner. Except as otherwise provided herein, the General Partner (in its capacity as General Partner) shall receive no compensation for its services to the Partnership. The General Partner shall be entitled to be reimbursed for reasonable out-of-pocket expenses incurred in connection with the business of the Partnership upon presentation of receipts or other satisfactory evidence in support thereof.

GENERAL PROVISIONS

Notices. Except as otherwise provided in this Agreement, all notices, consents, waivers, directions, requests, or other instruments or communications provided for under this Agreement shall be in writing, signed by the party giving the same and shall be deemed properly given only if sent by registered or certified United States mail, postage prepaid, addressed: (a) in the case of the Partnership or the General Partner, as the case may be, to the Partnership at its principal place of business set forth in

Schedule AA@, and (b) in the case of any Limited Partner, to such Limited Partner at its address set forth in Schedule "A". Each Partner may, by notice to the Partnership, specify any other address for the receipt of such instruments or communications. Any notice so given shall be effective on the date on which it is mailed. In any case where the consent of a Limited Partner shall be required, such consent shall be deemed to have been given upon the failure of such Limited Partner to send notice withholding his consent within thirty (30) days following the effective time of notice requesting such consent. A copy of all notices and other communications given hereunder by any Limited Partner shall be sent to the General Partner.

Indemnification and Limitation on Liability of the General Partner and its Affiliates. The Partnership shall indemnify, defend and hold harmless the General Partner and its officers, directors, employees and agents against any claim, demand or liability (including without limitation, court costs and attorneys' fees) incurred by it in connection with the business of the Partnership, provided that the acts or omissions from which the claim, demand or liability arises were performed or committed in the good faith belief that the General Partner, through its officers, directors, employees or agents, was acting within the scope of its authority and that it was not grossly negligent or guilty of intentional misconduct. Neither the Partnership nor any Limited Partner shall have any claim against the General Partner or its officers, directors, employees or agents by reason of any act or omission of the General Partner, or its officers, directors, employees or agents or by reason of any disallowance by any taxing authority of any deduction or credit taken on any Partnership tax return, provided that such act or omission of the General Partner, through its officers, directors, employees or agents, was performed in the good faith belief that it was acting within the scope of its authority, and that it was not grossly negligent or guilty of intentional misconduct. The General Partner may obtain, at the Partnership's expense, liability insurance for the Partnership and the General Partner (and its officers, directors, employees and agents), insuring against any of their acts, whether or not such acts would be covered by the foregoing indemnification. The General Partner shall not be liable for omitting to do any act which the General Partner is not specifically required to do under this Agreement, and shall have no obligation or liabilities, express or implied, to the Partnership or the other Partners, except as specifically set forth in this Agreement.

Power of Attorney. Each Limited Partner irrevocably constitutes and appoints the General Partner his true and lawful agent and attorney-in-fact, in his name, place and stead, to make, execute, acknowledge and file:

this Agreement as required by the relevant provisions of the Act and all amendments to this Agreement as required by the Act, including amendments required for the admission or substitution of a Partner;

any cancellation of this Agreement as required by the relevant provisions of the Act upon the termination of the Partnership;

any instruments or papers required to continue the business of the Partnership;

all such other instruments, documents and certificates which may from time to time be required by the laws of the State of New Jersey, the United States of America or any other jurisdiction in which the Partnership shall determine to do business (or any political subdivision or agency thereof) to effectuate, implement, continue and defend the valid and subsisting existence of the Partnership;

any and all amendments to Schedule "A" of this Agreement necessary to admit or substitute a Limited Partner in accordance with Article VIII above or to reflect a return of all or part of a Partner's Capital Contribution; and

any business certificate, fictitious name certificate, certificate of limited partnership, amendment thereto or other instrument or document of any kind necessary to accomplish the business, purposes and objectives of the Partnership in accordance with this Agreement.

It is expressly intended by the Limited Partners that the foregoing power of attorney is coupled with an interest and that the power of attorney shall survive any transfer or assignment by any Limited Partner of all or any part of his Partnership Interest.

Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

Amendment of Partnership Agreement.

This Agreement may be amended with the consent of the General Partner and with the consent of the Limited Partners owning at least sixty-seven (67%) of the Partnership Interests owned by all Limited Partners (other than Partnership Interest owned by the General Partner and/or any of its Affiliates, if any of them also is a Limited Partner), provided, however, that no amendment which has not been consented to by all the Limited Partners shall:

commit any Limited Partner to make additional contributions to the capital of the Partnership in addition to the Capital Contributions required herein;

subject any Limited Partner to personal liability; or

alter the rights of the Limited Partners with respect to the allocations and distributions set forth in this Agreement.

In addition, amendments may be made to this Agreement from time to time by the General Partner, without the consent of any of the Limited Partners: (1) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to add any other provisions with respect to matters or questions arising under this Agreement which will not be inconsistent with the existing provisions of this Agreement; (2) to add to the representations, duties or obligations of the General Partner or surrender any right or power granted to the General Partner herein; or (3) to delete from or add to any provision hereof required to be so deleted or added by a state "Blue Sky" commission, which addition or deletion is deemed by such commission to be for the benefit or protection of the Limited Partners; provided, however, that no amendment shall be adopted pursuant to this Section unless the adoption thereof: (i) is for the benefit of or not adverse to the interests of the Limited Partners; (ii) does not affect the distributions and allocations among the Limited Partners or between the Limited Partners as a class and the General Partner; and (iii) does not affect the limited liability of the Limited Partners or the status of the Partnership as a partnership for Federal income tax purposes.

Limitation of Responsibility and Liability. No Partner, or any of its Affiliates, shareholders, directors, officers, employees, or agents, will be liable or responsible for the debts or obligations of any of the other Partners or the Partnership.

Singular and Plural/Gender. Wherever from the context of this Agreement it appears appropriate, each term stated in either the singular or the plural shall include the singular or the plural, and pronouns stated in either the masculine, feminine or neuter gender shall include the masculine, feminine and neuter.

Severability. Invalidation or a holding of unenforceability of any provision of this Agreement shall in no way affect any other provision hereof, which other provisions shall remain in full force and effect.

Integration. This Agreement embodies the entire agreement and understanding among the Partners relating to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

Applicable Law. This Agreement and the rights of the Partners shall be governed by and construed and enforced in accordance with the laws of the State of New Jersey.

Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Partners and their respective heirs, personal representatives, successors and permitted assigns.

Headings. The descriptive headings of the Articles and Sections hereof are inserted for convenience only and shall not affect the interpretation or meaning thereof.

DEFINED TERMS

Defined Terms. In addition to the terms defined elsewhere in this Agreement, the following terms used in this Agreement shall have the meanings specified below:

AAct@ means the Revised Uniform Limited Partnership Act as adopted in the State of New Jersey, as amended from time to time.

"Affiliate" means (a) any Person directly or indirectly controlling, controlled by or under common control with another Person, (b) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such other Person, (c) any officer, director, partner or trustee of such Person, and (d) if such other Person is an officer, director, partner or trustee of a Person, the Person for which such Person acts in any such capacity.

"Bankruptcy" means, with respect to any Person, such Person making an assignment for the benefit of creditors, becoming a party or subject to any liquidation or dissolution action or proceeding with respect to such Person, the institution of any bankruptcy, reorganization, insolvency or other proceeding for the relief of financially distressed debtors with respect to such Person, or a receiver, liquidator, custodian or trustee being appointed for such Person or a substantial part of such Person=s assets and, if any of the same occur

involuntarily, the same is not dismissed, stayed or discharged within sixty (60) days; or the entry of an order for relief against such Person under Title II of the United States Code entitled "Bankruptcy"; or such Person taking any action to effect, or which indicates its or his acquiescence in, any of the foregoing. "Capital Account" means the amount of a Partner's Capital Contribution adjusted for profits, losses and distributions as provided for in Section 2.2 hereof. "Capital Contribution" means the cash and the agreed fair market value of property contributed or deemed contributed by a Partner to the Partnership. "Code" means the Internal Revenue Code of 1986, as amended, and the corresponding provisions of any future Internal Revenue law. "Finance" or "Refinancing" means entering into any loan or modifying the terms of any loan including, without limitation, any which is secured by a mortgage, deed of trust or other similar lien on the property of the Partnership. AFreehold Raceway@ means that certain real property and improvements located in Monmouth County, New Jersey known as Freehold Raceway.

AGarden State Race Track@ means that certain real property and improvements located in Camden County, New Jersey known as Garden State Race Track.

ANet Cash Flow@ means, for any period, the excess, if any, of (a) the sum of (1) the gross receipts of the Partnership (as determined in accordance with the cash receipts and disbursements method of accounting) during such period, but without regard to any amounts received by the Partnership as a result of a Sale of Assets and any amounts released during such period by the General Partner from any Reserves maintained by the Partnership, over (b) the sum of (1) all expenditures of the Partnership (as determined under the aforesaid method of accounting) during such period, (2) all amounts applied during such period in payment of interest or principal on any borrowing of the Partnership, and (3) any amount added during such period by the General Partner to Reserves for working capital, contingencies, replacements, expansions, acquisitions, or other expenditures of the Partnership. Net Cash Flow and releases or additions to the Reserves shall be made or determined by the General Partner in its sole discretion.

AOTB Facilities@ means the off-track betting facilities and phone betting operations to be operated in New Jersey to the extent such off-track betting facilities and phone betting operations are permitted by New Jersey legislation to be conducted as a result of the holding of licenses to conduct racing at Freehold Raceway and Garden State Race Track.

"Partnership Interest" means, in the case of any Partner, such Partner's Capital Account, interest in the Profits and Losses and distributions of the Partnership, voting rights and all other rights which a party to this Agreement acquires hereby or by operation of law.

"Percentage Interest" means the percentage interest of each Partner as set forth on Schedule "A", as amended from time to time.

"Person" means any natural person, partnership, corporation, trust, limited liability company, association or other legal entity.

AProfits@ and ALosses@ means, for any period, the amounts equal to the corresponding items of income, gain, deductions, credits and losses in the aggregate or separately stated, as appropriate, for such period, all determined in accordance with generally accepted accounting principles consistently applied.

AReserves@ shall have the meaning set forth in Section 5.4 of this Agreement.

"Sale of Assets" means the sale or other disposition of all or substantially all of the Partnership's assets. For purposes of this definition, the phrase "other disposition" includes a taking of all or substantially all of a property by eminent domain or the damage or destruction of all or substantially all of such property.

AShareholders= Agreement@ means that Shareholders= Agreement made and entered as of the _29_ day of July, 1999, by, between, and among Greenwood Racing, Inc., Pennwood Racing, Inc., Greenwood Limited Partner, Inc., Benstone Partners, Penn National Holding Company, Penn National GSFR, Inc., and Pennsylvania National Turf Club, Inc., as same may be amended from time to time.

ATreasury Regulation@ means the regulations promulgated by the Internal Revenue Service, in accordance with
the Internal Revenue Code of 1986, as amended, and the corresponding provisions of any future Internal Revenue law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

ATTEST: GENERAL PARTNER:

PENNWOOD RACING, INC.

/s/ Francis E. McDonnell
Francis E. McDonnell, Secretary

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

LIMITED PARTNER(S):

GREENWOOD LIMITED PARTNER, INC.

/s/Francis E. McDonnell
Francis E. McDonnell, Secretary

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

PENN NATIONAL GSFR, INC.

/s/John Limongelli
Name: John Limongelli

By: _/s/Robert S. Ippolito_____
Name: Robert S. Ippolito
Title: Secretary/ Treasurer

SCHEDULE "A"
TO
LIMITED PARTNERSHIP AGREEMENT
OF
FR PARK RACING, L.P.

	Capital Contribution	Percentage Interest
GENERAL PARTNER:		
Pennwood Racing, Inc. c/o Greenwood Racing, Inc. 3001 Street Road P.O. Box 1000 Bensalem, PA 19020-8512 Attention: Harold G. Handel	$1.00	.1%
LIMITED PARTNER(S):		
Greenwood Limited Partner, Inc. c/o Greenwood Racing, Inc. 3001 Street Road P.O. Box 1000 Bensalem, PA 19020-8512 Attention: Harold G. Handel	$499.50	49.95%
Penn National GSFR, Inc. 825 Berkshire Blvd. Suite 200 Wyomissing, PA 19610 Attention: Joseph A. Lashinger, Jr.	$499.50	49.95%

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT
OF
FR PARK SERVICES, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF FR PARK SERVICES, L.P. ("Agreement") is made as of July _29, 1999 by, between and among PENNWOOD RACING, INC., a Delaware corporation whose address appears on Schedule "A" attached hereto, as the general partner (the "General Partner"), and the undersigned limited partners whose names and addresses appear on Schedule "A" attached hereto as the limited partners (collectively referred to hereinafter as the "Limited Partners"). This Agreement shall constitute the Limited Partnership Agreement of FR PARK SERVICES, L.P. (the "Partnership"). The General Partner and the Limited Partners are hereinafter individually referred to as "Partner" and collectively referred to as the "Partners."

WHEREAS, Pennsylvania National Turf Club, Inc. is being admitted as a Partner as of the date hereof; and

WHEREAS, this Agreement replaces, amends and restates the Limited Partnership Agreement entered as of January 1, 1999.

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein, and intending to be legally bound hereby, the Partners hereby agree as follows:

FORMATION, NAME, PLACE OF BUSINESS,
PURPOSES AND TERM OF PARTNERSHIP

Formation. The Partnership has been formed as a limited partnership pursuant to the relevant provisions of the Act in the State of New Jersey.

SECTION .3 Name and Office. The name of the Partnership shall continue to be "FR PARK SERVICES, L.P.", and its business shall continue to be conducted in such name. The principal office and place of business of the Partnership shall continue to be located at Route 70 & Haddonfield Road, Cherry Hill, New Jersey 08034, or at such other place as the General Partner may, from time to time, determine. The address of the registered office and the name and address of the registered agent for service of process shall continue to be Corporation Service Company, 830 Bear Tavern Road, West Trenton, New Jersey 08628.

Purposes. Business and Objectives.

The purpose of the Partnership is to provide employment and personnel services in connection with the ownership and operation of Freehold Raceway. The Partnership shall possess and may exercise all the powers and privileges now or hereafter granted by the Act or by any other law, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business, purposes or activities of the Partnership, including, without limitation:

To enter into and perform contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Partnership;

To acquire, construct, operate, maintain, improve, manage, buy, own, sell, convey, assign, mortgage, refinance, rent or lease any property, real or personal, in fee or under lease, or any rights therein or appurtenant thereto, necessary or appropriate for the operation of the Partnership;

To borrow money from any source, including, but not limited to, any Partner or their affiliates, and to make, issue or execute any notes, drafts, loan agreements, guaranties or other evidences of indebtedness and to secure the same by mortgage, pledge, assignment or other lien in all or any part of the property of the Partnership;

To negotiate for and conclude an agreement or agreements for the sale, exchange or other disposition of all or any part of the Partnership's property;

To hire and compensate employees, agents, independent contractors, attorneys and accountants;

To carry on any other activities necessary to, in connection with, or incidental to the foregoing, and

To form and establish any subsidiaries, partnerships, or limited liability companies to be owned in whole or in part by the Partnership, and to conduct business through such subsidiaries, partnerships or limited liability companies.

The Partnership shall not engage in any other business without the prior consent of the General Partner.

CAPITAL

Capital of the Partnership. The capital of the Partnership is the aggregate amount of cash and the agreed fair market value of property contributed or deemed contributed by the Partners to the Partnership as set forth in Schedule "A" attached hereto and made a part hereof. The capital described on Schedule "A" represents the agreed upon fair market value of the Partners' interest in the capital of the Partnership as of the date hereof.

General Provisions.

Schedule AA@ shall be amended from time to time to reflect the withdrawal or admission of Partners, any changes in the Percentage Interest of any Partner arising from the transfer of any part of a Partnership Interest to or by such Partner and any changes in the amounts contributed or agreed to be contributed by any Partner. Notwithstanding the foregoing, no Partner shall be permitted to withdraw or be admitted unless such admission or withdrawal is in accordance with the terms of the Shareholders= Agreement.

A Capital Account shall be established for each Partner, and shall be increased by: (1) the amount of money contributed by the Partner to the Partnership; (2) the fair market value of property contributed by the Partner to the Partnership (net of liabilities that the Partnership is considered to assume or take subject to under Code Section 752); and (3) allocations to the Partner of Partnership Profits (or items thereof). The Capital Account for each Partner shall be decreased by: (1) the amount of money distributed to the Partner by the Partnership; (2) the fair market value of property distributed to the Partner by the Partnership (net of liabilities that such Partner is considered to assume or take subject to under Code Section 752); and (3) allocations to the Partner of Partnership Losses (or items thereof). In all events, the Capital Account of each Partner will be determined and maintained throughout the term of the Partnership in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv).

The General Partner, in its discretion, may elect to have the Capital Accounts of the Partners adjusted to reflect a revaluation of Partnership assets on the Partnership's books (the "Revaluation Adjustment") in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f).

Any Partner, including any additional or substitute Partner, who acquires any interest in the Partnership or whose Partnership Interest is increased by means of the transfer to him of all or part of the Partnership Interest of another Partner, shall have a Capital Account which has been appropriately established or adjusted to reflect such acquisition or transfer. Any Partner who shall acquire any Partnership Interest by means of the transfer to him of all or any part of the Partnership Interest of any other Partner shall, with respect to the Percentage Interest so transferred, be deemed to be a Partner of the same class as the transferor.

The Partnership may, at the discretion of the General Partner and as provided in the Shareholders= Agreement, borrow for Partnership purposes at any time and from any source. No Limited Partner shall be liable for any indebtedness of the Partnership or be required to contribute any capital or

to lend any funds to the Partnership other than its Capital Contribution. If the allocation of Losses or distributions required or permitted under this Agreement result in the reduction of a Limited Partner's Capital Account, such reduction need not be restored. The General Partner shall have no personal liability for the repayment of the Capital Contribution of any Limited Partner.

No interest shall be paid on or with respect to the Capital Contribution or the Capital Account of any Partner.

No Partner shall have the right to withdraw or reduce its Capital Contribution.

RIGHTS, POWERS AND DUTIES OF PARTNERS

SECTION .1 Conduct of Partnership Business. The General Partner shall use its best efforts to carry out the purposes, business and objectives of the Partnership. Except as otherwise provided herein, all decisions with respect to the management of the Partnership's business shall be made by the General Partner as provided in the Shareholders= Agreement. The General Partner shall have general responsibility for all aspects of the Partnership's business and operations and which hereby is designated as the "tax matters partner" of the Partnership within the meaning of Code Section 6231(a)(7).

Powers of the General Partner. Except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the necessary powers to carry out the purposes, business and objectives of the Partnership, including, without limitation, the right to cause a Refinancing or Sale of Assets to occur without the approval of the other Partners, and, except as otherwise provided herein or by the laws of the State of New Jersey, shall possess and enjoy all of the rights and powers of a partner of a partnership without limited partners. Except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the right and power to execute and deliver, on the Partnership's behalf, evidences of indebtedness and documents granting security for the payment thereof (with or without warrant of attorney to confess judgment against the Partnership or its property). Without limiting the generality of the foregoing, except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the power and authority and is specifically authorized to grant a warrant of attorney to confess judgment against the Partnership. The General Partner shall not permit the funds of the Partnership to be commingled with those of any other entity.

Authority of the General Partner to Deal with Affiliates. Except as limited by the terms of the Shareholders= Agreement, the General Partner may, on behalf of the Partnership, perform, or agree, contract or arrange with any of its Affiliates for the performance of services for the Partnership with compensation to be paid for such services as if it or such Affiliate were an independent contractor, at such rates and terms that independent contractors would impose.

Duties and Obligations of the General Partner.

The General Partner shall take any and all actions which may be reasonably necessary or appropriate for the continuation of the Partnership's valid existence as a limited partnership under the laws of the State of New Jersey.

The General Partner shall prepare or cause to be prepared and shall file on or before the due date (or any extension thereof) any Federal, state or local tax returns required to be filed by the Partnership. The General Partner shall cause the Partnership to pay any taxes payable by the Partnership.

The General Partner shall, from time to time, submit to any appropriate state securities administrator or any other state agency such documents, papers, information and reports as are required to be filed with or submitted to such state securities administrator or any other state agency with respect to the Partnership.

The General Partner shall, from time to time, prepare and file all certificates (or amendments thereto) and other similar documents required by law to be filed and recorded with respect to the Partnership for any reason, in such office or offices as are required under the any applicable laws. The General Partner shall do any and all other acts and things (including making publications or periodic filings of this Agreement, any certificates or amendments thereto or other similar documents) which may now or hereafter be required or deemed by the General Partner to be necessary.

Limited Partners. Except as otherwise expressly provided elsewhere herein, the Limited Partners shall not participate in the management of the Partnership, have any control over the Partnership's business or assets or have any right or authority to act for or obligate the Partnership.

Other Interests of Partners. The Partners, as well as Affiliates of the Partners, may engage in any business or possess any interest in other businesses of every nature and description, independently or with others, including owning and operating pari-mutuel racetracks or participation in any other gaming business activity. Neither the Partnership nor the Partners shall have any rights in such independent ventures including, without limitation, any rights to the income or profits thereof by virtue of having become Partners in the Partnership. Each Partner conducts other related businesses outside of New Jersey, including competing businesses, and this Agreement shall not apply to any such other activities; nor shall it prevent the Partners from individually engaging in additional activities both within and outside of New Jersey, other than the ownership and operation of Freehold Raceway and Garden State Race Track and OTB Facilities (as defined herein), including without limitation, the ownership and operation of one or more additional racetracks, off-track betting or phone betting operations in New Jersey or elsewhere, other than OTB Facilities.

Title to Property and Partition. All property of the Partnership, whether tangible or intangible, real, personal or mixed, shall be owned by the Partnership as an entity and no Partner shall have any ownership interest in such property in its individual name or right, and each Partner=s Partnership Interest shall be personal property for all purposes. No 76 Partner, nor any successor-in-interest to any Partner, shall have the right, while this Agreement remains in effect, to have the property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have any of the property of the Partnership partitioned, and each of the Partners, on behalf of itself and its successors, representatives and assigns, hereby irrevocably waives any such right.

ALLOCATIONS

SECTION .1 Profits and Losses. Any Profits or Losses shall be allocated among all of the Partners in accordance with, and in proportion to, their respective Percentage Interests.

Allocation Upon Admission. Upon the admission of the Partners to the Partnership, Profit and Loss during the month of admission shall be allocated using the "monthly convention" (i.e., Partners admitted in a month are treated as admitted on the first day of that month). If that method is determined to be invalid for tax purposes, the allocation of Profit and Loss in such month shall be made under any other permissible method which may be selected by the General Partner taking into account its judgment of the best interests of the Limited Partners as a class.

Tax Allocations: Code Section 704(c). Except as otherwise provided herein, allocations of Profits and Losses for tax purposes shall be made in the same manner as the allocations for book purposes described in Section 4.1 of this Agreement. However, in accordance with Code Section 704(c) and the Regulations thereunder, items of income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the basis of the property and its fair market value at the time the property was contributed to the Partnership.

Allocations to Reflect Capital Account Adjustments. Notwithstanding any other provision hereof, in the event of a Revaluation Adjustment to the Partners' Capital Accounts pursuant to Section 2.2(c) hereof, items of depreciation, income, gain, loss or deduction with respect to the assets held by

the Partnership at the time of such Revaluation Adjustment shall be computed and allocated for tax purposes in a manner which takes into account the variation between the adjusted tax basis and the book value of such assets in a manner consistent with Section 704(c) of the Code and Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

DISTRIBUTIONS

Distributions. Except as provided in Section 7.3 regarding liquidating distributions, Net Cash Flow, as determined by the General Partner in accordance with the terms of the Shareholders= Agreement, shall be distributed to the Partners no less frequently than annually in accordance with their respective Percentage Interests.

Distribution of Proceeds from a Sale or Refinancing or Dissolution of the Partnership. In the event of a sale of a portion of Partnership property which does not cause the dissolution of the Partnership or a financing of Partnership property, the General Partner may, in its sole and absolute discretion, distribute all or a portion of the net cash proceeds therefrom to the Partners in accordance with the Partners= Percentage Interest.

Limitation Upon Distributions. No distribution shall be declared and paid unless, after the distribution is made, the assets of the Partnership (valued at fair market value) are in excess of all liabilities of the Partnership.

Reserves. The General Partners shall have the right to establish, maintain and expend reserves for working capital, future investments, debt service and such other purposes as they may deem necessary or advisable (?Reserves").

CERTAIN CHANGES OF GENERAL PARTNER

Withdrawal of General Partner. The General Partner may not voluntarily withdraw from the Partnership without the written consent or approval of the Limited Partners. The Limited Partners shall not have the right to remove the General Partner.

Changes of General Partner Generally. Any substitute general partner shall, immediately upon admission as a general partner, become the owner of the Partnership Interest of the general partner whose place it is taking.

TERMINATION, DISSOLUTION AND WINDING UP

No Termination. Except as otherwise provided herein or in the Shareholders= Agreement, the Partnership shall not be terminated by the death, substitution, admission or withdrawal of any Partner.

Termination.

The Partnership shall be terminated and dissolved and its affairs wound up upon the first of the following to occur:

A Sale of Assets;

The withdrawal, dissolution or Bankruptcy of the General Partner, unless, within sixty (60) days of such event, Limited Partners owning sixty-seven percent (67%) of the Percentage Interests owned by all Partners elect a substitute general partner to continue the Partnership's business and such substitute general partner agrees in writing to accept such election; or

The determination of Limited Partners owning sixty-seven percent (67%) or more of the Percentage Interests owned by all Limited Partners, with or without the General Partner's consent, that the Partnership should be dissolved.

Notwithstanding anything herein to the contrary, upon a Sale of Assets at a gain, where all or any portion of the consideration payable to the Partnership is to be received by the Partnership more than ninety (90) days after the date on which such Sale of Assets occurs, the Partnership shall continue solely for purposes of collecting the deferred payments and making distributions to the Partners.

SECTION .2 Dissolution and Winding Up. Upon the Partnership's termination, the following steps shall be taken in the following order of priority:

The Capital Account of each Partner shall be determined. Profit or Loss to the date of termination, including realized gain or loss (whether or not recognized for tax purposes) from a sale or other disposition, the taking by eminent domain or the damage and destruction of all or substantially all of the Partnership's assets, shall be allocated as set forth in Article IV above and credited or charged to the Partners' Capital Accounts.

The Partnership shall be dissolved and its affairs shall be wound up. All debts and obligations of the Partnership shall be paid, discharged or provided for by setting up appropriate Reserves.

The assets of the Partnership not required to pay, discharge or provide for the Partnership's debts and obligations shall be distributed among all Partners having positive Capital Accounts in the same proportion as the positive Capital Account of each such Partner bears to the sum of all such Partners' positive Capital Accounts.

PARTNERSHIP INTERESTS OF LIMITED PARTNERS

Additional Limited Partners. No Person shall be admitted to the Partnership as a Limited Partner except upon a sale, transfer, assignment, pledge, mortgage, hypothecation, or grant of a security interest or other disposition by a Limited Partner of all or a portion of his Partnership Interest (each a "Disposition") in accordance with this Article VIII or in accordance with the terms of the Shareholders= Agreement, as herein defined.

Assignment.

Except as provided in the Shareholders= Agreement, no Partnership Interest of a Limited Partner or any portion thereof, or any Percentage Interest of a Limited Partner in the Partnership, may be sold, assigned, transferred, pledged, mortgaged, hypothecated, made subject to a security interest or otherwise disposed of to any Person without the prior written consent of the General Partner, which consent may be withheld in its sole discretion. The Partners hereby acknowledge and agree that, notwithstanding any general fiduciary duty that the General Partner may have as general partner or otherwise, the General Partner, in its sole discretion, may withhold consent to such sale, assignment, transfer, pledge, mortgage, hypothecation, grant of a security interest or other disposition without any liability or accountability to any Person. Any actual or attempted sale, assignment, transfer, pledge, mortgage, hypothecation, grant of a security interest or other disposition by any Limited Partner in violation of this Section 8.2(a) shall be null and void and of no force or effect whatsoever. Each Limited Partner hereby acknowledges the reasonableness of the restrictions imposed by this Section 8.2(a) in view of the Partnership purposes and the relationship of the Partners. Accordingly, the restrictions in this Section 8.2(a) shall be specifically enforceable. Neither the Partnership nor any Partner shall be bound by: (i) any attempted disposition or pledge, mortgage, hypothecation or grant of security interest which has not been approved by the General Partner as required hereby; or (ii) a disposition, pledge, mortgage, hypothecation or creation of a security interest which has been consented to in writing by the General Partner until a counterpart of the instrument accomplishing the same, executed and acknowledged by the parties thereto, is delivered to the General Partner and the terms of Section 8.3 hereof have been satisfied with respect to dispositions which result in the admission of new Limited Partners.

Substitution and Addition of Limited Partners.

No Person shall have the right to be admitted to the Partnership as a Limited Partner unless all of the following conditions are satisfied:

A fully executed and acknowledged written instrument effectuating a Disposition has been filed with the General Partner setting forth the intention of the Limited Partner making the Disposition ("Transferor"), that his buyer, transferee or assignee (each a "Transferee") become a Limited Partner;

The Transferor and Transferee execute and acknowledge such other instruments as the General Partner may deem necessary or desirable to effect such admission, including the written acceptance and adoption by the Transferee of the provisions of this Agreement to which the Transferor is a party, and the assumption by the Transferee of all obligations of the Transferor under this Agreement;

The Transferee has paid all reasonable expenses incurred by the Partnership (including its legal fees) in connection with its admission to the Partnership, including but not limited to the cost of the preparation, filing and publishing of any amendment to the Certificate and any amendments of filings under fictitious name registration statutes or registration statutes lawfully required to qualify the Partnership to do business in foreign jurisdictions; and

The General Partner has consented in writing to the Transferee's admission to the Partnership as a Limited Partner pursuant to Section 8.2 above or per the Limited Partnership Interests in accordance with section 2.2 of the Shareholders' Agreement.

Once the above conditions have been satisfied, the Transferee shall become a Limited Partner on the first day of the next following calendar month. Upon admission of a Limited Partner pursuant to the provisions of this Article, the Partnership shall make all further distributions on account of the Partnership Interests or Percentage Interests in the Partnership so assigned or issued to such a Limited Partner for such time as the Partnership Interests or Percentage Interests are designated on its books in accordance with the above provisions. Any Transferee so admitted to the Partnership as a Limited Partner shall be subject to all provisions of this Agreement to which his Transferor was a party as if originally a party hereto and thereto.

FISCAL MATTERS

Books and Records. The General Partner shall maintain full and accurate books of the Partnership at the Partnership's principal place of business, showing all receipts and expenditures, assets and liabilities, profits and losses, and all other records necessary for recording the Partnership's business and affairs, including those sufficient to record the allocations and distributions. The books of the Partnership shall be kept on an accrual method of accounting. During regular business hours and upon reasonable notice, each Partner and his duly authorized representatives shall have access to and may inspect and copy any of such books and records.

Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

Reports.

Within ninety (90) days after the end of each fiscal year of the Partnership, the General Partner shall furnish each Limited Partner with such information as is necessary for the preparation of such Partner's income tax returns.

Within one hundred twenty (120) days after the end of each fiscal year of the Partnership, the General Partner shall furnish each Limited Partner with an unaudited statement showing the income and expenses of the Partnership for such fiscal year and the balance sheet of the Partnership as of the end of such year, prepared by an independent certified public accountant selected by the General Partner.

Bank Accounts. All funds of the Partnership shall be deposited in its name in such checking and savings accounts or time deposits or certificates of deposit as shall be designated by the General Partner from time to time. Withdrawals therefrom shall be made upon such signature(s) as the General Partner may designate.

Accounting Decision. All decisions with respect to accounting matters shall be made by the General Partner. The Partners agree that, for financial and accounting purposes, the Partnership may elect to treat certain items differently from the manner in which such items are treated for tax purposes. For tax purposes, Capital Accounts shall be determined in accordance with tax accounting principles in the same manner as the Partnership prepares its Federal income tax return.

Income Tax Elections. Except as specifically provided to the contrary herein, all decisions as to income tax matters shall be made by the General Partner.

The General Partner shall elect to claim the maximum deduction allowed with respect to each item of cost recovery property of the Partnership.

The General Partner may, at any time, make or petition to revoke (as the case may be) the election referred to in Code Section 754 or the corresponding provision of any subsequent revenue act. Each Partner agrees in the event of such an election to supply the Partnership with the information necessary to give effect thereto.

Meetings. The General Partner shall not be required to call any annual meetings of the Limited Partners. However, upon the request of Limited Partners owning at least twenty-five (25%) of the Percentage Interests, the General Partner shall promptly call an informational meeting of the Partners.

Documents. The General Partner shall not have an obligation to deliver copies of any filed Partnership certificates or amendments thereof to any Limited Partner unless otherwise specifically requested by such Limited Partner.

COMPENSATION FOR SERVICES

Compensation of the General Partner. Except as otherwise provided herein, the General Partner (in its capacity as General Partner) shall receive no compensation for its services to the Partnership. The General Partner shall be entitled to be reimbursed for reasonable out-of-pocket expenses incurred in connection with the business of the Partnership upon presentation of receipts or other satisfactory evidence in support thereof.

GENERAL PROVISIONS

Notices. Except as otherwise provided in this Agreement, all notices, consents, waivers, directions, requests, or other instruments or communications provided for under this Agreement shall be in writing, signed by the party giving the same and shall be deemed properly given only if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed: (a) in the case of the Partnership or the General Partner, as the case may be, to the Partnership at its principal place of business set forth in Schedule AA@, and (b) in the case of any Limited

Partner, to such Limited Partner at its address set forth in Schedule "A". Each Partner may, by notice to the Partnership, specify any other address for the receipt of such instruments or communications. Any notice so given shall be effective on the date on which it is mailed. In any case where the consent of a Limited Partner shall be required, such consent shall be deemed to have been given upon the failure of such Limited Partner to send notice withholding his consent within thirty (30) days following the effective time of notice requesting such consent. A copy of all notices and other communications given hereunder by any Limited Partner shall be sent to the General Partner.

Indemnification and Limitation on Liability of the General Partner and its Affiliates. The Partnership shall indemnify, defend and hold harmless the General Partner and its officers, directors, employees and agents against any claim, demand or liability (including without limitation, court costs and attorneys' fees) incurred by it in connection with the business of the Partnership, provided that the acts or omissions from which the claim, demand or liability arises were performed or committed in the good faith belief that the General Partner, through its officers, directors, employees or agents, was acting within the scope of its authority and that it was not grossly negligent or guilty of intentional misconduct. Neither the Partnership nor any Limited Partner shall have any claim against the General Partner or its officers, directors, employees or agents by reason of any act or omission of the General Partner, or its officers, directors, employees or agents or by reason of any disallowance by any taxing authority of any deduction or credit taken on any Partnership tax return, provided that such act or omission of the General Partner, through its officers, directors, employees or agents, was performed in the good faith belief that it was acting within the scope of its authority, and that it was not grossly negligent or guilty of intentional misconduct. The General Partner may obtain, at the Partnership's expense, liability insurance for the Partnership and the General Partner (and its officers, directors, employees and agents), insuring against any of their acts, whether or not such acts would be covered by the foregoing indemnification. The General Partner shall not be liable for omitting to do any act which the General Partner is not specifically required to do under this Agreement, and shall have no obligation or liabilities, express or implied, to the Partnership or the other Partners, except as specifically set forth in this Agreement.

Power of Attorney. Each Limited Partner irrevocably constitutes and appoints the General Partner his true and lawful agent and attorney-in-fact, in his name, place and stead, to make, execute, acknowledge and file:

this Agreement as required by the relevant provisions of the Act and all amendments to this Agreement as required by the Act, including amendments required for the admission or substitution of a Partner;

any cancellation of this Agreement as required by the relevant provisions of the Act upon the termination of the Partnership;

any instruments or papers required to continue the business of the Partnership;

all such other instruments, documents and certificates which may from time to time be required by the laws of the State of New Jersey, the

United States of America or any other jurisdiction in which the Partnership shall determine to do business (or any political subdivision or agency thereof) to effectuate, implement, continue and defend the valid and subsisting existence of the Partnership;

any and all amendments to Schedule "A" of this Agreement necessary to admit or substitute a Limited Partner in accordance with Article VIII above or to reflect a return of all or part of a Partner's Capital Contribution; and

any business certificate, fictitious name certificate, certificate of limited partnership, amendment thereto or other instrument or document of any kind necessary to accomplish the business, purposes and objectives of the Partnership in accordance with this Agreement.

It is expressly intended by the Limited Partners that the foregoing power of attorney is coupled with an interest and that the power of attorney shall survive any transfer or assignment by any Limited Partner of all or any part of his Partnership Interest.

Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

Amendment of Partnership Agreement.

This Agreement may be amended with the consent of the General Partner and with the consent of the Limited Partners owning at least sixty-seven (67%) of the Partnership Interests owned by all Limited Partners (other than Partnership Interest owned by the General Partner and/or any of its Affiliates, if any of them also is a Limited Partner), provided, however, that no amendment which has not been consented to by all the Limited Partners shall:

commit any Limited Partner to make additional contributions to the capital of the Partnership in addition to the Capital Contributions required herein;

subject any Limited Partner to personal liability; or

alter the rights of the Limited Partners with respect to the allocations and distributions set forth in this Agreement.

In addition, amendments may be made to this Agreement from time to time by the General Partner, without the consent of any of the Limited Partners: (1) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to add any other provisions with respect to matters or questions arising under this Agreement which will not be inconsistent with the existing provisions of this Agreement; (2) to add to the representations, duties or obligations of the General Partner or surrender any right or power granted to the General Partner herein; or (3) to delete from or add to any provision hereof required to be so deleted or added by a state "Blue Sky" commission, which addition or deletion is deemed by such commission to be for the benefit or protection of the Limited Partners; provided, however, that no amendment shall be adopted pursuant to this Section unless the adoption thereof: (i) is for the benefit

of or not adverse to the interests of the Limited Partners; (ii) does not affect the distributions and allocations among the Limited Partners or between the Limited Partners as a class and the General Partner; and (iii) does not affect the limited liability of the Limited Partners or the status of the Partnership as a partnership for Federal income tax purposes.

Limitation of Responsibility and Liability. No Partner, or any of its Affiliates, shareholders, directors, officers, employees, or agents, will be liable or responsible for the debts or obligations of any of the other Partners or the Partnership.

Singular and Plural/Gender. Wherever from the context of this Agreement it appears appropriate, each term stated in either the singular or the plural shall include the singular or the plural, and pronouns stated in either the masculine, feminine or neuter gender shall include the masculine, feminine and neuter.

Severability. Invalidation or a holding of unenforceability of any provision of this Agreement shall in no way affect any other provision hereof, which other provisions shall remain in full force and effect.

Integration. This Agreement embodies the entire agreement and understanding among the Partners relating to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

Applicable Law. This Agreement and the rights of the Partners shall be governed by and construed and enforced in accordance with the laws of the State of New Jersey.

Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Partners and their respective heirs, personal representatives, successors and permitted assigns.

Headings. The descriptive headings of the Articles and Sections hereof are inserted for convenience only and shall not affect the interpretation or meaning thereof.

DEFINED TERMS

Defined Terms. In addition to the terms defined elsewhere in this Agreement, the following terms used in this Agreement shall have the meanings specified below:

AAct@ means the Revised Uniform Limited Partnership Act as adopted in the State of New Jersey, as amended from time to time.

"Affiliate" means (a) any Person directly or indirectly controlling, controlled by or under common control with another Person, (b) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such other Person, (c) any officer, director, partner or trustee of such Person, and (d) if such other Person is an officer, director, partner or trustee of a Person, the Person for which such Person acts in any such capacity.

"Bankruptcy" means, with respect to any Person, such Person making an assignment for the benefit of creditors, becoming a party or subject to any liquidation or dissolution action or proceeding with respect to such Person, the institution of any bankruptcy, reorganization, insolvency or other proceeding for the relief of financially distressed debtors with respect to such Person, or a receiver, liquidator, custodian or trustee being appointed for such Person or a substantial part of such Person=s assets and, if any of the same occur involuntarily, the same is not dismissed, stayed or discharged within sixty (60) days; or the entry of an order for relief against such Person under Title II of the United States Code entitled "Bankruptcy"; or such Person taking any action to effect, or which indicates its or his acquiescence in, any of the foregoing.

"Capital Account" means the amount of a Partner's Capital Contribution adjusted for profits, losses and distributions as provided for in Section 2.2 hereof.

"Capital Contribution" means the cash and the agreed fair market value of property contributed or deemed contributed by a Partner to the Partnership.

"Code" means the Internal Revenue Code of 1986, as amended, and the corresponding provisions of any future Internal Revenue law.

"Finance" or "Refinancing" means entering into any loan or modifying the terms of any loan including, without limitation, any which is secured by a mortgage, deed of trust or other similar lien on the property of the Partnership.

AFreehold Raceway@ means that certain real property and improvements located in Monmouth County, New Jersey known as Freehold Raceway.

AGarden State Race Track@ means that certain real property and improvements located in Camden County, New Jersey known as Garden State Race Track.

ANet Cash Flow@ means, for any period, the excess, if any, of (a) the sum of (1) the gross receipts of the Partnership (as determined in accordance with the cash receipts and disbursements method of accounting) during such period, but without regard to any amounts received by the Partnership as a result of a Sale of Assets and any amounts released during such period by the General Partner from any Reserves maintained by the Partnership, over (b) the sum of (1) all expenditures of the Partnership (as determined under the aforesaid method of accounting) during such period, (2) all amounts applied during such period in payment of interest or principal on any borrowing of the Partnership, and (3) any amount added during such period by the General Partner to Reserves for working capital, contingencies, replacements, expansions, acquisitions, or other expenditures of the Partnership. Net Cash Flow and releases or additions to the Reserves shall be made or determined by the General Partner in its sole discretion.

AOTB Facilities@ means the off-track betting facilities and phone betting operations to be operated in New Jersey to the extent such off-track betting facilities and phone betting operations are permitted by New Jersey legislation to be conducted as a result of the holding of licenses to conduct racing at Freehold Raceway and Garden State Race Track.

"Partnership Interest" means, in the case of any Partner, such Partner's Capital Account, interest in the Profits and Losses and distributions of the Partnership, voting rights and all other rights which a party to this Agreement acquires hereby or by operation of law.

"Percentage Interest" means the percentage interest of each Partner as set forth on Schedule "A", as amended from time to time.

"Person" means any natural person, partnership, corporation, trust, limited liability company, association or other legal entity.

AProfits@ and ALosses@ means, for any period, the amounts equal to the corresponding items of income, gain, deductions, credits and losses in the aggregate or separately stated, as appropriate, for such period, all determined in accordance with generally accepted accounting principles consistently applied.

AReserves@ shall have the meaning set forth in Section 5.4 of this Agreement.

"Sale of Assets" means the sale or other disposition of all or substantially all of the Partnership's assets. For purposes of this definition, the phrase "other disposition" includes a taking of all or substantially all of a property by eminent domain or the damage or destruction of all or substantially all of such property.

AShareholders= Agreement@ means that Shareholders= Agreement made and entered as of the __29 day of July, 1999, by, between, and among Greenwood Racing, Inc., Pennwood Racing, Inc., Greenwood Limited Partner, Inc., Benstone Partners, Penn National Holding Company, Penn National GSFR, Inc., and Pennsylvania National Turf Club, Inc., as same may be amended from time to time.

ATreasury Regulation@ means the regulations promulgated by the Internal Revenue Service, in accordance with the Internal Revenue Code of 1986, as amended, and the corresponding provisions of any future Internal Revenue law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

ATTEST: GENERAL PARTNER:

PENNWOOD RACING, INC.

/s/Francis E. MCDonell_____ By:_/s/Harold G. Handel_____
Francis E. McDonnell, Secretary Harold G. Handel, President

LIMITED PARTNER(S):

BENSTONE PARTNERS, a
Pennsylvania general partnership, by
its sole general partners

By: BENSALEM RACING ASSOCIATION, INC.

/s/Anthony D. Ricci By: /s/Harold G. Handel
Anthony D. Ricci Harold G. Handel
Secretary Chief Executive Officer

By: KEYSTONE TURF CLUB, INC.

/s/Anthony D. Ricci By: /s/Harold G. Handel
Anthony D. Ricci Harold G. Handel
Secretary Chief Executive Officer

PENNSYLVANIA NATIONAL TURF CLUB, INC.

_/s/John Limongelli_____ By: _/s/Robert S. Ippolito_____
Name: Name: Robert S. Ippolito
Title: Title: Secretary/Treaurer

SCHEDULE "A"
TO
LIMITED PARTNERSHIP AGREEMENT
OF
FR PARK SERVICES, L.P.

	Capital Contribution	Percentage Interest
GENERAL PARTNER:		
Pennwood Racing, Inc. c/o Greenwood Racing, Inc. 3001 Street Road P.O. Box 1000 Bensalem, PA 19020-8512 Attention: Harold G. Handel	1.00	.1%
LIMITED PARTNER(S):		
Benstone Partners c/o Bensalem Racing Association, Inc. 3001 Street Road P.O. Box 1000 Bensalem, PA 19020-8512 Attention: Harold G. Handel	499.50	49.95%
Pennsylvania National Turf Club, 825 Berkshire Blvd. Suite 200 Wyomissing, PA 19610 Attention: Joseph A. Lashinger, Jr.	499.50	49.95%

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT
OF
GS PARK RACING, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF GS PARK RACING, L.P. ("Agreement") is made as of July 29, 1999 by, between and among PENNWOOD RACING, INC., a Delaware corporation whose address appears on Schedule "A" attached hereto, as the general partner (the "General Partner"), and the undersigned limited partners whose names and addresses appear on Schedule "A" attached hereto as the limited partners (collectively referred to hereinafter as the "Limited Partners"). This Agreement shall constitute the Limited Partnership Agreement of GS PARK RACING, L.P. (the "Partnership"). The General Partner and the Limited Partners are hereinafter individually referred to as "Partner" and collectively referred to as the "Partners."

WHEREAS, Penn National GSFR, Inc. is being admitted as a Partner as of the date hereof; and

WHEREAS, this Agreement replaces, amends and restates the Limited Partnership Agreement entered into as of January 1, 1999.

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein, and intending to be legally bound hereby, the Partners hereby agree as follows:

FORMATION, NAME, PLACE OF BUSINESS,
PURPOSES AND TERM OF PARTNERSHIP

Formation. The Partnership has been formed as a limited partnership pursuant to the relevant provisions of the Act in the State of New Jersey.

SECTION .3 Name and Office. The name of the Partnership shall continue to be "GS PARK RACING, L.P.", and its business shall continue to be conducted in such name. The principal office and place of business of the Partnership shall continue to be located at Route 70 & Haddonfield Road, Cherry Hill, New Jersey 08034, or at such other place as the General Partner may, from time to time, determine. The address of the registered office and the name and address of the registered agent for service of process shall continue to be Corporation Service Company, 830 Bear Tavern Road, West Trenton, New Jersey 08628.

Purposes, Business and Objectives.

The primary purpose of the Partnership is the ownership and operation of (a) Freehold Raceway, (b) Garden State Race Track, and (c) OTB Facilities. The Partnership shall possess and may exercise all the powers and privileges now or hereafter granted by the Act or by any other law, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business, purposes or activities of the Partnership, including, without limitation:

To enter into and perform contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Partnership;

To acquire, construct, operate, maintain, improve, manage, buy, own, sell, convey, assign, mortgage, refinance, rent or lease any property, real or personal, in fee or under lease, or any rights therein or appurtenant thereto, necessary or appropriate for the operation of the Partnership;

To borrow money from any source, including, but not limited to, any Partner or their affiliates, and to make, issue or execute any notes, drafts, loan agreements, guaranties or other evidences of indebtedness and to secure the same by mortgage, pledge, assignment or other lien in all or any part of the property of the Partnership;

To negotiate for and conclude an agreement or agreements for the sale, exchange or other disposition of all or any part of the Partnership's property;

To hire and compensate employees, agents, independent contractors, attorneys and accountants;

To carry on any other activities necessary to, in connection with, or incidental to the foregoing, and

To form and establish any subsidiaries, partnerships, or limited liability companies to be owned in whole or in part by the Partnership, and to conduct business through such subsidiaries, partnerships or limited liability companies.

The Partnership shall not engage in any other business without the prior consent of the General Partner.

CAPITAL

Capital of the Partnership. The capital of the Partnership is the aggregate amount of cash and the agreed fair market value of property contributed or deemed contributed by the Partners to the Partnership as set forth in Schedule "A" attached hereto and made a part hereof. The capital described on Schedule "A" represents the agreed upon fair market value of the Partners' interest in the capital of the Partnership as of the date hereof.

General Provisions.

Schedule AA@ shall be amended from time to time to reflect the withdrawal or admission of Partners, any changes in the Percentage Interest of any Partner arising from the transfer of any part of a Partnership Interest to or by such Partner and any changes in the amounts contributed or agreed to be contributed by any Partner. Notwithstanding the foregoing, no Partner shall be permitted to withdraw or be admitted unless such admission or withdrawal is in accordance with the terms of the Shareholders= Agreement.

A Capital Account shall be established for each Partner, and shall be increased by: (1) the amount of money contributed by the Partner to the Partnership; (2) the fair market value of property contributed by the Partner to the Partnership (net of liabilities that the Partnership is considered to assume or take subject to under Code Section 752); and (3) allocations to the Partner of Partnership Profits (or items thereof). The Capital Account for each Partner shall be decreased by: (1) the amount of money distributed to the Partner by the Partnership; (2) the fair market value of property distributed to the Partner by the Partnership (net of liabilities that such Partner is considered to assume or take subject to under Code Section 752); and (3) allocations to the Partner of Partnership Losses (or items thereof). In all events, the Capital Account of each Partner will be determined and maintained throughout the term of the Partnership in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv).

The General Partner, in its discretion, may elect to have the Capital Accounts of the Partners adjusted to reflect a revaluation of Partnership assets on the Partnership's books (the "Revaluation Adjustment") in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f).

Any Partner, including any additional or substitute Partner, who acquires any interest in the Partnership or whose Partnership Interest is increased by means of the transfer to him of all or part of the Partnership Interest of another Partner, shall have a Capital Account which has been appropriately established or adjusted to reflect such acquisition or transfer. Any Partner who shall acquire any Partnership Interest by means of the transfer to him of all or any part of the Partnership Interest of any other Partner shall, with respect to the Percentage Interest so transferred, be deemed to be a Partner of the same class as the transferor.

The Partnership may, at the discretion of the General Partner and as provided in the Shareholders= Agreement, borrow for Partnership purposes at any time and from any source. No Limited Partner shall be liable for any indebtedness of the Partnership or be required to contribute any capital or to lend any funds to the Partnership other than its Capital Contribution. If the allocation of Losses or distributions required or permitted under this Agreement result in the reduction of a Limited Partner's Capital Account, such reduction need not be restored. The General Partner shall have no personal liability for the repayment of the Capital Contribution of any Limited Partner.

No interest shall be paid on or with respect to the Capital Contribution or the Capital Account of any Partner.

No Partner shall have the right to withdraw or reduce its Capital Contribution.

RIGHTS, POWERS AND DUTIES OF PARTNERS

SECTION .1 Conduct of Partnership Business. The General Partner shall use its best efforts to carry out the purposes, business and objectives of the Partnership. Except as otherwise provided herein, all decisions with respect to the management of the Partnership's business shall be made by the General Partner as provided in the Shareholders= Agreement. The General Partner shall have general responsibility for all aspects of the Partnership's business and operations and which hereby is designated as the "tax matters partner" of the Partnership within the meaning of Code Section 6231(a)(7).

Powers of the General Partner. Except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the necessary powers to carry out the purposes, business and objectives of the Partnership, including, without limitation, the right to cause a Refinancing or Sale of Assets to occur without the approval of the other Partners, and, except as otherwise provided herein or by the laws of the State of New Jersey, shall possess and enjoy all of t powers of a partner of a partnership without limited partners. Except as limited by the terms of the Shareholders= he rights and Agreement, the General Partner shall have the right and power to execute and deliver, on the Partnership's behalf, evidences of indebtedness and documents granting security for the payment thereof (with or without warrant of attorney to confess judgment against the Partnership or its property). Without limiting the generality of the foregoing, except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the power and authority and is specifically authorized to grant a warrant of attorney to confess judgment against the Partnership. The General Partner shall not permit the funds of the Partnership to be commingled with those of any other entity.

Authority of the General Partner to Deal with Affiliates. Except as limited by the terms of the Shareholders= Agreement, the General Partner may, on behalf of the Partnership, perform, or agree, contract or arrange with any of its Affiliates for the performance of services for the Partnership with compensation to be paid for such services as if it or such Affiliate were an independent contractor, at such rates and terms that independent contractors would impose.

Duties and Obligations of the General Partner.

The General Partner shall take any and all actions which may be reasonably necessary or appropriate for the continuation of the Partnership's valid existence as a limited partnership under the laws of the State of New Jersey.

The General Partner shall prepare or cause to be prepared and shall file on or before the due date (or any extension thereof) any Federal, state or local tax returns required to be filed by the Partnership. The General Partner shall cause the Partnership to pay any taxes payable by the Partnership.

The General Partner shall, from time to time, submit to any appropriate state securities administrator or any other state agency such documents, papers, information and reports as are required to be filed with or submitted to such state securities administrator or any other state agency with respect to the Partnership.

The General Partner shall, from time to time, prepare and file all certificates (or amendments thereto) and other similar documents required by law to be filed and recorded with respect to the Partnership for any reason, in such office or offices as are required under the any applicable laws. The General Partner shall do any and all other acts and things (including making publications or periodic filings of this Agreement, any certificates or amendments thereto or other similar documents) which may now or hereafter be required or deemed by the General Partner to be necessary.

Limited Partners. Except as otherwise expressly provided elsewhere herein, the Limited Partners shall not participate in the management of the Partnership, have any control over the Partnership's business or assets or have any right or authority to act for or obligate the Partnership.

Other Interests of Partners. The Partners, as well as Affiliates of the Partners, may engage in any business or possess any interest in other businesses of every nature and description, independently or with others, including owning and operating pari-mutuel racetracks or participation in any other gaming business activity. Neither the Partnership nor the Partners shall have any rights in such independent ventures including, without limitation, any rights to the income or profits thereof by virtue of having become Partners in the Partnership. Each Partner conducts other related businesses outside of New Jersey, including competing businesses, and this Agreement shall not apply to any such other activities; nor shall it prevent the Partners from individually engaging in additional activities both within and outside of New Jersey, other than the ownership and operation of Freehold Raceway and Garden State Race Track and OTB Facilities (as defined herein), including without limitation, the ownership and operation of one or more additional racetracks, off-track betting or phone betting operations in New Jersey or elsewhere, other than OTB Facilities.

Title to Property and Partition. All property of the Partnership, whether tangible or intangible, real, personal or mixed, shall be owned by the Partnership as an entity and no Partner shall have any ownership interest in such property in its individual name or right, and each Partner=s Partnership Interest shall be personal property for all purposes. No Partner, nor any successor-in-interest to any Partner, shall have the right, while this Agreement remains in effect, to have the property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have any of the property of the Partnership partitioned, and each of the Partners, on behalf of itself and its successors, representatives and assigns, hereby irrevocably waives any such right.

ALLOCATIONS

SECTION .1 Profits and Losses. Any Profits or Losses shall be allocated among all of the Partners in accordance with, and in proportion to, their respective Percentage Interests.

Allocation Upon Admission. Upon the admission of the Partners to the Partnership, Profit and Loss during the month of admission shall be allocated using the "monthly convention" (i.e., Partners admitted in a month are treated as admitted on the first day of that month). If that method is determined to be invalid for tax purposes, the allocation of Profit and Loss in such month shall be made under any other permissible method which may be selected by the General Partner taking into account its judgment of the best interests of the Limited Partners as a class.

Tax Allocations: Code Section 704(c). Except as otherwise provided herein, allocations of Profits and Losses for tax purposes shall be made in the same manner as the allocations for book purposes described in Section 4.1 of this Agreement. However, in accordance with Code Section 704(c) and the Regulations thereunder, items of income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the basis of the property and its fair market value at the time the property was contributed to the Partnership.

Allocations to Reflect Capital Account Adjustments. Notwithstanding any other provision hereof, in the event of a Revaluation Adjustment to the Partners' Capital Accounts pursuant to Section 2.2(c) hereof, items of depreciation, income, gain, loss or deduction with respect to the assets held by the Partnership at the time of such Revaluation Adjustment shall be computed and allocated for tax purposes in a manner which takes into account the variation between the adjusted tax basis and the book value of such assets in a manner consistent with Section 704(c) of the Code and Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

DISTRIBUTIONS

Distributions. Except as provided in Section 7.3 regarding liquidating distributions, Net Cash Flow, as determined by the General Partner in accordance with the terms of the Shareholders= Agreement, shall be distributed to the Partners no less frequently than annually in accordance with their respective Percentage Interests.

Distribution of Proceeds from a Sale or Refinancing or Dissolution of the Partnership. In the event of a sale of a portion of Partnership property which does not cause the dissolution of the Partnership or a financing of Partnership property, the General Partner may, in its sole and absolute discretion, distribute all or a portion of the net cash proceeds therefrom to the Partners in accordance with the Partners= Percentage Interest.

Limitation Upon Distributions. No distribution shall be declared and paid unless, after the distribution is made, the assets of the Partnership (valued at fair market value) are in excess of all liabilities of the Partnership.

Reserves. The General Partners shall have the right to establish, maintain and expend reserves for working capital, future investments, debt service and such other purposes as they may deem necessary or advisable (?Reserves").

CERTAIN CHANGES OF GENERAL PARTNER

Withdrawal of General Partner. The General Partner may not voluntarily withdraw from the Partnership without the written consent or approval of the Limited Partners. The Limited Partners shall not have the right to remove the General Partner.

Changes of General Partner Generally. Any substitute general partner shall, immediately upon admission as a general partner, become the owner of the Partnership Interest of the general partner whose place it is taking.

TERMINATION, DISSOLUTION AND WINDING UP

No Termination. Except as otherwise provided herein or in the Shareholders= Agreement, the Partnership shall not be
terminated by the death, substitution, admission or withdrawal of any Partner.

Termination.

The Partnership shall be terminated and dissolved and its affairs wound up upon the first of the following to occur:

A Sale of Assets;

The withdrawal, dissolution or Bankruptcy of the General Partner, unless, within sixty (60) days of such event, Limited Partners owning sixty-seven percent (67%) of the Percentage Interests owned by all Partners elect a substitute general partner to continue the Partnership's business and such substitute general partner agrees in writing to accept such election; or

The determination of Limited Partners owning sixty-seven percent (67%) or more of the Percentage Interests owned by all Limited Partners, with or without the General Partner's consent, that the Partnership should be dissolved.

Notwithstanding anything herein to the contrary, upon a Sale of Assets at a gain, where all or any portion of the consideration payable to the Partnership is to be received by the Partnership more than ninety (90) days after the date on which such Sale of Assets occurs, the Partnership shall continue solely for purposes of collecting the deferred payments and making distributions to the Partners.

SECTION .2 Dissolution and Winding Up. Upon the Partnership's termination, the following steps shall be taken in the following order of priority:

The Capital Account of each Partner shall be determined. Profit or Loss to the date of termination, including realized gain or loss (whether or not recognized for tax purposes) from a sale or other disposition, the taking by eminent domain or the damage and destruction of all or substantially all of the Partnership's assets, shall be allocated as set forth in Article IV above and credited or charged to the Partners' Capital Accounts.

The Partnership shall be dissolved and its affairs shall be wound up. All debts and obligations of the Partnership shall be paid, discharged or provided for by setting up appropriate Reserves.

The assets of the Partnership not required to pay, discharge or provide for the Partnership's debts and obligations shall be distributed among all Partners having positive Capital Accounts in the same proportion as the positive Capital Account of each such Partner bears to the sum of all such Partners' positive Capital Accounts.

PARTNERSHIP INTERESTS OF LIMITED PARTNERS

Additional Limited Partners. No Person shall be admitted to the Partnership as a Limited Partner except upon a sale, transfer, assignment, pledge, mortgage, hypothecation or grant of a security interest or other disposition by a Limited Partner of all or a portion of his Partnership Interest (each a "Disposition") in accordance with this Article VIII or in accordance with the terms of the Shareholders= Agreement, as herein defined.

Assignment.

Except as provided in the Shareholders= Agreement, no Partnership Interest of a Limited Partner or any portion thereof, or any Percentage Interest of a Limited Partner in the Partnership, may be sold, assigned, transferred, pledged, mortgaged, hypothecated, made subject to a security interest or otherwise disposed of to any Person without the prior written consent of the General Partner, which consent may be withheld in its sole discretion. The Partners hereby acknowledge and agree that, notwithstanding any general fiduciary duty that the General Partner may have as general partner or otherwise, the General Partner, in its sole discretion, may withhold consent to such sale, assignment, transfer, pledge, mortgage, hypothecation, grant of a security interest or other disposition without any liability or accountability to any Person. Any actual or attempted sale, assignment, transfer, pledge, mortgage, hypothecation, grant of a security interest or other disposition by any Limited Partner in violation of this Section 8.2(a) shall be null and void and of no force or effect whatsoever. Each Limited Partner hereby acknowledges the reasonableness of the restrictions imposed by this Section 8.2(a) in view of the Partnership purposes and the relationship of the Partners. Accordingly, the restrictions in this Section 8.2(a) shall be specifically enforceable.

Neither the Partnership nor any Partner shall be bound by: (i) any attempted disposition or pledge, mortgage, hypothecation or grant of security interest which has not been approved by the General Partner as required hereby; or (ii) a disposition, pledge, mortgage, hypothecation or creation of a security interest which has been consented to in writing by the General Partner until a counterpart of the instrument accomplishing the same, executed and acknowledged by the parties thereto, is delivered to the General Partner and the terms of Section 8.3 hereof have been satisfied with respect to dispositions which result in the admission of new Limited Partners.

Substitution and Addition of Limited Partners.

No Person shall have the right to be admitted to the Partnership as a Limited Partner unless all of the following conditions are satisfied:

A fully executed and acknowledged written instrument effectuating a Disposition has been filed with the General Partner setting forth the intention of the Limited Partner making the Disposition ("Transferor"), that his buyer, transferee or assignee (each a "Transferee") become a Limited Partner;

The Transferor and Transferee execute and acknowledge such other instruments as the General Partner may deem necessary or desirable to effect such admission, including the written acceptance and adoption by the Transferee of the provisions of this Agreement to which the Transferor is a party, and the assumption by the Transferee of all obligations of the Transferor under this Agreement;

The Transferee has paid all reasonable expenses incurred by the Partnership (including its legal fees) in connection with its admission to the Partnership, including but not limited to the cost of the preparation, filing and publishing of any amendment to the Certificate and any amendments of filings under fictitious name registration statutes or registration statutes lawfully required to qualify the Partnership to do business in foreign jurisdictions; and

The General Partner has consented in writing to the Transferee's admission to the Partnership as a Limited Partner pursuant to Section 8.2 above or per the Limited Partnership Interests in accordance with section 2.2 of the Shareholders' Agreement.

Once the above conditions have been satisfied, the Transferee shall become a Limited Partner on the first day of the next following calendar month. Upon admission of a Limited Partner pursuant to the provisions of this Article, the Partnership shall make all further distributions on account of the Partnership Interests or Percentage Interests in the Partnership so assigned or issued to such a Limited Partner for such time as the Partnership Interests or Percentage Interests are designated on its books in accordance with the above provisions. Any Transferee so admitted to the Partnership as a Limited Partner shall be subject to all provisions of this Agreement to which his Transferor was a party as if originally a party hereto and thereto.

FISCAL MATTERS

Books and Records. The General Partner shall maintain full and accurate books of the Partnership at the Partnership's principal place of business, showing all receipts and expenditures, assets and liabilities, profits and losses, and all other records necessary for recording the Partnership's business and affairs, including those sufficient to record the allocations and distributions. The books of the Partnership shall be kept on an accrual method of accounting. During regular business hours and upon reasonable notice, each Partner and his duly authorized representatives shall have access to and may inspect and copy any of such books and records.

Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

Reports.

Within ninety (90) days after the end of each fiscal year of the Partnership, the General Partner shall furnish each Limited Partner with such information as is necessary for the preparation of such Partner's income tax returns.

Within one hundred twenty (120) days after the end of each fiscal year of the Partnership, the General Partner shall furnish each Limited Partner with an unaudited statement showing the income and expenses of the Partnership for such fiscal year and the balance sheet of the Partnership as of the end of such year, prepared by an independent certified public accountant selected by the General Partner.

Bank Accounts. All funds of the Partnership shall be deposited in its name in such checking and savings accounts or time deposits or certificates of deposit as shall be designated by the General Partner from time to time. Withdrawals therefrom shall be made upon such signature(s) as the General Partner may designate.

Accounting Decision. All decisions with respect to accounting matters shall be made by the General Partner. The Partners agree that, for financial and accounting purposes, the Partnership may elect to treat certain items differently from the manner in which such items are treated for tax purposes. For tax purposes, Capital Accounts shall be determined in accordance with tax accounting principles in the same manner as the Partnership prepares its Federal income tax return.

Income Tax Elections. Except as specifically provided to the contrary herein, all decisions as to income tax matters shall be made by the General Partner.

The General Partner shall elect to claim the maximum deduction allowed with respect to each item of cost recovery property of the Partnership.

The General Partner may, at any time, make or petition to revoke (as the case may be) the election referred to in Code Section 754 or the

corresponding provision of any subsequent revenue act. Each Partner agrees in the event of such an election to supply the Partnership with the information necessary to give effect thereto.

Meetings. The General Partner shall not be required to call any annual meetings of the Limited Partners. However, upon the request of Limited Partners owning at least twenty-five percent (25%) of the Percentage Interests, the General Partner shall promptly call an informational meeting of the Partners.

Documents. The General Partner shall not have an obligation to deliver copies of any filed Partnership certificates or amendments thereof to any Limited Partner unless otherwise specifically requested by such Limited Partner.

COMPENSATION FOR SERVICES

Compensation of the General Partner. Except as otherwise provided herein, the General Partner (in its capacity as General Partner) shall receive no compensation for its services to the Partnership. The General Partner shall be entitled to be reimbursed for reasonable out-of-pocket expenses incurred in connection with the business of the Partnership upon presentation of receipts or other satisfactory evidence in support thereof.

GENERAL PROVISIONS

Notices. Except as otherwise provided in this Agreement, all notices, consents, waivers, directions, requests, or other instruments or communications provided for under this Agreement shall be in writing, signed by the party giving the same and shall be deemed properly given only if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed: (a) in the case of the Partnership or the General Partner, as the case may be, to the Partnership at its principal place of business set forth in Schedule AA@, and (b) in the case of any Limited Partner, to such Limited Partner at its address set forth in Schedule "A". Each Partner may, by notice to the Partnership, specify any other address for the receipt of such instruments or communications. Any notice so given shall be effective on the date on which it is mailed. In any case where the consent of a Limited Partner shall be required, such consent shall be deemed to have been given upon the failure of such Limited Partner to send notice withholding his consent within thirty (30) days following the effective time of notice requesting such consent. A copy of all notices and other communications given hereunder by any Limited Partner shall be sent to the General Partner.

Indemnification and Limitation on Liability of the General Partner and its Affiliates. The Partnership shall indemnify, defend and hold harmless the General Partner and its officers, directors, employees and agents against any claim, demand or liability (including without limitation, court costs and attorneys' fees) incurred by it in connection with the business of the Partnership, provided that the acts or omissions from which the claim, demand or liability arises were performed or committed in the good faith belief that the General Partner, through its officers, directors, employees or agents, was acting within the scope of its authority and that it was not grossly negligent or guilty of intentional misconduct. Neither the Partnership nor

any Limited Partner shall have any claim against the General Partner or its officers, directors, employees or agents by reason of any act or omission of the General Partner, or its officers, directors, employees or agents or by reason of any disallowance by any taxing authority of any deduction or credit taken on any Partnership tax return, provided that such act or omission of the General Partner, through its officers, directors, employees or agents, was performed in the good faith belief that it was acting within the scope of its authority, and that it was not grossly negligent or guilty of intentional misconduct. The General Partner may obtain, at the Partnership's expense, liability insurance for the Partnership and the General Partner (and its officers, directors, employees and agents), insuring against any of their acts, whether or not such acts would be covered by the foregoing indemnification. The General Partner shall not be liable for omitting to do any act which the General Partner is not specifically required to do under this Agreement, and shall have no obligation or liabilities, express or implied, to the Partnership or the other Partners, except as specifically set forth in this Agreement.

Power of Attorney. Each Limited Partner irrevocably constitutes and appoints the General Partner his true and lawful agent and attorney-in-fact, in his name, place and stead, to make, execute, acknowledge and file:

this Agreement as required by the relevant provisions of the Act and all amendments to this Agreement as required by the Act, including amendments required for the admission or substitution of a Partner;

any cancellation of this Agreement as required by the relevant provisions of the Act upon the termination of the
Partnership;

any instruments or papers required to continue the business of the Partnership;

all such other instruments, documents and certificates which may from time to time be required by the laws of the State of New Jersey, the United States of America or any other jurisdiction in which the Partnership shall determine to do business (or any political subdivision or agency thereof) to effectuate, implement, continue and defend the valid and subsisting existence of the Partnership;

any and all amendments to Schedule "A" of this Agreement necessary to admit or substitute a Limited Partner in accordance with Article VIII above or to reflect a return of all or part of a Partner's Capital Contribution; and

any business certificate, fictitious name certificate, certificate of limited partnership, amendment thereto or other instrument or document of any kind necessary to accomplish the business, purposes and objectives of the Partnership in accordance with this Agreement.

It is expressly intended by the Limited Partners that the foregoing power of attorney is coupled with an interest and that the power of attorney shall survive any transfer or assignment by any Limited Partner of all or any part of his Partnership Interest.

Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which
taken together shall constitute one and the same instrument.

Amendment of Partnership Agreement.

This Agreement may be amended with the consent of the General Partner and with the consent of the Limited Partners owning at least sixty-seven percent (67%) of the Partnership Interests owned by all Limited Partners (other than Partnership Interest owned by the General Partner and/or any of its Affiliates, if any of them also is a Limited Partner), provided, however, that no amendment which has not been consented to by all the Limited Partners shall:

commit any Limited Partner to make additional contributions to the capital of the Partnership in addition to the Capital Contributions required herein;

subject any Limited Partner to personal liability; or

alter the rights of the Limited Partners with respect to the allocations and distributions set forth in this Agreement.

In addition, amendments may be made to this Agreement from time to time by the General Partner, without the consent of any of the Limited Partners: (1) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to add any other provisions with respect to matters or questions arising under this Agreement which will not be inconsistent with the existing provisions of this Agreement; (2) to add to the representations, duties or obligations of the General Partner or surrender any right or power granted to the General Partner herein; or (3) to delete from or add to any provision hereof required to be so deleted or added by a state "Blue Sky" commission, which addition or deletion is deemed by such commission to be for the benefit or protection of the Limited Partners; provided, however, that no amendment shall be adopted pursuant to this Section unless the adoption thereof: (i) is for the benefit of or not adverse to the interests of the Limited Partners; (ii) does not affect the distributions and allocations among the Limited Partners or between the Limited Partners as a class and the General Partner; and (iii) does not affect the limited liability of the Limited Partners or the status of the Partnership as a partnership for Federal income tax purposes.

Limitation of Responsibility and Liability. No Partner, or any of its Affiliates, shareholders, directors, officers, employees, or agents, will be liable or responsible for the debts or obligations of any of the other Partners or the Partnership.

Singular and Plural/Gender. Wherever from the context of this Agreement it appears appropriate, each term stated in either the singular or the plural shall include the singular or the plural, and pronouns stated in either the masculine, feminine or neuter gender shall include the masculine, feminine and neuter.

Severability. Invalidation or a holding of unenforceability of any provision of this Agreement shall in no way affect any other provision hereof, which other provisions shall remain in full force and effect.

Integration. This Agreement embodies the entire agreement and understanding among the Partners relating to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

Applicable Law. This Agreement and the rights of the Partners shall be governed by and construed and enforced in accordance with the laws of the State of New Jersey.

Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Partners and their respective heirs, personal representatives, successors and permitted assigns.

Headings. The descriptive headings of the Articles and Sections hereof are inserted for convenience only and shall not affect the interpretation or meaning thereof.

DEFINED TERMS

Defined Terms. In addition to the terms defined elsewhere in this Agreement, the following terms used in this Agreement shall have the meanings specified below:

AAct@ means the Revised Uniform Limited Partnership Act as adopted in the State of New Jersey, as amended from time to time.

"Affiliate" means (a) any Person directly or indirectly controlling, controlled by or under common control with another Person, (b) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such other Person, (c) any officer, director, partner or trustee of such Person, and (d) if such other Person is an officer, director, partner or trustee of a Person, the Person for which such Person acts in any such capacity.

"Bankruptcy" means, with respect to any Person, such Person making an assignment for the benefit of creditors, becoming a party or subject to any liquidation or dissolution action or proceeding with respect to such Person, the institution of any bankruptcy, reorganization, insolvency or other proceeding for the relief of financially distressed debtors with respect to such Person, or a receiver, liquidator, custodian or trustee being appointed for such Person or a substantial part of such Person=s assets and, if any of the same occur involuntarily, the same is not dismissed, stayed or discharged within sixty (60) days; or the entry of an order for relief against such Person under Title II of the United States Code entitled "Bankruptcy"; or such Person taking any action to effect, or which indicates its or his acquiescence in, any of the foregoing.

"Capital Account" means the amount of a Partner's Capital Contribution adjusted for profits, losses and distributions as provided for in Section 2.2 hereof.

"Capital Contribution" means the cash and the agreed fair market value of property contributed or deemed contributed by a Partner to the Partnership.

"Code" means the Internal Revenue Code of 1986, as amended, and the corresponding provisions of any future Internal Revenue law.

"Finance" or "Refinancing" means entering into any loan or modifying the terms of any loan including, without limitation, any which is secured by a mortgage, deed of trust or other similar lien on the property of the Partnership.

AFreehold Raceway@ means that certain real property and improvements located in Monmouth County, New Jersey known as Freehold Raceway.

AGarden State Race Track@ means that certain real property and improvements located in Camden County, New Jersey known as Garden State Race Track.

ANet Cash Flow@ means, for any period, the excess, if any, of (a) the sum of (1) the gross receipts of the Partnership (as determined in accordance with the cash receipts and disbursements method of accounting) during such period, but without regard to any amounts received by the Partnership as a result of a Sale of Assets and any amounts released during such period by the General Partner from any Reserves maintained by the Partnership, over (b) the sum of (1) all expenditures of the Partnership (as determined under the aforesaid method of accounting) during such period, (2) all amounts applied during such period in payment of interest or principal on any borrowing of the Partnership, and (3) any amount added during such period by the General Partner to Reserves for working capital, contingencies, replacements, expansions, acquisitions, or other expenditures of the Partnership. Net Cash Flow and releases or additions to the Reserves shall be made or determined by the General Partner in its sole discretion.

AOTB Facilities@ means the off-track betting facilities and phone betting operations to be operated in New Jersey to the extent such off-track betting facilities and phone betting operations are permitted by New Jersey legislation to be conducted as a result of the holding of licenses to conduct racing at Freehold Raceway and Garden State Race Track.

"Partnership Interest" means, in the case of any Partner, such Partner's Capital Account, interest in the Profits and Losses and distributions of the Partnership, voting rights and all other rights which a party to this Agreement acquires hereby or by operation of law.

"Percentage Interest" means the percentage interest of each Partner as set forth on Schedule "A", as amended from time to time.

"Person" means any natural person, partnership, corporation, trust, limited liability company, association or other legal entity.

AProfits@ and ALosses@ means, for any period, the amounts equal to the corresponding items of income, gain, deductions, credits and losses in the aggregate or separately stated, as appropriate, for such period, all determined in accordance with generally accepted accounting principles consistently applied.

AReserves@ shall have the meaning set forth in Section 5.4 of this Agreement.

"Sale of Assets" means the sale or other disposition of all or substantially all of the Partnership's assets. For purposes of this definition, the phrase "other disposition" includes a taking of all or substantially all of a property by eminent domain or the damage or destruction of all or substantially all of such property.

AShareholders= Agreement@ means that Shareholders= Agreement made and entered as of the _____ day of July, 1999, by, between, and among Greenwood Racing, Inc., Pennwood Racing, Inc., Greenwood Limited Partner, Inc., Benstone Partners, Penn National Holding Company, Penn National GSFR, Inc., and Pennsylvania National Turf Club, Inc., as same may be amended from time to time.

ATreasury Regulation@ means the regulations promulgated by the Internal Revenue Service, in accordance with the Internal Revenue Code of 1986, as amended, and the corresponding provisions of any future Internal Revenue law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

ATTEST: GENERAL PARTNER:

PENNWOOD RACING, INC.

/s/Francis E. McDonnell By:/s/Harold G. Handel_____
Francis E. McDonnell, Secretary Harold G. Handel, President

LIMITED PARTNER(S):

GREENWOOD LIMITED PARTNER, INC.

/s/Francis E. McDonnell By: /s/Harold G. Handel
Francis E. McDonnell, Secretary Harold G. Handel, President

PENN NATIONAL GSFR, INC.

/s/John Limongelli By: _/s/Robert S. Ippolito_
Name: John Limongelli Name: Robert S. Ippolito
Title: Secretary/Treasurer

SCHEDULE "A"
TO
LIMITED PARTNERSHIP AGREEMENT
OF
GS PARK RACING, L.P.

	Capital Contribution	Percentage Interest
GENERAL PARTNER:		
Pennwood Racing, Inc. c/o Greenwood Racing, Inc. 3001 Street Road P.O. Box 1000 Bensalem, PA 19020-8512 Attention: Harold G. Handel	$1.00	.1%
LIMITED PARTNER(S):		
Greenwood Limited Partner, Inc. c/o Greenwood Racing, Inc. 3001 Street Road P.O. Box 1000 Bensalem, PA 19020-8512 Attention: Harold G. Handel	$499.50	49.95%
Penn National GSFR, Inc. 825 Berkshire Blvd. Suite 200 Wyomissing, PA 19610 Attention: Joseph A. Lashinger, Jr.	$499.50	49.95%

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT
OF
GS PARK SERVICES, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF GS PARK SERVICES, L.P. ("Agreement") is made as of July _29, 1999 by, between and among PENNWOOD RACING, INC., a Delaware corporation whose address appears on Schedule "A" attached hereto, as the general partner (the "General Partner"), and the undersigned limited partners whose names and addresses appear on Schedule "A" attached hereto as the limited partners (collectively referred to hereinafter as the "Limited Partners"). This Agreement shall constitute the Limited Partnership Agreement of GS PARK SERVICES, L.P. (the "Partnership"). The General Partner and the Limited Partners are hereinafter individually referred to as "Partner" and collectively referred to as the "Partners."

WHEREAS, Pennsylvania National Turf Club, Inc. is being admitted as a Partner as of the date hereof; and

WHEREAS, this Agreement replaces, amends and restates the Limited Partnership Agreement entered into as of January 1, 1999.

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein, and intending to be legally bound hereby, the Partners hereby agree as follows:

FORMATION, NAME, PLACE OF BUSINESS,
PURPOSES AND TERM OF PARTNERSHIP

Formation. The Partnership has been formed as a limited partnership pursuant to the relevant provisions of the Act in the State of New Jersey.

SECTION .3 Name and Office. The name of the Partnership shall continue to be "GS PARK SERVICES, L.P.", and its business shall continue to be conducted in such name. The principal office and place of business of the Partnership shall continue to be located at Route 70 & Haddonfield Road, Cherry Hill, New Jersey 08034, or at such other place as the General Partner may, from time to time, determine. The address of the registered office and the name and address of the registered agent for service of process shall continue to be Corporation Service Company, 830 Bear Tavern Road, West Trenton, New Jersey 08628.

Purposes, Business and Objectives.

The primary purpose of the Partnership is to provide employment and personnel services in connection with the ownership and operation of Garden State Race Track. The Partnership shall possess and may exercise all the powers and privileges now or hereafter granted by the Act or by any other law, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business, purposes or activities of the Partnership, including, without limitation:

To enter into and perform contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Partnership;

To acquire, construct, operate, maintain, improve, manage, buy, own, sell, convey, assign, mortgage, refinance, rent or lease any property, real or personal, in fee or under lease, or any rights therein or appurtenant thereto, necessary or appropriate for the operation of the Partnership;

To borrow money from any source, including, but not limited to, any Partner or their affiliates, and to make, issue or execute any notes, drafts, loan agreements, guaranties or other evidences of indebtedness and to secure the same by mortgage, pledge, assignment or other lien in all or any part of the property of the Partnership;

To negotiate for and conclude an agreement or agreements for the sale, exchange or other disposition of all or any part of the Partnership's property;

To hire and compensate employees, agents, independent contractors, attorneys and accountants;

To carry on any other activities necessary to, in connection with, or incidental to the foregoing, and

To form and establish any subsidiaries, partnerships, or limited liability companies to be owned in whole or in part by the Partnership, and to conduct business through such subsidiaries, partnerships or limited liability companies.

The Partnership shall not engage in any other business without the prior consent of the General Partner.

CAPITAL

Capital of the Partnership. The capital of the Partnership is the aggregate amount of cash and the agreed fair market value of property contributed or deemed contributed by the Partners to the Partnership as set forth in Schedule "A" attached hereto and made a part hereof. The capital described on Schedule "A" represents the agreed upon fair market value of the Partners' interest in the capital of the Partnership as of the date hereof.

General Provisions.

Schedule AA@ shall be amended from time to time to reflect the withdrawal or admission of Partners, any changes in the Percentage Interest of any Partner arising from the transfer of any part of a Partnership Interest to or by such Partner and any changes in the amounts contributed or agreed to be contributed by any Partner. Notwithstanding the foregoing, no Partner shall be permitted to withdraw or be admitted unless such admission or withdrawal is in accordance with the terms of the Shareholders= Agreement.

A Capital Account shall be established for each Partner, and shall be increased by: (1) the amount of money contributed by the Partner to the Partnership; (2) the fair market value of property contributed by the Partner to the Partnership (net of liabilities that the Partnership is considered to assume or take subject to under Code Section 752); and (3) allocations to the Partner of Partnership Profits (or items thereof). The Capital Account for each Partner shall be decreased by: (1) the amount of money distributed to the Partner by the Partnership; (2) the fair market

value of property distributed to the Partner by the Partnership (net of liabilities that such Partner is considered to assume or take subject to under Code Section 752); and (3) allocations to the Partner of Partnership Losses (or items thereof). In all events, the Capital Account of each Partner will be determined and maintained throughout the term of the Partnership in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv).

The General Partner, in its discretion, may elect to have the Capital Accounts of the Partners adjusted to reflect a revaluation of Partnership assets on the Partnership's books (the "Revaluation Adjustment") in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f).

Any Partner, including any additional or substitute Partner, who acquires any interest in the Partnership or whose Partnership Interest is increased by means of the transfer to him of all or part of the Partnership Interest of another Partner, shall have a Capital Account which has been appropriately established or adjusted to reflect such acquisition or transfer. Any Partner who shall acquire any Partnership Interest by means of the transfer to him of all or any part of the Partnership Interest of any other Partner shall, with respect to the Percentage Interest so transferred, be deemed to be a Partner of the same class as the transferor.

The Partnership may, at the discretion of the General Partner and as provided in the Shareholders= Agreement, borrow for Partnership purposes at any time and from any source. No Limited Partner shall be liable for any indebtedness of the Partnership or be required to contribute any capital or to lend any funds to the Partnership other than its Capital Contribution. If the allocation of Losses or distributions required or permitted under this Agreement result in the reduction of a Limited Partner's Capital Account, such reduction need not be restored. The General Partner shall have no personal liability for the repayment of the Capital Contribution of any Limited Partner.

No interest shall be paid on or with respect to the Capital Contribution or the Capital Account of any Partner.

No Partner shall have the right to withdraw or reduce its Capital Contribution.

RIGHTS, POWERS AND DUTIES OF PARTNERS

SECTION .1 Conduct of Partnership Business. The General Partner shall use its best efforts to carry out the purposes, business and objectives of the Partnership. Except as otherwise provided herein, all decisions with respect to the management of the Partnership's business shall be made by the General Partner as provided in the Shareholders= Agreement. The General Partner shall have general responsibility for all aspects of the Partnership's business and operations and which hereby is designated as the "tax matters partner" of the Partnership within the meaning of Code Section 6231(a)(7).

Powers of the General Partner. Except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the necessary powers to carry out the purposes, business and objectives of the Partnership, including, without limitation, the right to cause a Refinancing or Sale of Assets to occur without the approval of the other Partners, and, except as otherwise provided herein or by the laws of the State of New Jersey, shall possess and enjoy all of the rights and powers of a partner of a partnership without limited partners. Except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the right and power to execute and deliver, on the Partnership's behalf, evidences of indebtedness and documents granting security for the payment thereof (with or without warrant of attorney to confess judgment against the Partnership or its property). Without limiting the generality of the foregoing, except as limited by the terms of the Shareholders= Agreement, the General Partner shall have the power and authority and is specifically authorized to grant a warrant of attorney to confess judgment against the Partnership. The General Partner shall not permit the funds of the Partnership to be commingled with those of any other entity.

Authority of the General Partner to Deal with Affiliates. Except as limited by the terms of the Shareholders= Agreement, the General Partner may, on behalf of the Partnership, perform, or agree, contract or arrange with any of its Affiliates for the performance of services for the Partnership with compensation to be paid for such services as if it or such Affiliate were an independent contractor, at such rates and terms that independent contractors would impose.

Duties and Obligations of the General Partner.

The General Partner shall take any and all actions which may be reasonably necessary or appropriate for the continuation of the Partnership's valid existence as a limited partnership under the laws of the State of New Jersey.

The General Partner shall prepare or cause to be prepared and shall file on or before the due date (or any extension thereof) any Federal, state or local tax returns required to be filed by the Partnership. The General Partner shall cause the Partnership to pay any taxes payable by the Partnership.

The General Partner shall, from time to time, submit to any appropriate state securities administrator or any other state agency such documents, papers, information and reports as are required to be filed with or submitted to such state securities administrator or any other state agency with respect to the Partnership.

The General Partner shall, from time to time, prepare and file all certificates (or amendments thereto) and other similar documents required by law to be filed and recorded with respect to the Partnership for any reason, in such office or offices as are required under the any applicable laws. The General Partner shall do any and all other acts and things (including making publications or periodic filings of this Agreement, any certificates or amendments thereto or other similar documents) which may now or hereafter be required or deemed by the General Partner to be necessary.

Limited Partners. Except as otherwise expressly provided elsewhere herein, the Limited Partners shall not participate in the management of the Partnership, have any control over the Partnership's business or assets or have any right or authority to act for or obligate the Partnership.

Other Interests of Partners. The Partners, as well as Affiliates of the Partners, may engage in any business or possess any interest in other businesses of every nature and description, independently or with others, including owning and operating pari-mutuel racetracks or participation in any other gaming business activity. Neither the Partnership nor the Partners shall have any rights in such independent ventures including, without limitation, any rights to the income or profits thereof by virtue of having become Partners in the Partnership. Each Partner conducts other related businesses outside of New Jersey, including competing businesses, and this Agreement shall not apply to any such other activities; nor shall it prevent the Partners from individually engaging in additional activities both within and outside of New Jersey, other than the ownership and operation of Freehold Raceway and Garden State Race Track and OTB Facilities (as defined herein), including without limitation, the ownership and operation of one or more additional racetracks, off-track betting or phone betting operations in New Jersey or elsewhere, other than OTB Facilities.

Title to Property and Partition. All property of the Partnership, whether tangible or intangible, real, personal or mixed, shall be owned by the Partnership as an entity and no Partner shall have any ownership interest in such property in its individual name or right, and each Partner=s Partnership Interest shall be personal property for all purposes. No Partner, nor any successor-in-interest to any Partner, shall have the right, while this Agreement remains in effect, to have the property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have any of the property of the Partnership partitioned, and each of the Partners, on behalf of itself and its successors, representatives and assigns, hereby irrevocably waives any such right.

ALLOCATIONS

SECTION .1 Profits and Losses. Any Profits or Losses shall be allocated among all of the Partners in accordance with, and in proportion to, their respective Percentage Interests.

Allocation Upon Admission. Upon the admission of the Partners to the Partnership, Profit and Loss during the month of admission shall be allocated using the "monthly convention" (i.e., Partners admitted in a month are treated as admitted on the first day of that month). If that method is determined to be invalid for tax purposes, the allocation of Profit and Loss in such month shall be made under any other permissible method which may be selected by the General Partner taking into account its judgment of the best interests of the Limited Partners as a class.

Tax Allocations: Code Section 704(c). Except as otherwise provided herein, allocations of Profits and Losses for tax purposes shall be made in the same manner as the allocations for book purposes described in Section 4.1 of this Agreement. However, in accordance with Code Section 704(c) and the Regulations thereunder, items of income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the basis of the property and its fair market value at the time the property was contributed to the Partnership.

Allocations to Reflect Capital Account Adjustments. Notwithstanding any other provision hereof, in the event of a Revaluation Adjustment to the Partners' Capital Accounts pursuant to Section 2.2(c) hereof, items of depreciation, income, gain, loss or deduction with respect to the assets held by the Partnership at the time of such Revaluation Adjustment shall be computed and allocated for tax purposes in a manner which takes into account the variation between the adjusted tax basis and the book value of such assets in a manner consistent with Section 704(c) of the Code and Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

DISTRIBUTIONS

Distributions. Except as provided in Section 7.3 regarding liquidating distributions, Net Cash Flow, as determined by the General Partner in accordance with the terms of the Shareholders= Agreement, shall be distributed to the Partners no less frequently than annually in accordance with their respective Percentage Interests.

Distribution of Proceeds from a Sale or Refinancing or Dissolution of the Partnership. In the event of a sale of a portion of Partnership property which does not cause the dissolution of the Partnership or a financing of Partnership property, the General Partner may, in its sole and absolute discretion, distribute all or a portion of the net cash proceeds therefrom to the Partners in accordance with the Partners= Percentage Interest.

Limitation Upon Distributions. No distribution shall be declared and paid unless, after the distribution is made, the assets of the Partnership (valued at fair market value) are in excess of all liabilities of the Partnership.

Reserves. The General Partners shall have the right to establish, maintain and expend reserves for working capital, future investments, debt service and such other purposes as they may deem necessary or advisable (?Reserves").

CERTAIN CHANGES OF GENERAL PARTNER

Withdrawal of General Partner. The General Partner may not voluntarily withdraw from the Partnership without the written consent or approval of the Limited Partners. The Limited Partners shall not have the right to remove the General Partner.

Changes of General Partner Generally. Any substitute general partner shall, immediately upon admission as a general partner, become the owner of the Partnership Interest of the general partner whose place it is taking.

TERMINATION, DISSOLUTION AND WINDING UP

No Termination. Except as otherwise provided herein or in the Shareholders= Agreement, the Partnership shall not be terminated by the death, substitution, admission or withdrawal of any Partner.

Termination.

The Partnership shall be terminated and dissolved and its affairs wound up upon the first of the following to occur:

A Sale of Assets;

The withdrawal, dissolution or Bankruptcy of the General Partner, unless, within sixty (60) days of such event, Limited Partners owning sixty-seven percent (67%) of the Percentage Interests owned by all Partners elect a substitute general partner to continue the Partnership's business and such substitute general partner agrees in writing to accept such election; or

The determination of Limited Partners owning sixty-seven percent (67%) or more of the Percentage Interests owned by all Limited Partners, with or without the General Partner's consent, that the Partnership should be dissolved.

Notwithstanding anything herein to the contrary, upon a Sale of Assets at a gain, where all or any portion of the consideration payable to the Partnership is to be received by the Partnership more than ninety (90) days after the date on which such Sale of Assets occurs, the Partnership shall continue solely for purposes of collecting the deferred payments and making distributions to the Partners.

SECTION .2 Dissolution and Winding Up. Upon the Partnership's termination, the following steps shall be taken in the following order of priority:

The Capital Account of each Partner shall be determined. Profit or Loss to the date of termination, including realized gain or loss (whether or not recognized for tax purposes) from a sale or other disposition, the taking by eminent domain or the damage and destruction of all or substantially all of the Partnership's assets, shall be allocated as set forth in Article IV above and credited or charged to the Partners' Capital Accounts.

The Partnership shall be dissolved and its affairs shall be wound up. All debts and obligations of the Partnership shall be paid, discharged or provided for by setting up appropriate Reserves.

The assets of the Partnership not required to pay, discharge or provide for the Partnership's debts and obligations shall be distributed among all Partners having positive Capital Accounts in the same proportion as the positive Capital Account of each such Partner bears to the sum of all such Partners' positive Capital Accounts.

PARTNERSHIP INTERESTS OF LIMITED PARTNERS

Additional Limited Partners. No Person shall be admitted to the Partnership as a Limited Partner except upon a sale, transfer, assignment, pledge, mortgage, hypothecation or grant of a security interest or other disposition by a Limited Partner of all or a portion of his Partnership Interest (each a "Disposition") in accordance with this Article VIII or in accordance with the terms of the Shareholders= Agreement, as herein defined.

Assignment.

Except as provided in the Shareholders= Agreement, no Partnership Interest of a Limited Partner or any portion thereof, or any Percentage Interest of a Limited Partner in the Partnership, may be sold, assigned, transferred, pledged, mortgaged, hypothecated, made subject to a security interest or otherwise disposed of to any Person without the prior written consent of the General Partner, which consent may be withheld in its sole discretion. The Partners hereby acknowledge and agree that, notwithstanding any general fiduciary duty that the General Partner may have as general partner or otherwise, the General Partner, in its sole discretion, may withhold consent to such sale, assignment, transfer, pledge, mortgage, hypothecation, grant of a security interest or other disposition without any liability or accountability to any Person. Any actual or attempted sale, assignment, transfer, pledge, mortgage, hypothecation, grant of a security interest or other disposition by any Limited Partner in violation of this Section 8.2(a) shall be null and void and of no force or effect whatsoever. Each Limited Partner hereby acknowledges the reasonableness of the restrictions imposed by this Section 8.2(a) in view of the Partnership purposes and the relationship of the Partners. Accordingly, the restrictions in this Section 8.2(a) shall be specifically enforceable. Neither the Partnership nor any Partner shall be bound by: (i) any attempted disposition or pledge, mortgage, hypothecation or grant of security interest which has not been approved by the General Partner as required hereby; or (ii) a disposition, pledge, mortgage, hypothecation or creation of a security interest which has been consented to in writing by the General Partner until a counterpart of the instrument accomplishing the same, executed and acknowledged by the parties thereto, is delivered to the General Partner and the terms of Section 8.3 hereof have been satisfied with respect to dispositions which result in the admission of new Limited Partners.

Substitution and Addition of Limited Partners.

No Person shall have the right to be admitted to the Partnership as a Limited Partner unless all of the following conditions are satisfied:

A fully executed and acknowledged written instrument effectuating a Disposition has been filed with the General Partner setting forth the intention of the Limited Partner making the Disposition ("Transferor"), that his buyer, transferee or assignee (each a "Transferee") become a Limited Partner;

The Transferor and Transferee execute and acknowledge such other instruments as the General Partner may deem necessary or desirable to effect such admission, including the written acceptance and adoption by the Transferee of the provisions of this Agreement to which the Transferor is a party, and the assumption by the Transferee of all obligations of the Transferor under this Agreement;

The Transferee has paid all reasonable expenses incurred by the Partnership (including its legal fees) in connection with its admission to the Partnership, including but not limited to the cost of the preparation, filing and publishing of any amendment to the Certificate and any amendments of filings under fictitious name registration statutes or registration statutes lawfully required to qualify the Partnership to do business in foreign jurisdictions; and

The General Partner has consented in writing to the Transferee's admission to the Partnership as a Limited Partner pursuant to Section 8.2 above or per the Limited Partnership Interests in accordance with section 2.2 of the Shareholders' Agreement.

Once the above conditions have been satisfied, the Transferee shall become a Limited Partner on the first day of the next following calendar month. Upon admission of a Limited Partner pursuant to the provisions of this Article, the Partnership shall make all further distributions on account of the Partnership Interests or Percentage Interests in the Partnership so assigned or issued to such a Limited Partner for such time as the Partnership Interests or Percentage Interests are designated on its books in accordance with the above provisions. Any Transferee so admitted to the Partnership as a Limited Partner shall be subject to all provisions of this Agreement to which his Transferor was a party as if originally a party hereto and thereto.

FISCAL MATTERS

Books and Records. The General Partner shall maintain full and accurate books of the Partnership at the Partnership's principal place of business, showing all receipts and expenditures, assets and liabilities, profits and losses, and all other records necessary for recording the Partnership's business and affairs, including those sufficient to record the allocations and distributions. The books of the Partnership shall be kept on an accrual method of accounting. During regular business hours and upon reasonable notice, each Partner and his duly authorized representatives shall have access to and may inspect and copy any of such books and records.

Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

Reports.

Within ninety (90) days after the end of each fiscal year of the Partnership, the General Partner shall furnish each Limited Partner with such information as is necessary for the preparation of such Partner's income tax returns.

Within one hundred twenty (120) days after the end of each fiscal year of the Partnership, the General Partner shall furnish each Limited Partner with an unaudited statement showing the income and expenses of the Partnership for such fiscal year and the balance sheet of the Partnership as of the end of such year, prepared by an independent certified public accountant selected by the General Partner.

Bank Accounts. All funds of the Partnership shall be deposited in its name in such checking and savings accounts or time deposits or certificates of deposit as shall be designated by the General Partner from time to time. Withdrawals therefrom shall be made upon such signature(s) as the General Partner may designate.

Accounting Decision. All decisions with respect to accounting matters shall be made by the General Partner. The Partners agree that, for financial and accounting purposes, the Partnership may elect to treat certain items differently from the manner in which such items are treated for tax purposes. For tax purposes, Capital Accounts shall be determined in accordance with tax accounting principles in the same manner as the Partnership prepares its Federal income tax return.

Income Tax Elections. Except as specifically provided to the contrary herein, all decisions as to income tax matters shall be made by the General Partner.

The General Partner shall elect to claim the maximum deduction allowed with respect to each item of cost recovery property of the Partnership.

The General Partner may, at any time, make or petition to revoke (as the case may be) the election referred to in Code Section 754 or the corresponding provision of any subsequent revenue act. Each Partner agrees in the event of such an election to supply the Partnership with the information necessary to give effect thereto.

Meetings. The General Partner shall not be required to call any annual meetings of the Limited Partners. However, upon the request of Limited Partners owning at least twenty-five percent (25%) of the Percentage Interests, the General Partner shall promptly call an informational meeting of the Partners.

Documents. The General Partner shall not have an obligation to deliver copies of any filed Partnership certificates or amendments thereof to any Limited Partner unless otherwise specifically requested by such Limited Partner.

COMPENSATION FOR SERVICES

Compensation of the General Partner. Except as otherwise provided herein, the General Partner (in its capacity as General Partner) shall receive no compensation for its services to the Partnership. The General Partner shall be entitled to be reimbursed for reasonable out-of-pocket expenses incurred in connection with the business of the Partnership upon presentation of receipts or other satisfactory evidence in support thereof.

GENERAL PROVISIONS

SECTION 11.1 Notices. Except as otherwise provided in this Agreement, all notices, consents, waivers, directions, requests, or other instruments or communications provided for under this Agreement shall be in writing, signed by the party giving the same and shall be deemed properly given only if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed: (a) in the case of the Partnership or the General Partner, as the case may be, to the Partnership at its principal place of business set forth in Schedule AA@, and (b) in the case of any Limited Partner, to such Limited Partner at its address set forth in Schedule "A". Each Partner may, by notice to the Partnership, specify any other address for the receipt of such instruments or communications. Any notice so given shall be effective on the date on which it is mailed. In any case where the consent of a Limited Partner shall be required, such consent shall be deemed to have been given upon the failure of such Limited Partner to send notice withholding his consent within thirty (30) days following the effective time of notice requesting such consent. A copy of all notices and other communications given hereunder by any Limited Partner shall be sent to the General Partner.

SECTION 11.2 Indemnification and Limitation on Liability of the General Partner and its Affiliates. The Partnership shall indemnify, defend and hold harmless the General Partner and its officers, directors, employees and agents against any claim, demand or liability (including without limitation, court costs and attorneys' fees) incurred by it in connection with the business of the Partnership, provided that the acts or omissions from which the claim, demand or liability arises were performed or committed in the good faith belief that the General Partner, through its officers, directors, employees or agents, was acting within the scope of its authority and that it was not grossly negligent or guilty of intentional misconduct. Neither the Partnership nor any Limited Partner shall have any claim against the General Partner or its officers, directors, employees or agents by reason of any act or omission of the General Partner, or its officers, directors, employees or agents or by reason of any disallowance by any taxing authority of any deduction or credit taken on any Partnership tax return, provided that such act or omission of the General Partner, through its officers, directors, employees or agents, was performed in the good faith belief that it was acting within the scope of its authority, and that it was not grossly negligent or guilty of intentional misconduct. The General Partner may obtain, at the Partnership's expense, liability insurance for the Partnership and the General Partner (and its officers, directors, employees and agents), insuring against any of their acts, whether or not such acts would be covered by the foregoing indemnification. The General Partner shall not be liable for omitting to do any act which the General Partner is not specifically required to do under this Agreement, and shall have no obligation or liabilities, express or implied, to the Partnership or the other Partners, except as specifically set forth in this Agreement.

SECTION 11.3 Power of Attorney. Each Limited Partner irrevocably constitutes and appoints the General Partner his true and lawful agent and attorney-in-fact, in his name, place and stead, to make, execute, acknowledge and file:

this Agreement as required by the relevant provisions of the Act and all amendments to this Agreement as required by the Act, including amendments required for the admission or substitution of a Partner;

any cancellation of this Agreement as required by the relevant provisions of the Act upon the termination of the Partnership;

any instruments or papers required to continue the business of the Partnership;

all such other instruments, documents and certificates which may from time to time be required by the laws of the State of New Jersey, the United States of America or any other jurisdiction in which the Partnership shall determine to do business (or any political subdivision or agency thereof) to effectuate, implement, continue and defend the valid and subsisting existence of the Partnership;

any and all amendments to Schedule "A" of this Agreement necessary to admit or substitute a Limited Partner in accordance with Article VIII above or to reflect a return of all or part of a Partner's Capital Contribution; and

any business certificate, fictitious name certificate, certificate of limited partnership, amendment thereto or other instrument or document of any kind necessary to accomplish the business, purposes and objectives of the Partnership in accordance with this Agreement.

It is expressly intended by the Limited Partners that the foregoing power of attorney is coupled with an interest and that the power of attorney shall survive any transfer or assignment by any Limited Partner of all or any part of his Partnership Interest.

SECTION 11.4 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

SECTION 11.5 Amendment of Partnership Agreement.

(a) This Agreement may be amended with the consent of the General Partner and with the consent of the Limited Partners owning at least sixty-seven percent (67%) of the Partnership Interests owned by all Limited Partners (other than Partnership Interest owned by the General Partner and/or any of its Affiliates, if any of them also is a Limited Partner), provided, however, that no amendment which has not been consented to by all the Limited Partners shall:

commit any Limited Partner to make additional contributions to the capital of the Partnership in addition to the Capital Contributions required herein;

subject any Limited Partner to personal liability; or

alter the rights of the Limited Partners with respect to the allocations and distributions set forth in this Agreement.

(b) In addition, amendments may be made to this Agreement from time to time by the General Partner, without the consent of any of the Limited Partners: (1) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to add any other provisions with respect to matters or questions arising under this Agreement which will not be inconsistent with the existing provisions of this Agreement; (2) to add to the representations, duties or obligations of the General Partner or surrender any right or power granted to the General Partner herein; or (3) to delete from or add to any provision hereof required to be so deleted or added by a state "Blue Sky" commission, which addition or deletion is deemed by such commission to be for the benefit or protection of the Limited Partners; provided, however, that no amendment shall be adopted pursuant to this Section unless the adoption thereof: (i) is for the benefit of or not adverse to the interests of the Limited Partners; (ii) does not affect the distributions and allocations among the Limited Partners or between the Limited Partners as a class and the General Partner; and (iii) does not affect the limited liability of the Limited Partners or the status of the Partnership as a partnership for Federal income tax purposes.

SECTION 11.6 Limitation of Responsibility and Liability. No Partner, or any of its Affiliates, shareholders, directors, officers, employees, or agents, will be liable or responsible for the debts or obligations of any of the other Partners or the Partnership.

SECTION 11.7 Singular and Plural/Gender. Wherever from the context of this Agreement it appears appropriate, each term stated in either the singular or the plural shall include the singular or the plural, and pronouns stated in either the masculine, feminine or neuter gender shall include the masculine, feminine and neuter.

SECTION 11.8 Severability. Invalidation or a holding of unenforceability of any provision of this Agreement shall in no way affect any other provision hereof, which other provisions shall remain in full force and effect.

SECTION 11.9 Integration. This Agreement embodies the entire agreement and understanding among the Partners relating to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

SECTION 11.10 Applicable Law. This Agreement and the rights of the Partners shall be governed by and construed and enforced in accordance with the laws of the State of New Jersey.

SECTION 11.11 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Partners and their respective heirs, personal representatives, successors and permitted assigns.

SECTION 11.12 Headings. The descriptive headings of the Articles and Sections hereof are inserted for convenience only and shall not affect the interpretation or meaning thereof.

DEFINED TERMS

SECTION 12.1 Defined Terms. In addition to the terms defined elsewhere in this Agreement, the following terms used in this Agreement shall have the meanings specified below:

AAct@ means the Revised Uniform Limited Partnership Act as adopted in the State of New Jersey, as amended from time to time.

"Affiliate" means (a) any Person directly or indirectly controlling, controlled by or under common control with another Person, (b) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such other Person, (c) any officer, director, partner or trustee of such Person, and (d) if such other Person is an officer, director, partner or trustee of a Person, the Person for which such Person acts in any such capacity.

"Bankruptcy" means, with respect to any Person, such Person making an assignment for the benefit of creditors, becoming a party or subject to any liquidation or dissolution action or proceeding with respect to such Person, the institution of any bankruptcy, reorganization, insolvency or other proceeding for the relief of financially distressed debtors with respect to such Person, or a receiver, liquidator, custodian or trustee being appointed for such Person or a substantial part of such Person=s assets and, if any of the same occur involuntarily, the same is not dismissed, stayed or discharged within sixty (60) days; or the entry of an order for relief against such Person under Title II of the United States Code entitled "Bankruptcy"; or such Person taking any action to effect, or which indicates its or his acquiescence in, any of the foregoing.

"Capital Account" means the amount of a Partner's Capital Contribution adjusted for profits, losses and distributions as provided for in Section 2.2 hereof.

"Capital Contribution" means the cash and the agreed fair market value of property contributed or deemed
contributed by a Partner to the Partnership.

"Code" means the Internal Revenue Code of 1986, as amended, and the corresponding provisions of any future Internal Revenue law.

"Finance" or "Refinancing" means entering into any loan or modifying the terms of any loan including, without limitation, any which is secured by a mortgage, deed of trust or other similar lien on the property of the Partnership.

AFreehold Raceway@ means that certain real property
and improvements located in Monmouth County, New Jersey
known as Freehold Raceway.

AGarden State Race Track@ means that certain real property and improvements located in Camden County, New
Jersey known as Garden State Race Track.

ANet Cash Flow@ means, for any period, the excess, if any, of (a) the sum of (1) the gross receipts of the Partnership (as determined in accordance with the cash receipts and disbursements method of accounting) during such period, but without regard to any amounts received by the Partnership as a result of a Sale of Assets and any amounts released during such period by the General Partner from any Reserves maintained by the Partnership, over (b) the sum of (1) all expenditures of the Partnership (as determined under the aforesaid method of accounting) during such period, (2) all amounts applied during such period in payment of interest or principal on any borrowing of the Partnership, and (3) any amount added during such period by the General Partner to Reserves for working capital, contingencies, replacements, expansions, acquisitions, or other expenditures of the Partnership. Net Cash Flow and releases or additions to the Reserves shall be made or determined by the General Partner in its sole discretion.

AOTB Facilities@ means the off-track betting and phone betting operations to be operated in New Jersey to the extent such off-track betting facilities and phone betting operations are permitted by New Jersey legislation to be conducted as a result of the holding of licenses to conduct racing at Freehold Raceway and Garden State Race Track.

"Partnership Interest" means, in the case of any Partner, such Partner's Capital Account, interest in the Profits and Losses and distributions of the Partnership, voting rights and all other rights which a party to this Agreement acquires hereby or by operation of law.

"Percentage Interest" means the percentage interest of each Partner as set forth on Schedule "A", as amended from time to time.

"Person" means any natural person, partnership, corporation, trust, limited liability company, association or other legal entity.

AProfits@ and ALosses@ means, for any period, the amounts equal to the corresponding items of income, gain, deductions, credits and losses in the aggregate or separately stated, as appropriate, for such period, all determined in accordance with generally accepted accounting principles consistently applied.

AReserves@ shall have the meaning set forth in Section 5.4 of this Agreement.

"Sale of Assets" means the sale or other disposition of all or substantially all of the Partnership's
assets. For purposes of this definition, the phrase "other disposition" includes a taking of all or substantially all of a property by eminent domain or the damage or destruction of all or substantially all of such property.

AShareholders= Agreement@ means that Shareholders= Agreement made and entered as of the _29 day of July, 1999, by, between, and among Greenwood Racing, Inc., Pennwood Racing, Inc., Greenwood Limited Partner, Inc., Benstone Partners, Penn National Holding Company, Penn National GSFR, Inc., and Pennsylvania National Turf Club, Inc., as same may be amended from time to time.

ATreasury Regulation@ means the regulations promulgated by the Internal Revenue Service, in accordance with the Internal Revenue Code of 1986, as amended, and the corresponding provisions of any future Internal Revenue law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

ATTEST: GENERAL PARTNER:

PENNWOOD RACING, INC.

/s/ Francis E. McDonnell_____ By:_/s/Harold G. Handel_____
Francis E. McDonnell, Secretary Harold G. Handel, President

LIMITED PARTNER(S):

GREENWOOD LIMITED PARTNER, INC.

/s/Francis E. McDonnell By: /s/Harold G. Handel
Francis E. McDonnell, Secretary Harold G. Handel, President

PENNSYLVANIA NATIONAL TURF CLUB, INC.

/s/John Limongelli _____ By: /s/Robert S. Ippolito___
Name: John Limongelli Name: Robert S. Ippolito
Title: Secretary/Treasurer

SCHEDULE "A"
TO
LIMITED PARTNERSHIP AGREEMENT
OF
GS PARK SERVICES, L.P.

	Capital Contribution	Percentage Interest
GENERAL PARTNER:		
Pennwood Racing, Inc. c/o Greenwood Racing, Inc. 3001 Street Road P.O. Box 1000 Bensalem, PA 19020-8512 Attention: Harold G. Handel	$1.00	.1%
LIMITED PARTNER(S):		
Greenwood Limited Partner, Inc. 3001 Street Road P.O. Box 1000 Bensalem, PA 19020-8512 Attention: Harold G. Handel	$499.50	49.95%
Pennsylvania National Turf Club, Inc. 825 Berkshire Blvd. Suite 200 Wyomissing, PA 19610 Attention: Joseph A. Lashinger, Jr.	$499.50	49.95%

AMENDMENT NO. 1 TO SECOND
AMENDED AND RESTATED CREDIT AGREEMENT AND
JOINDER OF SUBSIDIARY GUARANTOR

THIS AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT AND JOINDER OF SUBSIDIARY GUARANTOR (this "Amendment No. 1") is made this __ day of July, 1999 by and among PENN NATIONAL GAMING, INC., a Pennsylvania corporation ("Borrower"); FIRST UNION NATIONAL BANK, a national banking association (for itself and in its capacity as agent hereunder, "Agent"); the banks signatory to this Amendment No. 1 (together with the Agent, each individually a "Bank" and individually and collectively, the "Banks") and PENN NATIONAL GSFR, INC., a Delaware corporation.

BACKGROUND

Borrower and Banks entered into a Second Amended and Restated Credit Agreement dated January 28, 1999 (as amended hereby and as may be further amended from time to time, the "Credit Agreement") for the purposes of providing a revolving credit facility, for the financing of a loan from Borrower to FR Park Racing L.P., the refinancing of certain existing indebtedness of Borrower, the issuance of letters of credit for the benefit of Borrower, and for the working capital needs and general corporate purposes of the Borrower.

Borrower and Banks have agreed to add a newly-created Subsidiary of Borrower as a Subsidiary Guarantor and to make certain amendments to the Credit Agreement as set forth herein and subject to the terms and conditions hereof.

In consideration of the foregoing and the promises and the agreements hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows: i. Definitions (1) General Rule. Unless otherwise defined herein, terms used herein which are defined in the Credit Agreement shall have the meanings assigned to them in the Credit Agreement. (1) Additional Definitions. The following definitions are hereby added to Section 10.01 of the Credit Agreement to read in ---------- their entirety as follows: "Amendment No. 1" means the Amendment No. 1 to Second Amended and Restated Credit Agreement and Joinder of Subsidiary Guarantor by and among Borrowers and Banks dated July __, 1999. "Amendment No. 1 Effective Date" means the date on which the conditions set forth in Paragraph 7 of Amendment No. 1 have been satisfied.

i. Amendment to Section 2.02 of the Credit Agreement (Maximum Letter of Credit Outstandings). Section 2.02 of the
- ----------
Credit Agreement is hereby amended and restated to read in its entirety as follows:

2.02 Maximum Letter of Credit Outstandings; Final Maturities. Notwithstanding anything to the contrary contained in this Agreement, (i) no Letter of Credit shall be issued the Stated Amount of which, when added to the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid on the date of, and prior to the issuance of, the respective Letter of Credit) at such time would exceed either (x) $3,500,000 or (y) when added to the aggregate principal amount of all Loans then outstanding, an amount equal to the Total Commitment at such time and (ii) each Letter of Credit shall by its terms terminate on or before the earlier of (x) the date which occurs 12 months after the date of the issuance thereof (although any such Letter of Credit may be extendible for successive periods of up to 12 months, but not beyond the third Business Day prior to the Final Maturity Date, on terms acceptable to the Issuing Bank) and (y) three Business Days prior to the Final Maturity Date.

i. Amendment to Section 3.01(b) of the Credit Agreement (Fees). Section 3.01(b) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(b) The Borrower agrees to pay to the Agent for distribution to each Bank (based on each such Bank's respective Percentage) a fee in respect of each Letter of Credit issued hereunder (the "Letter of Credit Fee") for the period from and including the date of issuance of such Letter of Credit to and including the date of termination or expiration of such Letter of Credit, computed at a rate per annum equal to one-half of the Eurodollar Spread on the daily Stated Amount of such Letter of Credit. Accrued Letter of Credit Fees shall be due and payable quarterly in arrears on each Quarterly Payment Date and on the first day after the termination of the Total Commitment upon which no Letters of

Credit remain outstanding.

i. Amendment to Section 7.06(b) of the Credit Agreement (Compliance with Environmental Laws). Section 7.06(b) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(b) Borrower shall deliver to Agent on or before August 31, 1999 a copy of a Phase I environmental report with respect to the Williamsport, Pennsylvania and Chambersburg, Pennsylvania

properties and each Additional Mortgaged Property in form and substance satisfactory to Required Banks and prepared by a qualified environmental professional acceptable to Required Banks, together with any additional environmental assessments of such properties deemed necessary by Required Banks by a qualified environmental professional acceptable to Required Banks, and Borrower shall and shall cause its Subsidiaries to take such reasonable actions as may be recommended in any Phase I or other environmental assessment to Required Banks' reasonable satisfaction. Required Banks reserve the right at any time or from time to time to request that Borrower or its Subsidiaries take any such reasonable actions as may be recommended in any Phase I or other environmental assessment.

i. Joinder of New Subsidiary Guarantor. Penn National GSFR, Inc., a Delaware corporation ("GSFR"), is a newly-formed indirect subsidiary of Borrower. GSFR is hereby made a Subsidiary Guarantor under the Subsidiary Guaranty, and in furtherance thereof:

(1) GSFR hereby expressly agrees that it shall be bound by all terms and conditions of the Subsidiary Guaranty, including without limitation the representations, warranties and covenants in Sections 11 and 12 thereof, and shall be liable, jointly and severally with all other Subsidiary Guarantors, for all Guaranteed Obligations (as defined in the Subsidiary Guaranty).

(1) GSFR hereby expressly agrees that it shall be bound by all terms and conditions of the Security Agreement, including without limitation the representations, warranties and covenants set forth in Articles II, III, IV, V and VI thereof. GSFR hereby grants to Agent, for the benefit of Banks, a security interest in all the Collateral (as defined in the Security Agreement) owned by GSFR and any part thereof as security for the payment of all Obligations (as defined in the Security Agreement).

(1) GSFR hereby expressly agrees that it shall be bound by all the terms and conditions of the Pledge Agreement, including without limitation the representations, warranties and covenants set forth in Section 16 thereof. GSFR hereby pledges to Agent, for the benefit of Banks, a security interest in all the Collateral (as defined in the Pledge Agreement) owned by GSFR and any part thereof as security for the payment of all Obligations (as defined in the Pledge Agreement). Penn National Holding Company, as evidenced by its signature below, hereby acknowledges and agrees that the shares it owns of GSFR constitute Collateral (as defined in the Pledge Agreement) and are pledged to Agent, for the benefit of Banks, thereunder and hereunder. (1) GSFR hereby expressly agrees that it shall be bound by all the terms and conditions of the Contribution and Indemnification Agreement, as if it were a Credit Party (as defined in the Contribution and Indemnification Agreement) and original signatory thereto.

(1) Schedule V and Schedule VI to the Credit Agreement, Schedule 2 to the Security Agreement and Annexes A and B to the Pledge Agreement are hereby amended and restated in their entirety as set forth on Exhibit A attached hereto to reflect changes since January 28, 1999.

i. Representations and Warranties. Borrowers hereby represent and warrant to Banks as follows:

(1) Representations. The representations and warranties set forth in Section 6 of the Credit Agreement are true and correct in all material respects as of the date hereof, including as applied to GSFR as a Subsidiary; there is no Event of Default or Default under the Credit Agreement, as amended hereby; and there has been no material adverse change in the financial condition or business of Borrower or any Subsidiary from the date on which Borrower last delivered financial statements to Banks.

(1) Power and Authority. Borrower and each Subsidiary (including GSFR) has the power and authority under the laws of each of their states of incorporation or formation and under their articles or certificates of incorporation and bylaws or other formation documents or other formation documents to enter into and perform this Amendment No. 1 and the other documents and agreements required hereunder (collectively, the "Amendment Documents"); all actions (corporate or otherwise) necessary or appropriate for the execution and performance by Borrower and each Subsidiary (including GSFR) of the Amendment Documents have been taken; and the Amendment Documents and the Credit Agreement, as amended, each constitute the valid and binding obligations of Borrower and each Subsidiary (including GSFR), enforceable in accordance with their respective terms.

(1) No Violations of Law or Agreements. The making and performance of the Amendment Documents by Borrower and each Subsidiary (including GSFR) will not (i) violate any provisions of any law or regulation, federal, state or local, or the articles or certificates of incorporation or bylaws or other formation documents of any Borrower or Subsidiary (including GSFR) or (ii) result in any breach or violation of, or constitute a default or require the obtaining of any consent under, any agreement or instrument by which any Borrower or Subsidiary (including GSFR) or its property may be bound.

i. Conditions to Effectiveness of Amendment. This Amendment No. 1 shall be effective upon Agent's receipt of the following documents, each in form and substance satisfactory to Agent:

(1) Amendment No. 1. This Amendment No. 1 duly executed by Borrower, Agent, Banks, and GSFR.
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(1) Opinion of Counsel to GSFR. An opinion letter from counsel to GSFR in form and substance satisfactory to Agent. --------------------------

(1) Certificate of Good Standing. A certificate of good standing dated as of a recent date for GSFR in the jurisdiction ---------------------------- of its formation.

(1) Secretary's Certificate. A certificate from the secretary of GSFR attaching: (1) the articles of incorporation ---------------------- and bylaws of GSFR; (2) resolutions from the board of directors of GSFR authorizing the execution by GSFR of this Amendment No. 1; and (3) an incumbency certificate.

(1) UCC-1 Financing Statements. Executed UCC-1 financing statement to be filed against GSFR in those jurisdictions -------------------------- required by Agent.

(1) Pledged Intercompany Notes. Delivery to Agent of pledged intercompany notes from or for the benefit of GSFR. --------------------------

Stock Certificate. Delivery to Agent of the stock certificate(s) of GSFR.

(1) Lien Searches against GSFR. As soon as available, lien searches agreement GSFR in such locations as Agent shall ------------------------- reasonably request. (1) Other Documents. Such additional documents as Agent may reasonably request. --------------- i. Affirmations. Borrower hereby: (i) affirms all the provisions of the Credit Agreement, Security Agreement, Pledge Agreement and Contribution and Indemnification Agreement, as amended by this Amendment No. 1, and (ii) agrees that the terms and conditions of the Credit Agreement, Security Agreement, Pledge Agreement and Contribution and Indemnification Agreement shall continue in full force and effect as supplemented and amended hereby.

i. Miscellaneous. (1) Borrower agrees to pay or reimburse Agent for all reasonable fees and expenses (including without limitation reasonable fees and expenses of counsel) incurred by Agent in connection with the preparation, execution and delivery of this Amendment No. 1. (1) This Amendment No. 1 shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. (1) All terms and provisions of this Amendment No. 1 shall be for the benefit of and be binding upon and enforceable by the respective successors and assigns of the parties hereto. (1) This Amendment No. 1 may be executed in any number of counterparts with the same effect as if all the signatures on such counterparts appeared on one document and each such counterpart shall be deemed an original. (1) Except as expressly set forth herein, neither the execution, delivery and performance of this Amendment No. 1, nor anything contained herein shall be construed as or shall operate as a consent to or waiver of any provision of, or any right, power or remedy of Banks under the Credit Agreement and the agreements and documents executed in connection therewith.

IN WITNESS WHEREOF, the undersigned have executed this Amendment No. 1 the day and year first above written.

PENN NATIONAL GAMING, INC.

By: /s/Robert S. Ippolito__
Name: Robert S. Ippolito
Title: Chief Financial Officer, Secretary/Treaurer

PENN NATIONAL GSFR, INC., as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito_
Name: Robert S. Ippolito
Title: Secretary/Treasurer

[EXECUTIONS CONTINUED]

FIRST UNION NATIONAL BANK, as Agent

By: Lynn Eagleson_____
Name: Lynn Eagleson
Title: Vice President

SUMMIT BANK

By: _/s/Mary Balciar_____
Name: Mary Balciar
Title: Vice Prsident

Accepted and Agreed:

MOUNTAINVIEW THOROUGHBRED
RACING ASSOCIATION, as a Subsidiary
Guarantor

By: _/s/Robert S. Ippolito____
Name: Robert S. Ippolito
Title: Secretary/Treasurer

PENNSYLVANIA NATIONAL TURF
CLUB, INC., as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito____
Name: Robert S. Ippolito
Title: Secretary/Treasurer

[EXECUTIONS CONTINUED]

PENN NATIONAL SPEEDWAY,
INC., as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito____
Name: Robert S. Ippolito
Title: Secretary

STERLING AVIATION, INC.,
as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito____
Name: Robert S. Ippolito
Title: Secretary/Treasurer

PENN NATIONAL HOLDING
COMPANY, as a Subsidiary
Guarantor

By: _/s/Robert S. Ippolito___
Name: Robert S. Ippolito
Title: Secretary/Treasurer

PENN NATIONAL GAMING OF WEST
VIRGINIA, INC., as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito__
Name: Robert S. Ippolito
Title: Secretary/Treasurer

PNGI POCONO, INC.,
as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito _
Name: Robert S. Ippolito
Title: Secretary/Treasurer

[EXECUTIONS CONTINUED]

TENNESSEE DOWNS, INC.,
as a Subsidiary Guarantor

By: /s/Robert S. Ippolito___
Name: Robert S. Ippolito
Title: Secretary

THE DOWNS RACING, INC.,
as a Subsidiary Guarantor

By: _/s/Joseph A. Lashinger
Name: Joseph A. Lashinger
Title: President

NORTHEAST CONCESSIONS, INC.,
as a Subsidiary Guarantor

By: /s/ Robert S. Ippolito_
Name: Robert S. Ippolito
Title: Vice President

BACKSIDE, INC.,
as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito_
Name: Robert S. Ippolito
Title: Assistant Secretary

MILL CREEK LAND, INC.,
as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito_
Name: Robert S. Ippolito
Title: Assistant Secretary

WILKES BARRE DOWNS, INC.,
as a Subsidiary Guarantor

By: _/s/Robert E. Abraham__
Name: Robert E. Abraham
Title: President

AMENDMENT NO. 2 TO AND CONSENT UNDER
SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDMENT NO. 2 TO AND CONSENT UNDER SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment No. 2") is made this 29th day of July, 1999 by and among PENN NATIONAL GAMING, INC., a Pennsylvania corporation ("Borrower"); FIRST UNION NATIONAL BANK, a national banking association (for itself and in its capacity as agent hereunder, "Agent"); and the banks signatory to this Amendment No. 2 (together with the Agent, each individually a "Bank" and individually and collectively, the "Banks").

BACKGROUND

Borrower and Banks entered into a Second Amended and Restated Credit Agreement dated January 28, 1999, as amended by Amendment No. 1 to Second Amended and Restated Credit Agreement and Joinder of Subsidiary Guarantor dated July 29, 1999 (as amended hereby and as may be further amended from time to time, the "Credit Agreement") for the purposes of providing a revolving credit facility, for the financing of a loan from Borrower to FR Park Racing L.P., the refinancing of certain existing indebtedness of Borrower, the issuance of letters of credit for the benefit of Borrower, and for the working capital needs and general corporate purposes of the Borrower.

Borrower and Banks have agreed to make certain amendments to the Credit Agreement as set forth herein and subject to the terms and conditions hereof, and Banks have agreed to permit Borrower to enter into a Debt Service Maintenance Agreement, for the benefit of Commerce Bank, N.A., to support the extension of credit to FR Park Racing, L.P. and GS Park Racing, L.P. by Commerce Bank, N.A.

In consideration of the foregoing and the promises and the agreements hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows: Definitions

(1) General Rule. Unless otherwise defined herein, terms used herein which are defined in the Credit Agreement shall have the meanings assigned to them in the Credit Agreement.

(1) Additional Definitions. The following definitions are hereby added to Section 1 of the Credit Agreement to read in their entirety as follows: "Amendment No. 2" means the Amendment No. 2 to and Consent under Second Amended and Restated Credit Agreement by and among Borrowers and Banks dated July 29, 1999. "Amendment No. 2 Effective Date" means the date on which the conditions set forth in Paragraph 5 of Amendment No. 2 have been satisfied.

"Debt Service Maintenance Agreement" means the Debt Service Maintenance Agreement dated July 29, 1999 by Borrower in favor of Commerce Bank, N.A., in the form annexed hereto.

i. Amendment to Section 8.05(x) of the Credit Agreement (Advances, Investments and Loans). Section 8.05(x) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(x)In the absence of a Default or an Event of Default and if such payment shall not create a Default or an Event of Default, on and after the date of the Transaction Conversion, Borrower or a wholly-owned Subsidiary may: (i) maintain and guaranty loans or investments in an aggregate amount no greater than $23,000,000 in the New Jersey Joint Venture, which such loans, guaranties and investments shall include the $11,250,000 loan made in January, 1999, an equity contribution of $250,000 made on the date of Amendment No. 2 and the $11,500,000 loan support to Commerce Bank, N.A. pursuant to the Debt Service Maintenance Agreement; it being agreed that, so long as there is no Default or Event of Default in existence and so long as no Default or Event of Default would be caused thereby, Borrower and its Subsidiaries may make payments under the Debt Service Maintenance Agreement in an aggregate principal amount not exceeding $11,500,000, plus costs and expenses as provided in the Debt Service Maintenance Agreement; (ii) expend up to $1,150,000 per annum under Borrower's several guaranty of one-half (1/2) of tenant's obligations pursuant to that certain Lease Agreement dated January 28, 1999 between Garden State Race Track, Inc., as

landlord and GS Park Racing, L.P., as tenant, for premises known as the Garden State Race Track located in Camden, New Jersey; (iii) expend up to $8,750,000 in connection with the exercise of the Put (upon the exercise of the Put, the guaranty referred to in Section 2(x)(ii) is terminated and of no further force or effect); (iv) expend up to $5,000,000 under Borrower's Contingent Guaranty of the Contingent Notes (as defined in the New Jersey Joint Venture Agreement); and (v) expend up to $1,250,000 on transaction expenses related to the New Jersey Joint Venture.

i. Debt Service Maintenance Agreement.
The Borrower's execution of the Debt Service Maintenance Agreement is prohibited by Section 8.16 of the Credit Agreement. Nonetheless, Banks hereby consent to Borrower's execution of the Debt Service Maintenance Agreement.

(1) Borrower hereby covenants and agrees that it will not agree to any amendment or modification from the terms of the Debt Service Maintenance Agreement on the date hereof without the consent of the Agent, such consent not to be unreasonably withheld or delayed.

i. Representations and Warranties. Borrowers hereby represent and warrant to Banks as follows:

(1) Representations. The representations and warranties set forth in Section 6 of the Credit Agreement are true and correct in all material respects as of the date hereof; there is no Event of Default or Default under the Credit Agreement, as amended hereby; and there has been no material adverse change in the financial condition or business of Borrower or any Subsidiary from the date on which Borrower last delivered financial statements to Banks.

(1) Power and Authority. Borrower and each Subsidiary has the power and authority under the laws of each of their states of ---------- incorporation or formation and under their articles or certificates of incorporation and bylaws or other formation documents or other formation documents to enter into and perform this Amendment No. 2 and the other documents and agreements required hereunder (collectively, the "Amendment Documents"); all actions (corporate or otherwise) necessary or appropriate for the execution and performance by Borrower and each Subsidiary of the Amendment Documents have been taken; and the Amendment Documents and the Credit Agreement, as amended, each constitute the valid and binding obligations of Borrower and each Subsidiary, enforceable in accordance with their respective terms.

(1) No Violations of Law or Agreements. The making and performance of the Amendment Documents by Borrower and each Subsidiary - ---------- will not (i) violate any provisions of any law or regulation, federal, state or local, or the articles or certificates of incorporation or bylaws or other formation documents of any Borrower or Subsidiary or (ii) result in any breach or violation of, or constitute a default or require the obtaining of any consent under, any agreement or instrument by which any Borrower or Subsidiary or its property may be bound. i. Conditions to Effectiveness of Amendment. This Amendment No. 2 shall be effective upon Agent's receipt of the following documents, each in form and substance satisfactory to Agent: (1) Amendment No. 2. This Amendment No. 2 duly executed by Borrower, Agent and Banks. ----------

(1) Debt Service Maintenance Agreement. An executed copy of the Debt Service Maintenance Agreement. ----------

(1) Other Documents. Such additional documents as Agent may reasonably request. ----------

i. Affirmations. Borrower hereby: (i) affirms all the provisions of the Credit Agreement, Security Agreement, Pledge Agreement and Contribution and Indemnification Agreement, as amended by this Amendment No. 2, and (ii) agrees that the terms and conditions of the Credit Agreement, Security Agreement, Pledge Agreement and Contribution and Indemnification Agreement shall continue in full force and effect as supplemented and amended hereby.

i. Miscellaneous.

(1) Borrower agrees to pay or reimburse Agent for all reasonable fees and expenses (including without limitation reasonable fees and expenses of counsel) incurred by Agent in connection with the preparation, execution and delivery of this Amendment No. 2.

(1) This Amendment No. 2 shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. 135 (1) All terms and provisions of this Amendment No. 2 shall be for the benefit of and be binding upon and enforceable by the respective successors and assigns of the parties hereto.

(1) This Amendment No. 2 may be executed in any number of counterparts with the same effect as if all the signatures on such counterparts appeared on one document and each such counterpart shall be deemed an original.

(1) Except as expressly set forth herein, neither the execution, delivery and performance of this Amendment No. 2, the Bank's consent or waiver set forth herein, nor anything contained herein shall be construed as or shall operate as a consent to or waiver of any further provision of, or any right, power or remedy of Banks under the Credit Agreement and the agreements and documents executed in connection therewith. The consent and waiver granted hereby is limited to the matters set forth herein.

IN WITNESS WHEREOF, the undersigned have executed this Amendment No. 2 the day and year first above written.

PENN NATIONAL GAMING, INC.

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

FIRST UNION NATIONAL BANK, as Agent

By: _/s/Lynn Eagleson_____
Name: Lynn Eagleson

Title: Vice President

SUMMIT BANK

By: _/s/Mary Balciar_____
Name: Mary Balciar
Title: Vice President

Accepted and Agreed:

MOUNTAINVIEW THOROUGHBRED
RACING ASSOCIATION, as a Subsidiary
Guarantor

By: __/s/Robert S. Ippolito_____
Name: Robert S. Ippolito
Title: Secretary/Treasurer

PENNSYLVANIA NATIONAL TURF
CLUB, INC., as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito____
Name: Robert S. Ippolito
Title: Secretary/Treasurer

PENN NATIONAL SPEEDWAY,
INC., as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito____
Name: Robert S. Ippolito
Title: Secretary

STERLING AVIATION, INC.,
as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito____
Name: Robert S. Ippolito
Title: Secretary/Treasurer

PENN NATIONAL HOLDING
COMPANY, as a Subsidiary
Guarantor

By: _/s/Robert S. Ippolito___
Name: Robert S. Ippolito
Title: Secretary/Treasurer

PENN NATIONAL GAMING OF WEST
VIRGINIA, INC., as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito__
Name: Robert S. Ippolito
Title: Secretary/Treasurer

PNGI POCONO, INC.,
as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito__
Name: Robert S. Ippolito
Title: Secretary/Treasurer

TENNESSEE DOWNS, INC.,
as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito__
Name: Robert S. Ippolito
Title: Secretary

THE DOWNS RACING, INC.,
as a Subsidiary Guarantor

By: _/s/Joseph A. Lashinger
Name: Joseph A. Lashinger
Title: President

NORTHEAST CONCESSIONS, INC.,
as a Subsidiary Guarantor

By: __/s/Robert S. Ippolito
Name: Robert S. Ippolito
Title: Vice President

BACKSIDE, INC.,
as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito_
Name: Robert S. Ippolito
Title:Assistant Secretary

MILL CREEK LAND, INC.,
as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito_
Name: Robert S. Ippolito
Title: Assistant Secretary

WILKES BARRE DOWNS, INC.,
as a Subsidiary Guarantor

By: _/s/Robert E. Abraham
Name: Robert E. Abraham
Title: President

PENN NATIONAL GSFR, INC.,
as a Subsidiary Guarantor

By: _/s/Robert S. Ippolito____
Name: Robert S. Ippolito
Title: Secretary/Treasurer

*Portions of this Agreement have been omitted and filed seperately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

AGREEMENT

This Agreement made and entered into this __9__ day of July, 1999, by and between Penn National Gaming, Inc., a Pennsylvania corporation ("Penn") and American Digital Communications, Inc., a Wyoming corporation ("TrackPower").

BACKGROUND

The parties have entered into a binding Letter of Intent dated April 29, 1999 pertaining to the subject matter hereof. The parties intend to more fully set forth herein the rights and obligations of the parties under the binding Letter of Intent.

Penn, through its subsidiaries, Mountainview Thoroughbred Racing Association and Pennsylvania National Turf Club, Inc. (the "Racing Associations") owns and operates Penn National Race Course ("Penn National"), a thoroughbred racetrack located in Grantville, Pennsylvania. In connection with the racing activities at Penn National, the Racing Associations import and export simulcast signals of races conducted at Penn National as well as races conducted at other racetracks throughout the United States and its territories, possessions and commonwealths (the "Territory"). In addition, Penn, through the Racing Associations, conducts a telephone account wagering system pursuant to Section 218 of the Pennsylvania Race Horse Industry Reform Act, and the rules and regulations thereunder (the "Pennsylvania Racing Law") pursuant to which patrons place wagers on Penn National races and simulcast races from throughout North America. TrackPower has entered into an agreement with Loral SpaceCom Corporation dated January 26, 1999 (the "Skynet Agreement") pursuant to which TrackPower may distribute programming on up to 4 channels on Loral's Echostar Satellite. TrackPower has determined not to distribute its programming under the Skynet Agreement. TrackPower has entered into an agreement with Transponder Encryption Service Corporation dated June 4, 1999 (the "TESC Agreement" and together with the Skynet Agreement, the "Satellite Agreements") pursuant to which TrackPower may distribute encrypted programs on four video channels and one data channel on certain designated satellites. Penn National desires to engage TrackPower as the non-exclusive distributor of races conducted at Penn National or simulcast through Penn National pursuant to the terms and provisions hereof. TrackPower desires to engage Penn National as its exclusive hub through which all betting on racing programs conducted by or through TrackPower to any venue in the Territory including direct television broadcast, cable television, Internet or other forms of distribution of such programming (the "TrackPower Network"), will be conducted by or through the Penn National telephone account wagering system conducted by Penn National pursuant to the applicable laws. TrackPower has also agreed to grant Penn National a right of first refusal to serve as the hub for the TrackPower Network outside the Territory. NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows: 1. Distribution 1.1 TrackPower represents and warrants to Penn that attached hereto as (i) Exhibit A and made a part hereof is a true and correct copy of the TESC Agreement. TrackPower will promptly forward to Penn any amendments or modifications to the TESC Agreement. TrackPower agrees to pay and perform all of its obligations under the TESC Agreement as and when the same become due and will promptly notify Penn of any defaults that exist or, upon the giving of notice or the running of time would exist by any party, under either the TESC Agreement. 1.2 During the term hereof, TrackPower shall maintain all technology and equipment required or necessary to produce a television program of each race conducted at Penn National and to distribute the same on the TrackPower Network as well as to receive simulcasting from other racetracks and distribute the same on the TrackPower Network. The hardware and software required in connection with the operation of the TrackPower Network is described on Schedule 1.2, attached hereto and made a part hereof. In that regard, TrackPower will maintain all such software and hardware in a condition meeting prevailing industry norms so that the programming on the TrackPower Network will be competitive with programming produced by other racing networks and racetracks.

1.3 TrackPower shall, at its cost, maintain and operate the TrackPower Network and all equipment and software relating thereto, twenty fours hours per day, three hundred sixty five days per year on at least four channels on the designated Satellite (subject to acts of God, labor disputes and other events beyond the control of TrackPower).

1.4 TrackPower agrees that the TrackPower network signal shall be encoded or otherwise broadcast in a manner consistent with applicable laws, the Interstate Horse Racing Act of 1967, and the requirements of Penn and other originating racetracks.

1.5 TrackPower shall furnish, at its cost, decoders to each recipient of the encoded TrackPower Racing Network signal from or through Penn National.

1.6 TrackPower agrees that Penn National will be the exclusive hub operator for the TrackPower Racing Network and all races disseminated or distributed by TrackPower to any venue (open TV, cable television, Internet or other form of telecommunication) in the Territory and that all betting on such races distributed by TrackPower shall be conducted through the Penn telephone account wagering network. In addition, should TrackPower determine to distribute the TrackPower Network outside the Territory, Penn National shall have a right of first refusal, exercisable for 20 business days after notice from TrackPower,

to serve as the hub for the area beyond the Territory. Notwithstanding the foregoing, in the event Penn cannot or decides not to offer any wagering product proposed by TrackPower in any jurisdiction, TrackPower may, if such declination continues for seven business days after written notice from TrackPower to Penn, within the following 20 business days, agree with another hub operator to offer such wagering product in the jurisdiction specifically rejected by Penn.

1.7 TrackPower shall be entitled to receive all subscriber fees paid by subscribers enrolling in the TrackPower Racing Network. TrackPower agrees to use its best efforts to maximize the number of subscribers by advertising, marketing and promotions campaigns. TrackPower and Penn agree to use their best efforts to develop a marketing/advertising/promotions campaign plan by not later than 90 days after the date hereof.

1.8 TrackPower agrees to pay Autotote, as and when due, any fees that are incurred as a result of the interface between the TrackPower Network system and the Autotote system utilized at Penn National. In the event Penn terminates Autotote, TrackPower shall make such payments to Autotote's successor or to Penn if such services are provided directly by Penn. TrackPower agrees to use its best efforts to continue to develop software to be used in the TrackPower Racing Network, which shall meet prevailing industry norms, all of which costs shall be the responsibility of TrackPower. TrackPower and Penn shall, from time to time, set minimum standards and goals for such software developments.

2. Obligations of Penn

2.1 Penn shall, at its cost, and in consultation with TrackPower, negotiate simulcast agreements with thoroughbred and harness racetracks throughout North America to be distributed on the TrackPower Racing Network. Penn shall also be responsible for submitting such simulcast agreements to the Pennsylvania State Horse Racing Commission for approval in accordance with the Pennsylvania Racing Law, if required to do so, or for complying with any other applicable laws.

2.2 Penn shall take all action necessary to seek all regulatory approvals from the Pennsylvania State Horse Racing Commission and any other government regulatory body having jurisdiction over the distribution of the TrackPower Racing Network.

2.3 Penn shall assist TrackPower in formatting and scheduling the content of the TrackPower Racing Network programming. 2.4 Penn shall use its best efforts to cause the customers registered on its telephone account wagering network to become subscribers on the TrackPower Racing Network and, in that regard, to actively solicit and market such transition. 2.5 Penn shall make available to the TrackPower Racing Network the new Penn Players Choice player tracking system and, at its cost and expense, upgrade and expand such system to accommodate the needs of the TrackPower Racing Network. Penn shall make available to TrackPower all available wagering data pertaining to wagering on the races distributed on the TrackPower Racing Network.

2.6 Penn shall, at its cost, secure handheld automated devices (Tiny Tim's) distributed through Autotote to be leased, without cost, to premium players identified by Penn and TrackPower.

3. Fees to TrackPower

Penn shall pay or cause to be paid to TrackPower for the signal and data sent to the TrackPower Network subscribers the following payments:

3.1 While the TrackPower Racing Network operates on an operator assisted (telephone) basis, the following fees shall be payable:

SITUATION FEE PAYABLE AS A % OF AMOUNT WAGERED

*

3.2 When the TrackPower Racing Network operates on an automated basis (no operator), the following fees shall be payable:

SITUATION FEE PAYABLE AS A % OF AMOUNT WAGERED

*

3.3 The fee shall be payable monthly, by the tenth day of the following month. At the time the fee is paid, Penn shall furnish to TrackPower an accounting and reconciliation for all customer accounts.

4. Warrants. TrackPower shall grant to Penn a warrant (the "Warrant") in the form attached hereto as Exhibit "C" pertaining to the purchase of an aggregate of 5,000,000 shares of TrackPower's common stock, par value $0.001 per share (the "Common Stock"), upon the terms and conditions more fully set forth in the Warrant. The Warrant shall vest, and shall be exercisable at the exercise prices, as set forth in the following table:

From and after:	Number of Shares Exercisable	Exercise Price
April 29, 1999	1,000,000	$1.58/share
April 29, 2000	1,000,000	$1.82/share
April 29, 2001	1,000,000	$2.05/share
April 29, 2002	1,000,000	$2.29/share
April 29, 2003	1,000,000	$2.53/share

The Warrant shall expire on April 30, 2004.

5. Representations and Warranties

5.1 TrackPower represents and warrants to Penn as follows: 5.1.1 Organization. TrackPower is a corporation duly organized and existing under the laws of Wyoming and is qualified and in good standing under the laws of each other jurisdiction in which such qualification is necessary. 5.1.2 Authority. TrackPower has the requisite power and authority to own its properties and assets and carry on its business as presently conducted and to execute and deliver and perform this Agreement. All requisite corporate action has been taken by TrackPower to authorize the execution, delivery and performance of this Agreement.

5.1.3 No Contravention. TrackPower is not prevented by any law, rule, regulation, order or decree from entering into this Agreement or performing its obligation hereunder. No consent, approval or authorization of (or declaration or filing with) any governmental agency on the part of TrackPower is required in connection with the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of its obligations hereunder.

5.1.4 Licenses. TrackPower holds and will maintain all licenses required by any governmental body having jurisdiction over TrackPower and the TrackPower Network with respect to the operation of the TrackPower Network and the exercise by TrackPower of its duties and obligations hereunder.

5.1.5 Legal Compliance. During the term hereof, TrackPower shall at all times abide by all applicable federal, state and local laws, regulations, rules and orders pertaining to the operation of the TrackPower Network and the performance of its obligations hereunder.

5.1.6 Litigation. TrackPower is not a party to nor threatened by any civil or criminal litigation which could have a material adverse effect on the financial or business condition of TrackPower or limit, in any material way, the ability of TrackPower to perform its obligations hereunder.

5.1.7 Satellite Agreements. The TESC Agreement is in full force and effect and none of the parties thereto is in default thereof. No party to the TESC Agreement has given any formal or informal notice that another party is in default or that any party intends to default under or terminate the TESC Agreement.

5.1.8 No Proceedings. None of the officers or directors of TrackPower are or within the past five years have been, the subject of any government or court proceedings which could impact the ability of TrackPower or such officers and directors to operate the TrackPower Network and perform their obligations hereunder without being in violation of any applicable law, rule or regulation of any governmental body or any ruling of any court.

5.1.9 Warrants. TrackPower has taken all corporate action necessary to authorize the grant of the Warrants to Penn pursuant to paragraph 4 hereof and, during the term hereof, will reserve such number of shares of its Common Stock for issuance under the Warrants as are necessary or appropriate, from time to time.

5.1.10 SEC Compliance. TrackPower has complied, and during the term hereof will continue to be in compliance, with the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including, but not limited to, filing all reports and other documents required to be filed thereunder.

5.1.11 Continuing Representations. TrackPower agrees that the foregoing representations and warranties shall be deemed to be continuing representations and warranties and shall remain in full force and effect and shall pertain to the facts and circumstances existing during the entire term hereof. TrackPower shall promptly notify Penn of any facts or circumstances which arise after the date hereof which would constitute a violation or breach of any such continuing representations and warranties.

5.2 Penn represents and warrants to TrackPower as follows:

5.2.1 Organization. Penn is a corporation duly organized and existing under the laws of Pennsylvania and is qualified and in good standing under the laws of each other jurisdiction in which such qualification is necessary.

5.2.2 Authority. Penn has the requisite power and authority to own its properties and assets and carry on its business as presently conducted and to execute and deliver and perform this Agreement. All requisite corporate action has been taken by Penn to authorize the execution, delivery and performance of this Agreement.

5.2.3 No Contravention. Penn is not prevented by any law, rule, regulation, order or decree from entering into this Agreement or performing its obligation hereunder. No consent, approval or authorization of (or declaration or filing with) any governmental agency on the part of Penn is required in connection with the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of its obligations hereunder, except as provided in Section 8.5 below.

5.2.4 Licenses. Penn holds and will maintain all licenses required by any governmental body having jurisdiction over Penn and the exercise by Penn of its duties and obligations hereunder.

5.2.5 Legal Compliance. During the term hereof, Penn shall at all times abide by all applicable federal, state and local laws, regulations, rules and orders pertaining to the operation of the TrackPower Network and the performance of its obligations hereunder.

5.2.6 Litigation. Penn is not a party to nor threatened by any civil or criminal litigation which could have a material adverse effect on the financial or business condition of Penn or limit, in any material way, the ability of Penn to perform its obligations hereunder.

5.2.7 No Proceedings. None of the officers or directors of Penn are or within the past five years have been, the subject of any government or court proceedings which could impact the ability of Penn or such officers and directors to perform their obligations hereunder without being in violation of any applicable law, rule or regulation of any governmental body or any ruling of any court.

5.2.8 Continuing Representations. Penn agrees that the foregoing representations and warranties shall be deemed to be continuing representations and warranties and shall remain in full force and effect and shall pertain to the facts and circumstances existing during the entire term hereof. Penn shall promptly notify TrackPower of any facts or circumstances which arise after the date hereof which would constitute a violation or breach of any such continuing representations and warranties.

6. Term and Termination 6.1 Term. The term of this Agreement shall be for five years ending April 30, 2004. Penn shall, at its sole discretion, have the option to extend the Term hereof for an additional five years commencing May 1, 2004. Notwithstanding anything herein to the contrary, the term hereof shall end upon the termination of the TESC Agreement due to no fault of TrackPower. 6.2 Termination by Penn National. Penn National may terminate this Agreement for any of the following reasons: 6.2.1 TrackPower shall be in default in any material respect in the performance of any of its obligations hereunder or otherwise commits any material breach of this Agreement and such default continues uncured for a period of thirty days after notice thereof from Penn to TrackPower. 6.2.2 TrackPower shall fail to maintain the TESC Agreement in full force and effect or shall commit any breach thereunder which would permit any other party thereto to terminate such Agreement. 6.2.3 Immediately upon the occurrence of the filing by TrackPower of a petition in bankruptcy, filing a petition seeking any reorganization, arrangement, composition or similar relief under any federal or state law regarding insolvency or relief for debtors or making an assignment for the benefit of creditors or the appointment of a receiver, manager, trustee or similar officer for the business or property of TrackPower, or, if any involuntary petition or proceeding in bankruptcy or insolvency is instituted against TrackPower and not stayed or enjoined or discharged within sixty days thereafter. 6.2.4 Immediately upon the occurrence or filing of an action, whether administrative, regulatory or otherwise, seeking the suspension or termination of any racing or gaming license in any jurisdiction in which TrackPower requires a license in order to maintain the TrackPower Racing Network and to perform its duties and obligations hereunder. 6.3 Termination by TrackPower. TrackPower may terminate this Agreement for any of the following reasons: 6.3.1 Penn shall be in default in any material respect in the performance of any of its obligations hereunder or otherwise commits any material breach of this Agreement and such default continues uncured for a period of thirty days after notice thereof from TrackPower to Penn. 6.3.2 Immediately upon the occurrence of the filing by Penn of a petition in bankruptcy, filing a petition seeking any reorganization, arrangement, composition or similar relief under any federal or state law regarding insolvency or relief for debtors or making an assignment for the benefit of creditors or the appointment of a receiver, manager, trustee or similar officer for the business or property of Penn, or, if any involuntary petition or proceeding in bankruptcy or insolvency is instituted against Penn and not stayed or enjoined or discharged thereafter. 6.3.3 Immediately upon the occurrence or filing of an action, whether administrative, regulatory or otherwise, seeking the suspension or termination of any racing or gaming license in any jurisdiction in which Penn requires a license in order to maintain and to perform its duties and obligations hereunder.

7. Intellectual Property Rights

7.1 All intellectual property rights, including but not limited to rights in and to patents, copyrights, mask work rights, trademarks, and trade secret rights, related to the equipment, hardware, software, tradenames or trademarks directly or indirectly provided by either party under or in connection with this Agreement at any time during the term (including extensions thereof), belong and shall continue to belong exclusively to the party providing the same.

7.2 Each party shall immediately notify the other if it ever becomes aware of any impairment or infringement, or imminent threat of impairment or infringement, of the other's rights. Neither party shall take any steps against any alleged infringer unless and until requested to do so in writing by the provider of the rights; provided, however, that if the owner of the rights fails to take action as to any infringement that has or is likely to have a material adverse effect on the operation of the TrackPower Network, the other may, after the giving of at least fourteen days prior written notice to the owner, take reasonable action to stop or abate the infringement at the owner's expense and the owner will cooperate in any such action.

7.3 This Section 7 shall survive the termination or expiration of this Agreement without time limitation.

7.4 License of Intellectual Property.

7.4.1 Each party hereby grants to the other the non-exclusive right, license and authority to use each such party's respective trademarks, service marks, trade names, logotypes and variances thereof (collectively, "Marks") in connection with the advertising and promotion of the TrackPower Network.

7.4.2. Penn and TrackPower have each granted the other the non-exclusive right, license and authority to use each such party's Marks and acknowledge and agree that it is essential to the proper marketing of the products and services offered by each of them and to the preservation and promotion of the excellent reputation and acceptance by the public at large of the goods and services offered by each of them, and the goodwill and integrity of each party's respective Marks that high uniform standards of quality and service be maintained, and that uniform display of each party's respective Marks be used in the distribution of such products and services to the public at large. Accordingly, Penn and TrackPower each covenant and agree, as part of the consideration for the execution of this Agreement, as follows:

7.4.2.1 The right to use the Marks of the other party granted under Section 7.4.1 above are personal to such party and cannot be sold, assigned, transferred, hypothecated, pledged, liened, charged or encumbered, in whole or in part, except in accordance with the terms of this Agreement;

7.4.2.2 Each party has the sole and exclusive right to use its Marks (except for certain rights granted under existing and future license agreements and for the rights granted hereunder) and neither party shall, during the term of this Agreement nor after the expiration or termination hereof, directly or indirectly impugn, contest, or aid or permit any act impugning or contesting the validity of the other party's Marks or take any action whatsoever in derogation of the other party's Marks nor shall either party assert any claim to the goodwill, reputation or ownership thereof by virtue of the license granted hereunder.

7.4.2.3 Each of Penn and TrackPower will advertise, promote and display the Marks of the other only in the manner specified or approved in writing by such other party. Each party shall advertise the Marks of the other only in a professional and responsible manner and no advertising or other use of such other party's Marks shall contain any statement or material which may, in the sole subjective judgment of such other party, be misleading, in bad taste or inconsistent with such other party's marketing strategy or public image.

7.4.2.4 Each of Penn and TrackPower acknowledge and agree that nothing contained in this Agreement shall give either of them any right, title or interest in or to the Marks of the other, except the right to use such Marks in strict accordance with the terms of this Agreement. Each party further agrees that any and all goodwill associated with the Marks, including any goodwill which may be deemed to arise from the use by a party of the Marks of the other party, inures directly and exclusively to such other party and no monetary amount shall be assigned or attributed to any goodwill associated with a party's use of the Marks of the other party.

7.4.2.5 Each party will promptly notify the other, in writing, of any infringement or potential infringement of such other party's Marks of which it has become aware. Neither party shall have any right to bring any action or proceeding relating to such infringement or potential infringement of the other party's Marks or which involves, directly or indirectly, any issue the litigation of which may affect the interest of such other party in its Marks, without the express prior written consent of such other party; and

7.4.2.6 On the termination of this Agreement, each party shall immediately and completely discontinue all use of the other party's Marks and shall not thereafter operate or do business under any trademark, service mark or trade name or in any manner or style that may tend to give the general public the impression that it is, either directly or indirectly, associated, affiliated, licensed by or related to the other party.

8. Miscellaneous 8.1 Entire Agreement. This Agreement contains the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements with respect to such subject matter. 8.2 Binding Nature. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party shall assign any of its obligations hereunder, without the express written permission of the other party, except to an affiliate of such party. 8.3 Amendments. This Agreement may not be modified or amended except in writing signed by each of the parties hereto. 8.4 Dispute Resolution. Any dispute arising hereunder shall be resolved by arbitration in Philadelphia, Pennsylvania before a single arbitrator in accordance with the rules of civil arbitration of the American Arbitration Association. The decision or award of the arbitrator shall be final, binding and conclusive on the Parties hereto and may be entered for enforcement in any court having jurisdiction. 8.5 Racing Commission Approval. This Agreement shall not be binding upon either party unless and until the same shall have been filed with the Pennsylvania State Horse Racing Commission and, if necessary, approved by such Commission. 8.6 Notices. All notices, demands and requests of any kind which either party may be required or may desire to serve upon the other party hereto in connection with this Agreement shall be delivered only by courier or other means of personal service, which provides written verification of receipt or by registered or certified mail return receipt requested (the "Notice"). Any such Notice or demand so delivered by registered or certified mail or courier shall be deposited in the United States mail, or in the case of courier, deposited with the courier, with postage thereon fully prepaid. All Notices shall be addressed to the parties to be served as follows: (a) If to Penn: Copy to:

Joseph A. Lashinger, Jr., Esquire	Robert P. Krauss, Esquire
Penn National Gaming, Inc.	Mesirov Gelman Jaffe Cramer & Jamieson, LLP
825 Berkshire Boulevard	
Suite 200	1735 Market Street
Wyomissing, PA 19610	Philadelphia, PA 19103
Fax No.: (610) 373-4966	Fax No.: (215) 994-1111

(b) If to TrackPower: Copy to:

___J. Graham Simmonds_____ _____John G. Simmonds____
___TrackPower Inc._____ _____Same_____
___580 Granite Court_____ _____
___Pickering, Ont Canada_____ _____
LIN 324

Either of the parties hereto may at any time and from time to time change the address to which notice shall be sent hereunder by notice to the other party given under this Section. All such notices, requests, demands, and other communications shall be effective when received at the respective address set forth above or as then in effect pursuant to any such change.

8.7 Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws of the Commonwealth of Pennsylvania with respect to contracts made and performed in the Commonwealth.

8.8 Relationship of the Parties. This Agreement does not constitute TrackPower and Penn as partners, joint venturers or make TrackPower or Penn an agent of the other.

8.9 Public Announcements. No public announcement relating to the existence of this Agreement or the matters contemplated by this Agreement will be made without the prior approval of the other party, which approval shall not be unreasonably withheld. Notwithstanding the foregoing, either party may make such public announcements, after notifying the other, as are required by the securities laws pertaining to the trading of the Common Stock of either party.

8.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed will be deemed an original and all of which when taken together shall be one in the same instrument. One or more counterparts of this Agreement may be delivered by facsimile transmission with the intention that it or they will have the same effect as the delivery of an original counterpart hereof.

8.11 Force Majeure. Neither TrackPower nor Penn will be liable to the other for any failure or delay in performance hereunder if and to the extent such failure or delay was due to a cause beyond the reasonable control of TrackPower or Penn, as the case may be, including, without limitation, acts or failure to act of governmental authorities or others whose actions are required by law, strikes, lockouts and other labor disturbances, riot, insurrection or, electrical or cable failure, and/or acts of God (force majeure). The party whose performance is prevented or delayed by an event of force majeure will promptly give notice to the other of the occurrence of such an event and will use commercially reasonable efforts to remove such event as soon as possible and thereafter resume performance in accordance with the terms and provisions hereof.

8.12 Severability. In the event any term or provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, such provision shall be deleted and this Agreement shall continue in full force and effect without such provision; provided that no such deletion will be effective if it materially changes the economic benefit of this Agreement to either party hereto.

8.13 Further Assurances. The parties acknowledge that the subject matter hereof pertains to a new and developing technology. Accordingly, each party agrees to cooperate with the other, in good faith, to resolve any disputes between themselves or with third parties arising out of or in connection with the performance of any duty or obligation hereunder.

8.14 Audit. TrackPower shall permit Penn or any governmental agency having jurisdiction over the conduct of the TrackPower Network to review, audit and copy any records of TrackPower pertaining to TrackPower subscribers and the betting activity of such subscribers upon reasonable notice to TrackPower.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above written.

PENN NATIONAL GAMING, INC.

BY:__/s/William J. Bork_____

AMERICAN DIGITAL COMMUNICATIONS, INC.

BY:_/s/John G. Simmonds_____

VOID AFTER 5:00 P.M., PHILADELPHIA, PENNSYLVANIA TIME, ON APRIL 30, 2004 OR IF NOT A BUSINESS DAY, AS DEFINED HEREIN, AT 5:00 P.M., PHILADELPHIA, PENNSYLVANIA TIME ON THE NEXT FOLLOWING BUSINESS DAY. WARRANT TO PURCHASE 5,000,000 SHARES OF COMMON STOCK OF AMERICAN DIGITAL COMMUNICATIONS, INC. NO. _____ TRANSFER RESTRICTED -- SEE SECTION 8.02 For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by American Digital Communications, Inc., a Wyoming corporation (the "Company"), and intending to be legally bound hereby, the Company hereby grants to Penn National Gaming, Inc., a Pennsylvania corporation, and its registered, permitted assigns (collectively, the "Warrantholder"), subject to the terms and conditions hereof, the right and option to purchase the number of fully-paid and nonassessable shares of the Company's common stock (the "Common Stock") set forth on the signature page of this Warrant. ARTICLE I Section 1.01: Definition of Terms. As used in this Warrant, the following capitalized terms shall have the following respective meanings: (a) Business Day: A day other than a Saturday, Sunday or other day on which banks in the Commonwealth of Pennsylvania are authorized by law to remain closed. (b) Common Stock Equivalents: Securities that are convertible into or exercisable or exchangeable for shares of Common Stock or of which Common Stock is a part. (c) Exercise Price Per Share: The Warrant shall vest, and shall be exercisable at the exercise prices as set forth in the following table: From and after: Number of Shares Exercisable Exercise Price

April 29, 1999	1,000,000	$1.58/share
April 29, 2000	1,000,000	$1.82/share
April 29, 2001	1,000,000	$2.05/share
April 29, 2002	1,000,000	$2.29/share
April 29, 2003	1,000,000	$2.53/share

(d) Person: An individual, partnership, joint venture, corporation, trust, limited liability company, unincorporated organization, government or any department or agency thereof, or any other entity.
(e) Securities Act: The Securities Act of 1933, as amended.
(f) Warrant: This warrant, and all other warrants that may be issued in its place or in exchange or satisfaction therefor, including without limitation, any issued pursuant to Section 2.02(c) hereof. (g) Warrant Expiration Date: 5:00 P.M., Philadelphia, Pennsylvania time, on April 30, 2004 or, if such day is not a Business Day, the next succeeding day which is a Business Day. (h) Warrantholder: The person(s) or entity(ies) to whom this Warrant is originally issued, or any successor in interest thereto, or any assignee or transferee thereof, in whose name this Warrant is registered upon the books to be maintained by the Company for that purpose.

ARTICLE II

Duration and Exercise of Warrant

Section 2.01: Duration of Warrant. Subject to the terms contained herein, this Warrant may be exercised from time to time, on or before the Warrant Expiration Date. If this Warrant is not exercised in full on or before the Warrant Expiration Date, it shall become void to the extent not exercised, and all unexercised rights hereunder shall thereupon cease. Section 2.02: Exercise of Warrant. (a) The Warrantholder may exercise this Warrant, in whole or in part by presentation and surrender of this Warrant to the Company at its corporate office at [_____], with the Subscription Form annexed hereto duly executed and accompanied by payment (by certified or official bank check payable to the order of the Company) of the Exercise Price Per Share for each share to be purchased hereunder. (b) Upon receipt of this Warrant with the Subscription Form duly executed and accompanied by payment of the aggregate Exercise Price Per Share as set forth in Section 2.02, for the shares for which this Warrant is then being exercised, the Company shall cause to be issued certificates for the total number of whole shares of Common Stock which constitute the number of shares for which this Warrant is being exercised (adjusted to reflect the effect of the antidilution provisions contained in Article III hereof, if any, and as provided in Section 6.04 hereof) in such denominations as are requested for delivery to the Warrantholder, and the Company shall thereupon deliver such certificates to the Warrantholder. (c) In case the Warrantholder shall exercise this Warrant with respect to fewer than all of the shares which may be purchased under this Warrant, the Company, at the expense of the Warrantholder, shall execute a new warrant in the form of this Warrant for the balance of such shares and promptly deliver such new warrant to the Warrantholder. (d) The Company shall pay any and all documentary, stamp, transfer or other transactional taxes attributable to the issuance of this Warrant or any shares issuable upon exercise. The Company shall not, however, be required to pay any tax imposed on income or gross receipts of the Warrantholder or any tax which may be payable by the Warrantholder in respect of any transfer involved in the issuance or delivery of this Warrant in a name other than that of the Warrantholder at the time of surrender and, until the payment of such tax, shall not be required to issue such shares.

ARTICLE III

Adjustment of Shares of Common Stock
Purchasable and of Exercise Price

The Exercise Price Per Share and the number and kind of shares of capital stock issuable upon exercise hereof shall be subject to adjustment from time to time upon the happening of certain events as provided in this Article III. Section 3.01: Mechanical Adjustments. (a) If at any time prior to the exercise of this Warrant in full, the Company shall (i) pay a dividend or make a distribution on its shares of Common Stock in shares of Common Stock or Common Stock Equivalents; (ii) subdivide, reclassify or recapitalize its outstanding Common Stock into a greater number of shares; (iii) combine, reclassify or recapitalize its outstanding Common Stock into a smaller number of shares; or (iv) issue by reclassification of its Common Stock any shares of capital stock of the Company, the Exercise Price Per Share in effect at the time of the record date of such dividend distribution, subdivision, combination, reclassification or recapitalization shall be equitably adjusted to the extent (if any) necessary so that the Warrantholder shall be entitled to receive, upon exercise of this Warrant, the aggregate number and kind of shares of Common Stock which, if this Warrant had been exercised in full immediately prior to such time, such Warrantholder would have owned upon such exercise(s) and been entitled to receive upon such dividend, subdivision, combination, reclassification or recapitalization. Any adjustment required by this Section 3.01(a) shall be made each time an event listed in this Section 3.01(a) shall occur.

b) If at any time prior to the exercise of this Warrant in full, the Company shall issue or distribute to all holders of shares of Common Stock evidences of its indebtedness, any other securities of the Company or any cash, property or other assets (excluding a dividend distribution, combination, reclassification or recapitalization referred to in Section 3.01(a), and excluding cash dividends or cash distributions paid out of surplus, earnings or net profits legally available therefor if the full amount thereof, together with the value of other dividends and distributions made substantially concurrently therewith or pursuant to a plan which includes payment thereof, is equivalent to not more than 5% of the Company's net worth) (any such nonexcluded event being herein called a "Special Dividend"), the Exercise Price Per Share shall be decreased immediately after the effective date of such Special Dividend to a price equal to the then current Exercise Price Per Share on such effective date less the fair market value (as determined in good faith by the Company's Board of Directors) of the evidences of indebtedness, securities or property, or other assets issued or distributed in such Special Dividend applicable to one share of Common Stock. Any adjustment required by this Section 3.01(b) shall be made each time the effective date of any such Special Dividend occurs.

(c) Whenever the Exercise Price Per Share payable upon exercise of this Warrant is adjusted pursuant to this Section 3.01, the number of shares purchasable hereunder shall simultaneously be adjusted by multiplying the number of shares immediately prior to the event giving rise to such adjustment by the Exercise Price Per Share in effect on the date thereof and dividing the product so obtained by the Exercise Price Per Share, as adjusted. (d) No adjustment in the Exercise Price Per Share shall be required unless such adjustment would require an increase or decrease of at least one cent ($0.01) in such price; provided, however, that any adjustments which by reason of this paragraph (d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 3.01 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. (e) If at any time, as a result of any adjustment made pursuant to Section 3.01(a), the Warrantholder shall become entitled to receive any shares of the Company other than Common Stock, thereafter the number of such other shares so receivable upon exercise of any Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in this Section 3.01.

(f) If, as a result of an adjustment made pursuant to this Article III, the Warrantholder shall become entitled to receive shares of two or more classes of capital stock or shares of Common Stock and other capital stock of the Company (other than as may be contemplated by this Warrant), the Board of Directors (whose determination shall be conclusive, absent manifest error, and shall be described in a written notice to the Warrantholder promptly after such adjustment) shall determine in good faith the allocation of the adjusted per share price between or among shares or such classes of capital stock or shares of Common Stock and other capital stock. Section 3.02: Notice of Adjustment. Whenever the number of shares purchasable hereunder or the Exercise Price Per Share is adjusted as herein provided, the Company shall prepare and deliver to the Warrantholder a certificate signed by its President and its Treasurer or Secretary of the Company, setting forth the adjusted number of shares purchasable upon exercise of this Warrant, and the Exercise Price of such securities after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. Section 3.03: No Adjustment for Dividends. Except as provided in Section 3.01 (b) of this Agreement, no adjustment in respect of any cash dividends shall be made during the term of this Warrant or upon the exercise of this Warrant.

Section 3.04: Preservation of Purchase Rights in Certain Transactions. In case of any capital reorganization or reclassification, or any consolidation or merger to which the Company is a party, or in case of any sale or conveyance to another entity of all or substantially all of the property of the Company, or in the case of any statutory exchange of securities with another corporation (including any exchange effected in connection with a merger of a third corporation into the Company), the Warrantholder shall have the right thereafter to: (i) immediately exercise the Warrant in full, irrespective of whether any or all of the shares have vested, and at their Exercise Price Per Share; or (ii) receive on the exercise of this Warrant the kind and amount of securities, cash or other property which the Warrantholder would have owned or have been entitled to receive immediately after such reorganization, reclassification, consolidation, merger, statutory exchange, sale or conveyance if this Warrant had been exercised immediately prior to the effective date of such reorganization, reclassification, consolidation, merger, statutory exchange, sale or conveyance and in any such case, if necessary, appropriate adjustment shall be made in the application of the provisions set forth in this Article III with respect to the rights and interests thereafter of the Warrantholder to the end that the provisions set forth in this Article III shall thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares of stock or other securities or property thereafter deliverable on the exercise of this Warrant. The provisions of this Section 3.04 shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, statutory exchanges, sales or conveyances which occur prior to the exercise, repurchase or expiration of this Warrant. The issuer of any shares of stock or other securities or property thereafter deliverable on the exercise of this Warrant shall be jointly and severally responsible for all of the agreements and obligations of the Company hereunder. Notice of any such reorganization, reclassification, consolidation, merger, statutory exchange, sale or conveyance and of such provisions so proposed to be made, shall be mailed to the Warrantholders not less than 30 days prior to such event. Section 3.05: Form of Warrant After Adjustments. The form of this Warrant need not be changed because of any adjustments in the Exercise Price Per Share or the number or kind of shares purchasable hereunder.

ARTICLE IV

Demand Registrations

Section 4.01: Requests for Registration. Warrantholder may request not more than two registrations under the Securities Act of all or part of its registrable securities (i) on Form S-1 or S-2 or any similar long-form registration statement or (ii) on Form S-3 or any similar short-form registration statement, if the Company qualifies to use such short form (all such registrations described in clauses (i) and (ii), "Form Registrations"). Thereafter, the Company will use all reasonable efforts to effect the registration under the Securities Act on the form requested by the Warrantholder and to include in such registration all registrable securities which the Warrantholder has so requested to be included therein within 30 days after receipt of notice by the Company. Any request for a Demand Registration shall specify the number of registrable securities proposed to be sold by the Warrantholder and the intended method of disposition thereof. Provided that, if the Company shall furnish to the Warrantholder a certificate signed by the Chief Executive Officer of the Company stating that in good faith judgment of the Board of Directors it would be detrimental to the Company or its shareholders for a registration statement to be filed in the near future, then the Company's obligation to use all reasonable efforts to effect the registration under this Section 4.01 shall be deferred for a period reasonably necessary, but not to exceed one hundred and twenty (120) days from the date of receipt of notice from the Warrantholder; provided that the Company may not exercise this deferral right more than twice per twelve month period.

Section 4.02: Registration Expenses. The Warrantholder will pay all external incremental costs in connection with all such Form Registrations. Section 4.03: Revocation of Demand Registration. The Warrantholder may, at any time more than 30 days prior to the effective date of the registration statement relating to such Demand Registration, revoke such request by providing written notice to the Company. ARTICLE V Piggyback Registration Rights Section 5.01: Piggyback Rights. Whenever the Company proposes to register any of its equity securities under the Securities Act, whether for the Company's own account or for the account of any other Person (a "Piggyback Registration"), for the purpose of the sale of such equity securities newly issued by the Company or owned by any present or future holder of equity securities, or the Company has any other obligation to register equity securities on Form S-1, S-2 or S-3, or any successor to such Forms, the Company will give prompt written notice to the Warrantholder of its intention to effect such a registration at least forty days prior to the filing of the registration statement covering the equity securities, and such notice shall offer the Warrantholder the opportunity to register on the same terms and conditions such number of the Warrantholder's registrable securities as the Warrantholder may request. If the Warrantholder elects to so register any or all of its registrable securities, it shall, within thirty days of the date of delivery of notice to the Warrantholder of the Company's proposal to register equity securities, deliver to the Company a notice of election (i) specifying the number of shares of equity securities to be sold; and (ii) describing the proposed manner of sale or transfer thereof under the Securities Act. The Company will include in such registration all registrable securities with respect to which the Company has received timely written requests for inclusion therein by the Warrantholder. Section 5.02: Piggyback Expenses. All of the Registration Expenses of each Piggyback Registration shall be paid by the Company. ARTICLE VI Other Provisions Relating to Rights of Warrantholder

Section 6.01: No Rights as Shareholders; Notice to Warrantholders. Nothing contained in this Warrant shall be construed as conferring upon the Warrantholder in its position as such or upon its transferees the right to vote or to receive dividends or to consent or to receive notice as a shareholder in respect of any meeting of shareholders for the election of directors of the Company or of any other matter, or any rights whatsoever as shareholders of the Company. The Company shall give notice to the Warrantholder if, at any time prior to the expiration or exercise in full of this Warrant, any of the following events shall occur: (a) the Company shall effect any transactions subject to Section 3.01 with respect to the holders of shares of Common Stock; (b) the Company shall offer to all holders of shares of Common Stock any additional shares of Common Stock or Common Stock Equivalents or any right to subscribe thereto; (c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger, or sale of all, or substantially all, of its property, assets, and business as an entirety) shall be approved; or (d) any consolidation of the Company with or merger of the Company into another corporation, or in the case of any sale or conveyance to another entity of the property of the Company, as an entirety or substantially as an entirety. Such notice shall be given not later than ten days prior to the date fixed as a record date or the date of closing of the Company's stock transfer books for the determination of the shareholders entitled to such dividend, distribution or subscription rights, or for the determination of the shareholders entitled to vote on such proposed merger, consolidation, sale, conveyance, dissolution, liquidation or winding up. Such notice shall specify such record date or the date of closing the stock transfer books, as the case may be, the date of any shareholder meeting scheduled in connection therewith, and the anticipated payment or closing date in connection therewith. Failure to provide such notice shall not affect the validity of any action taken in connection with such dividend, distribution or subscription rights, or proposed merger, consolidation, sale, conveyance, dissolution, liquidation or winding up.

Section 6.02: Lost, Stolen, Mutilated or Destroyed Warrants. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may in its reasonable discretion impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue at the expense of the Warrantholder a new Warrant of like denomination and tenor as, and in substitution for, this Warrant. Section 6.03: Reservation of Shares. (a) The Company shall at all times reserve and keep available for the exercise of this Warrant such number of authorized shares of Common Stock as are sufficient to permit the exercise in full of this Warrant. (b) The Company covenants and agrees that all shares of Common Stock issued on exercise of this Warrant will, upon payment of the respective Exercise Price Per Share therefor in accordance with the terms hereof, be validly issued, fully paid, nonassessable and free of any preemptive or similar rights. Section 6.04: No Fractional Shares. Anything contained herein to the contrary notwithstanding, the Company shall not be required to issue any fraction of a share in connection with the exercise of this Warrant, and in any case where the Warrantholder would, except for the provisions of this Section 6.04, be entitled under the terms of this Warrant to receive a fraction of a share upon the exercise of this Warrant, the Company shall, upon the exercise of this Warrant and receipt of the Exercise Price Per Share, issue the smaller number of whole shares purchasable upon exercise of this Warrant and shall make an equitable cash adjustment in respect of such fraction of a share to which the Warrantholder would otherwise be entitled.

ARTICLE VII

Treatment of Warrantholder

Prior to due presentment for registration of transfer of all or any portion of this Warrant in compliance with Section 6.02 hereof, the Company may deem and treat the Warrantholder as the absolute owner of this Warrant (notwithstanding any notation of ownership or other writing hereon) for all purposes and shall not be affected by any notice to the contrary. Upon such due presentment, the Company shall register the transfer and the assignee on its books and records.

ARTICLE VIII

Split-Up, Combination.
Exchange and Transfer of Warrants

Section 8.01: Split-Up, Combination, Exchange and Transfer of Warrants. Subject to the provisions of Section 8.02 hereof, this Warrant may be split up, combined or exchanged for another Warrant or Warrants containing the same terms to purchase a like aggregate number of shares of Company Common Stock. If the Warrantholder desires to split up, combine or exchange this Warrant, it shall make such request in writing delivered to the Company and shall surrender to the Company this Warrant and any other Warrant to be so split up, combined or exchanged. Upon any such surrender for a split up, combination or exchange, the Company shall execute and deliver to the person entitled thereto a Warrant or Warrants, as the case may be, as so requested. The Company shall not be required to effect any split up, combination or exchange which will result in the issuance of a Warrant entitling the Warrantholder to purchase upon exercise a fraction of a share of Common Stock. The Company may require such Warrantholder to pay a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any split up, combination or exchange of Warrants. This Warrant may be transferred by a Holder in whole or in part, at any time and from time to time, subject to the restrictions set forth in Section 8.02. Section 8.02: Restrictions on Transfer. Neither this Warrant nor any of the shares of Common Stock issuable upon the exercise hereof may be sold, hypothecated, assigned or transferred (any such action, a

"Transfer"), unless (i) the Company has received from counsel satisfactory to the Company an opinion reasonably satisfactory to the Company that such Transfer may be made without compliance with the registration provisions of the Securities Act and that the proposed transfer may be made without violation of the Securities Act and any applicable state securities law, or (ii) a registration statement filed by the Company covering the securities to be transferred is in effect under the Securities Act and there has been compliance with the applicable state securities laws.

ARTICLE IX

Other Matters

Section 9.01: Expenses of Transfer. The Company shall from time to time promptly pay, subject to the provisions of Section 6.01 and paragraph (d) of Section 2.02, all documentary, stamp, transfer or other transactional taxes that may be imposed upon the Company in respect to the issuance or delivery of shares issuable upon the exercise of this Warrant. Section 9.02: Successors and Assigns. All the covenants, obligations and provisions of this Warrant by or for the benefit of the Company and the Warrantholder shall bind and inure to the benefit of their respective successors and assigns hereunder. Section 9.03: Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without regard to the law of conflicts. Section 9.04: Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provisions in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby. Section 9.05: Integration/Entire Agreement. This Warrant is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Warrant supersedes all prior agreements and understandings between the parties with respect to such subject matter. Section 9.06: Notices. Notice or demand pursuant to this Warrant to be given or made by the Warrantholder to or on the Company shall be sufficiently given or made if sent by registered or certified mail, postage prepaid, or by overnight courier, addressed, until another address is designated in writing by the Company, as follows:

American Digital Communications, Inc.
==========

Any notice or demand authorized by this Warrant to be given or made by the Company to or on the Warrantholder shall be sufficiently given or made if sent by registered or certified mail, postage prepaid, or by overnight courier to the Warrantholder at his last known address as it shall appear on the books of the Company. Section 9.07: Headings. The headings herein have been inserted for convenience of reference only and are not part of this Warrant and shall not affect the interpretation thereof.

IN WITNESS WHEREOF, this Warrant has been duly executed by the Company as of the 29th day of April, 1999.

AMERICAN DIGITAL COMMUNICATIONS, INC.

By:_/s/John G. Simmonds_____
Name: John G. Simmonds
Title: President

Number of Shares Purchasable Pursuant to this Warrant: 5,000,000.

ASSIGNMENT

(To be executed only upon assignment of Warrant Certificate)

For value received, _____ hereby sells, assigns and transfers unto _____ the within Warrant Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ attorney, to transfer said Warrant Certificate on the books of American Digital Communications, Inc. with respect to the number of shares set forth below, with full power of substitution in the premises:

Name(s) of Assignee(s)	Address	No. of Shares

If such number of Warrants shall not be all the shares purchasable by the Warrant Certificate, a new Warrant Certificate shall be issued in the name of the undersigned for the balance remaining of such shares.

Name _____
(Please Print Name, Address and Social Security No.)

Signature

_____

Note: The above signature should correspond exactly with the name on the first page of this Warrant Certificate.

Dated: _____, _____

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Note: The above signature should correspond exactly with the name on the face of this Warrant Certificate.

SUBSCRIPTION FORM
(To be executed upon exercise of Warrant)

To: American Digital Communications, Inc.
The undersigned hereby irrevocably elects to exercise the right of purchase represented by the within Warrant Certificate for, and to purchase thereunder, _____ shares of Common Stock as provided for therein, and tenders herewith payment of the purchase price in full in the form of cash or a certified or official bank check in the amount of $_____.
Please issue a certificate or certificates for such shares of Common Stock in the name of:

Name _____
(Please Print Name, Address and Social Security No.)

Signature _____ Note: The above signature should correspond exactly with the name on the first page of this Warrant Certificate. Dated: _____, _____

If such number of shares shall not be all the shares of Common Stock purchasable under the within Warrant Certificate, a new Warrant Certificate shall be issued in the name of the undersigned for the balance remaining of the shares of Common Stock purchasable thereunder.

SUBORDINATION AND INTERCREDITOR AGREEMENT

This Subordination and Intercreditor Agreement (this AAgreement@) made this 29th day of July, 1999, by and among Commerce Bank, N.A., a national banking association having an address at 1701 Route 70 East, Cherry Hill, New Jersey 08034 (the ASenior Lender@),Penn National Gaming, Inc., a Pennsylvania corporation having an address at 825 Berkshire Boulevard, Suite 200, Wyomissing, Pennsylvania, 19620 (the ASubordinate Lender@), and FR Park Racing, L.P., a New Jersey limited partnership having an office at 3001 Street Road, Bensalem, Pennsylvania 19010, Attention: Harold G. Handel, President (ABorrower@).

Recitals

A. Borrower is the owner of the fee estate in the premises located in Monmouth County, New Jersey, commonly known as Freehold Raceway and more particularly described on Schedule A annexed hereto and made a part hereof, and the buildings and improvements located thereon (collectively, the AProject@).

B. Senior Lender and Borrower, together with GS Park Racing, L.P. (ACo-Borrower@), entered into that certain Loan Agreement dated of even date herewith (as hereinafter amended, modified, restated or supplemented from time to time, the ASenior Loan Agreement@), pursuant to which Senior Lender made a loan to Borrower and Co-Borrower in the original principal amount of Twenty-Three Million and 00/100 Dollars ($23,000,000.00) (the ASenior Loan@), all of which remains outstanding as of the date hereof, on the terms and conditions set forth in the Loan Agreement.

C. The Senior Loan is evidenced by a certain Term Loan Note dated of even date herewith made by Borrower and Co-Borrower in favor of Senior Lender (the ASenior Note@) in the original principal amount of Twenty-Three Million and 00/100 Dollars ($23,000,000.00), which is secured by, among other things, a first priority security interest in all of Borrower=s existing and future personal property (including, without limitation, accounts, inventory, equipment, general intangibles, fixtures, investment property, deposit accounts and all proceeds thereof (collectively, AUCC Collateral@)), a certain Mortgage, Security Agreement, and Fixture Filing dated of even date herewith made by Borrower in favor of Senior Lender and encumbering the Project which shall be forthwith recorded in the Clerk/Register of Monmouth County, New Jersey (the AClerk=s Office@) (the ASenior Mortgage@) and an Assignment of Rents and Leases of even date herewith given by Borrower in favor of Senior Lender which shall be forthwith recorded in the Clerk=s Office (the ASenior Assignment of Rents@) (the Senior Mortgage, together with the Senior Loan Agreement, the Senior Note, the Senior Assignment of Rents and any other Loan Document (as said term is defined in the Senior Loan Agreement), as any of the same hereafter may be modified, extended or restated from time to time, collectively, the ASenior Loan Documents@).

D. On January 28, 1999, Subordinate Lender made a loan to Borrower in the original principal amount of Eleven Million Two Hundred Fifty Thousand and 00/100 Dollars ($11,250,000.00) (the ASubordinate Loan@), which Subordinate Loan is evidenced by a certain Subordinated Secured Promissory Note dated January 28, 1999, made by Borrower in favor of Subordinate Lender (the ASubordinate Note@) in the principal amount of Eleven Million Two Hundred Fifty Thousand and 00/100 Dollars ($11,250,000.00).

E. The Subordinate Note is secured by, among other things, a certain Mortgage and Security Agreement dated January 28, 1999, made by Borrower in favor of Subordinate Lender and encumbering the Project which was recorded in the Clerk=s Office on February 4, 1999, in Mortgage Book 6694, Page 638 (the ASubordinate Mortgage@) (the Subordinate Mortgage, together with the Subordinate Note and any other instruments or agreements executed in connection with any of the same may be modified, extended or restated from time to time, collectively, the ASubordinate Loan Documents@).

F. Under the terms of the Senior Loan Agreement, it is a condition precedent to Senior Lender=s obligation to make the Senior Loan that Subordinate Lender agree to subordinate any lien now held by Subordinate Lender in respect of the Project, and to subordinate its rights and interests under the Subordinate Loan Documents, to the Senior Lender in respect to all or any assets of Borrower, all in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual promises and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, Senior Lender, the Subordinate Lender and the Borrower hereby agree as follows:

1. The Subordinate Loan Documents and all advances and amounts (for principal, interest, or otherwise) owing thereunder are hereby, and shall continue to be, subject and subordinate in lien and in payment to the lien and payment of the Senior Loan Documents and all advances and amounts owing thereunder, together with all interest, commitment fees, termination fees and all other sums due under the Senior Loan Documents. The foregoing shall apply, notwithstanding the availability of other collateral to the Senior Lender or the actual date and time of execution, delivery, recordation, filing or perfection of any Senior Loan Documents, or the actual date and time of execution,

delivery, recordation, filing or perfection of a lien or priority of payment thereof, and notwithstanding the fact that the Senior Loan or any other claim for the Senior Loan is subordinated, avoided or disallowed, in whole or in part, under Title 11 of the United States Code (herein called the ABankruptcy Code@) or other applicable federal or state law. In the event of a proceeding, whether voluntary or involuntary, for insolvency, liquidation, reorganization, dissolution, bankruptcy, or other similar proceeding pursuant to the Bankruptcy Code or other applicable federal or state law, the Senior Loan shall be deemed to include all interest accrued thereon, in accordance with and at the interest rates specified in the Senior Loan Documents, both for periods before and for periods after the commencement of any such proceedings, even if the claim for such interest is not allowed pursuant to applicable law.

2. In addition, without limiting the foregoing, the Subordinate Lender agrees that all rights of the Subordinate Lender under the Subordinate Loan Documents in and to the UCC Collateral, the Project and the proceeds thereof (including, without limitation, principal repayment, interest, issues and profits and rights with respect to insurance proceeds, condemnation awards and foreclosure proceeds), if any, shall be expressly subject and subordinate to: (a) the rights of the Senior Lender in and to the UCC Collateral, the Project and the proceeds thereof (including, without limitation, principal repayment, interest, issues and profits and rights with respect to insurance proceeds, condemnation awards and foreclosure proceeds) on the terms now or hereafter set forth in the Senior Loan Documents; and (b) any and all advances made and other expenses incurred under, and as permitted in, the Senior Loan Documents or any permitted extensions or modifications of the Senior Loan Documents.

3. Subordinate Lender and Borrower hereby covenant, warrant and represent that: (a) Borrower has delivered to Senior Lender true, complete and correct copies of all of the Subordinate Loan Documents; (b) Subordinate Lender is now the sole owner and holder of any and all interests in, to or under the Subordinate Loan Documents except that the Subordinate Loan Documents have been assigned by Subordinate Lender to First Union National Bank (AFirst Union@), including an assignment of mortgage recorded in the Clerk=s Office in Mortgage Book 818, Page 375; (c) the Subordinate Loan Documents are now in full force and effect; (d) the Subordinate Loan Documents have not been modified or amended and will not be modified, amended or restated without the prior written consent of the Senior Lender which consent shall not be unreasonably withheld; provided that in no event may any such amendment increase the principal amount of the Subordinate Loan, increase the interest rate of the Subordinate Loan, increase the principal amortization of the Subordinate Loan or shorten any maturity date under the Subordinate Loan Documents; (e) Borrower has not at any time made any drawings, or received any loans or other advances under the Subordinate Loan Documents, and no sums are owed by Borrower to the Subordinate Lender, in each instance, other than as set forth in the Subordinate Loan Documents; (f) the maximum principal balance of the Subordinate Loan may not exceed $11,500,000.00 and (g) the Subordinate Lender=s rights in and to the lien, estate or other interest in the Project, if any, is not subject to the rights of any third parties by way of subrogation, indemnification or otherwise.

4. Borrower shall not make to or for the benefit of the Subordinate Lender any payment or prepayment of principal, interest, default rate interest, or any other payment whatsoever due or to become due under the Subordinate Loan Documents, in each case, unless and until all obligations of Borrower to the Senior Lender in respect of the Senior Loan Documents shall have been paid in full, excepting only that Borrower may, unless and until any of the matters described in clauses (i), (ii) or (iii) of Section 6(c) hereof occurs, or unless giving effect to such payment and with the giving of any required notice and the passage of any applicable grace period an Event of Default (as said term is defined in the Senior Loan Agreement) would occur under the Senior Loan Agreement, a) pay the regular scheduled interest payments due under the Subordinate Loan Documents and b) may also reimburse Subordinate Lender for reasonable and necessary business expenses incurred by Subordinate Lender on Borrower=s behalf.

5. The Subordinate Lender hereby acknowledges and agrees that the Subordinate Lender shall not accept from or on behalf of Borrower any payment of sums whatsoever due under the Subordinate Loan Documents unless and until the Senior Loan has been paid in fully, except as expressly permitted under Section 4 above.

6. The Subordinate Lender hereby further agrees that, so long as any sum shall remain outstanding under any of the Senior Loan Documents (collectively, the ASenior Loan Obligations@):

(a) the Subordinate Lender shall simultaneously send to the Senior Lender due notice of all defaults under the Subordinate Loan Documents and copies of all notices relating to the Subordinate Lender=s intention to exercise remedies under the Subordinate Loan Documents. Notice under the Subordinate Loan Documents shall not be deemed effective until such notice has been delivered to the Senior Lender in the same manner as notices are required to be delivered to Borrower under the Subordinate Loan Documents. The Senior Lender shall have the right, but shall not have any obligation whatsoever, to cure any default on the part of Borrower under the Subordinate Loan Documents within thirty (30) days after the expiration of the applicable grace period permitted to Borrower under the Subordinate Loan Documents. Nothing contained in this Agreement shall be deemed or construed to require the Senior Lender to commence or continue to prosecute any such cure to completion or prevent the Senior Lender from discontinuing such cure;

(b) Subordinate Lender shall not commence any Enforcement Action (as hereinafter defined) for a period of two hundred seventy (270) days after written notice to Senior Lender that a default has occurred under the Subordinate Loan Documents and any grace period has expired. As used herein, the term AEnforcement Action@ shall mean the acceleration of all or any part of the Subordinate Loan, any foreclosure or enforcement proceeding under any of the Subordinate Loan Documents, the exercise of any power of sale, the conduct of a Uniform Commercial Code sale, the execution upon any judgment, the acceptance by the Subordinate Lender of an assignment in lieu of foreclosure, the obtaining of a receiver, the taking of possession or control of the UCC Collateral, the Project, the commencement of any lawsuit, action or proceeding on the Subordinate Note and/or any of the other Subordinate Loan Documents, the exercising of any banker=s lien or rights of set-off or recoupment, or the taking of any other enforcement action against the UCC Collateral, the Project, Borrower, any other collateral for the Subordinate Loan, and/or any other person under any Subordinate Loan Document;

(c) in the event (i) the Subordinate Lender receives any payment of principal or interest or any other payment, in part or in whole, under the Subordinate Loan Documents, other than as expressly permitted under the terms of this Agreement and does not turn over such payments to Senior Lender in accordance with the terms of this Agreement, (ii) there shall have occurred and be continuing beyond any applicable grace and/or notice periods under the Senior Loan Documents an Event of Default (as defined in the Senior Loan Documents), or (iii) of any distribution or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the Project or the proceeds thereof, in whatever form, to any creditor or creditors of Borrower or to any holder of indebtedness of Borrower by reason of any liquidation, dissolution or other winding up of Borrower or its business, or of any receivership or custodianship for Borrower of all or substantially all of its property, or of any insolvency or bankruptcy proceedings or assignment for the benefit of creditors or any proceeding by or against Borrower for any relief under any bankruptcy, reorganization or insolvency law or laws, federal or state, or any law, federal or state, relating to the relief of debtors, then, and in any such event, any payment or distribution of any kind or character, whether in cash, property or securities, which shall be payable or deliverable with respect to the Subordinate Loan or any of the Subordinate Loan Documents or which has been received by the Subordinate Lender, shall be held in trust by the Subordinate Lender and shall forthwith be paid or delivered directly to the Senior Lender for application to the payment of the Senior Loan Obligations. In any such event, the Senior Lender may, but shall not be obligated to, demand, claim and collect any such payment or distribution that would, but for these subordinate provisions, be payable or deliverable with respect to the Subordinate Loan. In the event of the occurrence and continuation of any matter described in clauses (i), (ii) or (iii) above and until the Senior Loan Obligations shall have been fully paid and satisfied and all of the obligations of Borrower to the Senior Lender have been performed in full, no payment whatsoever shall be made to or accepted by the Subordinate Lender in respect of the Subordinate Loan;

(d) in the event the Senior Lender shall release, for purposes of restoration of all or any part of the improvements located at the Project, Senior Lender=s right, title and interest in and to the proceeds under the policies of insurance thereon, and/or its right, title and interest in and to any awards, or its right, title and interest in and to other compensation made for any damages, losses or compensation for other rights by reason of a taking in eminent domain, the Subordinate Lender shall release for such purpose all of the Subordinate Lender=s right, title and interest, if any, in and to all such insurance proceeds, awards or compensation and the Subordinate Lender agrees that the balance of such proceeds remaining shall be applied as set forth in the Senior Loan Agreement, and if the Senior Lender holds such proceeds, awards or compensation and/or monitors the disbursement thereof, the Subordinate Lender agrees that the Senior Lender shall also hold and monitor the disbursement of such proceeds, awards and compensation to which the Subordinate Lender is entitled. Nothing contained in this Agreement shall be deemed to require the Senior Lender to act for or on behalf of the Subordinate Lender or to hold or monitor any proceeds, awards, or compensation in trust for or on behalf of the Subordinate Lender, in any way whatsoever, and all or any of such sums so held or monitored may be commingled with any funds of the Senior Lender;

(e) except for its lien on the Project pursuant to the Subordinate Mortgage, and so long as the Senior Loan Obligations remain unpaid, the Subordinate Lender hereby subordinates any lien, estate, right or other interest in the Project and/or in Borrower, including any rights or interests in the Project or Borrower which may arise by way of indemnification, subrogation or otherwise, and, in furtherance thereof, agrees not to exercise any of such rights unless and until all of the Senior Obligations have been unconditionally pain in full;

(f) intentionally omitted;

(g) the Subordinate Lender hereby expressly consents to and authorizes, at the option of the Senior Lender, the release of all or any portion of the UCC Collateral and/or the Project from any lien of the Senior Loan Documents and hereby waives any equitable right the Subordinate Lender may have in respect of marshaling, in connection with any release of all or any portion of the UCC Collateral and/or the Project by the Senior Lender from the lien of the Senior Loan Documents to require the separate sale of any portion of the UCC Collateral and/or the Project or to require the Senior Lender to exhaust its remedies against any portion of the UCC Collateral and/or the Project or any combination of the portions of the UCC Collateral and/or the Project or any other collateral, or to require the Senior Lender to proceed against any portion of the UCC Collateral and/or the Project or combination of the portions of the UCC Collateral and/or the Project or any other collateral, before proceeding against any other portion of the UCC Collateral and/or the Project or combination of the portions of the UCC Collateral and/or the Project or any other collateral, and further, in the event of foreclosure or other enforcement proceeding by the Senior Lender, the Subordinate Lender hereby expressly consents and authorizes, at the option of the Senior Lender, the sale, either separately or together, of all or any portion of the UCC Collateral and/or the Project;

(h) after request by the Senior Lender from time to time, the Subordinate Lender shall, within thirty (30) days following any such request, furnish the Senior Lender with a statement, duly acknowledged and certified, setting forth the original principal amount of such Subordinate Loan, the unpaid balance, all accrued but unpaid interest, and any other sums due and owing thereunder, the rate of interest, the monthly payments and other payments, and that there exists no default (or describing any existing defaults) under the Subordinate Loan Documents;

(i) the Subordinate Lender shall not commence or join in any case by or against Borrower under the Bankruptcy Code or any similar provision thereof or any similar federal or state statute (herein called a AReorganization Proceeding@), however nothing shall prevent Subordinate Lender from filing a claim in any Reorganization Proceeding or, subject to the terms of this Agreement, seeking to protect its rights after a Reorganization Proceeding has been filed by or against Borrower;

(j) intentionally omitted;

(k) without limiting the generality of the foregoing Section 6(i), in any Reorganization Proceeding with respect to Borrower, (i) the Subordinate Lender may file a proof of claim in respect of the Subordinate Lender=s claims against Borrower and shall send the Senior Lender a copy thereof together with evidence of the filing with the appropriate court or other authority, (ii) if the Subordinate Lender should fail to file such proof of claim by the tenth (10th) business day before the last day for filing of proofs of claim, or if the Senior Lender reasonably believes that the proof of claim so filed is less than the proper amount thereof, then the Senior Lender may file such proof of claim, or corrected proof of claim, on behalf of the Subordinate Lender, and (iii) if objection is made to the allowance of any claim of the Subordinate Lender, the Senior Lender shall have the right to intervene and fully participate in such proceedings and if such rights are denied and the Subordinate Lender fails to defend such claim in the name of the Subordinate Lender; and

(l) to the extent any payment under the Senior Loan Documents (whether by or on behalf of Borrower, as proceeds of security or enforcement of any right of setoff or otherwise) is declared to be fraudulent or preferential, set aside or required to be paid to a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law, then if such payment is recovered by, or paid over to, such trustee, receiver or other similar party, the Senior Loan Obligations or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

7. The Senior Lender, the Subordinate Lender and Borrower shall cooperate fully with each other in order to promptly and fully carry out the terms and provisions of this Agreement. Each party hereto shall from time to time execute and deliver such other agreements, documents or instruments and take such other actions as may be reasonably necessary to effectuate the terms of this Agreement.

8. No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder shall operate as a waver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder.

9. Each party hereto acknowledges that to the extent that no adequate remedy of law exists for breach of such party=s obligations under this Agreement, in the event any party fails to comply with such party=s obligations hereunder, the other parties shall have the right to obtain specific performance of the obligations of such defaulting party, injunctive relief or such other equitable relief as may be available.

10. Any notice, report, demand or other instrument authorized or required to be given or furnished hereunder (ANotices@) shall be in writing and shall be given as follows: (a) by hand delivery; (b) by deposit in the United States mail as first class certified mail, return receipt requested, postage paid; (c) by overnight nationwide commercial courier service; or (d) by telecopy transmission with a confirmation copy to be delivered by duplicate notice in accordance with either of clauses (a) or (c) above, in each case addressed to the party intended to receive same to the following address(es):Senior Lender:
Commerce Bank, N.A.1701 Route 70 East

Cherry Hill, New Jersey 08034
Attention: Gerard Grady
Phone No.: (609) 751-9000
Facsimile No.: (609) 751-6884

with a copy to:

Blank Rome Comisky & McCauley LLP
One Logan Square
Philadelphia, PA 19103
Attention: Steven M. Miller, Esquire
Phone No.: (215) 569-5500
Facsimile No.: (215) 569-5522

Borrower: FR Park Racing, L.P.
3001 Street Road
Bensalem, Pennsylvania 19020
Attention: Harold G. Handel, President
Telecopier: (215) 639-8678

with a copy to: Fox, Rothschild, O=Brien & Frankel, LLP
2000 Market Street, 10th Floor
Philadelphia, Pennsylvania 19103
Attention: Theodore A. Young, Esq.
Telecopier: (215) 299-2150

Subordinate Lender: Penn National Gaming, Inc.
825 Berkshire Boulevard
Wyomissing, Pennsylvania 19610
Attention: Joseph A. Lashinger
Telecopier: (610) 373-4966

with a copy to: Mesirov, Gelman, Jaffe, Cramer & Jamieson, LLP
1735 Market Street
Philadelphia, Pennsylvania, 19103
Attention: Robert P. Krauss, Esquire
Telecopier: (215) 994-1111

Any party may change the address to which any such Notice is to be delivered or mailed, by furnishing ten (10) days written notice of such change to the other parties in accordance with the provisions of this Section 10. Notices shall be deemed to have been rendered or given on the date they are actually received; provided, that the inability to deliver Notices because of a changed address of which no Notice was given, or rejection or refusal to accept any Notice offered for delivery, shall be deemed to be receipt of the Notice as of the date of such inability to deliver or rejection or refusal to accept delivery. Notice for any party may be given by its respective counsel. Additionally, notice from Lender may also be given by its servicer or agent, or their respective counsel.

11. In the event of a conflict between the provisions of this Agreement, on the one hand, and the provisions of the Subordinate Mortgage or any of the other Subordinate Loan Documents, on the other hand, the provisions of this Agreement shall prevail.

12. No person other than the parties hereto and their respective successors and permitted assigns shall have any rights under this Agreement. Subordinate Lender may assign its rights under the Subordinate Loan Documents only if the assignee executes a subordination and intercreditor agreement identical to this Agreement in favor of Senior Lender.

13. This Agreement may be executed in two or more counterparts each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

14. This Agreement may not be amended, supplemented, modified, waived or terminated, in whole or in part, except in a written instrument executed by the Senior Lender and the Subordinate Lender, it being understood and agreed that no such amendment, supplement, modification, waiver or termination shall require the signature or approval of Borrower in order to be fully enforceable.

15. In case any one or more of the provisions contained in this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and any other application thereof, shall not in any way be affected or impaired thereby.

16. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New Jersey applicable to contracts made and to be performed therein (without giving effect to conflict of laws principles).

17. This Agreement shall bind and inure to the benefit of the Senior Lender, the Subordinate Lender and Borrower and their respective successors, permitted transferees and assigns.

18. BORROWER, THE SUBORDINATE LENDER AND THE SENIOR LENDER EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) , OR ACTIONS OF BORROWER, THE SUBORDINATE LENDER OR THE SENIOR LENDER RELATING TO THE SUBJECT OF THIS AGREEMENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE SENIOR LENDER ENTERING INTO THIS AGREEMENT.

19. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT, AT SENIOR LENDER=S OPTION, IN THE COURTS OF THE STATE OF NEW JERSEY, CAMDEN COUNTY OR MONMOUTH COUNTY, OR OF THE UNITED STATES OF AMERICA FOR THE DISTRICT OF NEW JERSEY. EACH OF BORROWER AND THE SUBORDINATE LENDER HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UN CONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. EACH OF BORROWER AND THE SUBORDINATE LENDER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO IT AT ITS ADDRESS FOR NOTICES PURSUANT TO SECTION 10 HEREOF. EACH OF BORROWER AND THE SUBORDINATE LENDER HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT BROUGHT IN THE COURTS REFERRED TO ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING CONTAINED HEREIN SHALL AFFECT THE RIGHT OF SENIOR LENDER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST BORROWER AND/OR THE SUBORDINATE LENDER IN ANY OTHER JURISDICTION PERMITTED BY LAW.

20. None of the following shall in any manner impair, negate or affect the agreements of the Subordinate Lender set forth herein, all of which may be done in the Senior Lender=s sole discretion (with the consent of Borrower, to the extent required under the Senior Loan Documents): (a) any amendment, modification, restatement, extension or consolidation of any of the Senior Loan Documents other than to increase the principal amount of the Senior Loan Obligations, (b) any change in the payment terms of, the Senior Loan, (c) any release of any collateral for the Senior Loan, (d) any release of any person or entity liable, in whole or in part, for the Senior Loan, and/or (e) any other act or omission which might, but for this provision, impair, negate or affect any agreement of the Subordinate Lender set forth herein other than to increase the principal amount of the Senior Loan Obligations.

21. Notwithstanding anything to the contrary contained herein or elsewhere, Subordinate Lender agrees that in the event that the Project or any portion thereof, or any other property of Borrower that is subject to security interests, liens, mortgages or other security arrangements to secure the Senior Loan, is sold, transferred or otherwise disposed of (i) as permitted by the Senior Loan Documents (including by exercise of Senior Lender=s rights or remedies under the Senior Loan Documents) or (ii) in connection with any sale, transfer, conveyance or other disposition to a party other than Borrower that is otherwise consented to by Senior Lender and Borrower, or subject to the rights of

Subordinate Lender set forth in the immediately succeeding three (3) sentences, for a price that Senior Lender determines is commercially reasonable in light of the circumstances at the time, Subordinate Lender shall release, without consideration, all rights in and interests to the UCC Collateral and/or the Project or portion of the UCC Collateral and/or the Project or other property so that the same may be transferred free and clear of all liens and security interests in favor of Subordinate Lender, provided that Subordinate Lender shall have a security interest in the proceeds of any property so sold, transferred, conveyed or disposed to the extent that such proceeds exceed the amount necessary to pay in full the Senior Loan Obligations. Senior Lender shall promptly upon its receipt of any written offer (AInitial Offer@) to purchase the UCC Collateral and/or the Project, provide a copy of the Initial Offer to Subordinate Lender. If Senior Lender has not received a written offer from GRI pursuant to Section 21 of the RV Subordination and Intercreditor Agreement (as defined in the Loan Agreement), then Subordinate Lender shall have five (5) Business Days from the expiration of GRI=s offer period under the RV Subordination and Intercreditor Agreement, to submit an offer (ASubsequent Offer@) that is for a purchase price at least five percent (5%) in excess of, and on terms substantially similar to, the Initial Offer. If Subordinate Lender submits a Subsequent Offer , the Senior Lender shall accept such Subsequent Offer, it being understood that the requirement for commercial reasonableness as to a Subsequent Offer is waived. If Subordinate Lender fails to consummate a closing pursuant to a Subsequent Offer(it being understood that any closing shall occur no more than ninety (90) days after the acceptance of the Subsequent Offer), then Senior Lender=s obligation to grant any subsequent right of purchase to Subordinate Lender is hereby waived. To effectuate the intent of this Section 21, Subordinate Lender shall execute such termination and release documents as Senior Lender may reasonably request to effectuate the terms hereof, and Subordinate Lender hereby irrevocably appoints Senior Lender as Subordinate Lender=s attorney in fact, which appointment is coupled with an interest, to execute such termination and release documents.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above written.

SENIOR LENDER:

Commerce Bank, N.A.

By: _/s/Jerry Grady_____
Name:Jerry Grady
Title:

SUBORDINATE LENDER:

Penn National Gaming, Inc.

By: _/s/Robert S. Ippolito_____
Name:Robert S. Ippolito
Title: Secretary

BORROWER:

FR Park Racing, L.P.

By: Pennwood Racing, Inc., its General Partner

By: /s/Hal Handel_____
Name:Hal Handel
Title:President

JOINDER AND CONSENT

The undersigned First Union National Bank (AFirst Union@), being the Assignee of the Subordinate Loan Documents, which Assignment is evidenced in part by that certain Assignment of Mortgage dated _____, 1999, and recorded in the Clerk=s Office in Mortgage Book 818, page 375, for good and valuable consideration, and with intent to be legally bound hereby, hereby joins in and consents to all of the provisions of the foregoing Subordination and Intercreditor Agreement, and hereby agrees to be bound by all of the provisions of the foregoing Subordination and Intercreditor Agreement with the same force and effect as if First Union had executed and been a party to the foregoing Subordination and Intercreditor Agreement as owner and holder of the Subordinate Loan Documents.

The provisions of this Joinder and Consent shall be binding upon First Union and its successors and assigns, and shall inure to the benefit of Senior Lender and Borrower and their respective successors and assigns. First Union hereby represents and warrants to Senior Lender that First Union has not amended any of the Senior Loan Documents nor has First Union assigned, pledged or hypothecated any of the Senior Loan Documents.

All terms used in this Joinder and Consent shall have the same respective meanings given to such terms in the foregoing Subordination and Intercreditor Agreement.

IN WITNESS WHEREOF, First Union has executed this Joinder and Consent the __29__ day of July, 1999.

First Union National Bank

By: _/s/Lynn Eagleson_____
Name:Lynn Eagleson
Title: Vice President

Attest: _____
Name:

NOTARY ACKNOWLEDGMENT

COMMONWEALTH OF PENNSYLVANIA :
: ss
COUNTY OF :

On the ___ day of _____, 1999, before me, the subscriber, a Notary Public in and for the Commonwealth and County aforesaid, personally appeared _____, who acknowledged himself/herself to be the _____ of Penn National Gaming, Inc., a _____ corporation, and that he/she, as such officer, being authorized to do so, executed the foregoing Subordination and Intercreditor Agreement for the purposes therein contained by signing the name of the corporation by himself/herself as such officer, and desired that this Subordination and Intercreditor Agreement be recorded as such as the act and deed of said corporation.

WITNESS my hand and seal the day and year aforesaid.

Notary Public

My Commission Expires:

NOTARY ACKNOWLEDGMENT

- ----------	:	
_____	:	SS
- ----------	:	

On the ___ day of _____, 1999, before me, the subscriber, a Notary Public in and for the Commonwealth and County aforesaid, personally appeared _____, who acknowledged himself/herself to be the _____ President of Pennwood Racing, Inc., a New Jersey corporation, the said Pennwood Racing, Inc. being the sole general partner of FR Park Racing, L.P., a New Jersey limited partnership, and that he/she, as such officer, being authorized to do so, executed the foregoing Subordination and Intercreditor Agreement for the purposes therein contained by signing the name of the corporation by himself/herself as such officer, and desired that this Subordination and Intercreditor Agreement be recorded as such as the act and deed of said limited partnership.

WITNESS my hand and seal the day and year aforesaid.

Notary Public

My Commission Expires:

NOTARY ACKNOWLEDGMENT

- ----------	:	
_____	:	SS
- ----------	:	

On the ___ day of _____, 1999, before me, the subscriber, a Notary Public in and for the Commonwealth and County aforesaid, personally appeared Gerard Grady, who acknowledged himself to be the Vice President of Commerce Bank, N.A., a national banking association, and that he, as such officer, being authorized to do so, executed the foregoing Subordination and Intercreditor Agreement for the purposes therein contained by signing the name of the association by himself as such officer, and desired that this Subordination and Intercreditor Agreement be recorded as such as the act and deed of said association.

WITNESS my hand and seal the day and year aforesaid.

Notary Public

My Commission Expires:

DEBT SERVICE MAINTENANCE AGREEMENT

To: Commerce Bank, N.A. July 29, 1999
1701 Route 70 East
Cherry Hill, NJ 08034

To induce you to establish and/or continue financing arrangements with and consider making or continuing certain loans and extending or continuing to extend credit from time to time to FR Park Racing, L.P. and GS Park Racing, L.P. (collectively, ABorrowers@), the Undersigned, intending to be legally bound, and subject to the limitations of Section 2 and the other terms and conditions of this Agreement, hereby jointly and severally agree to make available to Borrower, by way of loans, capital contributions, advances or otherwise, such funds to enable Borrowers to pay to you fifty percent (50%) of all of the Obligations of Borrowers to you; provided, however, that unless the undesigned has agreed in writing , the principal amount of the Debt Service Maintenance Obligations (as defined herein) shall not exceed Eleven Million Five Hundred thousand Dollars ($11,500,000) (as may be adjusted in writing from time to time, the ACap@) (herein, the undersigneds= ADebt Service Maintenance Obligations@). AObligations@ shall have the meaning set forth in the Loan Agreement. The Undersigned shall also pay or reimburse you on demand for all reasonable costs and expenses, including without limitation reasonable attorneys' fees, incurred by you at any time to enforce, protect, preserve, or defend your rights hereunder and with respect to any property securing this Agreement. Any funding by the undersigned hereunder that is utilized by Borrowers to pay the Obligations (and that is indefeasibly retained by you) shall be credited against the undersigned=s Debt Service Maintenance Obligations; further, the undersigned agree to make all such fundings directly to you at the office and in the manner designated by you at any time. All payments hereunder shall be made in lawful money of the United States, in immediately available funds. Unless otherwise defined herein, all capitalized terms shall have the respective meanings given to such terms in that certain Loan and Security Agreement dated the date hereof among Borrowers and you (as it may hereafter be amended, supplemented or replaced from time to time, the "Loan Agreement").

Each of the Undersigned further undertakes and agrees as follows:

1. Each of the Undersigned represents and warrants that:

a. The Undersigned's execution and performance of this Agreement shall not (i) violate or result in a default or breach (immediately or with the passage of time) under any contract, agreement or instrument to which any of the Undersigned is a party, or by which any of the Undersigned is bound, including, without limitation, under (A) that certain Second Amended and Restated Credit Agreement among PNG, various banks and First Union National Bank dated January 28, 1999, (as amended from time to time, ACredit Agreement@) and (B) that certain Indenture among PNG, certain of PNG=s Subsidiaries and State Street Bank and Trust Company, as Trustee, dated December 17, 1997 (as amended from time to time, AIndenture@); (ii) violate or result in a default or breach under any order, decree, award, injunction, judgment, law, regulation or rule; (iii) cause or result in the imposition or creation of any Lien upon any property of any of the Undersigned; or (iv) violate any of the Undersigned=s articles of incorporation or by-laws or any other organizational document of any of the Undersigned.

b. Each of the Undersigned has the full power and authority to enter into and perform under this Agreement and to incur the obligations provided for herein. The execution, delivery and performance of this Agreement has been authorized by all proper and necessary actions of each of the Undersigned.

c. No consent, license or approval of, or filing or registration with, any Governmental Authority is necessary for the execution and performance hereof by the Undersigned.

d. This Agreement constitutes the valid and binding obligation of each of the Undersigned enforceable in accordance with its terms as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors= rights generally and by general equitable principles.

e. This Agreement promotes and furthers the business and interests of each of the Undersigned, and the incurrence of the Obligations by Borrowers and creation of the obligations hereunder will result in direct financial benefit to each of the Undersigned.

2. In the event that Borrowers fail to pay any of the Obligations (including, without limitation, any failure to pay principal upon maturity or acceleration), then the Undersigned shall, jointly and severally, on written demand by you immediately fund (at the time and in the manner designated by you) the Debt Service Maintenance Obligations arising from Borrowers= failure (any such payment of the Debt Service Maintenance Obligations by the Undersigned is

referred to herein as a ADebt Service Maintenance Payment@), so long as the making of the Debt Service Maintenance Payment, or any portion thereof, would not cause an event of default under the Indenture (or if the making of the Debt Service Maintenance Payment would cause an event of default under the Indenture, then the chief financial officer of the Undersigned shall certify such fact to you in writing). As soon as circumstances permit the Undersigned to make a Debt Service Maintenance Payment (or any portion thereof) without causing an event of default under the Indenture, the Undersigned shall (subject to this Section 2), without further demand, immediately make the Debt Service Maintenance Payment (or permitted portion thereof) to you. If the making of the Debt Service Maintenance Payment will not cause an event of default under the Indenture but an event of default has occurred and is continuing under the Credit Agreement or, after giving effect to the making of the Debt Service Maintenance Payment by the Undersigned an event of default would exist under the Credit Agreement (in either case as certified to you in writing by the chief financial officer of the Undersigned), then the Undersigned=s obligation to make the Debt Service Maintenance Payment shall be suspended until the earliest of (a) one hundred eighty (180) days after your demand to the Undersigned; (b) the curing or waiving of any such event of default under the Credit Agreement; or (c) acceleration of the obligations under the Credit Agreement; provided that no more than one payment suspension on account of an event of default (or prospective event of default) under the Credit Agreement may be instituted in any given three hundred sixty (360) day period.

3. Each of the Undersigned hereby waives notice of (a) acceptance of this Agreement, (b) up to the Cap, the existence or incurring from time to time of any Debt Service Maintenance Obligations required hereunder, (c) the existence of any Event of Default, the making of demand, or the taking of any action by you, under the Loan Agreement, and (d) except as expressly set forth herein, demand and default hereunder.

4. Each of the Undersigned (in its capacity hereunder) hereby consents and agrees that you may at any time or from time to time in your discretion (a) extend or change the time of payment, and/or the manner, place or terms of payment of any or all Obligations, (b) amend, supplement or replace the Loan Agreement or any related agreements, (c) renew, extend, modify, or decrease loans and extensions of credit to Borrowers, (d) modify the terms and conditions under which loans and extensions of credit may be made to Borrowers, (e) settle, compromise or grant releases for liabilities of Borrowers, and/or any other person or persons liable with Undersigned for, any Obligations, (f) exchange, release, surrender, sell, subordinate, or compromise any Collateral of any party now or hereafter securing any of the Obligations, and (g) apply any and all payments received by you at any time against the Obligations in any order as you may determine; all of the foregoing in such manner and upon such terms as you may see fit, and without notice to or further consent from the Undersigned, who each hereby agrees to be and shall remain bound upon this Agreement notwithstanding any such action on your part. Notwithstanding anything to the contrary in this paragraph 4 or anywhere else in this Agreement, you may not increase the principal amount of the Obligations without the prior written consent of the Undersigned.

5. Subject to Section 2 of this Agreement and the Cap, the liability of each of the Undersigned hereunder is absolute and unconditional and shall not be reduced, impaired or affected in any way by reason of (a) any failure to obtain, retain or preserve, or the lack of prior enforcement of, any rights against any person or persons (including Borrowers, the Undersigned or any other obligor) or in any property, (b) the invalidity or unenforceability of any Obligations or rights in any Collateral, (c) any delay in making demand upon Borrowers or any delay in enforcing, or any failure to enforce, any rights against Borrowers or in any Collateral even if such rights are thereby lost, (d) any failure, neglect or omission on your part to obtain or perfect any lien upon, protect, exercise rights against, or realize on, any property of Borrowers, the Undersigned or any other party securing the Obligations, other than as a result of your gross negligence or willful misconduct (e) the existence or nonexistence of any defenses which may be available to Borrowers with respect to the Obligations (other than the defense of payment), (f) any failure to proceed against Borrowers or any Collateral in a commercially reasonable manner, or (g) the commencement of any bankruptcy, reorganization, liquidation, dissolution or receivership proceeding or case filed by or against any Borrower.

6. If any or all payments made from time to time to you with respect to any Debt Service Maintenance Obligation hereunder are recovered from, or repaid by, you in whole or in part in any bankruptcy, reorganization, insolvency or similar proceeding instituted by or against any Borrower, this Agreement shall continue to be fully applicable to such obligation to the same extent as if the recovered or repaid payment(s) had never been originally made on such obligation.

7. All rights and remedies hereunder and under the Loan Agreement, and related agreements, are cumulative and not alternative, and you may proceed in any order from time to time against Borrowers, the Undersigned and/or any other obligor of Borrowers= Obligations and their respective assets. You shall not have any obligation to proceed against, or exhaust any or all of your rights against, Borrowers prior to proceeding against the Undersigned hereunder.

8. Any and all rights of any nature of the Undersigned to subrogation, reimbursement or indemnity and any right of the Undersigned to recourse to any assets or property of Borrowers for any reason shall be unconditionally subordinated to all of your rights under the Loan Agreement and the Undersigned shall not at any time exercise any of such rights unless and until all of the Obligations have been unconditionally paid in full.

9. Your books and records of any and all of Borrowers= Obligations, absent manifest error, shall be prima facie evidence against the Undersigned of the indebtedness due you or to become due to you hereunder.

10. This Agreement shall constitute a continuing obligation with respect to all liability of the Undersigned under this Agreement and may not be revoked or, except in connection with payment in full of the Obligations or payment in full of the Debt Service Maintenance Obligations, terminated.

11. Subject to Section 2 of this Agreement, the Undersigned agrees that you shall have a right of setoff against any and all property of any of the Undersigned now or at any time in your possession, including without limitation deposit accounts, and the proceeds thereof, as security for the obligations of the Undersigned hereunder.

12. Subject to Section 2 of this Agreement, if an Event of Default occurs and is continuing under the Loan Agreement, then all of the Debt Service Maintenance Obligations of every kind or nature to you hereunder shall, at your option, become immediately due and payable and you may at any time and from time to time take any and/or all actions and enforce all rights and remedies available hereunder or under applicable law to collect the Undersigned's liabilities hereunder.

13. Failure or delay in exercising any right or remedy against the Undersigned hereunder shall not be deemed a waiver thereof or preclude the exercise of any other right or remedy hereunder. No waiver of any breach of or provision of this Agreement shall be construed as a waiver of any subsequent breach or of any other provision. The invalidity or unenforceability of any provision hereof shall not affect the remaining provisions which shall remain in full force and effect.

14. This Agreement shall (a) be legally binding upon the Undersigned, and the Undersigned's successors and assigns, provided that the Undersigned's obligations hereunder may not be delegated or assigned without your prior written consent and (b) benefit any and all of your successors and assigns.

15. This Agreement embodies the whole agreement and understanding of the parties hereto relative to the subject matter hereof. No modification or waiver of any provision hereof shall be enforceable unless approved by you in writing.

16. Intentionally Omitted.

17. This Agreement shall in all respects be interpreted, construed and governed by the substantive laws of the Commonwealth of Pennsylvania. The Undersigned irrevocably (i) submits to the jurisdiction of the Courts of the Commonwealth of Pennsylvania and the United States District Court for the Eastern District of Pennsylvania for the

purposes of any litigation or proceeding hereunder or concerning the terms hereof and (ii) together with you, waives the right to a jury trial with respect to any litigation or proceeding hereunder or concerning the terms hereof.

18. a. In any action or proceeding brought by you to enforce the terms hereof, the Undersigned waives personal service of the summons, complaint, and any motion or other process, and agrees that notice thereof may be served by registered or certified mail, return receipt requested or by nationally recognized overnight courier at the address of the Undersigned set forth on the signature page hereof. Such service shall be deemed made on the date of delivery at such address.

b. Any and all notices which may be given to the Undersigned by you hereunder shall be sent to the Undersigned at the address of the Undersigned set forth on the signature page hereof and shall be deemed given to and received (on the date delivered) by the Undersigned if personally delivered or if sent by facsimile transmission or if sent in the manner provided for service of process in paragraph 18(a) above.

19. So long as the Obligations are outstanding, none of the Undersigned shall sell, transfer, convey or dispose of any assets, other than in the ordinary course of business, if the net sale proceeds from all assets sold by all of the Undersigned exceed, in the aggregate, $3,000,000 in any fiscal year.

20. a. Subject only to the terms of Section 20 (b) of this Agreement, each of the Undersigned shall be jointly and severally liable for all Debt Service Maintenance Obligations.

b. Without limiting the effect of Section 13 of this Agreement, to the extent that mandatory and non-waivable provisions of applicable law (including but not limited to any applicable business corporation laws) otherwise would render this Agreement invalid or unenforceable, each of the Undersigned=s obligations hereunder shall be limited to the maximum amount which does not result in such invalidity or enforceability.

21. Subject to Section 6 of this Agreement, upon payment in full of the Debt Service Maintenance Obligations, this Agreement shall terminate.

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IN WITNESS WHEREOF, this Debt Service Maintenance Agreement is hereby executed on the date first written above.

Penn National Gaming, Inc.

Attest: _/s/Patricia G. Cramer_____ By: /s/Robert S. Ippolito_____
Name: Patricia G. Cramer Name:Robert S. Ippolito
Title:Secretary

Address: 825 Berkshire Blvd. Suite 200___
Wyomissing, PA 19610

Backside, Inc.

Attest: /s/Patricia G. Cramer_____ By: _/s/Robert S. Ippolito___
Name: Patricia G. Cramer Name:Robert S. Ippolito
Title:Robert S. Ippolito

Address: 825 Berkshire Blvd. Suite 200___
Wyomissing, PA 19610

The Downs Racing, Inc.

Attest: /s/Patricia G. Cramer_____ By: /s/Joseph A. Lashinger_____
Name: Patricia G. Cramer Name: Joseph A. Lashinger
Title:President

- ---

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Mill Creek Land, Inc.

Attest: /s/Patricia G. Cramer
Name: Patricia G. Cramer

By: /s/Robert S. Ippolito
Name:Robert S. Ippolito
Title:Secretary

Address: 825 Berkshire Blvd
Wyomissing, PA 19610

Mountainview Thoroughbred Racing Association

Attest: /s/Patricia G. Cramer
Name: Patricia G. Cramer

By: /s/Robert S. Ippolito
Name:Robert S. Ippolito
Title:Secretary

Address: 825 Berkshire Blvd.
Wyomissing, PA 19610

Northeast Concessions, Inc.

Attest:/s/Patricia G. Cramer
Name:

By: /s/Robert S. Ippolito
Name:Robert S. Ippolito
Title:

Address: 825 Berkshire Blvd.
Wyomissing, PA 19610

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

PNGI Pocono, Inc.

Attest: /s/Patricia G. Cramer
Name: Patricia G.Cramer

By: /s/Robert S. Ippolito
Name:Robert S. Ippolito
Title:Secretary

Address: 825 Berkshire Blvd.
Wyomissing, PA 19610

Penn National Gaming of West Virginia, Inc.

Attest: /s/Patricia G. Cramer
Name: Patricia G. Cramer

By: /s/Robert S. Ippolito
Name:Robert S. Ippolito
Title:Secretary

Address: 825 Berkshire Blvd
Wyomissing, PA 19610

Penn National GSFR, Inc.

Attest: /s/Patricia G. Cramer
Name: Patricia G. Cramer

By: /s/Robert S. Ippolito
Name: Robert S. Ippolito
Title: Secretary

Address: 825 Berkshire Blvd
Wyomissing, PA 19610

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

Penn National Holding Company

Attest: /s/Patricia G. Cramer
Name: Patricia G. Cramer

By: Robert S. Ippolito_
Name: Robert S. Ippolito
Title: Secretary

Address: 825 Berkshire Blvd.
Wyomissing, PA 19610

Penn National Speedway, Inc.

Attest: /s/Patricia G. Cramer
Name: Patricia G. Cramer

By: _/s/Robert S. Ippolito
Name:Robert S. Ippolito
Title: Secretary

Address: 825 Berkshire Blvd.
Wyomissing, PA 19610

Pennsylvania National Turf Club, Inc.

Attest: /s/Patricia G. Cramer
Name: Patricia G. Cramer

By:/s/Robert S. Ippolito
Name:Robert S. Ippolito
Title:Secretary

Address: 825 Berkshire Blvd
Wyomissing, PA 19610

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Sterling Aviation, Inc.

Attest: /s/Patricia G. Cramer
Name: Patricia G. Cramer

By: /s/Robert S. Ippolito
Name:Robert S. Ippolito
Title:Secretary

Address: 825 Berkshire Blvd
Wyomissing, PA 19610

Tennessee Downs, Inc.

Attest: /s/Patricia G. Cramer
Name: Patricia G. Cramer

By: /s/Robert S. Ippolito
Name:Robert S. Ippolito
Title:Secretary

Address: 825 Berkshire Blvd
Wyomissing, PA 19610

Wilkes Barre Downs, Inc.

Attest: /s/Robert S. Ippolito
Name: Robert S. Ippolito

By: /s/Robert E. Abraham
Name: Robert E. Abraham
Title: Vice President

Address: 825 Berkshire Blvd
Wyomissing, PA 19610

Penn National Gaming, Inc., as Company,

each of the Subsidiary Guarantors named herein

and

State Street Bank and Trust Company,

Trustee

FIRST SUPPLEMENTAL INDENTURE

Dated as of May 19, 1999

Supplementing the Indenture Dated as of December 17, 1997

$80,000,000

10 5/8% Senior Notes due 2004, Series B

FIRST SUPPLEMENTAL INDENTURE, dated as of May 19, 1999, between Penn National Gaming, Inc., a Pennsylvania corporation (the "Company"), each of the Subsidiary Guarantors that are signatories to this Supplemental Indenture and State Street Bank and Trust Company, as trustee (the "Trustee").

WHEREAS, the Company and the Trustee executed and delivered that certain indenture, dated as of December 17, 1997 (the "Indenture"), providing for the issuance thereunder by the Company, and the authentication and delivery by the Trustee, of the Company's 10 5/8% Senior Notes due 2004 (the "Notes"). Any capitalized terms used herein and not otherwise defined shall have the meanings given thereto in the Indenture.

WHEREAS, Section 9.02 of the Indenture authorizes the Company and the Trustee, with the consent of the holders of not less than a majority in the aggregate principal amount of then outstanding Notes excluding Notes held by the Company and its affiliates (the "Requisite Consent"), to enter into a supplemental indenture, except for the matters listed in Section 9.02 which require the consent of each of the Holders effected thereby.

WHEREAS, the Company has solicited all registered holders of record of the Notes as of the close of business on May 7, 1999 and obtained at least the Requisite Consent of such holders.

WHEREAS, the Company and the Trustee have determined to amend and supplement the Indenture in the manner described below, and all acts and proceedings required by law and by the Indenture necessary to authorize and constitute this Supplemental Indenture, and the amendments set forth herein, a valid and binding agreement in accordance with the terms hereof, have been done and taken.

WHEREAS, the Company has formed Penn National GSFR, Inc., a New Jersey corporation and wholly-owned Restricted Subsidiary of the Company (AGSFR@);

WHEREAS, following the execution of this Supplemental Indenture, the Company expects GSFR to have total consolidated assets with a book value in excess of $500,000;

WHEREAS, consistent with the provisions of Section 4.18 of the Indenture, GSFR shall herein execute and deliver this Supplemental Indenture for purposes of becoming a Subsidiary Guarantor under the Indenture;

NOW, THEREFORE, in consideration of the foregoing, the Company covenants and agrees with the Trustee, for the equal and proportionate benefit of the

respective holders from time to time of the Notes, as follows:

1. Modification or Addition of Certain Definitions in Section 1.01 of the Indenture. The following definitions are hereby added to Section 1.01 of the Indenture:

AContingent Notes@ means the (i) $5,000,000 Contingent Promissory Note, (ii) $3,000,000 Contingent Promissory Note and (iii) $2,000,000 Contingent Promissory Note, each (w) dated January 28, 1999, (x) made payable to the order of International Thoroughbred Breeders, Inc., a Delaware corporation, as agent, (y) executed and delivered by GS Park Racing, L.P., a New Jersey limited partnership, and FR Park Racing, L.P., a New Jersey limited partnership, and (z) as in effect on such date, and any Refinancings thereof of (i), (ii) or (iii) (provided that such Refinancing does not have any of the results specified in clause (1) of the definition herein of ARefinancing Indebtedness@).

ADevelopment Costs@ means the costs to the NJ Entities to develop or further develop NJ Racing or Gaming Locations incurred after May 19, 1999.

A40%-Owned Entity@ means (i) any corporation of which the outstanding Capital Stock having at least 40% of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be owned, directly or indirectly, by the Company or a Wholly-Owned Restricted Subsidiary, or (ii) any other Person of which as least 40% of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by the Company or a Wholly-Owned Restricted Subsidiary.

AGarden State Park Lease@ means the Lease Agreement dated January 28, 1999 between Garden State Race Track, Inc., a New Jersey corporation and GS Park Racing, L.P., a New Jersey limited partnership, and all amendments and supplements thereto that do not increase or result in an increase in the rental or other financial obligations of GS Park Racing, L.P. or any other NJ Entity, pertaining to the lease by GS Park Racing, L.P. of the premises known as Garden State Park in Cherry Hill, New Jersey.

ANJ Entities@ means Pennwood Racing, Inc., a Delaware corporation, GS Park Racing, L.P., a New Jersey limited partnership, FR Park Racing, L.P., a New Jersey limited partnership, GS Services, L.P., a New Jersey limited partnership, FR Services, L.P., a New Jersey limited partnership, and each of their subsidiaries, affiliates, successors and assigns, in each case, if and for so long as such Person is and remains at least a 40%-Owned Entity.

ANJ Racing and Gaming Activities@ means the purchase, improvement and operation (including, but not limited to, any expanded operations such as telephone wagering and off-track wagering) of the NJ Racing or Gaming Locations by the NJ Entities.

ANJ Racing or Gaming Locations@ means Freehold Raceway in Freehold, New Jersey and Garden State Park in Cherry Hill, New Jersey and such other locations within the State of New Jersey owned, leased or operated, now or hereafter, by the NJ Entities.

APut Agreement@ means the Subordination, Nondisturbance, Attornment and Put Option Agreement dated January 28, 1999, between Credit Suisse First Boston Mortgage Capital LLC, a Delaware limited liability company, and GS Park Racing, L.P., a New Jersey limited partnership, as in effect on such date.

APut Obligations@ means the obligations of GS Park Racing, L.P., a New Jersey limited partnership, under Section 5 of the Put Agreement.

2. Amendment of the definition of APermitted Investments@. The definition of APermitted Investments@ as contained within Section 1.01 of the Indenture is hereby amended by (i) deleting the word Aand@ and replacing it with a semicolon before clause (x), (ii) replacing the period at the end of clause (x) with A; and@ and (iii) adding a new clause (xi) to such term as follows:

(xi) any Investment in the NJ Entities for the NJ Racing and Gaming Activities at the NJ Racing or Gaming Locations (A) in an aggregate Investment amount (including the principal amount of Indebtedness guaranteed as provided by clause (xv) of the definition of Permitted Indebtedness) not to exceed at any one time outstanding: (1) $8.75 million to fund (or to replenish moneys or liquidity used to fund) up to one-half of the Put Obligations, (2) $5 million to fund (or to replenish moneys or liquidity used to fund) up to one-half of Contingent Note principal payments and (3) $4 million to fund (or to replenish moneys or liquidity used to fund) Development Costs; provided, however, that the amounts under the foregoing clauses (1), (2) and (3) shall be reduced on a dollar for dollar basis by the amount of any guarantee of Put Obligations, Contingent Notes or Development Costs, respectively, of the Company or any Restricted Subsidiary on behalf of the NJ Entities that subsequent to May 19, 1999, expires or terminates without the Company or any Restricted Subsidiary having advanced, paid or contributed to the NJ Entities or guarantee beneficiary any amounts with respect to such obligations, and (B) consisting of a guarantee of the obligations of GS Park Racing, L.P. under the Garden State Park Lease.

3. Amendment of the definition of APermitted Indebtedness@. The definition of APermitted Indebtedness@ as contained within Section 1.01 of the Indenture is hereby amended by (i) deleting the word Aand@ and replacing it with a semicolon before clause (xiv), (ii) replacing the period at the end of clause (xiv) with A; and@ and (iii) adding a new clause (xv) to such term as follows:

(xv) any Indebtedness (A) of the Company or any Restricted Subsidiary consisting of the guarantees of Indebtedness of the NJ Entities for the NJ Racing and Gaming Activities at the NJ Racing or Gaming Locations in an amount not to exceed at any one time outstanding: (1) $8.75 million or one-half (whichever is less) of outstanding Put Obligations, (2) $5 million or one-half (whichever is less) of the outstanding principal balance of the Contingent Notes, and (3) $4 million of Development Costs; provided, however, that the amounts under the foregoing clauses (1), (2) and (3) shall be reduced on a dollar for dollar basis by the amount of any Investment by the Company or any Restricted Subsidiary in any NJ Entities made (x) under subclause (1), (2) or (3) (respectively) of clause (xi) of the definition herein of APermitted Investments@ or (y) under Section 4.10 for purposes described in such subclause (1), (2) or (3) (respectively), or (B) consisting of a guarantee of the obligations of GS Park Racing, L.P. under the Garden State Park Lease.

4. Amendment of the definition of APermitted Liens@. The definition of APermitted Liens@ as contained within Section 1.01 of the Indenture is hereby amended by (i) deleting the word Aand@ and replacing it with a semicolon before clause (xv), (ii) replacing the period at the end of clause (xv) with A; and@ and (iii) adding a new clause (xvi) to such term as follows:

(xvi) any Liens on the capital stock of or other ownership interests in the NJ Entities held by the Company or any Restricted Subsidiary to secure Indebtedness of the NJ Entities not prohibited hereunder.

5. Amendment to the Obligation to become a Subsidiary Guarantor. Section 4.18 of the Indenture is hereby amended to add a new sentence at the end of this section as follows:

The provisions of this Section 4.18 shall only apply to a NJ Entity in the event such NJ Entity becomes a Wholly Owned Restricted Subsidiary.

6. Addition of GSFR as a Subsidiary Guarantor. Pursuant to Section 4.18 of the Indenture, GSFR hereby agrees to unconditionally guarantee all of the Company=s obligations under the Notes and the Indenture, as amended, on the terms set forth in the Indenture.

7. Full Force and Effect. The Indenture, as amended and supplemented by this First Supplemental Indenture, shall be and remain in full force and effect as of the date hereof; provided, however, in the event that the Company does not acquire an ownership interest in the NJ Entities, the amendments set forth in Sections 1, 2, 3, 4, 5 and 6 of this First Supplemental Indenture shall cease to have effect and shall be void and this First Supplemental Indenture shall thereupon have no effect on the Indenture.

8. Governing Law. This First Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

9. Duplicate Originals. This First Supplemental Indenture may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

10. Trustee Disclaimer. The Trustee has accepted the amendment of the Indenture effected by this First Supplemental Indenture and agrees to execute the trust created by the Indenture as hereby amended, but only upon the terms and conditions set forth in the Indenture, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, and without limiting the generality of the foregoing, the Trustee shall not be responsible in any manner whatsoever for or with respect to any of the recitals or statements contained herein, all of which recitals or statements are made solely by the Company and the Subsidiary Guarantors, or for or with respect to (a) the validity or sufficiency of this First Supplemental Indenture or any of the terms or provisions hereto, (b) the proper authorization hereby by the Company and the Subsidiary Guarantors by corporate action or otherwise, (c) the due execution hereof by the Company and the Subsidiary Guarantors, (d) the consequences (direct or indirect and whether deliberate or inadvertent) of any amendment herein provided for, and the Trustee makes no representation with respect to any such matters and (e) the validity or sufficiency of the Solicitation or the consent solicitation materials or procedure in connection therewith.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date first written above.

COMPANY:
PENN NATIONAL GAMING, INC.

By: /s/ William J. Bork
Name: William J. Bork
Title: President

SUBSIDIARY GUARANTORS

MOUNTAINVIEW THOUROUGHBRED RACING
ASSOCIATION, as Subsidiary Guarantor

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

PENNSYLVANIA NATIONAL TURF CLUB, INC.,
as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Treasurer

PENN NATIONAL SPEEDWAY, INC.,
as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Treasurer

PENN NATIONAL HOLDING COMPANY,
as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Treasurer

PENN NATIONAL GAMING OF WEST VIRGINIA,
INC., as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Treasurer

STERLING AVIATION INC., as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Treasurer

POCONO DOWNS, INC., as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Assistant Secretary

NORTHEAST CONCESSIONS, INC.,
as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Assistant Secretary

THE DOWNS OFF-TRACK WAGERING, INC.,
as Subsidiary Guarantor

By: /s/ Joseph A. Lashinger
Name: Joseph A. Lashinger
Title: President and Treasurer

THE DOWNS RACING, INC., as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Treasurer

PENN NATIONAL GAMING OF INDIANA,
as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Treasurer

PNGI POCONO, as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Treasurer

PENN NATIONAL GSFR, INC., as Subsidiary Guarantor

By: /s/ Robert S. Ippolito
Name: Robert S. Ippolito
Title: Treasurer

TRUSTEE:

STATE STREET BANK AND TRUST COMPANY,
as Trustee

By: /s/ Mark A. Forgetta
Name: Mark A. Forgetta
Title: Vice President

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