

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1997

OR

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

For the transition period from _____ to _____

Commission file number: 0-24206

Penn National Gaming, Inc.
(Exact Name of Registrant
as Specified in its Charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2234473
(I.R.S. Employer
Identification No.)

Penn National Gaming, Inc.
825 Berkshire Blvd.
Wyomissing, PA 19610
(Address of Principal Executive Offices)

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 REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ___ No ___

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

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

Title	Outstanding as of May 13, 1997
Common Stock par value .01 per share	15,111,290

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

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES

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Item 1. Financial Statements

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

	March 31, 1997 (Unaudited)	December 31, 1996
Assets		
Current Assets		
Cash	\$13,536	\$ 5,634
Accounts receivable	3,048	4,293
Prepaid expenses and other current assets	2,108	1,552
Deferred income taxes	58	90
	-----	-----
Total current assets	18,750	11,569
	-----	-----
Property, plant and equipment, at cost		
Land and improvements	17,844	15,728
Buildings and improvements	46,738	30,484
Furniture, fixtures and equipment	11,385	8,937
Transportation equipment	417	366
Leasehold improvements	6,685	6,680
Leased equipment under capitalized lease	824	1,626
Construction in progress	1,310	2,926
	-----	-----
	85,203	66,747
Less accumulated depreciation and amortization	8,673	8,029
	-----	-----
Net property and equipment	76,530	58,718
	-----	-----
Other assets		
Excess of cost over fair market value of net assets acquired (net of accumulated amortization of \$974 and \$811, respectively)	23,662	21,885
Prepaid acquisition costs	-	1,764
Deferred financing costs	1,902	2,416
Miscellaneous	459	371
	-----	-----
Total other assets	26,023	26,436
	-----	-----
	\$121,303	\$ 96,723
	=====	=====

See accompanying notes to consolidated financial statements

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

	March 31, 1997 (Unaudited)	December 31, 1996
Liabilities and Shareholders' Equity		
Current Liabilities		
Current maturities of long-term debt and capital lease obligations	\$ 3,108	\$ 1,563
Accounts payable	5,906	5,066
Purses due horsemen	2,363	1,421
Uncashed pari-mutuel tickets	1,598	1,336
Accrued expenses	1,640	1,880
Customer deposits	559	420
Taxes, other than income taxes	685	392
	-----	-----
Total current liabilities	15,859	12,078
	-----	-----
Long-term liabilities		
Long-term debt and capital lease obligations, net of current maturities	41,639	45,954
Deferred income taxes	10,836	10,810
Total long-term liabilities	52,475	56,764
	-----	-----
Commitments and contingencies		
Shareholders' equity		
Preferred stock, \$.01 par value, 1,000,000 shares authorized; none issued	-	-
Common stock, \$.01 par value, 20,000,000 shares authorized; 15,111,290 and 13,355,290 issued and outstanding	151	134
Additional paid in capital	38,069	14,299
Retained earnings	14,749	13,448
	-----	-----
Total shareholders' equity	52,969	27,881
	-----	-----
	\$121,303	\$96,723
	=====	=====

See accompanying notes to consolidated financial statements

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

	Three Months Ended March 31,	
	1997	1996
Revenues		
Pari-mutuel revenues		
Penn National races	\$ 4,369	\$ 4,482
Import simulcasting	14,797	7,593
Export simulcasting	1,123	850
Admissions, programs and other racing revenues	1,258	869
Concession revenues	1,273	766
	-----	-----
Total revenues	22,820	14,560
	-----	-----
Operating expenses		
Purses, stakes and trophies	4,202	2,925
Direct salaries, payroll taxes and employee benefits	3,246	1,909
Simulcast expenses	2,836	2,288
Pari-mutuel taxes	1,957	1,267
Other direct meeting expenses	3,378	2,225
Off-track wagering concessions expenses	966	508
Other operating expenses	2,559	1,399
	-----	-----
Total operating expenses	19,144	12,521
	-----	-----
Income from operations	3,676	2,039
	-----	-----
Other income (expenses)		
Interest (expense)	(900)	(12)
Interest income	86	66
	-----	-----
Total other income (expenses)	(814)	54
	-----	-----
Income before income taxes and extraordinary item	2,862	2,093
Taxes on income	1,178	854
	-----	-----
Income before extraordinary item	1,684	1,239

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

Extraordinary item		
Loss on early extinguishment of debt, net of income taxes of \$264	383	-
	-----	-----
Net Income	\$ 1,301	\$ 1,239
	-----	-----
Earnings Per Share:		
Income before extraordinary item	\$ 0.11	\$ 0.09
Extraordinary item	(0.02)	-
	-----	-----
Earnings Per Share:	\$ 0.09	\$ 0.09
	=====	=====
Weighted average common shares outstanding	14,912	13,302
	=====	=====

See accompanying notes to consolidated financial statements

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

	Common Shares	Stock Amounts	Additional Paid-In Capital	Retained Earning	Total
Balance, at January 1, 1997	13,355,290	\$ 134	\$14,299	\$13,448	\$27,881
Issuance of common stock	1,756,000	17	23,197	-	23,214
Tax benefit related to stock options exercised	-	-	573	-	573
Net income for the three months ended March 31, 1997	-	-	-	1,301	1,301
	-----	-----	-----	-----	-----
Balance at March 31, 1997	15,111,290	\$ 151	\$38,069	\$14,749	\$52,969
	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements

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

	Three Months Ended	
	March 31,	
	1997	1996

Cash flows from operating activities		
Net income	\$ 1,301	\$ 1,239
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	841	299
Extraordinary item, loss on early extinguishment of debt, before income tax benefit	647	-
Deferred income taxes	26	22
Decrease (Increase) in		
Accounts receivable	1,245	188
Prepaid expenses and other current assets	(556)	(552)
Deferred income assets	32	(186)
Miscellaneous other assets	(88)	-
Increase (decrease) in		
Accounts payable	840	1,244
Purses due horsemen	942	(100)
Uncashed pari-mutuel tickets	262	153
Accrued expenses	(240)	31
Customers deposits	139	93
Taxes other than income taxes	293	-
Income taxes	740	-
	-----	-----
Net cash provided by operating activities	5,684	3,171
	-----	-----
Cash flows from investing activities		
Expenditures for property and equipment	(2,456)	(504)
Acquisition of business, (Primarily property and equipment)	(16,000)	-
Increase in prepaid acquisition cost	(176)	-
	-----	-----
Net cash (used in) investing activities	(18,632)	(504)
	-----	-----

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

Cash flows from financing activities		
Proceeds of sale common stock	23,214	426
Tax benefit related to stock options exercised	573	-
Proceeds of long term debt	16,500	-
Principal payments on long-term debt and capital lease obligations	(19,270)	(15)
Increase in unamortized financing cost	(167)	-
	-----	-----
Net cash provided by financing activities	20,850	411
	-----	-----
Net increase in cash	7,902	3,078
Cash, at beginning of period	5,634	7,514
	-----	-----
Cash, at end of period	\$13,536	\$10,592
	=====	=====

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.

In the opinion of management, all adjustments (consisting of normal recurring accruals) have been made which are necessary to present fairly the financial position of the Company as of March 31, 1997 and the results of its operations for the three month periods ended March 31, 1997 and 1996. The results of operations experienced for the three month period ended March 31, 1997 are not necessarily indicative of the results to be experienced for the fiscal year ended December 31, 1997.

The statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally include 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, 1996 annual financial statements.

2. Wagering Information

	Three months ended March 31,	
	1997	1996
	(in thousands)	
Pari-mutuel wagering in Pennsylvania on Company Races	\$ 22,490	\$21,308
	-----	-----
Pari-mutuel wagering on simulcasting		
Import simulcasting from other racetracks	75,436	39,070
Export simulcasting to out of Pennsylvania wagering facilities	37,431	28,338
	-----	-----
	112,867	67,408
	-----	-----
Total pari-mutuel wagering	\$135,357	\$88,716
	=====	=====

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

3. Commitments

At March 31, 1997, the Company was contingently obligated under letters of credit with face amounts aggregating \$1,634,000. The \$1,634,000 consisted of \$1,534,000 relating to the horsemen's account balances and \$100,000 for Pennsylvania pari-mutuel taxes.

4. Supplemental Disclosures of Cash Flow Information

Cash paid during the three months ended March 31, 1997 and 1996 for interest was \$1,034,000 and \$12,000 respectively.

Cash paid during the three months ended March 31, 1997 and 1996 for income taxes was \$398,000 and \$92,000 respectively.

For the three months ended March 31, 1997, the Company reclassified approximately \$1.9 million of prepaid acquisition costs to excess of cost over fair market value of net assets acquired.

5. Common Stock

In February 1997, the Company completed a secondary public offering of 1,725,000 shares of its common stock. The net proceeds of \$23 million were used to repay \$19 million of term loans outstanding under the \$75 million credit facility and to finance a portion of the cost of the refurbishment of the Charles Town Races facility. In connection with such debt repayment, the Company incurred an extraordinary loss of \$383,000 after taxes, consisting primarily of the write-off of deferred finance costs.

6. Acquisitions

On January 15, 1997, an 89% - owned Company subsidiary acquired substantially all of the assets of Charles Town Races for approximately \$16 million plus acquisition-related fees and expenses of approximately \$1.9 million.

On March 26, 1997, the Company entered into an agreement to purchase property for its proposed Carbondale, Pennsylvania OTW facility. The agreement provides for a purchase price of \$200,000 and is subject to numerous contingencies, including approval by the Pennsylvania State Harness Racing Commission, (On April 1, 1997, the Company submitted its application for such approval). If approved by the Racing Commission, the Company expects to have the facility constructed and operational in the fourth quarter of 1997.

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

Results of Operation

Three months ended March 31, 1997 compared to three months ended March 31, 1996

Total revenues increased by approximately \$8.3 million or 56.7% from \$14.6 million to \$22.8 million for the three months ended March 31, 1997 as compared to the three months ended March 31, 1996.

\$7.0 million of this increase was attributable to the addition of the Pocono Downs operations, which were acquired in the fourth quarter of 1996. In addition, revenues at the Penn National facilities, exclusive of the Pocono Downs operations, increased by \$1.3 million. The increase was primarily due to an increase of \$2.2 million in revenue at the Company's new OTW facilities in Lancaster and Williamsport offset by a decrease of \$900,000 at the Company's thoroughbred track and other OTW facilities. Management believes that the decrease at its other OTW facilities, exclusive of the Pocono Downs operations, was primarily due to competition from the opening of a competitor's OTW facility and of the Company's Lancaster OTW facility.

Total operating expenses increased by approximately \$6.6 million or 52.9% from \$12.5 million to \$19.1 million for the three months ended March 31, 1997 as compared to the three months ended March 31, 1996. Pocono Downs accounted for \$5.9 million of this increase. Penn National Race Course operations accounted for \$745,000 of the total increase. The increase in operating expenses resulted from an increase in purses, stakes and trophies, pari-mutuel taxes, and simulcast expenses resulting from an increase in revenue from import simulcasting, and the additional operating expenses of the Lancaster and Williamsport OTW facilities.

Income from operations increased by approximately \$1.7 million or 80.3% from \$2.0 million to \$3.7 million due to the factors described above. Other expenses for the 1997 quarter consisted of approximately \$900,000 in interest expense (due to the financing of the Pocono Downs acquisition) compared to \$12,000 in interest expense for the 1996 quarter.

Income tax expense increased from \$854,000 to \$1,178,000 due to the increase in income for the period.

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

Net Income increased by approximately \$62,000 or 5.0% from \$1,239,000 to \$1,301,000 for the three months ended March 31, 1997 as compared to the three months ended March 31, 1996, based on the factors described above.

Liquidity and Capital Resources

Historically, the Company's primary sources of liquidity and capital resources have been cash flow from operations and borrowing from banks. During the three months ended March 31, 1997, the Company's cash position increased by approximately \$7.9 million from \$5.6 million at December 31, 1996 to \$13.5 million as a result of increased cash flow from operations, proceeds from the sale of common stock, and net additional long-term borrowings.

Net cash provided from operating activities totaled approximately \$5.7 million for the three months ended March 31, 1997 of which \$2.8 million came from net income and non-cash expenses and \$1.3 million came from the repayment of the Charles Town Races loan receivable in January 1997. The balance of \$1.6 million was generated primarily by other changes in working capital .

Cash flows used in investing activities totaled approximately \$18.6 million. Acquisition costs and construction in progress totaled \$17.3 million for the Charles Town Race facility that was purchased on January 15, 1997. Capital expenditures totaled \$700,000 for the completion of the Williamsport OTW facility.

Cash flows from financing activities totaled approximately \$23.2 million from the secondary equity offering in February 1997 and the exercise of options which resulted in the issuance of 1,756,000 shares of common stock. The Company also received \$16.5 million in proceeds from long-term debt to use as payment for the Charles Town Acquisition on January 15, 1997. The Company used \$19 million of the proceeds from the offering to repay a portion of its bank debt. The remaining amount of the proceeds approximately \$4 million will be used for the refurbishment of the Charles Town facility.

During the balance of 1997, the Company anticipates capital expenditures of approximately \$4.0 million, exclusive of the cost of refurbishing the Charles Town Facility (described below), to construct two additional OTWs, and approximately \$1.0 million for miscellaneous capital expenditures and improvements. Under the Company Credit Facility, the Company is permitted to make capital expenditures (not including the refurbishment of the Charles Town Facility or the cost of gaming machines to be installed there) of \$12.0 million in 1997, \$4.0 million in 1998 and \$2.0 million in 1999 and in each year thereafter. The Company anticipates expending approximately \$16.0 million on the refurbishment of the Charles Town Facility (excluding the cost of gaming machines), of which \$1.3 million had already been expended at March 31, 1997.

The Company currently estimates that the net proceeds of the equity offering, together with the cash generated from operations and borrowings under its Credit Facility, will be sufficient to finance its current operations, and planned capital expenditure requirements. There can be no assurance, however, that the Company will not be required to seek 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. If additional funds are raised by issuing equity securities, existing shareholders may experience dilution.

Part II. Other Information

6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.61 General Contractor Agreement dated March 26, 1997, between PGNI Charles Town Gaming Limited Liability Company and Myers Building Systems, Inc.

(b) Reports on Form 8-K

The Company filed the following Current Reports on Form 8-K during the first quarter of 1997:

On January 21, 1997, the Company filed a Current Report on Form 8-K which reflected the completion, on January 15, 1997, of the purchase of the Charles Town Race Track.

On February 6, 1997, the Company filed an amendment to its Current Report on Form 8-K dated December 12, 1996 to include required financial statements with respect to Pocono Downs.

On March 25, 1997, the Company filed an amendment to its Current Report on Form 8-K dated January 21, 1997 to include required financial statements with respect to Charles Town Race Track.

SIGNATURES

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

PENN NATIONAL GAMING, INC.

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

Date May 15, 1997

EXHIBIT INDEX

Exhibit Nos.	Description of Exhibits	Page No.
10.61	General Contractor Agreement dated March 26, 1997, between PGNI Charles Town Gaming Limited Liability Company and Myers Building Systems, Inc.	19 -26

AIA Document A101
Standard Form of Agreement Between Owner
and Contractor
where the basis of payment is a
STIPULATED SUM

1987 EDITION

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

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

AGREEMENT

made as of the 26th day of March in the year of Nineteen Hundred and Ninety
Seven

BETWEEN the Owner:
(Name and address)

PNGI Charles Town Gaming LLC
P.O. Box 551
Charles Town, West Virginia 25414

and the Construction Manager:
(Name and address)

Myers Building Systems, Inc.
14627 National Pike
Clear Spring, MD 21722

The Project is:

(Name, address and brief description)

Horse Barns for the Charles Town Race Track
Flowering Springs Road
Charles Town, West Virginia 25414

The Architect is:

(Name and address)

Architectural Concepts
Suite 200 Stonebank Professional Center
967 East Swedesford Road
Exton, PA 19341

The Owner and Contractor agree as set forth below.

ARTICLE 1
THE CONTRACT DOCUMENT

The Contract Documents consist of this Agreement, Conditions of the Contract
(General, Supplementary and other Conditions), Drawings, Specifications, Addenda
issued prior to execution of this Agreement, other documents listed in this
Agreement and Modifications issued after execution of this Agreement: these form

the Contract, and are as fully a part of the Contract as if attached to this Agreement or repeated herein. The Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral. An enumeration of the Contract Documents, other than Modifications, appears in Article 9.

ARTICLE 2
THE WORK OF THIS CONTRACT

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

Permits
Performance Bond
Sales Tax (Owner shall pay for the building materials directly to qualify for tax exemption)
Demolition of the existing buildings and footings
Site preparation
Rock removal if encountered

ARTICLE 3
DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION

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

Date will be fixed in a notice to proceed

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

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

October 1, 1997 providing building demolition and site preparation does not hold up construction

, subject to adjustments of this Contract Time as provided in the Contract Documents. (Insert provisions, if any, for liquidated damages relating to failure to complete on time.)

ARTICLE 4
Contract Sum

4.1 The Owner shall pay the Contractor in current funds for the Contractor's performance of the Contract the Contract Sum of One Million Seven Hundred Twenty Thousand Dollars (\$1,720,000.00), subject to additions and deductions as provided in the Contract Documents.

4.2 The Contract Sum is based upon the following alternates, if any, which are described in the Contract Documents and are hereby accepted by the Owner:
(State the number or other identification of accepted alternates. If decisions on other alternates are to be made by the Owner subsequent to the execution of this Agreement, attach a schedule of such other alternates showing the amount for each and the date until which that amount is valid.)

Lester S-88 3068 personal doors with passage hardware will be installed in lieu of hinged wall vents at owners request. Due to the special color Owner agrees to purchase additional wall and roof panels to use complete coils of steel at .83 per sq. Ft.

4.3 Unit price, if any, are as follows:

ARTICLE 5
PROGRESS PAYMENTS

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

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

5.3 Provided an Application for Payment is received by the Owner not later than the 25th day of a month, the Owner shall make payments to the Contractor not later than the 25th day of the following month. If an Application for Payment is received by the Owner after the application dated fixed above, payment shall be made by the Owner not later than 30 days after the Owner receives the Application for Payment.

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

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

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

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

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

5.6.3 Subtract
the aggregate of previous payment made by the Owner: and

5.6.4 Subtract amounts,
if any, for which the Architect has withheld or nullified a Certificate for Payment as provided in paragraph 9.5 of the General Conditions.

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

5.7.1 Add, upon
Substantial Completion of the Work, a sum sufficient to increase the total payments to Ninety five Percent (95 %) of the Contract Sum, less such amounts as the Architect shall determine for incomplete Work and unsettled claims; and

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

5.8 Reduction or limitation of retainage, if any, shall be as follows:
(If it is intended, prior to Substantial Completion of the entire Work, to reduce or limit the retain age resulting from the percentages inserted in Subparagraphs 5.6.1 and 5.6.2 above, and this is not explained elsewhere in the Contract Documents, insert here provisions for such reduction or limitation.)

ARTICLE 6
FINAL PAYMENT

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

ARTICLE 7
MISCELLANEOUS PROVISIONS

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

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

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

7.3 Other provisions:

ARTICLE 8
TERMINATION OR SUSPENSION

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

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

ARTICLE 9
ENUMERATION OF CONTRACT DOCUMENTS

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

9.1.1 The Agreement is this executed Standard form of Agreement Between Owner and Contractor, AIA Document A101, 1987 Edition.

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

9.1.3 The Supplementary and other Conditions of the Contract are those contained in the Project Manual dated Not applicable and are as follows:

Document	Title	Pages
Attachment A	Scope of work Dated February 18, 1997	4

9.1.4 The Specifications are those contained in the Project Manual dated as in Subparagraph 9.1.3, and are as follows: (Either list the Specifications here or refer to an exhibit attached to this Agreement.)

Section	Title	Pages
Attachment A	Scope of work dated February 18, 1997	4

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

Number	Title	Date
Drawings Numbered 1 through 13	Job-Number RCTRK	February 20, 1997

9.1.6 The Addenda, if any, are as follows:

Number	Date	Pages
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Portions of Addenda relating to bidding requirements are not part of the Contract Documents unless the bidding requirements are also numerated in this Article 9.

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

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

OWNER

CONTRACTOR

/S/ Jay Fortney
(Signature)

/S/ Leroy Myers Jr.
(Signature)

Jay Fortney
(Printed Name and Title)

Leroy Myers Jr. Pres/Owner
(Printed Name and Title)

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1,000

3-mos

Dec-31-1997

Jan-01-1997

Mar-31-1997

13,536

0

3,048

0

0

18,750

85,203

8,673

121,303

15,859

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0

0

151

52,969

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0

383

0

1,301

.09

.09