

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended JUNE 30, 2000

OR

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

For the transition period from _____ to _____

Commission file number: 0-24206

Penn National Gaming, Inc.

(Exact name of Registrant as specified in its charter)

Pennsylvania 23-2234473

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

Penn National Gaming, Inc.

825 Berkshire, Blvd., Suite 200

Wyomissing, PA 19610

(Address of principal executive offices) (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 8, 2000
Common Stock Par value \$.01 per share	15,006,475

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 ("CAUTIONARY 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.

References to "Penn National Gaming" or the "Company" include Penn National Gaming, Inc. and its subsidiaries.

Penn National Gaming, Inc. And Subsidiaries

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Part I. Financial Information

Item 1. Financial Statements

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2000 (Unaudited)	December 31, 1999
<hr style="border-top: 1px dashed black;"/>		
Assets		
Current assets		
Cash and cash equivalents	\$ 13,831	\$ 9,434
Accounts receivable	5,011	4,779
Prepaid expenses and other current assets	2,748	1,793
Deferred income taxes	594	888
Prepaid income tax	-	1,088
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Total current assets	22,184	17,982
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Property, plant and equipment, at cost		
Land and improvements	28,014	27,988
Building and improvements	72,227	70,870
Furniture, fixtures and equipment	40,046	36,195
Transportation equipment	914	860
Leasehold improvements	9,826	9,802
Construction in progress	3,766	1,980
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	154,793	147,695
Less accumulated depreciation and amortization	24,126	20,824
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Net property, plant and equipment	130,667	126,871
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Other assets		
Investment in and advances to unconsolidated affiliate	13,517	12,862
Cash in escrow	5,000	5,000
Excess of cost over fair market value of net assets acquired (net of accumulated amortization of \$2,914 and \$2,611, respectively)	27,123	21,582
Deferred financing costs	4,569	5,014
Miscellaneous	1,306	1,289
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Total other assets	51,515	45,747
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	\$ 204,366	\$ 190,600
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See accompanying notes to consolidated financial statements.

PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2000 (Unaudited)	December 31, 1999
<hr/>		
Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt	\$ 5,160	\$ 5,160
Accounts payable	6,664	10,210
Purses due horsemen	2,451	2,114
Uncashed pari-mutuel tickets	809	1,351
Accrued expenses	1,814	2,694
Accrued interest	323	433
Accrued salaries & wages	1,310	1,098
Customer deposits	1,121	800
Taxes, other than income taxes	1,568	1,491
Income taxes	2,640	-
	<hr/>	
Total current liabilities	23,860	25,351
	<hr/>	
Long Term Liabilities		
Long-term debt net of current maturities	90,883	86,053
Deferred income taxes	12,906	12,294
	<hr/>	
Total long-term liabilities	103,789	98,977
	<hr/>	
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 15,429,925 and 15,314,175, respectively	154	153
Treasury stock, 424,700 shares at cost	(2,379)	(2,379)
Additional paid in capital	39,125	38,527
Retained earnings	39,817	29,971
	<hr/>	
Total shareholders' equity	76,717	66,272
	<hr/>	
	\$ 204,366	\$ 190,600
	<hr/> <hr/>	

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,	
	2000	1999
Revenues		
Pari-mutuel revenues		
Live races	\$ 10,378	\$ 8,283
Import simulcasting	40,005	35,050
Export simulcasting	3,418	1,358
Gaming revenue	49,019	24,913
Admissions, programs and other racing revenue	3,887	2,984
Concessions revenues	7,539	5,584
Earnings from unconsolidated affiliates	1,429	-
Total revenues	115,675	78,172
Operating expenses		
Purses, stakes, and trophies	20,577	14,098
Direct salaries, payroll taxes and employee benefits	11,258	8,720
Simulcast expenses	7,639	6,071
Pari-mutuel taxes	4,926	4,103
Lottery taxes and administration	19,320	9,904
Other direct meeting expenses	12,932	10,613
Concessions expenses	6,565	4,968
Other operating expenses	8,564	6,435
Horsemen's action expenses	-	1,250
Depreciation and amortization	4,368	4,145
Total operating expenses	96,149	70,307
Income from operations	19,526	7,865
Other income (expenses)		
Interest (expense)	(4,816)	(4,333)
Interest income	881	605
Other	(154)	(7)
Total other (expenses)	(4,089)	(3,735)
Income before taxes	15,437	4,130
Taxes on income	5,591	1,568
Net Income	\$ 9,846	\$ 2,562

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,	
	2000	1999
Per share data		
Basic earnings per share	\$.66	\$ 0.17
Diluted earnings per share	\$.64	\$ 0.17
Weighted shares outstanding		
Basic	14,918	14,784
Diluted	15,338	15,135

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,	
	2000	1999
Revenues		
Pari-mutuel revenues		
Live races	\$ 6,313	\$ 5,868
Import simulcasting	20,189	19,749
Export simulcasting	1,824	847
Gaming revenue	26,853	13,616
Admissions, programs and other racing revenue	2,231	1,865
Concessions revenues	4,161	3,438
Earnings of unconsolidated affiliates	842	-
Total revenues	62,413	45,383
Operating expenses		
Purses, stakes, and trophies	11,007	8,388
Direct salaries, payroll taxes and employee benefits	5,886	5,005
Simulcast expenses	4,138	3,685
Pari-mutuel taxes	2,604	2,434
Lottery taxes and administration	10,572	5,415
Other direct meeting expenses	6,617	6,021
Concessions expenses	3,591	2,945
Other operating expenses	4,129	3,360
Depreciation and amortization	2,191	2,130
Total operating expenses	50,735	39,383
Income from operations	11,678	6,000
Other income (expenses)		
Interest (expense)	(2,434)	(2,208)
Interest income	431	396
Other	-	(7)
Total other (expenses)	(2,003)	(1,819)
Income before taxes	9,675	4,181
Taxes on income	3,449	1,642
Net income	\$ 6,226	\$ 2,539

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,	
	2000	1999

Per share data		
Basic earnings per share	\$.42	\$.17
Diluted earnings per share	\$.40	\$.17

Weighted shares outstanding		
Basic	14,939	14,828
Diluted	15,431	15,190

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	Amounts	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, at January 1, 2000	15,314,175	\$ 153	\$ (2,379)	\$ 38,527	\$ 29,971	\$ 66,272
Issuance of common stock	115,750	1	-	598	-	599
Net income for the six months ended June 30, 2000	-	-	-	-	9,846	9,846
Balance, at June 30, 2000	15,429,925	\$ 154	\$ (2,379)	\$ 39,125	\$ 39,817	\$ 76,717

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,	
	2000	1999
Cash flows from operating activities		
Net income	\$ 9,846	\$ 2,562
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,368	4,145
Income from unconsolidated affiliates	(655)	-
Deferred income taxes	276	572
Decrease (Increase) in		
Accounts receivable	(232)	(2,155)
Prepaid expenses	(1,155)	50
Prepaid income taxes	1,088	745
Miscellaneous other assets	(17)	(25)
Increase (decrease) in		
Accounts payable	(3,548)	358
Purses due horsemen	337	2,591
Uncashed pari-mutuel tickets	(542)	(503)
Accrued expenses	(880)	299
Accrued interest	(110)	(55)
Accrued salaries & wages	212	-
Customers deposits	321	171
Taxes other than income payable	77	462
Income taxes	2,640	-
Net cash provided by operating activities	12,026	9,217
Cash flows from investing activities		
Expenditures for property and equipment	(7,298)	(2,578)
Proceeds from sale of property and equipment	178	-
Investment in and advances to unconsolidated affiliate	-	(11,250)
Acquisition of business	(5,845)	-
Other	-	251
Net cash (used in) investing activities	(12,965)	(13,577)

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,	
	2000	1999
Cash flows from financing activities		
Proceeds from sale of common stock	599	424
Proceeds from long-term debt	4,847	11,500
Principal payments on long-term debt and capital lease obligations	(17)	(3,326)
(Increase) in unamortized financing cost	(93)	(580)
Net cash provided by financing activities	5,336	8,018
Net increase in cash	4,397	3,658
Cash and cash equivalents at beginning of period	9,434	6,826
Cash and cash equivalents, at end of period	\$ 13,831	\$ 10,484

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 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, 2000 and the results of its operations for the three and six month periods ended June 30, 2000 and 1999. The results of operations experienced for the six month period ended June 30, 2000 are not necessarily indicative of the results to be experienced for the fiscal year ended December 31, 2000.

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, 1999 annual financial statements.

2. Wagering Information (in thousands)

	Three months ended June 30, 2000			
	Penn National	Pocono Downs	Charles Town	Total
Pari-mutuel wagering in-state on Company's live races	\$ 14,477	\$ 6,337	\$ 7,981	\$ 28,795
<hr style="border-top: 1px dashed black;"/>				
Pari-mutuel wagering on simulcasting:				
Import simulcasting from other racetracks	49,722	33,815	12,933	96,470
Export simulcasting to out of state wagering facilities	35,680	6,432	18,871	60,983
	<hr style="border-top: 1px dashed black;"/> 85,402	<hr style="border-top: 1px dashed black;"/> 40,247	<hr style="border-top: 1px dashed black;"/> 31,804	<hr style="border-top: 1px dashed black;"/> 157,453
	<hr style="border-top: 1px dashed black;"/>			
Total pari-mutuel wagering	\$ 99,879	\$ 46,584	\$ 39,785	\$ 186,248
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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
=====				

Six months ended June 30, 2000

	Penn National	Pocono Downs	Charles Town	Total
Pari-mutuel wagering in-state on Company's live races	\$ 27,822	\$ 6,337	\$ 13,751	\$ 47,910

Pari-mutuel wagering on simulcasting:				
Import simulcasting from other racetracks	99,432	66,487	25,531	191,450
Export simulcasting to out of state wagering facilities	73,870	6,432	33,564	113,866

	173,302	72,919	59,095	305,316

Total pari-mutuel wagering	\$ 201,124	\$ 79,256	\$ 72,846	\$ 353,226
=====				

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
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3. Commitments

At June 30, 2000, the Company was contingently obligated under letters of credit with face amounts aggregating \$2,031,000. These amounts consisted of \$1,727,000 relating to horsemen's account balances, \$104,000 for Pennsylvania pari-mutuel taxes, and \$200,000 for purses.

4. Supplemental Disclosures of Cash Flow Information

Cash paid during the six months ended June 30, 2000 and 1999 for interest was \$4,849,000 and \$4,307,204, respectively.

Cash paid during the three months ended June 30, 2000 and 1999 for income taxes was \$1,735,000 and \$206,000, respectively.

5. Subsidiary Guarantors

Summarized financial information as of June 30, 2000 and December 31, 1999 for the three and six months ended June 30, 2000 and 1999 for Penn National Gaming, Inc. ("Parent"), the Subsidiary Guarantors and Subsidiary Nonguarantors is as follows:

	Parent Company	Subsidiary Guarantors	Subsidiary Non- Guarantors	Elimin- ations	Consoli- dated
As of June 30, 2000					
Consolidated Balance Sheet (In Thousands)					
Current assets	\$ 3,188	\$ 6,222	\$ 12,989	\$ (215)	\$ 22,184
Net property plant and equipment	815	82,344	47,508	-	130,667
Other assets	120,163	170,965	7,598	(247,211)	51,515
Total	\$ 124,166	\$ 259,531	\$ 68,095	\$ (247,426)	\$ 204,366
Current liabilities	2,600	24,906	6,958	(10,604)	23,860
Long-term liabilities	81,981	96,818	53,441	(128,451)	103,789
Shareholders' equity (deficiency)	39,585	137,807	7,696	(108,371)	76,717
Total	\$ 124,166	\$ 259,531	\$ 68,095	\$ (247,426)	\$ 204,366
Three months ended June 30, 2000					
Consolidated Statement of Income (In Thousands)					
Total revenues	\$ 57	\$ 30,393	\$ 34,925	\$ (2,962)	\$ 62,413
Total operating expenses	(1,571)	26,878	28,390	(2,962)	50,735
Income from operations	1,628	3,515	6,535	-	11,678
Other income (expenses)	(1,202)	360	(1,161)	-	(2,003)
Income before income taxes	426	3,875	5,374	-	9,675
Taxes on income	182	3,267	-	-	3,449
Net income	\$ 244	\$ 608	\$ 5,374	\$ -	\$ 6,226
Six months ended June 30, 2000					
Consolidated Statement of Income (In Thousands)					
Total revenues	\$ 63	\$ 57,283	\$ 63,643	\$ (5,314)	\$ 115,675
Total operating expenses	(3,042)	51,733	52,772	(5,314)	96,149
Income from operations	3,105	5,550	10,871	-	19,526
Other income (expenses)	(2,383)	771	(2,323)	(154)	(4,089)
Income before income taxes	722	6,321	8,548	(154)	15,437
Taxes on income	307	5,336	-	(52)	5,591
Net income	\$ 415	\$ 985	\$ 8,548	\$ (102)	\$ 9,846
Six months ended June 30, 2000					
Consolidated Statement of Cash Flow (In Thousands)					
Net cash flows from operating activities	\$ (3,753)	\$ (3,151)	\$ 1,081	\$ 18,000	\$ 12,177
Net cash flows from investing activities	1,419	(203)	(2,181)	(12,000)	(12,965)
Net cash flows from financing activities	961	4,241	5,983	(6,000)	5,185
Increase (decrease) in cash and cash equivalents at January 1, 2000	(1,373)	887	4,883	-	4,397
Cash and cash equivalents at June 30, 2000	\$ 2,544	\$ 2,538	\$ 4,352	\$ -	\$ 4,397
Cash and cash equivalents at June 30, 2000	\$ 1,171	\$ 3,425	\$ 9,235	\$ -	\$ 13,831

	Parent Company	Subsidiary Guarantors	Subsidiary Non- Guarantors	Elimin- ations	Consoli- dated
As of December 31, 1999					
Consolidated Balance Sheet (In Thousands)					
Current assets	\$ 3,651	\$ 7,669	\$ 6,523	\$ 139	\$ 17,982
Net property, plant and equipment	813	79,932	46,126	-	126,871
Other assets	116,170	155,509	1,620	(227,552)	45,747
Total	\$ 120,634	\$ 243,110	\$ 54,269	\$ (227,413)	\$ 190,600
Current liabilities					
Long-term liabilities	\$ (29)	\$ 25,731	\$ 7,664	\$ (8,015)	\$ 25,351
Shareholders' equity (deficiency)	82,091	86,556	47,459	(117,129)	98,977
	38,572	130,823	(854)	(102,269)	66,272
Total	\$ 120,634	\$ 243,110	\$ 54,269	\$ (227,413)	\$ 190,600
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

6. Mississippi Agreement

On December 10, 1999, the Company entered into two definitive agreements to purchase all of the assets of the Casino Magic hotel, casino, golf resort, recreational vehicle (RV) park and marina in Bay St. Louis, Mississippi and the Boomtown Biloxi casino in Biloxi, Mississippi, from Pinnacle Entertainment, Inc. (formerly Hollywood Park, Inc.) (NYSE:PNK) for an aggregate of \$195 million. These agreements are contingent upon each other. In addition to acquiring all of the operating assets and related operations of the Casino Magic Bay St. Louis and Boomtown Biloxi properties (the "Mississippi Acquisitions"), the Company has entered into a licensing agreement to use Boomtown and Casino Magic names and marks at the properties acquired. The transaction was subject to certain closing conditions including the approval of the Mississippi Gaming Commission, financing and expiration of the applicable Hart-Scott-Rodino waiting period. As part of the agreement, the Company paid a deposit of \$5 million to an escrow account, which was refundable if certain conditions were not met. The Company received approval for a gaming license from the Mississippi Gaming Commission on April 20, 2000. On June 14, 2000 the Company entered into a financing commitment letter agreement with Lehman Brothers and CIBC World Markets, Corp., the proceeds of which in part will be used to finance the Mississippi Acquisitions. On August 8, 2000 the Company completed the Mississippi Acquisitions and are now operating both facilities. (See Note 11.)

7. New Jersey Joint Venture

The Company's investment in the Joint Venture is accounted for under the equity method, original investments are recorded at cost and adjusted by the Company's share of income or losses of the Joint Venture. The income for the three and six months ended June 30, 2000 of the Joint Venture is included in earnings of unconsolidated affiliates in the accompanying Consolidated Statements of Income for the three and six months ended June 30, 2000.

Summarized balance sheet information for the Joint Venture as of June 30, 2000 is as follows (in thousands):

Current assets	\$	11,027
Property, plant and equipment, net		30,220
Other		17,807

Total assets	\$	59,054
		=====
Current liabilities	\$	8,858
Long-term liabilities		45,765
Members' equity		4,431

Total liabilities and members' equity	\$	59,054
		=====

Summarized results of operations of the unconsolidated Joint Venture is as follows: (in thousands)

	Three Months Ended June 30, 2000	Six Months Ended June 30, 2000
Revenues	\$ 15,108	\$ 29,787
Operating expenses	11,660	23,473
EBITDA*	\$ 3,448	\$ 6,314
Net Income	\$ 1,686	\$ 2,860

* Earnings before interest, taxes, depreciation and amortization.

In connection with the refinancing described in Note 11, the Company became a full guarantor of indebtedness of the Joint Venture in the amount of \$11.5 million.

8. Trackpower, Inc. and eBet Limited

In July 1999, the Company entered into an agreement with Trackpower, Inc. (OTC BB: TPWR) ("Trackpower") to serve as the exclusive pari-mutuel wagering hub operator for Trackpower. Trackpower, up until August 1, 2000, provided 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 Company pays Trackpower a commission on all new revenues earned from their subscriber base. As an additional incentive to enter into the contract, 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. The fair market value of the warrants issued will be amortized over the vesting period of one year from the anniversary date of the agreement. As a result of the transition of operations in 1999, the amount to be amortized as a reduction of commissions earned in 2000 by Trackpower was not material.

In March 2000, the Company entered into a letter of intent with Trackpower and eBet Limited ("eBet") which, if a definitive agreement was executed, would have replaced and restated the above described agreement between the Company and Trackpower. On June 27, 2000, the March 2000 letter of intent was terminated. The Company will continue to work under existing license agreements and contracts entered into with Trackpower prior to March 2000.

9. Minority Interest Purchase

On March 15, 2000, the Company purchased from the BDC Group ("BDC"), its joint venture partner in West Virginia, BDC's 11% interest in PNGI Charles Town Gaming Limited Liability Company, which owns and operates Charles Town Races for \$6.0 million in cash. The investment is recorded net of the minority interest tax liability of \$155,000 or \$5.845 million. The Company is in the process of determining the allocation of the purchase price to the various property, plant and equipment accounts. The allocation will be based on the results of a recently completed appraisal on the property. As a result of the purchase, PNGI Charles Town Gaming Limited Liability Company is now a 100%-owned subsidiary of the Company.

10. Financing Agreement

On June 14, 2000, the Company entered into a financing commitment letter with Lehman Brothers, Inc. and CIBC World Markets, Corp. for a \$350 million credit facility with bank and institutional lenders. On August 8, 2000, the Company completed the credit agreement with Lehman Brothers, Inc. and CIBC World Markets, Corp. as co-arrangers, among others. The proceeds of the credit facility were used to finance the \$195 million Mississippi Acquisitions, to refinance the Company's existing debts with First Union National Bank and Bank of America, to purchase the outstanding 10 5/8% Senior Notes and for working capital purposes. The credit facility provides for a \$75 million revolving credit facility maturing on August 8, 2005, a \$75 million Tranche A term loan maturing on August 8, 2005 and a \$200 million Tranche B term loan maturing on August 8, 2006.

At the Company's option, the revolving credit facility and the Tranche A term loan may bear interest at (1) the highest of 1/2 of 1% in excess of the federal funds effective rate or the rate that the bank group announces from time to time as its prime lending rate plus an applicable margin of up to 2.25% or, (2) a rate tied to a eurodollar rate plus an applicable margin up to 3.25%. At the Company's option, the Tranche B term loan may bear interest at (1) the highest of 1/2 of 1% in excess of the federal funds effective rate or the rate that the bank group announces from time to time as its prime lending rate plus an applicable margin of up to 3.25% or, (2) a rate tied to a eurodollar rate plus an applicable margin up to 4.00%. The credit facility provides for certain covenants, including those of a financial nature. Substantially all of the Company's assets are pledged as collateral under the Credit Agreement. The outstanding amount under this credit facility as of August 8, 2000 was \$312 million. A form 8-K will be filed with further information regarding this Credit Facility.

On June 29, 2000 the Company commenced a cash tender offer to purchase all of its outstanding \$69 million 10 5/8% Senior Notes due 2004 (the "Notes") and a related consent solicitation to eliminate certain restrictive covenants and related provisions in the indenture pursuant to which the notes were issued. The total consideration payable pursuant to the tender offer and consent solicitation to holders who tender Notes (and thereby deliver consents) prior to 5:00pm, New York City time, on the Consent Date (as defined below) will be calculated using a fixed spread of 75 basis points over the bid side yield of the reference U.S. Treasury security on the second business day immediately

preceding the expiration date. The total consideration includes a consent fee of \$30 per Note. If a holder's Notes are not properly tendered prior to 5:00p.m., New York City time, on the Consent Date, the holder will not receive the consent payment, even though the Notes are subsequently tendered by the expiration date of the tender offer. Under the terms of the tender offer and consent solicitation, holders may not deliver consents without also tendering Notes. The Consent Date is the later of July 17, 2000 or the date on which the Company receives consents from holders of a majority in principal amount of the outstanding Notes. The tender offer was scheduled to expire at 5:00p.m., New York City time, on August 1, 2000 unless extended. The tender offer and the consent solicitation are subject to the terms and conditions set forth in the Offer to Purchase and Consent Solicitation Statement and the related Consent and Letter of Transmittal that are being sent to all holders of Notes. Subject to the terms and conditions of the tender offer and consent solicitation, the Company will make all payments promptly after the acceptance date.

On July 18, 2000, the Company announced that holders of more than a majority of the Company's outstanding Notes had tendered Notes and delivered consents in connection with the Company's tender offer and consent solicitation announced on June 29, 2000. Accordingly, 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 Offer to Purchase and Consent Solicitation Statement dated as of June 29, 2000. The amendments will not become operative unless the Notes are accepted for purchase in accordance with the terms of the tender offer. If the amendments become operative, holders of all untendered Notes will be bound thereby.

On July 28, 2000 the Company announced that it was extending, until 5:00pm on August 8, 2000, the expiration date of the Company's tender offer for its Notes, as a result, the pricing of the tender was extended until 2:00pm on August 4, 2000. The tender offer had previously been scheduled to expire August 1, 2000. The expiration was extended to accommodate the execution and funding of a new credit agreement with a group of lenders as described in the Company's Offer to Purchase and Consent Solicitation Statement dated June 29, 2000 (the "Statement"). The tender offer was completed on August 8, 2000.

11. Subsequent Events

On July 31, 2000, the Company announced that it entered into a definitive agreement to acquire CRC Holdings, Inc. ("CRC") which does business as Carnival Resorts and Casinos for \$95.8 million and the assumption of approximately \$32 million in net debt (the "CRC Acquisition"). CRC is an experienced operator of gaming facilities and the owner of approximately 59% of Louisiana Casino Cruises, Inc. ("LCCI"). The Company also announced that it had entered into a definitive agreement with the minority owners of LCCI to acquire their approximately 41% stake for \$32.5 million. Under the terms of the agreement, CRC will divest all of its non-gaming related assets prior to closing. The acquisitions are expected to be accretive to Penn National's results in the first year of operations after closing. In the twelve months ended February 29, 2000 CRC's gaming business, including LCCI, generated approximately \$30.6 million in EBITDA.

LCCI owns and operates the Casino Rouge, a riverboat gaming facility on the east bank of the Mississippi River in Baton Rouge, Louisiana. The Casino Rouge features a four-story, 47,000 square foot riverboat casino replicating a 19th century Mississippi River paddlewheel steamboat, a two-story, 58,000 square foot dockside embarkation facility and parking for 1,650 cars. The riverboat has a capacity of 1,800 patrons and emphasizes spaciousness and excitement with its generous aisle space, 15-foot ceilings, a large central atrium and specially designed lighting. The Casino Rouge offers 28,000 square feet of gaming space spread over three decks with 974 gaming machines and 42 table games. The dockside embarkation facility offers a panoramic view of the Mississippi River and a variety of amenities including a 268-seat buffet, bar and lounge areas, meeting and planning space and a gift shop. The Casino Rouge cruises eight times a day. Located on a 23-acre site, five acres of which are owned by LCCI, the Casino Rouge is within approximately one mile of both Interstate 10 and Interstate 110. For the year ended November 30, 1999 the Casino Rouge had a 61.9% share of the Baton Rouge gaming market casino revenues, as reported by the Louisiana State Police, a regulatory body governing the market.

CRC also has a management contract for Casino Rama which is in effect until 2011. Casino Rama is located approximately 80 miles north of Toronto, Canada, in Orillia, Canada on the Chippewas of Mnjikaning First Nation land. Casino Rama, with 75,000 square feet of gaming space, features 2,300 slot machines and 110 table games as well as a buffet, two restaurants, a nightclub, a retail center and a 3,000 seat outdoor theater. The Casino Rama facility is currently undergoing a U.S. \$160 million expansion.

Since opening in 1996, Casino Rama has built its revenues to approximately U.S. \$354 million in 1999. Casino Rama's daily win per position at U.S. \$320 in 1999 ranks among the highest of casinos in the U.S. and Canada. The transaction, expected to close in the first half of 2001, is subject to regulatory and other approvals in both Louisiana and Canada, financing, the expiration of the applicable Hart-Scott-Rodino waiting period and other customary closing conditions.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The percentage of the Company's revenue derived from gaming operations has increased over the last few years as a result of the gaming operations at the Charles Town Entertainment Complex. The Company expects that the Mississippi Acquisitions and the continued expansion of the Charles Town Entertainment Complex will cause this trend to continue. In the future the Company expects to alter the presentation of certain of its financial information to better capture this trend.

Three Months Ended June 30, 2000 Compared To Three Months Ended June 30, 1999

Revenues for the three months ended June 30, 2000 increased by approximately \$17.0 million or 37.5% to \$62.4 million from \$45.4 million for the three months ended June 30, 1999. At Charles Town, the increase in revenues (\$14.7 million) is attributed to the operation of an average of 1,406 gaming machines for the three months ended June 30, 2000 compared to 915 gaming machines for the three months ended June 30, 1999. Operating expenses for the three months ended June 30, 2000 increased by approximately 11.3 million or 28.8% to \$50.7 million from \$39.4 million for the three months ended June 30, 1999. Income from operations increased by \$5.7 million or 94.7% to \$11.7 million for the three months ended June 30, 2000 from \$6.0 million for the three months ended June 30, 1999. Other expenses for the three months ended June 30, 2000 and 1999 consisted of approximately \$2.0 million and \$1.8 million, respectively, of net interest primarily due to the 10.625% Senior Notes and the Revolving Credit Facility. Taxes on income increased by \$1.8 million to \$3.4 million for the three months ended June 30, 2000 from \$1.6 million for the three months ended June 30, 1999. Net income increased by \$3.7 million to \$6.2 million for the three months ended June 30, 2000 from \$2.5 million for the three months ended June 30, 1999.

The results of operations for the three months ended June 30, 1999 and 2000 by property level are summarized as follows: (in thousands)

	Charles Town Racing and Gaming		Penn National and OTWs		Pocono Downs and OTWs	
	1999	2000	1999	2000	1999	2000
Revenues						
Gaming	\$ 13,768	\$26,878	\$ -	\$ -	\$ -	\$ -
Racing	4,763	5,214	13,668	15,406	9,674	9,483
Other	1,674	2,833	1,241	1,328	859	871
Total revenues	20,205	34,925	14,909	16,734	10,533	10,354
Expenses						
Gaming	9,674	18,075	-	-	-	-
Racing	3,835	4,101	10,652	12,086	6,705	6,827
Other*	2,333	3,353	1,807	1,885	1,160	1,142
Total expenses	15,842	25,529	12,459	13,971	7,865	7,969
EBITDA						
Gaming	4,094	8,803	-	-	-	-
Racing	928	1,113	3,016	3,320	2,969	2,656
Other	(659)	(520)	(566)	(557)	(301)	(271)
Total EBITDA	\$ 4,363	\$ 9,396	\$ 2,450	\$ 2,763	\$ 2,668	\$ 2,385

* Other expenses include property level general and administrative expenses and excludes corporate overhead and non-recurring expenses.

Charles Town Entertainment Complex

Revenues increased at Charles Town by approximately \$14.7 million or 72.8% to \$34.9 million in 2000 from \$20.2 million in 1999. Gaming revenue increased by \$13.1 million or 95.2% to \$26.9 million in 2000 from \$13.8 million in 1999 due to the addition of 565 new reel spinning, coin-out slot machines since the second quarter of last year. The average number of machines in play increased to 1,406 in 2000 from 915 in 1999 and the average win per machine increased to \$211 in 2000 from \$164 in 1999. Racing revenue increased by \$0.5 million or 9.7% to \$5.2 million in 2000 from \$4.7 million in 1999. The live meet consisted of 60 race days in 2000 and 1999 and a change in the schedule from a Wednesday afternoon race program to a Thursday evening race program to accommodate export simulcasting. Charles Town began exporting its live race program to tracks across the country on June 5, 1999 and generated export simulcasting revenues of \$566,000 for 2000 compared to \$61,000 in 1999. Concession and other revenues increased by approximately \$1.1 million or 69.2%

to \$2.8 million in 2000 from \$1.7 million in 1999 due to increased attendance for gaming and racing and the expansion of the concession areas, dining room and buffet area. Operating expenses increased by \$9.7 million or 61.1 % to \$25.5 million in 2000 from \$15.8 million in 1999. The increase was due to an increase in direct costs associated with additional wagering on horse racing and gaming machine play, the addition of gaming machines and floor space (new temporary facility for gaming machines), export simulcast expenses and expanded concession and dining capability and capacity. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by \$5.0 million or 115.4% to \$9.4 million in 2000 from \$4.4 million in 1999.

Penn National Race Course and OTW Facilities (Penn National Race Course)

Penn National Race Course had an increase in revenue of approximately \$1.8 million or 12.2% to \$16.7 million in 2000 from \$14.9 million in 1999. The increase in revenues is attributed to Penn National Race Course running 51 live race days in 2000 compared to 32 live race days in 1999 resulting in an increase in live racing commissions and export simulcasting revenue. Expenses increased by approximately \$1.5 million or 12.1% to \$14.0 million in 2000 from \$12.5 million in 1999.

Pocono Downs and OTW Facilities (Pocono Downs)

Revenues at Pocono Downs decreased by \$.2 million or 1.7% to \$10.3 million in 2000 from \$10.5 million in 1999. Revenue decreased at Allentown and Hazleton due to loss of Penn National Race Course customers wagering at Pocono Downs sites during the 1999 strike. Expenses increased by approximately \$.1 million or 1.3% to \$8.0 million in 2000 from \$7.9 million in 1999.

New Jersey Joint Venture

On July 29, 1999, after receiving the necessary approvals from the New Jersey Racing Commission and the necessary consents from the holders of its 10.625% Senior Notes due 2004, Series B, the Company completed its investment in the Joint Venture. The Joint Venture operates Freehold Raceway and Garden State Race Track. Summarized results of operations of the unconsolidated Joint Venture for the period ended June 30, 2000 include \$15.1 million in revenue, \$11.6 million in operating expenses and net income of \$1.7 million. The Company's 50% share of net income or \$.8 million is recorded as "Earnings from unconsolidated affiliates" on the income statement.

Capital Expenditures

The Company had capital expenditures of \$5.2 million in 2000 compared to \$1.1 million in 1999. Capital expenditures at Charles Town were approximately \$3.7 million for the indoor paddock project that will be the new gaming floor space for 500 machines (\$1.6 million), 174 new reel spinning, coin-out slot machines (\$1.3 million), and equipment replacement and upgrades (\$.8 million). Capital expenditures at Penn National and its OTW facilities (\$.2 million) and Pocono Downs and its OTW facilities (\$.1 million) were for normal equipment replacement and leasehold improvements. Pocono Downs has also spent \$1.2 million on the construction of its new OTW facility in East Stroudsburg, Pennsylvania. The new OTW opened July 31, 2000. As a result, depreciation and amortization increased \$.1 million or 2.9% to \$2.2 million in 2000 from \$2.1 million in 1999.

Six Months Ended June 30, 2000 Compared To Six Months Ended June 30, 1999

Revenues for the six months ended June 30, 2000 increased by approximately \$37.5 million or 48.0% to \$115.7 million from \$78.2 million for the six months ended June 30, 1999. Operating expenses for the six months ended June 30, 2000 increased by approximately 25.8 million or 36.8% to \$96.1 million from \$70.3 million for the six months ended June 30, 1999. Income from operations increased by 11.7 million or 148.2% to \$19.5 million for the six months ended June 30, 2000 from \$7.8 million for the six months ended June 30, 1999. Other expenses for the six months ended June 30, 2000 and 1999 consisted of approximately \$4.1 million and \$3.7 million, respectively, of net interest primarily due to the 10.625% Senior Notes and the Revolving Credit Facility. Taxes on income increased by \$4.0 million to \$5.6 million for the six months ended June 30, 2000 from \$1.6 million for the six months ended June 30, 1999. Net income increased by 7.3 million to \$9.8 million for the six months ended June 30, 2000 from \$2.5 million for the six months ended June 30, 1999.

The results of operations for the six months ended June 30, 1999 and 2000 by property level are summarized as follows: (in thousands)

	Charles Town Racing and Gaming		Penn National and OTWs		Pocono Downs and OTWs	
	1999	2000	1999	2000	1999	2000
	----	----	----	----	----	----
Revenues						
Gaming	\$ 25,206	\$49,059	\$ -	\$ -	\$ -	\$ -
Racing	8,575	9,612	21,447	30,474	17,276	16,899
Other	2,789	4,972	1,892	2,532	1,389	1,446
	-----	-----	-----	-----	-----	-----
Total revenues	36,570	63,643	23,339	33,006	18,665	18,345
	-----	-----	-----	-----	-----	-----
Expenses						
Gaming	18,622	33,514	-	-	-	-
Racing	6,957	7,671	16,657	23,804	11,637	12,140
Other*	3,740	6,284	2,874	3,675	2,133	2,230
	-----	-----	-----	-----	-----	-----
Total expenses	29,319	47,469	19,531	27,479	13,770	14,370
	-----	-----	-----	-----	-----	-----
EBITDA						
Gaming	6,584	15,545	-	-	-	-
Racing	1,618	1,941	4,790	6,670	5,639	4,759
Other	(951)	(1,312)	(982)	(1,143)	(744)	(784)
	-----	-----	-----	-----	-----	-----
Total EBITDA	\$ 7,251	\$16,174	\$ 3,808	\$ 5,527	\$ 4,895	\$ 3,975
	=====	=====	=====	=====	=====	=====

* Other expenses include property level general and administrative expenses and excludes corporate overhead and non-recurring expenses.

Charles Town Entertainment Complex

Revenues increased at Charles Town by approximately \$27.1 million or 74.0% to \$63.6 million in 2000 from \$36.5 million in 1999. Gaming revenue increased by \$23.9 million or 94.6% to \$49.1 million in 2000 from \$25.2 million in 1999 due to the addition of 136 new video lottery machines and 565 new reel spinning, coin-out slot machines since January of last year. The average number of machines in play increased to 1,435 in 2000 from 876 in 1999 and the average win per machine increased to \$190 in 2000 from \$157 in 1999. Racing revenue increased by \$1.0 million or 12.1% to \$9.6 million in 2000 from \$8.6 million in 1999. The live meet consisted of 105 race days in 2000 and compared to 99 race days in 1999 and a change in the schedule from a Wednesday afternoon race program to a Thursday evening race program in 2000 to accommodate export simulcasting. Charles Town began exporting its live race program to tracks across the country on June 5, 1999 and generated export simulcasting revenues of \$1,031,000 for 2000 compared to \$61,000 in 1999. Concession and other revenues increased by approximately \$2.2 million or 78.3% to \$5.0 million in 2000 from \$2.8 million in 1999 due to increased attendance for gaming and racing and the expansion of the concession areas, dining room and buffet area. Operating expenses increased by \$18.1 million or 61.2% to \$47.4 million in 2000 from \$29.3 million in 1999. The increase was due to an increase in direct costs associated with additional wagering on horse racing and gaming machine play, the addition of gaming machines and floor space (new temporary facility for gaming machines), export simulcast expenses and expanded concession and dining capability and capacity. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by \$8.9 million or 123.1% to \$16.2 million in 2000 from \$7.3 million in 1999.

Penn National Race Course and OTW Facilities (Penn National Race Course)

Penn National Race Course had an increase in revenue of approximately \$9.7 million or 41.4% to \$33.0 million in 2000 from \$23.3 million in 1999. The increase in revenues is attributed to Penn National Race Course running 99 live race days in 2000 compared to 50 live race days in 1999 resulting in an increase in live racing commissions and export simulcasting revenue. Penn National only ran 50 live race days in 1999 due to the Horsemen action in the first quarter that resulted in the closure of all of the facilities from February 16 to March 24, 1999. Expenses increased by approximately \$6.7 million or 32.2% to \$27.5 million in 2000 from \$20.8 million in 1999.

Pocono Downs and OTW Facilities (Pocono Downs)

Revenues at Pocono Downs decreased by \$.3 million or 1.7% to \$18.3 million in 2000 from \$18.6 million in 1999. Revenue decreased at Allentown and Hazleton due to loss of Penn National Race Course customers wagering at Pocono Downs sites during the 1999 horsemen action. Expenses increased by approximately \$.6 million or 4.3% to \$14.4 million in 2000 from \$13.8 million in 1999.

New Jersey Joint Venture

Summarized results of operations of the unconsolidated Joint Venture for the six months ended June 30, 2000 were \$29.8 million in revenue, \$23.5 million in operating expenses and net income of \$2.8 million. The Company's 50% share of net income or \$1.4 million is recorded as "Earnings from unconsolidated affiliates" on the income statement.

Capital Expenditures

The Company had capital expenditures of \$7.3 million in 2000 compared to \$2.6 million in 1999. Capital expenditures at Charles Town were approximately \$5.1 million for the indoor paddock project that will be the new gaming floor space for 500 machines (\$1.7 million), 174 new reel spinning, coin-out slot machines (\$1.3 million) and equipment replacement and upgrades (\$2.3 million). Capital expenditures at Penn National and its OTW facilities (\$.3 million) and Pocono Downs and its OTW facilities (\$.2 million) were for normal equipment replacement and leasehold improvements. Pocono Downs has also spent \$1.5 million on the construction of its new OTW facility in East Stroudsburg, Pennsylvania. The new OTW opened July 31, 2000. As a result, depreciation and amortization increased \$.2 million or 5.4% to \$4.4 million in 2000 from \$4.1 million in 1999.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided from operating activities was \$12.0 million for the period ended June 30, 2000. This consisted of net income and non-cash expenses (\$13.8 million), a decrease in prepaid income taxes (\$1.1 million) and an increase in corporate income tax liability (\$2.6 million) due to an increase in taxable income, a decrease in accounts payable and accrued expenses due to completion of construction for the temporary facility at Charles Town (\$4.2 million), an increase in prepaid expenses for the Mississippi acquisition (\$.8 million) and other expenses (\$.4 million), and other changes in certain assets and liabilities (\$.1 million).

Cash flows used in investing activities for the period ended June 30, 2000 (\$13.0 million) consisted of the Company's buyout of the 11% interest in Charles Town that was owned by other investors (\$5.9 million), machinery, equipment and improvements at Charles Town (\$2.3 million), 174 new reel spinning, coin-out slot machines at Charles Town (\$1.3 million), construction of the new gaming area at Charles Town (\$1.6 million), equipment replacement and building improvements at Penn National (\$.3 million) and Pocono Downs (\$.2 million) facilities, and construction of the East Stroudsburg OTW facility (\$1.5 million).

Cash flows provided by financing activities (\$5.3 million) consisted of borrowings under the credit facility (\$4.8 million) for Charles Town expansion and proceeds from the exercise of stock options and warrants (\$.6 million). This was offset by an increase in financing costs (\$.1 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 fiscal year 2000, the Company anticipates spending approximately \$21.5 million on capital expenditures at its racetrack and OTW facilities. The Company anticipates expending approximately \$18.2 million at the Charles Town Entertainment Complex for player tracking (\$.7 million), new slot machines and conversion kits (\$2.1 million), paddock casino and interior renovations (\$7.4 million), machinery and equipment (\$2.0 million) and other projects including construction of a structured parking facility, design and planning for a new hotel (\$6.0 million). The Company also plans to spend approximately \$261,000 at Pocono Downs, \$550,000 at Penn National, \$400,000 at the OTW facilities for building improvements and equipment and \$2.0 million on building improvements and equipment for its new OTW facility in East Stroudsburg, Pennsylvania. The Company spent approximately \$7.3 million on these projects through June 30, 2000.

The Company entered into its Credit Facility with Bankers Trust Company, as Agent in 1996. This Credit Facility was amended and restated on January 29, 1999 with First Union National Bank replacing Bankers Trust Company, as Agent. The Credit Facility, as amended, provides for a \$20 million revolving Credit Facility, including a \$3 million sub-limit for standby letters of credit and a \$5 million term loan. Under the terms of the Credit Facility, as amended, the Company borrowed an additional \$11.5 million which was used to finance its share of the New Jersey Joint Venture (see Note 4). The outstanding amount under this Credit Facility as of June 30, 2000 was \$12.9 million at an interest rate of 9.16%. The credit facility was repaid on August 8, 2000.

On December 13, 1999, the Company entered into a \$20.0 million Senior Secured Multiple Draw Term Loan with Bank of America, as an Agent for a bank group. The term loan was payable in quarterly installments of \$1.3 million principle plus interest. The loan was secured by gaming equipment and improvements at the Charles Town Entertainment Complex. Part of the term loan was used to repay the \$5.0 million First Union term loan and the balance will be used to finance gaming equipment and improvements at the Charles Town Entertainment Complex. The outstanding amount under this credit facility as of June 30, 2000 was \$ 13.9 million at an interest rate of 9.15%. The credit facility was repaid on August 8, 2000.

On June 14, 2000, the Company entered into a financing commitment letter with Lehman Brothers, Inc. and CIBC World Markets, Corp. for a \$350 million credit facility with bank and institutional lenders. On August 8, 2000, the Company completed the credit agreement with Lehman Brothers, Inc. and CIBC World Markets Corp. as co-arrangers among others. The proceeds of the credit facility were used to finance the \$195 million Mississippi acquisition, to refinance the Company's existing debts with First Union National Bank and Bank of America, to purchase the outstanding 10 5/8% Senior Notes and for working capital purposes. The credit facility provides for a \$75 million revolving credit facility maturing on August 8, 2005, a \$75 million Tranche A term loan maturing on August 8, 2005 and a \$200 million Tranche B term loan maturing on August 8, 2006.

At the Company's option, the revolving credit facility and the Tranche A term loan may bear the interest at (1) the highest of 1/2 of 1% in excess of the federal funds effective rate or the rate that the bank group announces from time to time as its prime lending rate plus an applicable margin of up to 2.25% or, (2) a rate tied to a eurodollar rate plus an applicable margin up to 3.25%. At the Company's option, the Tranche B term loan may bear the interest at (1) the highest of 1/2 of 1% in excess of the federal funds effective rate or the rate that the bank group announces from time to time as its prime lending rate plus an applicable margin of up to 3.25%, or, (2) a rate tied to a eurodollar rate plus an applicable margin up to 4.00%. The credit facility provides for certain covenants, including those of a financial nature. Substantially all of the Company's assets are pledged as collateral under the Credit agreement. The outstanding amount under this credit facility as of August 8, 2000 was \$312 million. A form 8-K will be filed with further information regarding this Credit Facility.

The Company currently estimates that the cash generated from operations and available borrowings under the new credit facilities will be sufficient to finance its current operations and planned capital expenditure requirements, not including the CRC Acquisition. 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

Most of the Company's debt obligations at June 30, 2000 were fixed rate obligations, and management, therefore, does not believe that the Company has any material risk from its debt obligations.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
None
- (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.

August 14, 2000

By: /s/Robert S. Ippolito

Date

Chief Financial Officer
Secretary/Treasurer

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6-Mos
Dec-31-2000
Jan-01-2000
Jun-30-2000

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5,011
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22,184
154,793
24,126
204,366
23,860
69,000
0
0
154
76,563
204,366
115,675
115,675
87,585
87,585
8,564
0
4,816
15,437
5,591
9,846
0
0
9,846
.66
.64