

Gaming & Leisure Properties, Inc.
Form 10-Q
November 09, 2016
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UNITED STATES
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 September 30, 2016

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: 001-36124
Gaming and Leisure Properties, Inc.
(Exact name of registrant as specified in its charter)
Pennsylvania 46-2116489
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

845 Berkshire Blvd., Suite 200
Wyomissing, PA 19610
(Address of principal executive offices) (Zip Code)

610-401-2900
(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer

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Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Title November 4, 2016

Common Stock, par value \$.01 per share 207,126,523

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Forward-looking statements in this document are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Gaming and Leisure Properties, Inc. ("GLPI") and its subsidiaries (collectively, the "Company") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements include information concerning the Company's business strategy, plans, goals and objectives.

Forward-looking statements in this document include, but are not limited to, statements regarding our ability to grow our portfolio of gaming facilities and to secure additional avenues of growth beyond the gaming industry. In addition, statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans," "may increase," "may fluctuate," and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts. You should understand that the following important factors could affect future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

• the ability to receive, or delays in obtaining, the regulatory approvals required to own and/or operate our properties, or other delays or impediments to completing our planned acquisitions or projects;

• our ability to maintain our status as a real estate investment trust ("REIT"), given the highly technical and complex Internal Revenue Code (the "Code") provisions for which only limited judicial and administrative authorities exist, where even a technical or inadvertent violation could jeopardize REIT qualification and where requirements may depend in part on the actions of third parties over which the Company has no control or only limited influence;

• the satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis in order for the Company to maintain its elected REIT status;

• the ability and willingness of our tenants, operators and other third parties to meet and/or perform their obligations under their respective contractual arrangements with us, including, in some cases, their obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities;

• the ability of our tenants and operators to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to third parties, including without limitation to satisfy obligations under their existing credit facilities and other indebtedness;

• the ability of our tenants and operators to comply with laws, rules and regulations in the operation of our properties, to deliver high quality services, to attract and retain qualified personnel and to attract customers;

• the availability of and the ability to identify suitable and attractive acquisition and development opportunities and the ability to acquire and lease the respective properties on favorable terms;

• the degree and nature of our competition;

• the ability to generate sufficient cash flows to service our outstanding indebtedness;

• the access to debt and equity capital markets;

• adverse changes in our credit rating;

• fluctuating interest rates;

the impact of global or regional economic conditions;

the availability of qualified personnel and our ability to retain our key management personnel;

GLPI's duty to indemnify Penn National Gaming, Inc. and its subsidiaries ("Penn") in certain circumstances if the spin-off transaction described in Note 1 to the condensed consolidated financial statements fails to be tax-free;

- changes in the United States tax law and other state, federal or local laws, whether or not specific to real estate, real estate investment trusts or to the gaming, lodging or hospitality industries;

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• changes in accounting standards;

• the impact of weather events or conditions, natural disasters, acts of terrorism and other international hostilities, war or political instability;

• other risks inherent in the real estate business, including potential liability relating to environmental matters and illiquidity of real estate investments; and

• additional factors as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, in this Quarterly Report on Form 10-Q and Current Reports on Form 8-K as filed with the United States Securities and Exchange Commission (the "SEC").

Certain of these factors and other factors, risks and uncertainties are discussed in the "Risk Factors" section in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and this Quarterly Report on Form 10-Q. Other unknown or unpredictable factors may also cause actual results to differ materially from those projected by the forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond the control of the Company.

You should consider the areas of risk described above, as well as those set forth in the "Risk Factors" section in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and this Quarterly Report on Form 10-Q, in connection with considering any forward-looking statements that may be made by the Company generally. Except for the ongoing obligations of the Company to disclose material information under the federal securities laws, the Company does not undertake any obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless required to do so by law.

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GAMING AND LEISURE PROPERTIES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Gaming and Leisure Properties, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(amounts in thousands, except share data)

	September 30, 2016 (unaudited)	December 31, 2015
Assets		
Real estate investments, net	\$ 3,768,774	\$2,090,059
Land rights, net	593,069	—
Property and equipment, used in operations, net	121,382	129,747
Investment in direct financing lease, net	2,728,716	—
Cash and cash equivalents	25,359	41,875
Prepaid expenses	9,511	7,908
Other current assets	57,983	57,721
Goodwill	75,521	75,521
Other intangible assets	9,577	9,577
Debt issuance costs, net of accumulated amortization of \$9,500 and \$5,937 at September 30, 2016 and December 31, 2015, respectively	—	3,563
Loan receivable	26,738	29,350
Deferred tax assets, non-current	3,384	2,447
Other assets	1,306	387
Total assets	\$ 7,421,320	\$ 2,448,155
Liabilities		
Accounts payable	\$ 588	\$406
Accrued expenses	7,290	9,580
Accrued interest	73,367	17,623
Accrued salaries and wages	8,221	13,719
Gaming, property, and other taxes	46,116	24,702
Current maturities of long-term debt	106	102
Other current liabilities	24,323	17,687
Long-term debt, net of current maturities and unamortized debt issuance costs	4,661,577	2,510,239
Deferred rental revenue	149,807	107,379
Deferred tax liabilities, non-current	265	232
Total liabilities	4,971,660	2,701,669
Shareholders' equity (deficit)		
Preferred stock (\$.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at September 30, 2016 and December 31, 2015)	—	—
Common stock (\$.01 par value, 500,000,000 shares authorized, 207,115,019 and 115,594,321 shares issued at September 30, 2016 and December 31, 2015, respectively)	2,071	1,156
Additional paid-in capital	3,745,505	935,220
Retained accumulated deficit	(1,297,916)	(1,189,890)
Total shareholders' equity (deficit)	2,449,660	(253,514)

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Total liabilities and shareholders' equity (deficit)	\$ 7,421,320	\$2,448,155
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See accompanying notes to the condensed consolidated financial statements.

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Gaming and Leisure Properties, Inc. and Subsidiaries
 Condensed Consolidated Statements of Income
 (in thousands, except per share data)
 (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues				
Rental income	\$160,664	\$97,754	\$402,980	\$293,597
Income from direct financing lease	18,155	—	30,786	—
Real estate taxes paid by tenants	20,438	13,778	47,938	40,071
Total rental revenue and income from direct financing lease	199,257	111,532	481,704	333,668
Gaming	32,770	34,915	103,692	108,425
Food, beverage and other	2,613	2,794	8,221	8,464
Total revenues	234,640	149,241	593,617	450,557
Less promotional allowances	(1,365)	(1,449)	(4,161)	(4,193)
Net revenues	233,275	147,792	589,456	446,364
Operating expenses				
Gaming	18,080	19,357	56,119	58,644
Food, beverage and other	2,037	2,128	6,174	6,489
Real estate taxes	20,866	14,174	49,148	41,138
General and administrative	21,821	19,285	64,988	64,546
Depreciation	27,165	27,557	81,267	82,585
Total operating expenses	89,969	82,501	257,696	253,402
Income from operations	143,306	65,291	331,760	192,962
Other income (expenses)				
Interest expense	(52,880)	(31,226)	(132,217)	(90,373)
Interest income	481	581	1,652	1,761
Total other expenses	(52,399)	(30,645)	(130,565)	(88,612)
Income before income taxes	90,907	34,646	201,195	104,350
Income tax expense	1,307	1,417	5,582	6,001
Net income	\$89,600	\$33,229	\$195,613	\$98,349
Earnings per common share:				
Basic earnings per common share	\$0.43	\$0.29	\$1.15	\$0.86
Diluted earnings per common share	\$0.43	\$0.28	\$1.14	\$0.83
Dividends paid per common share	\$0.60	\$0.55	\$1.72	\$1.64

See accompanying notes to the condensed consolidated financial statements.

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Gaming and Leisure Properties, Inc. and Subsidiaries
 Condensed Consolidated Statement of Changes in Shareholders' (Deficit) Equity
 (in thousands, except share data)
 (unaudited)

	Common Stock		Additional Paid-In Capital	Retained Accumulated Deficit	Total Shareholders' (Deficit) Equity
	Shares	Amount			
Balance, December 31, 2015	115,594,321	\$ 1,156	\$935,220	\$(1,189,890)	\$(253,514)
Issuance of common stock	86,074,167	861	2,694,060	—	2,694,921
Stock option activity	5,308,579	53	104,535	—	104,588
Restricted stock activity	137,952	1	11,690	—	11,691
Dividends paid	—	—	—	(303,639)	(303,639)
Net income	—	—	—	195,613	195,613
Balance, September 30, 2016	207,115,019	\$ 2,071	\$3,745,505	\$(1,297,916)	\$2,449,660

See accompanying notes to the condensed consolidated financial statements.

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Gaming and Leisure Properties, Inc. and Subsidiaries
 Condensed Consolidated Statements of Cash Flows
 (in thousands)
 (unaudited)

Nine months ended September 30,	2016	2015
Operating activities		
Net income	\$ 195,613	\$ 98,349
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	85,119	82,585
Amortization of debt issuance costs	11,889	7,730
(Gains) losses on dispositions of property	(460)	89
Deferred income taxes	(997)	(2,179)
Stock-based compensation	13,804	12,658
Straight-line rent adjustments	42,429	41,869
(Increase), decrease		
Prepaid expenses and other current assets	10,593	(1,026)
Other assets	(658)	(2)
Increase, (decrease)		
Accounts payable	57	16
Accrued expenses	(4,123)	3,634
Accrued interest	55,744	25,005
Accrued salaries and wages	(5,498)	(902)
Gaming, property and other taxes	840	(687)
Other current and non-current liabilities	1,093	(314)
Net cash provided by operating activities	405,445	266,825
Investing activities		
Capital project expenditures, net of reimbursements	(323)	(13,699)
Capital maintenance expenditures	(1,693)	(2,108)
Proceeds from sale of property and equipment	1,131	117
Principal payments on loan receivable	2,612	1,613
Acquisition of real estate assets	(3,267,123)	—
Collections of principal payments on investment in direct financing lease	30,529	—
Net cash used in investing activities	(3,234,867)	(14,077)
Financing activities		
Dividends paid	(303,639)	(188,470)
Proceeds from exercise of options	102,598	17,250
Proceeds from issuance of common stock, net of issuance costs	870,931	—
Proceeds from issuance of long-term debt	2,502,000	—
Financing costs	(31,908)	(6,688)
Repayments of long-term debt	(327,076)	(68,073)
Net cash provided by (used in) financing activities	2,812,906	(245,981)
Net (decrease) increase in cash and cash equivalents	(16,516)	6,767
Cash and cash equivalents at beginning of period	41,875	35,973
Cash and cash equivalents at end of period	\$ 25,359	\$ 42,740

See accompanying notes to the condensed consolidated financial statements.

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Gaming and Leisure Properties, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

1. Business and Operations

Gaming and Leisure Properties, Inc. ("GLPI") is a self-administered and self-managed Pennsylvania real estate investment trust ("REIT"). GLPI (together with its subsidiaries, the "Company") was incorporated on February 13, 2013, as a wholly-owned subsidiary of Penn National Gaming, Inc. ("Penn"). On November 1, 2013, Penn contributed to GLPI, through a series of internal corporate restructurings, substantially all of the assets and liabilities associated with Penn's real property interests and real estate development business, as well as the assets and liabilities of Hollywood Casino Baton Rouge and Hollywood Casino Perryville, which are referred to as the "TRS Properties," and then spun-off GLPI to holders of Penn's common and preferred stock in a tax-free distribution (the "Spin-Off"). The Company elected on its United States ("U.S.") federal income tax return for its taxable year beginning on January 1, 2014 to be treated as a REIT and the Company, together with an indirectly wholly-owned subsidiary of the Company, GLP Holdings, Inc., jointly elected to treat each of GLP Holdings, Inc., Louisiana Casino Cruises, Inc. (d/b/a Hollywood Casino Baton Rouge) and Penn Cecil Maryland, Inc. (d/b/a Hollywood Casino Perryville) as a "taxable REIT subsidiary" ("TRS") effective on the first day of the first taxable year of GLPI as a REIT. As a result of the Spin-Off, GLPI owns substantially all of Penn's former real property assets and leases back most of those assets to Penn for use by its subsidiaries, under a master lease, a triple-net operating lease with an initial term of 15 years with no purchase option, followed by four 5-year renewal options (exercisable by Penn) on the same terms and conditions (the "Penn Master Lease"), and GLPI also owns and operates the TRS Properties through an indirect wholly-owned subsidiary, GLP Holdings, Inc. In April 2016, the Company acquired substantially all of the real estate assets of Pinnacle Entertainment, Inc. ("Pinnacle") for approximately \$4.8 billion. GLPI leases these assets back to Pinnacle, under a triple-net lease with an initial term of 10 years with no purchase option, followed by five 5-year renewal options (exercisable by Pinnacle) on the same terms and conditions (the "Pinnacle Master Lease"). See Note 5 for further details surrounding the Pinnacle acquisition.

GLPI's primary business consists of acquiring, financing, and owning real estate property to be leased to gaming operators in triple-net lease arrangements. As of September 30, 2016, GLPI's portfolio consisted of 36 gaming and related facilities, including the TRS Properties, the real property associated with 18 gaming and related facilities operated by Penn, the real property associated with 15 gaming and related facilities operated by Pinnacle and the real property associated with the Casino Queen in East St. Louis, Illinois. These facilities are geographically diversified across 14 states and were 100% occupied at September 30, 2016.

GLPI expects to grow its portfolio by pursuing opportunities to acquire additional gaming facilities to lease to gaming operators under prudent terms. For example, on September 9, 2016 the Company purchased the real property assets of the Meadows Racetrack and Casino (the "Meadows") from Cannery Casino Resorts LLC ("CCR"). Concurrent with the Company's purchase of the Meadows' real estate assets, Pinnacle purchased the entities holding the Meadows gaming and racing licenses and operating assets from CCR. GLPI leases the Meadows real property assets to Pinnacle under a triple-net lease separate from the Pinnacle Master Lease with an initial term of 10 years with no purchase option and the option to renew for three successive 5-year terms and one 4-year term, at Pinnacle's option (the "Meadows lease").

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included.

The condensed consolidated financial statements include the accounts of GLPI and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the reporting periods. Actual results could differ from those estimates.

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Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2015 (our "Annual Report") should be read in conjunction with these condensed consolidated financial statements. The December 31, 2015 financial information has been derived from the Company's audited consolidated financial statements.

3. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with VIEs, and (iv) provide a scope exception for certain entities. The Company adopted ASU 2015-02 on January 1, 2016 and it had no impact on the Company's financial statements.

Accounting Pronouncements Not Yet Adopted

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, a Consensus of the FASB Emerging Issues Task Force ("ASU 2016-15"). This ASU provides clarifying guidance on the presentation of certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company is evaluating the impact of adopting ASU 2016-15 on its financial statements, but does not believe the new guidance will have an impact on its presentation of cash receipts and payments on its consolidated statements of cash flows.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). This ASU amends certain aspects of accounting for share-based payments to employees, including (i) requiring all income tax effects of share-based awards to be recognized in the income statement when the award vests or settles and eliminating APIC pools, (ii) permitting employers to withhold the share equivalent of an employee's maximum tax liability without triggering liability accounting and (iii) allowing companies to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company is evaluating the impact of adopting ASU 2016-09 on its financial statements, but does not believe the new guidance will have a significant impact on how it accounts for share-based payments.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). This ASU primarily provides new guidance for lessees on the accounting treatment of operating leases. Under the new guidance, lessees are required to recognize assets and liabilities arising from operating leases on the balance sheet. ASU 2016-02 also aligns lessor accounting with the revenue recognition guidance in Topic 606 of the Accounting Standards Codification. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018 and is required to be adopted on a modified retrospective basis, meaning the new leasing model will be applied to the earliest year presented in the financial statements and thereafter. The Company is evaluating the impact of adopting this new accounting standard on its financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). This new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. ASU 2014-09 provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. At the April 1, 2015 FASB meeting, the board voted to defer the effective date for the new revenue recognition standard to annual reporting periods beginning after December 15, 2017. The pronouncement was originally effective for annual reporting periods beginning after December 15, 2016, and companies are permitted to elect the adoption of the standard as of the original effective date. When adopted, the new guidance can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is evaluating the impact of adopting this new accounting standard on its financial statements and internal revenue recognition policies.

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4. Summary of Significant Accounting Policies

Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate:

Cash and Cash Equivalents

The fair value of the Company's cash and cash equivalents approximates the carrying value of the Company's cash and cash equivalents, due to the short maturity of the cash equivalents.

Deferred Compensation Plan Assets and Corresponding Liabilities

The Company's deferred compensation plan assets consist of open-ended mutual funds and as such the fair value measurement of the assets is considered a Level 1 measurement as defined under Accounting Standards Code ("ASC") 820 "Fair Value Measurements and Disclosures" ("ASC 820"). Deferred compensation plan assets are included within other current assets on the condensed consolidated balance sheets. Deferred compensation liabilities approximate the plan's assets and are included with current liabilities on the condensed consolidated balance sheets. The difference between the Company's deferred compensation plan assets and liabilities is related to timing differences between the funding of assets held at the plan trustee and the actual contributions from eligible employees' compensation.

Loan Receivable

The fair value of the loan receivable approximates the carrying value of the Company's loan receivable, as collection on the outstanding loan balance is reasonably assured and the interest rate approximates market rates for a similar instrument. The fair value measurement of the loan receivable is considered a Level 3 measurement as defined under ASC 820.

Investment in Direct Financing Lease, Net

The fair value of the investment in direct financing lease, net approximates the carrying value of the Company's investment in direct financing lease, net, as collection on the outstanding receivable balance is reasonably assured. The fair value measurement of the investment in direct financing lease, net is considered a Level 3 measurement as defined under ASC 820.

Long-term Debt

The fair value of the senior unsecured notes and senior unsecured credit facility is estimated based on quoted prices in active markets and as such is a Level 1 measurement as defined under ASC 820.

The estimated fair values of the Company's financial instruments are as follows (in thousands):

	September 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Investment in direct financing lease, net	\$2,728,716	\$2,728,716	\$ —	—
Cash and cash equivalents	25,359	25,359	41,875	41,875

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Deferred compensation plan assets	17,110	17,110	14,833	14,833
Loan receivable	26,738	26,738	29,350	29,350
Financial liabilities:				
Deferred compensation plan liabilities	17,263	17,263	14,866	14,866
Long-term debt				
Senior unsecured credit facility	1,290,000	1,283,165	490,000	479,612
Senior unsecured notes	3,425,000	3,643,750	2,050,000	2,014,750

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Revenue Recognition and Promotional Allowances

The Company recognizes rental revenue from tenants, including rental abatements, lease incentives and contractually fixed increases attributable to operating leases, on a straight-line basis over the term of the related leases when collectability is reasonably assured. Additionally, percentage rent that is fixed and determinable at the lease inception date is recorded on a straight-line basis over the lease term, resulting in the recognition of deferred rental revenue on the Company's condensed consolidated balance sheets. Deferred rental revenue is amortized to rental revenue on a straight-line basis over the remainder of the lease term. The lease term includes the initial non-cancelable lease term and any reasonably assured renewable periods. Contingent rental income that is not fixed and determinable at lease inception is recognized only when the lessee achieves the specified target. Recognition of rental income commences when control of the facility has been transferred to the tenant.

The Company recognizes income from tenants subject to direct financing leases ratably over the lease term using the effective interest rate method which produces a constant periodic rate of return on the net investment in the leased property. At lease inception, the Company records an asset which represents the Company's net investment in the direct financing lease. This initial net investment is determined by aggregating the total future minimum lease payments attributable to the direct financing lease and the estimated residual value of the property, less unearned income. Over the lease term, the investment in the direct financing lease is reduced and income is recognized for the building portion of rent. Furthermore, as the net investment in direct financing lease includes only future minimum lease payments, percentage rent that is not fixed and determinable at the lease inception is excluded from the determination of the rent attributable to the leased assets and will therefore be recorded as income from the direct financing lease in the period earned. For further detail on the Company's direct financing lease refer to Note 9.

As of September 30, 2016, 18 of the Company's real estate investment properties were leased to a subsidiary of Penn under the Penn Master Lease and 14 of the Company's real estate investment properties were leased to a subsidiary of Pinnacle under the Pinnacle Master Lease. The obligations under the Penn and Pinnacle Master Leases are guaranteed by Penn and Pinnacle, respectively and by most Penn and Pinnacle subsidiaries that occupy and operate the facilities leased under the Master Leases. A default by Penn or its subsidiaries with regard to any facility will cause a default with regard to the Penn Master Lease and a default by Pinnacle or its subsidiaries with regard to any facility will cause a default with regard to the Pinnacle Master Lease. Additionally, the newly acquired Meadows real estate assets are leased to Pinnacle under a single property triple-net lease separate from the Pinnacle Master Lease. GLPI also leases the Casino Queen property back to its operator on a triple-net basis on terms similar to those in the Master Leases.

The rent structure under the Penn Master Lease includes a fixed component, a portion of which is subject to an annual 2% escalator if certain rent coverage ratio thresholds are met, and a component that is based on the performance of the facilities, which is adjusted, subject to certain floors (i) every five years to an amount equal to 4% of the average net revenues of all facilities under the Penn Master Lease (other than Hollywood Casino Columbus and Hollywood Casino Toledo) during the preceding five years, and (ii) monthly by an amount equal to 20% of the change in net revenues of Hollywood Casino Columbus and Hollywood Casino Toledo during the preceding month. In addition to rent, all properties under the Penn Master Lease are required to pay the following executory costs: (1) all facility maintenance, (2) all insurance required in connection with the leased properties and the business conducted on the leased properties, (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor) and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties.

Similar to the Penn Master Lease, the Pinnacle Master Lease also includes a fixed component, a portion of which is subject to an annual 2% escalator if certain rent coverage ratio thresholds are met and a component that is based on the performance of the facilities, which is adjusted, subject to certain floors every two years to an amount equal to 4% of the average annual net revenues of all facilities under the Pinnacle Master Lease during the preceding two years. As a

tenant under a triple-net lease, Pinnacle is also responsible for all executory charges described in the above paragraph.

The Meadows lease contains a fixed component, subject to annual escalators, and a component that is based on the performance of the facility, which is reset every two years to a fixed amount determined by multiplying (i) 4% by (ii) the average annual net revenues of the facility for the trailing two year period. The Meadows lease contains an annual escalator provision for up to 5% of the base rent, if certain rent coverage ratio thresholds are met, which remains at 5% until the earlier of ten years or the year in which total rent is \$31 million, at which point the escalator will be reduced to 2% annually thereafter. Similar to the master leases, the tenant is responsible for all executory charges described above.

The rent structure under the Casino Queen lease also includes a fixed component, a portion of which is subject to an annual 2% escalator if certain rent coverage ratio thresholds are met, and a component that is based on the performance of the facility, which is reset every five years to a fixed amount equal to the greater of (i) the annual amount of non-fixed rent

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applicable for the lease year immediately preceding such rent reset year and (ii) an amount equal to 4% of the average annual net revenues of the facility for the trailing five year period. Similar to the master leases, the tenant is responsible for all executory charges described above.

The Company determined, based on facts and circumstances prevailing at the time of each lease's inception, that neither Penn, Pinnacle (excluding the Meadows lease as described below) nor Casino Queen could effectively operate and run their respective business without the properties that are leased to it under the respective lease agreements with GLPI. Furthermore, at lease inception, all of Casino Queen's revenues and substantially all of Penn's and Pinnacle's revenues were generated from operations in connection with the leased properties. There are also various legal restrictions in the jurisdictions in which Penn, Pinnacle and Casino Queen operate that limit the availability and location of gaming facilities, which makes relocation or replacement of the leased gaming facilities restrictive and potentially impracticable or unavailable. Moreover, under the terms of the Penn and Pinnacle Master Leases, Penn and Pinnacle must make their renewal election with respect to all of the leased property together; the tenant is not entitled to selectively renew certain of the leased property while not renewing other property. Accordingly, the Company concluded that failure by Penn, Pinnacle or Casino Queen to renew the lease would impose a significant penalty on such tenant such that renewal of all lease renewal options appears at lease inception to be reasonably assured. Therefore, the Company concluded that the term of the leases with both Penn and Casino Queen is 35 years, equal to the initial 15 year term plus all four of the 5 year renewal options. The lease term of the Pinnacle Master Lease is also 35 years, equal to the initial 10 year term plus all five of the 5-year renewal options.

As described above, subsequent to purchasing the majority of Pinnacle's real estate assets and leasing them back to Pinnacle, GLPI entered into a separate triple-net lease with Pinnacle to lease the newly acquired Meadows real estate assets to Pinnacle. Because this lease involves only a single property within Pinnacle's portfolio, GLPI concluded it was not reasonably assured at lease inception that Pinnacle would elect to exercise all lease renewal options. The Company concluded that failure by Pinnacle to renew the Meadows lease would not impose a significant penalty on such tenant as this property's operations represent only an incremental portion of Pinnacle's total business at lease inception. Therefore, the Company concluded that the lease term of the Meadows lease is 10 years, equal to the initial 10 year term only.

As of September 30, 2016, the future minimum rental income from the Company's properties under non-cancelable operating leases, including any reasonably assured rental periods, is as follows (in thousands):

Year ending December 31,	
2016	\$ 153,952
2017	614,212
2018	616,732
2019	629,337
2020	629,337
Thereafter	17,772,030
Total	\$20,415,600

As of September 30, 2016, the expected future cash receipts to be recognized as income, as well as the cash receipts to be applied against the investment in direct financing lease from the Company's properties under the non-cancelable direct financing lease, inclusive of the fixed portion of ground lease rent and including any reasonably assured rental periods, is as follows (in thousands):

Year ending December 31, Cash	Cash
	Receipts to Receipts to
	be be Applied
	Recorded Against the
	as Income Investment

		in Direct Financing Lease
2016	\$17,724	\$18,004
2017	68,672	73,073
2018	66,509	45,244
2019	64,722	32,881
2020	63,057	34,546
Thereafter	1,121,270	1,835,157
Total	\$1,401,954	\$2,038,905

Additionally, in accordance with ASC 605, "Revenue Recognition," the Company records revenue for the real estate taxes paid by its tenants on the leased properties with an offsetting expense in real estate taxes within the condensed

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consolidated statement of income as the Company has concluded it is the primary obligor. Similarly, the Company records revenue for the ground lease rent paid by its tenants with an offsetting expense in general and administrative expense within the condensed consolidated statement of income as the Company has concluded that as the lessee it is the primary obligor under the ground leases. The Company subleases these ground leases back to its tenants, who are responsible for payment directly to the landlord. The portion of the ground lease rent that is fixed and determinable is included in the schedule above as future income, while the portion of the ground lease rent that is variable, as well as, the property taxes the Company's records as revenue are excluded from future minimum revenue as the amounts are not fixed and determinable at September 30, 2016. Furthermore, any contingent rent the Company expects to receive from tenants is excluded from the above schedules as it is not fixed and determinable at September 30, 2016.

Gaming revenue generated by the TRS Properties mainly consists of video lottery gaming revenue, and to a lesser extent, table game and poker revenue. Video lottery gaming revenue is the aggregate net difference between gaming wins and losses with liabilities recognized for funds deposited by customers before gaming play occurs, for "ticket-in, ticket-out" coupons in the customers' possession, and for accruals related to the anticipated payout of progressive jackpots. Progressive slot machines, which contain base jackpots that increase at a progressive rate based on the number of coins played, are charged to revenue as the amount of the jackpots increases. Table game gaming revenue is the aggregate of table drop adjusted for the change in aggregate table chip inventory. Table drop is the total dollar amount of the currency, coins, chips, tokens, outstanding counter checks (markers), and front money that are removed from the live gaming tables. Additionally, food and beverage revenue is recognized as services are performed.

The following table discloses the components of gaming revenue within the condensed consolidated statements of income for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Video lottery	\$28,285	\$30,053	\$89,403	\$93,224
Table game	4,226	4,584	13,417	14,275
Poker	259	278	872	926
Total gaming revenue, net of cash incentives	\$32,770	\$34,915	\$103,692	\$108,425

Gaming revenue is recognized net of certain sales incentives in accordance with ASC 605-50, "Revenue Recognition—Customer Payments and Incentives." The Company records certain sales incentives and points earned in point-loyalty programs as a reduction of revenue.

The retail value of food and beverage and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The amounts included in promotional allowances for the three and nine months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Food and beverage	\$1,336	\$1,427	\$4,070	\$4,150
Other	29	22	91	43
Total promotional allowances	\$1,365	\$1,449	\$4,161	\$4,193

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The estimated cost of providing such complimentary services, which is primarily included in food, beverage, and other expense, for the three and nine months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
	(in thousands)			
Food and beverage	\$582	\$578	\$1,696	\$1,750
Other	13	12	42	19
Total cost of complimentary services	\$595	\$590	\$1,738	\$1,769

Gaming and Admission Taxes

For the TRS Properties, the Company is subject to gaming and admission taxes based on gross gaming revenues in the jurisdictions in which it operates. The Company primarily recognizes gaming tax expense based on the statutorily required percentage of revenue that is required to be paid to state and local jurisdictions in the states where wagering occurs. At Hollywood Casino Baton Rouge, the gaming and admission tax is based on graduated tax rates. At Hollywood Casino Perryville, the gaming tax rate is flat. The Company records gaming and admission taxes at the Company's estimated effective gaming tax rate for the year, considering estimated taxable gaming revenue and the applicable rates. Such estimates are adjusted each interim period. If gaming and admission tax rates change during the year, such changes are applied prospectively in the determination of gaming and admission tax expense in future interim periods. For the three and nine months ended September 30, 2016, these expenses, which are primarily recorded within gaming expense in the condensed consolidated statements of income, totaled \$13.9 million and \$43.9 million, respectively, as compared to \$15.1 million and \$45.8 million for the three and nine months ended September 30, 2015.

Earnings Per Share

The Company calculates earnings per share ("EPS") in accordance with ASC 260, "Earnings per Share." Basic EPS is computed by dividing net income applicable to common stock by the weighted-average number of common shares outstanding during the period, excluding net income attributable to participating securities (unvested restricted stock awards). Diluted EPS reflects the additional dilution for all potentially-dilutive securities such as stock options, unvested restricted shares and unvested performance-based restricted shares. In accordance with ASC 260 "Earnings per Share," the Company includes all performance-based restricted shares that would have vested based upon the Company's performance at quarter-end in the calculation of diluted EPS. Diluted EPS for the Company's common stock is computed using the more dilutive of the two-class method or the treasury stock method.

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS for the three and nine months ended September 30, 2016 and 2015:

Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
2016	2015	2016	2015
(in thousands)			

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Determination of shares:

Weighted-average common shares outstanding	205,826	114,540	168,955	114,182
Assumed conversion of dilutive employee stock-based awards	1,293	3,696	1,983	4,112
Assumed conversion of restricted stock	185	150	158	178
Assumed conversion of performance-based restricted stock awards	572	377	453	420
Diluted weighted-average common shares outstanding	207,876	118,763	171,549	118,892

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The following table presents the calculation of basic and diluted EPS for the Company's common stock for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands, except per share data)			
Calculation of basic EPS:				
Net income	\$89,600	\$33,229	\$195,613	\$98,349
Less: Net income allocated to participating securities	(184)	(135)	(489)	(399)
Net income attributable to common shareholders	\$89,416	\$33,094	\$195,124	\$97,950
Weighted-average common shares outstanding	205,826	114,540	168,955	114,182
Basic EPS	\$0.43	\$0.29	\$1.15	\$0.86
Calculation of diluted EPS:				
Net income	\$89,600	\$33,229	\$195,613	\$98,349
Diluted weighted-average common shares outstanding	207,876	118,763	171,549	118,892
Diluted EPS	\$0.43	\$0.28	\$1.14	\$0.83

There were 10,846 and 23,954 outstanding stock compensation awards during the three and nine months ended September 30, 2016, respectively, that were not included in the computation of diluted EPS because they were antidilutive. There were 24,783 and 13,877 outstanding stock compensation awards during the three and nine months ended September 30, 2015, respectively, that were not included in the computation of diluted EPS because they were antidilutive.

Stock-Based Compensation

The Company accounts for stock compensation under ASC 718, "Compensation - Stock Compensation," which requires the Company to expense the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. This expense is recognized ratably over the requisite service period following the date of grant. The fair value for stock options is estimated at the date of grant using the Black-Scholes option-pricing model. The fair value of the Company's time-based restricted stock awards is equivalent to the closing stock price on the day of grant. The Company utilizes a third party valuation firm to measure the fair value of performance-based restricted stock awards at grant date using the Monte Carlo model.

Additionally, the cash-settled phantom stock units ("PSU") entitle employees to receive cash based on the fair value of the Company's common stock on the vesting date. These PSUs are accounted for as liability awards and are re-measured at fair value each reporting period until they become vested with compensation expense being recognized over the requisite service period in accordance with ASC 718-30, "Compensation-Stock Compensation, Awards Classified as Liabilities."

In connection with the Spin-Off, each outstanding option with respect to Penn common stock outstanding on the distribution date was converted into two awards, an adjusted Penn option and a GLPI option. The adjustment preserved the aggregate intrinsic value of the options. Additionally, in connection with the Spin-Off, holders of outstanding restricted stock and PSUs with respect to Penn common stock became entitled to an additional share of restricted stock or PSU with respect to GLPI common stock for each share of Penn restricted stock or PSU held.

The adjusted options, as well as the restricted stock awards and PSUs, otherwise remain subject to their original terms, except that for purposes of the adjusted Penn awards (including in determining exercisability and the post-termination exercise period), continued service with GLPI following the distribution date shall be deemed continued service with Penn; and for purposes of the GLPI awards (including in determining exercisability and the post-termination exercise period), continued service with Penn following the distribution date shall be deemed continued service with GLPI.

The unrecognized compensation relating to both Penn and GLPI's stock options, restricted stock awards, performance-based restricted stock awards and PSUs held by GLPI employees is amortized to expense over the awards' remaining vesting periods.

As of September 30, 2016, there was no remaining unrecognized compensation cost for stock options. The Company recognized no compensation expense associated with these awards for the three months ended September 30, 2016 and

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recognized \$20 thousand of compensation expense for the nine months ended September 30, 2016, compared to \$0.7 million and \$2.1 million for the three and nine months ended September 30, 2015, respectively. In addition, the Company also recognized \$0.3 million and \$4.5 million of compensation expense for the three and nine months ended September 30, 2016, respectively, relating to each of the 2016 first and second quarter \$0.56 per share dividends and third quarter \$0.60 per share dividends paid on vested employee stock options. During the three and nine months ended September 30, 2015, the Company recognized \$2.9 million and \$8.7 million, respectively, of compensation expense, relating to each of the 2015 first, second, and third quarter \$0.55 per share dividends paid on vested employee stock options.

As of September 30, 2016, there was \$7.7 million of total unrecognized compensation cost for restricted stock awards that will be recognized over the grants' remaining weighted average vesting period of 1.50 years. For the three and nine months ended September 30, 2016, the Company recognized \$1.9 million and \$5.6 million, respectively, of compensation expense associated with these awards, compared to \$1.5 million and \$4.4 million for the three and nine months ended September 30, 2015, respectively.

The following table contains information on restricted stock award activity for the nine months ended September 30, 2016:

	Number of Award Shares
Outstanding at December 31, 2015	463,764
Granted	168,966
Released	(204,429)
Canceled	(4,713)
Outstanding at September 30, 2016	423,588

Performance-based restricted stock awards have a three year cliff vesting with the amount of restricted shares vesting at the end of the three-year period determined based upon the Company's performance as measured against its peers. More specifically, the percentage of shares vesting at the end of the measurement period will be based on the Company's three-year total shareholder return measured against the three-year return of the MSCI US REIT index. As of September 30, 2016, there was \$12.4 million of total unrecognized compensation cost, which will be recognized over the performance-based restricted stock awards' remaining weighted average vesting period of 1.75 years. For the three and nine months ended September 30, 2016, the Company recognized \$2.8 million and \$8.2 million, respectively, of compensation expense associated with these awards, compared to \$2.0 million and \$6.2 million for the three and nine months ended September 30, 2015, respectively.

The following table contains information on performance-based restricted stock award activity for the nine months ended September 30, 2016:

	Number of Performance-Based Award Shares
Outstanding at December 31, 2015	1,091,556
Granted	558,000
Released	—
Canceled	—
Outstanding at September 30, 2016	1,649,556

As of September 30, 2016, there was \$0.4 million of total unrecognized compensation cost for Penn and GLPI PSUs held by GLPI employees that will be cash-settled by GLPI, which will be recognized over the awards' remaining weighted average vesting period of 0.34 years. For the three and nine months ended September 30, 2016, the

Company recognized \$0.3 million and \$1.0 million, respectively of compensation expense associated with these awards, compared to \$0.2 million and \$3.1 million for the three and nine months ended September 30, 2015, respectively. In addition, the Company also recognized \$19 thousand and \$54 thousand, respectively, for the three and nine months ended September 30, 2016, relating to the 2016 first and second quarter \$0.56 per share dividends and third quarter \$0.60 per share dividends paid on unvested PSUs. For the three and nine months ended September 30, 2015, the Company recognized \$63 thousand and \$0.2 million, respectively, relating to the 2015 first, second, and third quarter \$0.55 per share dividends paid on unvested PSUs.

Upon the Company's declaration of a special dividend to its shareholders to distribute any accumulated earnings and profits relating to the real property assets and attributable to any pre-REIT years, including any earnings and profits allocated to

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GLPI in connection with the Spin-Off, in order to comply with certain REIT qualification requirements (the "Purging Distribution"), GLPI options were adjusted in a manner that preserved both the pre-distribution intrinsic value of the options and the pre-distribution ratio of the stock price to exercise price that existed immediately before the Purging Distribution. Additionally, upon declaration of the Purging Distribution, holders of GLPI PSUs were credited with the special dividend, which will accrue and be paid, if applicable, on the vesting date of the related PSU. Holders of GLPI restricted stock were entitled to receive the special dividend with respect to such restricted stock on the same date or dates that the special dividend was payable on GLPI common stock to shareholders of GLPI generally.

5. Acquisitions

On September 9, 2016, the Company acquired the real property assets of the Meadows from CCR for approximately \$327.8 million. Concurrent with the Company's purchase of the Meadows' real estate assets, Pinnacle purchased the entities holding the Meadows gaming and racing licenses and operating assets from CCR. GLPI leases the Meadows real property assets to Pinnacle under a triple-net lease separate from the Pinnacle Master Lease with an initial term of 10 years with no purchase option and the option to renew for three successive 5-year terms and one 4-year term, at Pinnacle's option.

On April 28, 2016, the Company acquired substantially all of the real estate assets of Pinnacle, adding 14 properties to its real estate portfolio. The acquisition of Pinnacle's real estate assets was the final step in a series of transactions contemplated by the July 20, 2015 merger agreement between GLPI, Gold Merger Sub, LLC, a wholly owned subsidiary of GLPI ("Merger Sub"), and Pinnacle providing for the merger of Pinnacle with and into Merger Sub, with Merger Sub surviving the merger as a wholly owned subsidiary of GLPI (the "Merger"). Following the Merger, GLPI contributed all of the equity interests of Gold Merger Sub to GLP Capital, L.P., a Pennsylvania limited partnership and a wholly owned subsidiary of GLPI ("GLP Capital"). At September 30, 2016, GLPI owns all of Pinnacle's real property assets, other than Pinnacle's Belterra Park property and excess land at certain locations. Approval of the Merger by GLPI shareholders and Pinnacle stockholders was obtained at separate special meetings held on March 15, 2016.

In order to effect the acquisition of Pinnacle's real property assets (other than the Belterra Park property and excess land at certain locations), prior to the Merger, Pinnacle caused certain assets relating to its operating business to be transferred to, and liabilities relating thereto to be assumed by a newly formed wholly owned subsidiary of Pinnacle ("OpCo"). Immediately following the separation of its real property assets and gaming and other operating assets, Pinnacle distributed to its stockholders all of the issued and outstanding shares of common stock of OpCo. As described above, on April 28, 2016, Pinnacle merged with and into Merger Sub, as described in more detail in the joint proxy statement/prospectus filed with a Registration Statement on Form S-4 (No. 333-206649) initially filed by GLPI with the SEC on December 23, 2015 and declared effective on February 16, 2016 (the "Joint Proxy Statement/Prospectus"), completing the Merger. Merger Sub, as the surviving company in the Merger, owns substantially all of Pinnacle's real estate assets that were retained or transferred to Pinnacle in the separation and leases those assets back to Pinnacle pursuant to the triple-net 35-year (including extension renewals) Pinnacle Master Lease. A wholly-owned subsidiary of Pinnacle operates the leased gaming facilities as a tenant under the Pinnacle Master Lease Agreement.

At the effective time of the Merger, each share of Pinnacle common stock issued and outstanding immediately prior to the effective time of the Merger was converted into 0.85 of a share of GLPI common stock, with cash paid in lieu of the issuance of fractional shares of GLPI common stock. Shares of GLPI common stock were also issued to satisfy GLPI's portion of the outstanding Pinnacle employee equity and cash-based incentive awards outstanding at the closing date. Approximately 56 million shares of GLPI common stock were issued as consideration in the Merger. Additionally, GLPI repaid \$2.7 billion of Pinnacle's debt and paid \$226.8 million of Pinnacle's transaction expenses related to the Merger. The acquisition of the Pinnacle real estate assets is accounted for as an asset acquisition under ASC 805 - Business Combinations. Under asset acquisition accounting, transaction costs incurred to acquire the

purchased assets are also included as part of the asset cost. Inclusive of \$28.3 million of the Company's own transaction expenses, the purchase price of the Pinnacle real estate assets was \$4.779 billion. The Pinnacle Merger contributed approximately \$88.1 million and \$149.9 million, respectively, to the Company's net revenues for the three and nine months ended September 30, 2016 and resulted in approximately \$13.5 million and \$23.3 million, respectively, of additional operating expenses for the same periods. Pinnacle is a publicly traded company that is subject to the informational filing requirements of the Securities and Exchange Act of 1934, as amended, and is required to file periodic reports on Form 10-K, Form 10-Q and Form 8-K with the SEC. Readers are directed to Pinnacle's website for further financial information on Pinnacle.

Purchase price allocations are primarily based on provisional fair values and are subject to revision as the Company finalizes the inclusion of transaction costs contained in the purchase price, specifically taxes the Company has agreed to pay on Pinnacle's behalf related to its spin-off. Final determination of the Company's transaction expenses may result in further adjustments to the values presented below. The following tables summarize the consideration transferred in the Merger and the

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purchase price allocation to the assets acquired in the Merger (in thousands):

Consideration	
Cash	\$2,954,493
GLPI common stock	1,823,991
Accrual for unpaid invoices at September 30, 2016	597
Fair value of total consideration transferred	\$4,779,081
Real estate investments, net	\$1,422,547
Land rights, net	596,920
Investment in direct financing lease, net	2,759,244
Prepaid expenses	111
Other assets	259
Total purchase price	\$4,779,081

As detailed above, the Company paid \$3.0 billion in cash for the acquired Pinnacle real estate assets. In addition, as part of the consideration paid for the Pinnacle real estate assets acquired in the Merger, the Company issued shares of its common stock to Pinnacle stockholders and to Pinnacle to satisfy the Company's portion of Pinnacle's employee equity and cash-based incentive awards. The dollar value of the issued shares was \$1.824 billion and is considered purchase price.

The real estate investments, net represent the land purchased from Pinnacle, while the land rights, net represent the Company's rights to land subject to long-term ground leases. The Company assumed ground leases at several of the acquired Pinnacle properties and immediately subleased the land back to Pinnacle. The investment in direct financing lease, net is the Company's investment in the buildings and building improvements purchased from Pinnacle. As detailed in Note 9, the Pinnacle Master Lease was bifurcated between an operating lease and direct financing lease. The accounting treatment for the buildings purchased under a direct financing lease required the Company to record its initial investment in the buildings as a receivable on its Condensed Consolidated Balance Sheet, which is subsequently reduced over the lease term to its estimated residual value. The purchase price allocated to prepaid expenses and other assets represents the current and long-term portions of a director and officer liability insurance policy purchased from Pinnacle.

6. Real Estate Investments

Real estate investments, net, represents investments in 34 rental properties and the corporate headquarters building and is summarized as follows:

	September 30, 2016	December 31, 2015
	(in thousands)	
Land and improvements	\$2,062,216	\$453,739
Building and improvements	2,438,522	2,297,128
Construction in progress	8	—
Total real estate investments	4,500,746	2,750,867
Less accumulated depreciation (731,972)	(731,972)	(660,808)
Real estate investments, net	\$3,768,774	\$2,090,059

The increase in land and improvements is related to the Company's April 28, 2016 acquisition of substantially all of Pinnacle's real estate assets and to a lesser extent the Company's September 9, 2016 acquisition of the Meadows real estate assets. The Meadows acquisition also contributed to the increase in building and improvements. As described in Note 9, however, the Company's acquisition of Pinnacle's building assets is recorded as an investment in direct financing lease.

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7. Land Rights

Land rights, net represents the Company's rights to land subject to long-term ground leases. The Company assumed ground leases at several of the acquired Pinnacle properties and immediately subleased the land back to Pinnacle. The ground leases are amortized over the individual lease term of each ground lease, including all renewal options, which ranged from 33 years to 92 years at the Merger date. Land rights net, consists of the following:

	September 30,	December 31,
	2016	2015
	(in thousands)	
Land rights	\$ 596,921	\$ —
Less accumulated amortization (3,852)	—	—
Land rights, net	\$ 593,069	\$ —

Amortization expense related to the ground leases is recorded within general and administrative expenses in the condensed consolidated statements of income and totaled \$2.3 million and \$3.9 million, respectively, for the three and nine months ended September 30, 2016.

As of September 30, 2016, estimated future amortization expense related to the Company's ground leases by fiscal year is as follows (in thousands):

Year ending December 31,	
2016	\$2,311
2017	9,244
2018	9,244
2019	9,244
2020	9,244
Thereafter	553,782
Total	\$593,069

Details of the significant ground leases are as follows. The Company leases land at the Belterra Casino Resort under two ground leases, each with an initial term of 5 years and nine automatic renewals of 5 years each. The renewal options extend the leases through 2049 and are not terminable by the Company. The lease includes a base portion which is adjusted at each renewal based upon the CPI and a variable portion which is adjusted annually based upon 1.5% of gross gaming wins in excess of \$100 million.

The Company leases land at the Ameristar East Chicago property under a ground lease with an initial term of 30 years and two optional renewals of 30 years each. The lease extends through 2086 with all renewals. Rent under the lease is adjusted every 3 years based upon the CPI and does not include a variable portion.

The Company leases land at the River City Hotel and Casino under a ground lease with a term of 99 years that extends through 2108. The lease includes a base portion which is fixed and a variable portion which is adjusted annually based upon 2.5% of the annual gross receipts of the property less fixed rent payments made in the same year.

The Company leases land at the L'Auberge Lakes Charles property under a ground lease with an initial term of 10 years and six optional renewals of 10 years each. The lease extends through 2075 with all renewals. Rent under the lease is adjusted annually based upon the CPI and does not include a variable portion.

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8. Property and Equipment Used in Operations

Property and equipment used in operations, net, consists of the following and primarily represents the assets utilized in the TRS Properties:

	September 30, 2016	December 31, 2015
	(in thousands)	
Land and improvements	\$30,920	\$ 31,187
Building and improvements	117,146	117,314
Furniture, fixtures, and equipment	113,987	112,227
Construction in progress	320	354
Total property and equipment	262,373	261,082
Less accumulated depreciation	(140,991)	(131,335)
Property and equipment, net	\$121,382	\$ 129,747

9. Receivables

Investment in Direct Financing Lease, Net

Under ASC 840 - Leases ("ASC 840"), the Pinnacle Master Lease is bifurcated between an operating lease and a direct financing lease. The fair value assigned to the land (inclusive of the land rights) qualifies for operating lease treatment, while the fair value assigned to the buildings is classified as a direct financing lease. Under ASC 840, the accounting treatment for direct financing leases requires the Company to record an investment in direct financing leases on its books at lease inception and subsequently recognize interest income and a reduction in the investment for the building portion of rent. This initial net investment is determined by aggregating the total future minimum lease payments attributable to the direct financing lease and the estimated residual value of the property, less unearned income. The interest income recorded under the direct financing lease is included in income from direct financing lease in the Company's Condensed Consolidated Statements of Income and is recognized over the 35-year lease term using the effective interest rate method which produces a constant periodic rate of return on the net investment in the leased property. Furthermore, as the net investment in direct financing lease includes only future minimum lease payments, rent that is not fixed and determinable at the lease inception is excluded from the determination of the rent attributable to the leased assets and will therefore be recorded as income from direct financing lease in the period earned. The unguaranteed residual value is the Company's estimate of what it could realize upon the sale of the property at the end of the lease term.

The net investment in the direct financing lease is evaluated for impairment on an annual basis and as necessary, if indicators of impairment are present, to determine if there has been an-other-than-temporary decline in the residual value of the property or a change in the lessee's credit worthiness. At September 30, 2016, there were no indicators of a decline in the estimated residual value of the property and collectability of the remaining receivable balance is reasonably assured. The receivable balance is recorded at carrying value which approximates fair value.

The Company's investment in direct financing lease, net, consists of the following and represents the building assets acquired in the Merger:

	September 30, 2016	December 31, 2015
	(in thousands)	
Minimum lease payments receivable	\$3,440,859	\$ —
Unguaranteed residual value	689,811	—
Gross investment in direct financing lease	4,130,670	—

Less: unearned income	(1,401,954)	—
Investment in direct financing lease, net	\$2,728,716	\$ —

Loan Receivable

In January 2014, the Company completed the asset acquisition of the real property associated with the Casino Queen in East St. Louis, Illinois for \$140.7 million. Simultaneously with the acquisition, GLPI also provided Casino Queen with a \$43.0 million, five year term loan at 7% interest, pre-payable at any time, which, together with the sale proceeds, completely

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refinanced and retired all of Casino Queen's outstanding long-term debt obligations. Since March 31, 2015, Casino Queen has been obligated to make mandatory principal payments on the loan on the last day of each calendar year quarter equal to 1.25% of the original loan balance. As of September 30, 2016, these mandatory principal payments, as well as additional principal payments, have reduced the balance of this loan to \$26.7 million. The collectability of the remaining loan balance is reasonably assured, and as of September 30, 2016, the obligor has made all mandatory principal and interest payments in full and on time and paid down additional principal toward the loan balance. The loan balance is recorded at carrying value which approximates fair value. Interest income related to the loan is recorded in interest income within the Company's condensed consolidated statements of income in the period earned. GLPI leases the property back to Casino Queen on a triple-net basis on terms similar to those in the Master Leases and after giving effect to the rent escalator expects to receive approximately \$14.2 million in annual rent during the year ended December 31, 2016. The lease has an initial term of 15 years, and the tenant has an option to renew it at the same terms and conditions for four successive five-year periods. Subsequent to September 30, 2016, the Company committed to provide an unsecured loan of up to \$13 million to an affiliate of Casino Queen to finance their acquisition of Lady Luck Casino in Marquette, Iowa. When the new unsecured loan is funded, Casino Queen will repay in full the five year term loan discussed above.

10. Long-term Debt

Long-term debt is as follows:

	September 30, 2016	December 31, 2015
	(in thousands)	
Unsecured term loan A	\$ 300,000	\$ 300,000
Unsecured term loan A-1	825,000	—
Unsecured \$700 million revolver	165,000	190,000
\$550 million 4.375% senior unsecured notes due November 2018	550,000	550,000
\$1,000 million 4.875% senior unsecured notes due November 2020	1,000,000	1,000,000
\$400 million 4.375% senior unsecured notes due April 2021	400,000	—
\$500 million 5.375% senior unsecured notes due November 2023	500,000	500,000
\$975 million 5.375% senior unsecured notes due April 2026	975,000	—
Capital lease	1,313	1,389
Total long-term debt	4,716,313	2,541,389
Less: unamortized debt issuance costs	(54,630)	(31,048)
Total long-term debt, net of unamortized debt issuance costs	4,661,683	2,510,341
Less current maturities of long-term debt	(106)	(102)
Long-term debt, net of current maturities	\$4,661,577	\$ 2,510,239

The following is a schedule of future minimum repayments of long-term debt as of September 30, 2016 (in thousands):

Within one year	\$ 106
2-3 years	1,015,228
4-5 years	2,225,251
Over 5 years	1,475,728
Total minimum payments	\$4,716,313

Senior Unsecured Credit Facility

The Company has a \$1,825.0 million senior unsecured credit facility (the "Credit Facility"), consisting of a \$700.0 million revolving credit facility, a \$300.0 million Term Loan A facility, and an \$825.0 million Term Loan A-1

facility. The revolving credit facility and the Term Loan A facility mature on October 28, 2018 and the Term Loan A-1 facility matures on April 28, 2021.

At September 30, 2016, the Credit Facility had a gross outstanding balance of \$1,290.0 million, consisting of the \$1,125.0 million Term Loan A and A-1 facilities and \$165.0 million of borrowings under the revolving credit facility. Additionally, at September 30, 2016, the Company was contingently obligated under letters of credit issued pursuant to the

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senior unsecured credit facility with face amounts aggregating approximately \$0.9 million, resulting in \$534.1 million of available borrowing capacity under the revolving credit facility as of September 30, 2016.

The Credit Facility contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of GLPI and its subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations or pay certain dividends and other restricted payments. The Credit Facility contains the following financial covenants, which are measured quarterly on a trailing four-quarter basis: a maximum total debt to total asset value ratio, a maximum senior secured debt to total asset value ratio, a maximum ratio of certain recourse debt to unencumbered asset value and a minimum fixed charge coverage ratio. In addition, GLPI is required to maintain a minimum tangible net worth and its status as a REIT on and after the effective date of its election to be treated as a REIT, which the Company elected on its 2014 U.S. federal income tax return. GLPI is permitted to pay dividends to its shareholders as may be required in order to maintain REIT status, subject to the absence of payment or bankruptcy defaults. GLPI is also permitted to make other dividends and distributions subject to pro forma compliance with the financial covenants and the absence of defaults. The Credit Facility also contains certain customary affirmative covenants and events of default, including the occurrence of a change of control and termination of the Penn Master Lease (subject to certain replacement rights). The occurrence and continuance of an event of default under the Credit Facility will enable the lenders under the Credit Facility to accelerate the loans and terminate the commitments thereunder. At September 30, 2016, the Company was in compliance with all required financial covenants under the Credit Facility.

Senior Unsecured Notes

On April 28, 2016, in connection with the Merger, the Company issued \$400 million of 4.375% senior unsecured notes maturing on April 15, 2021 (the "2021 Notes") and \$975 million of 5.375% senior unsecured notes maturing on April 15, 2026 (the "2026 Notes"). Interest on the 2021 Notes and 2026 Notes is payable semi-annually on April 15 and October 15 of each year, commencing on October 15, 2016. The net proceeds from the sale of the 2021 Notes and 2026 Notes were used (i) to finance the repayment, redemption and/or discharge of certain Pinnacle debt obligations that the Company assumed in the Merger, (ii) to pay transaction-related fees and expenses related to the Merger and (iii) for general corporate purposes, which may include the acquisition, development and improvement of properties, capital expenditures, the repayment of borrowings under our revolving credit facility and other general business purposes.

Each of the 4.375% Senior Unsecured Notes due 2018 (the "2018 Notes"), 4.875% Senior Unsecured Notes due 2020 (the "2020 Notes"), and 5.375% Senior Unsecured Notes due 2023 (the "2023 Notes," and collectively with the 2018 Notes, 2020 Notes, 2021 Notes and 2026 Notes, the "Notes") contain covenants limiting the Company's ability to: incur additional debt and use its assets to secure debt; merge or consolidate with another company; and make certain amendments to the Penn Master Lease. The Notes also require the Company to maintain a specified ratio of unencumbered assets to unsecured debt. These covenants are subject to a number of important and significant limitations, qualifications and exceptions.

At September 30, 2016, the Company was in compliance with all required financial covenants under the Notes.

Capital Lease

The Company assumed the capital lease obligation related to certain assets at its Aurora, Illinois property. GLPI recorded the asset and liability associated with the capital lease on its balance sheet. The original term of the capital lease was 30 years and it will terminate in 2026.

Bridge Facility

Also in connection with the Merger, the Company entered into an amended and restated commitment letter dated July 31, 2015 (the "GLPI Commitment Letter") with JPMorgan Chase Bank, N.A., Bank of America, N.A., Fifth Third Bank, Manufacturers and Traders Trust Company, Wells Fargo Bank, National Association, UBS AG, Stamford Branch, Credit Agricole Corporate and Investment Bank, Suntrust Bank, Nomura Securities International, Inc., Citizens Bank, National Association, Barclays and certain of their affiliates (collectively, the "GLPI Commitment Parties") to provide debt financing in connection with the transaction. Pursuant to the GLPI Commitment Letter, the GLPI Commitment Parties committed to provide a \$1.875 billion senior unsecured 364 - day term loan bridge facility (the "GLPI Bridge Facility"). The Company did not utilize the GLPI Bridge Facility to finance the Pinnacle transaction, as the Company raised the proceeds which, together with an incremental term loan under the Company's Credit Facility, were necessary to finance the Merger through a combination of debt and equity offerings. The GLPI Bridge Facility expired on July 30, 2016 unused.

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11. Commitments and Contingencies

Separation and Distribution Agreement

Pursuant to a Separation and Distribution Agreement between Penn and GLPI, any liability arising from or relating to legal proceedings involving the businesses and operations of Penn's real property holdings prior to the Spin-Off (other than any liability arising from or relating to legal proceedings where the dispute arises from the operation or ownership of the TRS Properties) will be retained by Penn, and Penn will indemnify GLPI (and its subsidiaries, directors, officers, employees and agents and certain other related parties) against any losses it may incur arising from or relating to such legal proceedings. There can be no assurance that Penn will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from Penn any amounts for which we are liable, we may be temporarily required to bear those losses.

Litigation

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions, and other matters arising in the normal course of business. The Company does not believe that the final outcome of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate the risks of such proceedings. However, such proceedings can be costly, time consuming, and unpredictable and, therefore, no assurance can be given that the final outcome of such proceedings may not materially impact the Company's financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

Operating Lease Commitments

In addition to the Company's obligations under operating leases assigned to the Company at the time of the Spin-Off and its other obligations under operating leases for equipment and other miscellaneous assets, the Company records rental expense for the ground rent paid by its tenants. During April 2016, the Company acquired the real estate assets of Pinnacle, including the rights to land subject to long-term ground leases. The Company assumed ground leases at several of the acquired Pinnacle properties and immediately subleased the land back to Pinnacle, who is responsible for payment directly to the landlord. The Company records revenue for the ground lease rent paid by its tenants with an offsetting expense in general and administrative expense within the condensed consolidated statement of income as the Company has concluded that as the lessee it is the primary obligor under the ground leases. The portion of the ground lease rent that is fixed and determinable is included in the schedule below as a future commitment, while the portion of the ground lease rent that is variable is excluded from future commitments as the amounts are not fixed and determinable at September 30, 2016 and therefore considered contingent rent. For those ground leases with optional renewal terms extending beyond the 35-year lease term of the Pinnacle Master Lease, the Company has included only the renewals that align most closely to the 2051 termination date of the Pinnacle Master Lease in the schedule below, as it cannot be reasonably assured it will renew ground leases for land subleased to Pinnacle beyond the term of the Pinnacle Master Lease.

The future minimum lease commitments relating to noncancelable operating leases at September 30, 2016 are as follows (in thousands):

Year ending December 31,	
2016	\$2,178
2017	8,655
2018	8,633
2019	8,181

2020	7,543
Thereafter	490,485
Total	\$525,675

Total rent expense for the three months ended September 30, 2016 and 2015 was \$3.4 million and \$1.5 million, respectively. Total rent expense for the nine months ended September 30, 2016 and 2015 was \$7.6 million and \$4.0 million, respectively. This includes rent expense under the leases assigned to the Company at Spin-Off, leases for equipment and miscellaneous assets and the fixed and variable rent under the ground leases discussed above.

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12. Stockholders' Equity

Common Stock

On August 9, 2016, the Company commenced a continuous equity offering under which the Company may sell up to an aggregate of \$400 million of its common stock from time to time through a sales agent in “at the market” offerings (the “ATM Program”). Actual sales will depend on a variety of factors, including market conditions, the trading price of the Company's common stock and determinations of the appropriate sources of funding for proposed transactions. The Company may sell the shares in amounts and at times to be determined by the Company, but has no obligation to sell any of the shares in the ATM Program. The ATM Program also allows the Company to enter into forward sale agreements. In no event will the aggregate number of shares sold under the ATM Program (whether under any forward sale agreement or through a sales agent), have an aggregate sales price in excess of \$400 million. The Company expects, that if it enters into a forward sale contract, to physically settle each forward sale agreement with the forward purchaser on one or more dates specified by the Company prior to the maturity date of that particular forward sale agreement, in which case the aggregate net cash proceeds at settlement will equal the number of shares underlying the particular forward sale agreement multiplied by the relevant forward sale price. However, the Company may also elect to cash settle or net share settle a particular forward sale agreement, in which case proceeds may or may not be received or cash may be owed to the forward purchaser.

In connection with the ATM Program, the Company engaged a sales agent who may receive compensation of up to 2% of the gross sales price of the shares sold. Similarly, in the event the Company enters into a forward sale agreement, it will pay the relevant forward seller a commission of up to 2% of the sales price of all borrowed shares of common stock sold during the applicable selling period of the forward sale agreement.

Through September 30, 2016, GLPI sold 1,321,999 shares of its common stock at an average price of \$35.00 per share under the ATM Program, which generated gross proceeds of approximately \$46.3 million (net proceeds of approximately \$45.7 million). The Company used the net proceeds from the ATM Program to partially fund its acquisition of the Meadows real estate assets. As of September 30, 2016, the Company had \$353.7 million remaining for issuance under the ATM Program and had not entered into any forward sale agreements.

On April 6, 2016, the Company closed a public offering of 28,750,000 shares of its common stock, at a public offering price of \$30.00 per share, before underwriting discount, which included 3,750,000 shares of common stock issued in connection with the exercise in full of the underwriters' option to purchase additional shares.

The Company received approximately \$825.2 million in net proceeds from the offering and used the net proceeds from the offering to partially fund its acquisition of substantially all of the real estate assets of Pinnacle, including the repayment, redemption and/or discharge of a portion of certain debt of Pinnacle assumed by the Company in connection with the Merger and the payment of transaction-related fees and expenses.

Additionally, on April 28, 2016, in connection with the Merger, the Company issued approximately 56 million shares of its common stock to Pinnacle stockholders and to Pinnacle to satisfy the Company's portion of Pinnacle's employee equity and cash-based incentive awards as consideration for the Pinnacle real estate assets.

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Dividends

The following table lists the dividends declared and paid by the Company during the nine months ended September 30, 2016 and 2015:

Declaration Date	Shareholder Record Date	Securities Class	Dividend Per Share	Period Covered	Distribution Date	Dividend Amount (in thousands)
2016						
January 29, 2016	February 22, 2016	Common Stock	\$ 0.56	First Quarter 2016	March 25, 2016	\$ 65,345
April 25, 2016	June 2, 2016	Common Stock	\$ 0.56	Second Quarter 2016	June 17, 2016	\$ 113,212
August 3, 2016	September 12, 2016	Common Stock	\$ 0.60	Third Quarter 2016	September 23, 2016	\$ 124,262
2015						
February 3, 2015	March 10, 2015	Common Stock	\$ 0.545	First Quarter 2015	March 27, 2015	\$ 62,072
May 1, 2015	June 11, 2015	Common Stock	\$ 0.545	Second Quarter 2015	June 26, 2015	\$ 62,348
July 30, 2015	September 14, 2015	Common Stock	\$ 0.545	Third Quarter 2015	September 25, 2015	\$ 62,456

In addition for the three and nine months ended September 30, 2016, dividend payments were made to or accrued for GLPI restricted stock award holders and for both GLPI and Penn unvested employee stock options in the amount of \$0.2 million and \$0.8 million, respectively, as compared to \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2015, respectively.

13. Segment Information

Consistent with how the Company's Chief Operating Decision Maker reviews and assesses the Company's financial performance, the Company has two reportable segments, GLP Capital, L.P. (a wholly-owned subsidiary of GLPI through which GLPI owns substantially all of its assets) ("GLP Capital") and the TRS Properties. The GLP Capital reportable segment consists of the leased real property and represents the majority of the Company's business. The TRS Properties reportable segment consists of Hollywood Casino Perryville and Hollywood Casino Baton Rouge.

The following tables present certain information with respect to the Company's segments.

(in thousands)	Three Months Ended September 30, 2016				Three Months Ended September 30, 2015			
	GLP Capital	TRS Properties	Eliminations	Total	GLP Capital	TRS Properties	Eliminations	Total
Net revenues	\$199,257	\$34,018	\$ —	\$233,275	\$111,532	\$36,260	\$ —	\$147,792
Income from operations	138,270	5,036	—	143,306	59,896	5,395	—	65,291
Interest, net	52,400	2,600	(2,601)	52,399	30,646	2,600	(2,601)	30,645
Income before income taxes	88,471	2,436	—	90,907	31,851	2,795	—	34,646
Income tax expense	210	1,097	—	1,307	225	1,192	—	1,417
Net income	88,261	1,339	—	89,600	31,626	1,603	—	33,229
Depreciation	24,328	2,837	—	27,165	24,337	3,220	—	27,557
	54	—	—	54	2,949	—	—	2,949

Capital project expenditures,
net of reimbursements
Capital maintenance
expenditures

—	496	—	496	—	382	—	382
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(in thousands)	Nine Months Ended September 30, 2016				Nine Months Ended September 30, 2015			
	GLP Capital	TRS Properties	Eliminations	Total	GLP Capital	TRS Properties	Eliminations	Total
Net revenues	\$481,704	\$ 107,752	\$ —	\$ 589,456	\$333,668	\$ 112,696	\$ —	\$ 446,364
Income from operations	312,586	19,174	—	331,760	173,809	19,153	—	192,962
Interest, net	130,568	7,801	(7,804)	130,565	88,615	7,801	(7,804)	88,612
Income before income taxes	189,822	11,373	—	201,195	92,998	11,352	—	104,350
Income tax expense	806	4,776	—	5,582	1,221	4,780	—	6,001
Net income	189,016	6,597	—	195,613	91,777	6,572	—	98,349
Depreciation	72,737	8,530	—	81,267	73,123	9,462	—	82,585
Capital project expenditures, net of reimbursements	222	101	—	323	7,802	5,897	—	13,699
Capital maintenance expenditures	—	1,693	—	1,693	—	2,108	—	2,108

(in thousands)	GLP Capital	TRS Properties	Eliminations	Total
Balance sheet at September 30, 2016				
Total assets	\$7,211,477	\$ 209,843	\$ —	\$7,421,320
Balance sheet at December 31, 2015				
Total assets	\$2,223,373	\$ 224,782	\$ —	\$2,448,155

(1) Amounts in the "Eliminations" column represent the elimination of intercompany interest payments from the Company's TRS Properties business segment to its GLP Capital business segment.

14. Supplemental Disclosures of Cash Flow Information

Supplemental disclosures of cash flow information are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(in thousands)			
Cash paid for income taxes, net of refunds received	\$1,608	\$3,009	\$4,638	\$7,434
Cash paid for interest	6,201	2,491	64,502	57,557

15. Related Party Transactions

During the year ended December 31, 2014, the Company entered into an Agreement of Sale (the "Sale Agreement") with Wyomissing Professional Center Inc. ("WPC") and acquired certain land in an office complex known as The Wyomissing Professional Center Campus, located in Wyomissing, Pennsylvania for its corporate headquarters building. Also in connection with completion of construction of its corporate headquarters building, the Company entered into an agreement (the "Construction Management Agreement") with CB Consulting Group LLC (the "Construction Manager") during the year ended December 31, 2014. Construction of the Company's corporate headquarters building was completed in October 2015 and the Company did not incur additional costs related to the building with WPC or the Construction Manager subsequent to 2015.

The Company paid approximately \$153,000 and \$381,000, respectively, to WPC during the three and nine months ended September 30, 2015 in connection with construction costs WPC paid on the Company's behalf. Pursuant to the Construction Management Agreement, the Construction Manager, among other things, provided certain construction management services to the Company in exchange for three percent (3%) of the total cost of work to complete the building construction project and certain additional costs for added services. During the three and nine months ended September 30, 2015, the Company paid or accrued approximately \$67,000 and \$154,000 to the Construction Manager.

Upon completion of the building in October 2015, the Company became responsible for the payment of monthly common area maintenance fees to the Wyomissing Professional Center Owners' Association ("WPCOA"). During the three and nine months ended September 30, 2016, the Company paid approximately \$8,300 and \$22,100 to the WPCOA, respectively.

Peter M. Carlino, the Company's Chairman of the Board of Directors and Chief Executive Officer, is also the sole owner of WPC and associated with the WPCOA. In addition, Mr. Carlino's son owns a material interest in the Construction Manager.

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16. Supplementary Condensed Consolidating Financial Information of Parent Guarantor and Subsidiary Issuers

GLPI guarantees the Notes issued by its subsidiaries, GLP Capital, L.P. and GLP Financing II, Inc. Each of the subsidiary issuers is 100% owned by GLPI. The guarantees of GLPI are full and unconditional. GLPI is not subject to any material or significant restrictions on its ability to obtain funds from its subsidiaries by dividend or loan or to transfer assets from such subsidiaries, except as provided by applicable law. None of GLPI's subsidiaries guarantee the Notes.

Summarized balance sheets as of September 30, 2016 and December 31, 2015, statements of income for the three and nine months ended September 30, 2016 and 2015 and statements of cash flows for the nine months ended September 30, 2016 and 2015 for GLPI as the parent guarantor, for GLP Capital, L.P. and GLP Financing II, Inc. as the subsidiary issuers and the other subsidiary non-issuers is presented below.

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At September 30, 2016 Condensed Consolidating Balance Sheet	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Assets					
Real estate investments, net	\$—	\$1,886,252	\$1,882,522	\$—	\$3,768,774
Land rights, net	—	—	593,069	—	593,069
Property and equipment, used in operations, net	—	23,110	98,272	—	121,382
Investment in direct financing lease, net	—	—	2,728,716	—	2,728,716
Cash and cash equivalents	—	3,971	21,388	—	25,359
Prepaid expenses	—	5,114	3,878	519	9,511
Other current assets	—	39,880	18,103	—	57,983
Goodwill	—	—	75,521	—	75,521
Other intangible assets	—	—	9,577	—	9,577
Debt issuance costs, net of accumulated amortization of \$9,500 at September 30, 2016	—	—	—	—	—
Loan receivable	—	—	26,738	—	26,738
Intercompany loan receivable	—	193,595	—	(193,595)	—
Intercompany transactions and investment in subsidiaries	2,449,660	5,239,292	2,969,761	(10,658,713)	—
Deferred tax assets, non-current	—	—	3,384	—	3,384
Other assets	—	256	1,050	—	1,306
Total assets	\$2,449,660	\$7,391,470	\$8,431,979	\$(10,851,789)	\$7,421,320
Liabilities					
Accounts payable	\$—	\$367	\$221	\$—	\$588
Accrued expenses	—	917	6,373	—	7,290
Accrued interest	—	73,367	—	—	73,367
Accrued salaries and wages	—	6,275	1,946	—	8,221
Gaming, property, and other taxes	—	27,579	18,537	—	46,116
Income taxes	—	3	(522)	519	—
Current maturities of long-term debt	—	106	—	—	106
Other current liabilities	—	22,372	1,951	—	24,323
Long-term debt, net of current maturities and unamortized debt issuance costs	—	4,661,577	—	—	4,661,577
Intercompany loan payable	—	—	193,595	(193,595)	—
Deferred rental revenue	—	149,247	560	—	149,807
Deferred tax liabilities, non-current	—	—	265	—	265
Total liabilities	—	4,941,810	222,926	(193,076)	4,971,660
Shareholders' (deficit) equity					
Preferred stock (\$.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at September 30, 2016)	—	—	—	—	—
Common stock (\$.01 par value, 500,000,000 shares authorized, 207,115,019 shares issued at September 30, 2016)	2,071	2,071	2,071	(4,142)	2,071
Additional paid-in capital	3,745,505	3,745,507	9,332,507	(13,078,014)	3,745,505
Retained accumulated (deficit) earnings	(1,297,916)	(1,297,918)	(1,125,525)	2,423,443	(1,297,916)

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Total shareholders' (deficit) equity	2,449,660	2,449,660	8,209,053	(10,658,713)	2,449,660
Total liabilities and shareholders' (deficit) equity	\$2,449,660	\$7,391,470	\$8,431,979	\$(10,851,789)	\$7,421,320

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Three months ended September 30, 2016 Condensed Consolidating Statement of Operations	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental income	\$	\$95,045	\$ 65,619	\$—	\$ 160,664
Income from direct financing lease	—		18,155	—	18,155
Real estate taxes paid by tenants	—	10,919	9,519	—	20,438
Total rental revenue and income from direct financing lease	—	105,964	93,293	—	199,257
Gaming	—		32,770	—	32,770
Food, beverage and other	—		2,613	—	2,613
Total revenues	—	105,964	128,676	—	234,640
Less promotional allowances	—		(1,365)	—	(1,365)
Net revenues	—	105,964	127,311	—	233,275
Operating expenses					
Gaming	—		18,080	—	18,080
Food, beverage and other	—		2,037	—	2,037
Real estate taxes	—	10,938	9,928	—	20,866
General and administrative	—	11,610	10,211	—	21,821
Depreciation	—	23,331	3,834	—	27,165
Total operating expenses	—	45,879	44,090	—	89,969
Income from operations	—	60,085	83,221	—	143,306
Other income (expenses)					
Interest expense	—	(52,880)	—	—	(52,880)
Interest income	—		481	—	481
Intercompany dividends and interest	—	103,903	1,399	(105,302)	—
Total other income (expenses)	—	51,023	1,880	(105,302)	(52,399)
Income (loss) before income taxes	—	111,108	85,101	(105,302)	90,907
Income tax expense	—	210	1,097	—	1,307
Net income (loss)	\$	\$110,898	\$ 84,004	\$ (105,302)	\$ 89,600

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Nine months ended September 30, 2016 Condensed Consolidating Statement of Operations	Parent Issuer	Subsidiary Non-Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental income	\$ 287,783	\$ 115,197	\$ —		\$ 402,980
Income from direct financing lease	—	30,786	—		30,786
Real estate taxes paid by tenants	30,815	17,123	—		47,938
Total rental revenue and income from direct financing lease	318,598	163,106	—		481,704
Gaming	—	103,692	—		103,692
Food, beverage and other	—	8,221	—		8,221
Total revenues	318,598	275,019	—		593,617
Less promotional allowances	—	(4,161)	—		(4,161)
Net revenues	318,598	270,858	—		589,456
Operating expenses					
Gaming	—	56,119	—		56,119
Food, beverage and other	—	6,174	—		6,174
Real estate taxes	30,865	18,283	—		49,148
General and administrative	40,661	24,327	—		64,988
Depreciation	70,218	11,049	—		81,267
Total operating expenses	141,744	115,952	—		257,696
Income from operations	176,854	154,906	—		331,760
Other income (expenses)					
Interest expense	(132,217)	—	—		(132,217)
Interest income	169	1,483	—		1,652
Intercompany dividends and interest	209,505	18,696	(228,201)		—
Total other income (expenses)	77,457	20,179	(228,201)		(130,565)
Income (loss) before income taxes	254,311	175,085	(228,201)		201,195
Income tax expense	806	4,776	—		5,582
Net income (loss)	\$ 253,505	\$ 170,309	\$ (228,201)		\$ 195,613

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Nine months ended September 30, 2016 Condensed Consolidating Statement of Cash Flows	Parent Guarantors	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Operating activities					
Net income (loss)	\$—	\$253,505	\$ 170,309	\$(228,201)	\$ 195,613
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	70,218	14,901	—	85,119
Amortization of debt issuance costs	—	11,889	—	—	11,889
Gains on dispositions of property	—	(471)) 11	—	(460)
Deferred income taxes	—	—	(997)	—	(997)
Stock-based compensation	—	13,804	—	—	13,804
Straight-line rent adjustments	—	41,869	560	—	42,429
(Increase) decrease, Prepaid expenses and other current assets	—	8,559	(369)) 2,403	10,593
Other assets	—	—	(658)	—	(658)
Intercompany	—	365	(365)	—	—
Increase (decrease), Accounts payable	—	115	(58)	—	57
Accrued expenses	—	(3,820)	(303)	—	(4,123)
Accrued interest	—	55,744	—	—	55,744
Accrued salaries and wages	—	(4,453)	(1,045)	—	(5,498)
Gaming, property and other taxes	—	683	157	—	840
Income taxes	—	43	2,360	(2,403)	—
Other current and non-current liabilities	—	6,072	(4,979)	—	1,093
Net cash provided by (used in) operating activities	—	454,122	179,524	(228,201)	405,445
Investing activities					
Capital project expenditures, net of reimbursements	—	(222)	(101)	—	(323)
Capital maintenance expenditures	—	—	(1,693)	—	(1,693)
Proceeds from sale of property and equipment	—	897	234	—	1,131
Principal payments on loan receivable	—	—	2,612	—	2,612
Acquisition of real estate assets	—	—	(3,267,123)	—	(3,267,123)
Collection of principal payments on investment in direct financing lease	—	—	30,529	—	30,529
Net cash provided by (used in) investing activities	—	675	(3,235,542)	—	(3,234,867)
Financing activities					
Dividends paid	(303,639	—	—	—	(303,639)
Proceeds from exercise of options	102,598	—	—	—	102,598
Proceeds from issuance of common stock, net of issuance costs	870,931	—	—	—	870,931
Proceeds from issuance of long-term debt	—	2,502,000	—	—	2,502,000
Financing costs	—	(31,908)	—	—	(31,908)
Repayments of long-term debt	—	(327,076)	—	—	(327,076)
Intercompany financing	(669,280)	2,558	3,044,247	228,201	—
Net cash (used in) provided by financing activities	—	(459,542)	3,044,247	228,201	2,812,906
Net decrease in cash and cash equivalents	—	(4,745)	(11,771)	—	(16,516)
Cash and cash equivalents at beginning of period	—	8,716	33,159	—	41,875
Cash and cash equivalents at end of period	\$—	\$3,971	\$ 21,388	\$—	\$ 25,359

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At December 31, 2015 Condensed Consolidating Balance Sheet	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Assets					
Real estate investments, net	\$—	\$1,955,290	\$134,769	\$—	\$2,090,059
Property and equipment, used in operations, net	—	24,494	105,253	—	129,747
Cash and cash equivalents	—	8,716	33,159	—	41,875
Prepaid expenses	—	3,768	1,218	2,922	7,908
Other current assets	—	54,838	2,883	—	57,721
Goodwill	—	—	75,521	—	75,521
Other intangible assets	—	—	9,577	—	9,577
Debt issuance costs, net of accumulated amortization of \$5,937 at December 31, 2015	—	3,563	—	—	3,563
Loan receivable	—	—	29,350	—	29,350
Intercompany loan receivable	—	193,595	—	(193,595)	—
Intercompany transactions and investment in subsidiaries	(253,514)	191,112	(46,418)	108,820	—
Deferred tax assets, non-current	—	—	2,554	(107)	2,447
Other assets	—	256	131	—	387
Total assets	\$(253,514)	\$2,435,632	\$347,997	\$(81,960)	\$2,448,155
Liabilities					
Accounts payable	\$—	\$127	\$279	\$—	\$406
Accrued expenses	—	4,737	4,843	—	9,580
Accrued interest	—	17,623	—	—	17,623
Accrued salaries and wages	—	10,728	2,991	—	13,719
Gaming, property, and other taxes	—	21,949	2,753	—	24,702
Income taxes	—	(41)	(2,881)	2,922	—
Current maturities of long-term debt	—	102	—	—	102
Other current liabilities	—	16,303	1,384	—	17,687
Long-term debt, net of current maturities and unamortized debt issuance costs	—	2,510,239	—	—	2,510,239
Intercompany loan payable	—	—	193,595	(193,595)	—
Deferred rental revenue	—	107,379	—	—	107,379
Deferred tax liabilities, non-current	—	—	339	(107)	232
Total liabilities	—	2,689,146	203,303	(190,780)	2,701,669
Shareholders' (deficit) equity					
Preferred stock (\$.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at December 31, 2015)	—	—	—	—	—
Common stock (\$.01 par value, 500,000,000 shares authorized, 115,594,321 shares issued at December 31, 2015)	1,156	1,156	1,156	(2,312)	1,156
Additional paid-in capital	935,220	935,221	1,088,058	(2,023,279)	935,220
Retained accumulated (deficit) earnings	(1,189,890)	(1,189,891)	(944,520)	2,134,411	(1,189,890)
Total shareholders' (deficit) equity	(253,514)	(253,514)	144,694	108,820	(253,514)
Total liabilities and shareholders' (deficit) equity	\$(253,514)	\$2,435,632	\$347,997	\$(81,960)	\$2,448,155

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Three months ended September 30, 2015 Condensed Consolidating Statement of Operations	Parent Guarantor	Other Subsidiary Non- Issuers	Eliminations	Consolidated
	(in thousands)			
Revenues				
Rental income	\$ 94,254	\$ 3,500	\$ —	\$ 97,754
Income from direct financing lease	—	—	—	—
Real estate taxes paid by tenants	—13,266	512	—	13,778
Total rental revenue and income from direct financing lease	—107,520	4,012	—	111,532
Gaming	—	34,915	—	34,915
Food, beverage and other	—	2,794	—	2,794
Total revenues	—107,520	41,721	—	149,241
Less promotional allowances	—	(1,449)	—	(1,449)
Net revenues	—107,520	40,272	—	147,792
Operating expenses				
Gaming	—	19,357	—	19,357
Food, beverage and other	—	2,128	—	2,128
Real estate taxes	—13,266	908	—	14,174
General and administrative	—13,521	5,764	—	19,285
Depreciation	—23,576	3,981	—	27,557
Total operating expenses	—50,363	32,138	—	82,501
Income from operations	—57,157	8,134	—	65,291
Other income (expenses)				
Interest expense	—(31,226)	—	—	(31,226)
Interest income	—(1)	582	—	581
Intercompany dividends and interest	—6,101	2,399	(8,500)	—
Total other income (expenses)	—(25,126)	2,981	(8,500)	(30,645)
Income (loss) before income taxes	—32,031	11,115	(8,500)	34,646
Income tax expense	—226	1,191	—	1,417
Net income (loss)	\$ —31,805	\$ 9,924	\$ (8,500)	\$ 33,229

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Nine months ended September 30, 2015 Condensed Consolidating Statement of Operations	Parent Guarantor	Other Subsidiary Non- Issuers	Eliminations	Consolidated
	(in thousands)			
Revenues				
Rental income	\$-283,097	\$ 10,500	\$ —	\$ 293,597
Income from direct financing lease	—	—	—	—
Real estate taxes paid by tenants	—38,575	1,496	—	40,071
Total rental revenue and income from direct financing lease	—321,672	11,996	—	333,668
Gaming	—	108,425	—	108,425
Food, beverage and other	—	8,464	—	8,464
Total revenues	—321,672	128,885	—	450,557
Less promotional allowances	—	(4,193)	—	(4,193)
Net revenues	—321,672	124,692	—	446,364
Operating expenses				
Gaming	—	58,644	—	58,644
Food, beverage and other	—	6,489	—	6,489
Real estate taxes	—38,575	2,563	—	41,138
General and administrative	—46,665	17,881	—	64,546
Depreciation	—70,840	11,745	—	82,585
Total operating expenses	—156,080	97,322	—	253,402
Income from operations	—165,592	27,370	—	192,962
Other income (expenses)				
Interest expense	—(90,373)	—	—	(90,373)
Interest income	—10	1,751	—	1,761
Intercompany dividends and interest	—23,790	4,196	(27,986)	—
Total other income (expenses)	—(66,573)	5,947	(27,986)	(88,612)
Income (loss) before income taxes	—99,019	33,317	(27,986)	104,350
Income tax expense	—1,222	4,779	—	6,001
Net income (loss)	\$-97,797	\$ 28,538	\$ (27,986)	\$ 98,349

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Nine months ended September 30, 2015 Condensed Consolidating Statement of Cash Flows	Parent Guarantors	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Operating activities					
Net income (loss)	\$—	\$97,797	\$ 28,538	\$ (27,986)	\$ 98,349
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	70,840	11,745	—	82,585
Amortization of debt issuance costs	—	7,730	—	—	7,730
Losses on dispositions of property	—	56	33	—	89
Deferred income taxes	—	—	(2,179)	—	(2,179)
Stock-based compensation	—	12,658	—	—	12,658
Straight-line rent adjustments	—	41,869	—	—	41,869
(Increase) decrease, Prepaid expenses and other current assets	—	(2,831)	1,102	703	(1,026)
Other assets	—	—	(2)	—	(2)
Intercompany	—	2,467	(2,467)	—	—
(Decrease) increase, Accounts payable	—	(104)	120	—	16
Accrued expenses	—	3,871	(237)	—	3,634
Accrued interest	—	25,005	—	—	25,005
Accrued salaries and wages	—	(912)	10	—	(902)
Gaming, property and other taxes	—	(951)	264	—	(687)
Income taxes	—	165	538	(703)	—
Other current and non-current liabilities	—	(223)	(91)	—	(314)
Net cash provided by (used in) operating activities	—	257,437	37,374	(27,986)	266,825
Investing activities					
Capital project expenditures, net of reimbursements	—	(7,802)	(5,897)	—	(13,699)
Capital maintenance expenditures	—	—	(2,108)	—	(2,108)
Proceeds from sale of property and equipment	—	111	6	—	117
Principal payments on loan receivable	—	—	1,613	—	1,613
Net cash used in investing activities	—	(7,691)	(6,386)	—	(14,077)
Financing activities					
Dividends paid	(188,470)	—	—	—	(188,470)
Proceeds from exercise of options	17,250	—	—	—	17,250
Financing costs	—	(6,688)	—	—	(6,688)
Payments of long-term debt	—	(68,073)	—	—	(68,073)
Intercompany financing	168,168	(168,628)	(27,935)	27,986	—
Net cash (used in) provided by financing activities	(2,643)	(3,389)	(27,935)	27,986	(245,981)
Net (decrease) increase in cash and cash equivalents	(2,643)	61,357	3,053	—	6,767
Cash and cash equivalents at beginning of period	2,643	44,500	28,880	—	35,973
Cash and cash equivalents at end of period	\$—	\$ 10,807	\$ 31,933	\$ —	\$ 42,740

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17. Subsequent Events

On November 4, 2016, the Company declared its fourth quarter dividend of \$0.60 per common share, payable on December 16, 2016 to shareholders of record on December 5, 2016.

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

Our Operations

GLPI is a self-administered and self-managed Pennsylvania REIT. GLPI was incorporated in Pennsylvania on February 13, 2013, as a wholly-owned subsidiary of Penn. On November 1, 2013, Penn contributed to GLPI, through a series of internal corporate restructurings, substantially all of the assets and liabilities associated with Penn's real property interests and real estate development business, as well as the assets and liabilities of Hollywood Casino Baton Rouge and Hollywood Casino Perryville, which are referred to as the "TRS Properties," and then spun-off GLPI to holders of Penn's common and preferred stock in a tax-free distribution. The Company elected on its U.S. federal income tax return for its taxable year beginning on January 1, 2014 to be treated as a REIT and the Company, together with an indirectly wholly-owned subsidiary of the Company, GLP Holdings, Inc., jointly elected to treat each of GLP Holdings, Inc., Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc. as a "taxable REIT subsidiary" effective on the first day of the first taxable year of GLPI as a REIT. As a result of the Spin-Off, GLPI owns substantially all of Penn's former real property assets and leases back most of those assets to Penn for use by its subsidiaries, under the Penn Master Lease, and GLPI also owns and operates the TRS Properties through its indirect wholly-owned subsidiary, GLP Holdings, Inc. The assets and liabilities of GLPI were recorded at their respective historical carrying values at the time of the Spin-Off. In April 2016, the Company acquired substantially all of the real estate assets of Pinnacle for approximately \$4.8 billion. GLPI leases these assets back to Pinnacle, under a triple-net lease with an initial term of 10 years with no purchase option, followed by five 5-year renewal options (exercisable by Pinnacle) on the same terms and conditions. See "Note 5: Acquisitions" in the Notes to the condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q for further details surrounding the Pinnacle acquisition.

GLPI's primary business consists of acquiring, financing, and owning real estate property to be leased to gaming operators in triple-net lease arrangements. As of September 30, 2016, GLPI's portfolio consisted of 36 gaming and related facilities, including the TRS Properties, the real property associated with 18 gaming and related facilities operated by Penn, the real property associated with 15 gaming and related facilities operated by Pinnacle and the real property associated with the Casino Queen in East St. Louis, Illinois. These facilities are geographically diversified across 14 states and were 100% occupied at September 30, 2016.

We expect to grow our portfolio by pursuing opportunities to acquire additional gaming facilities to lease to gaming operators under prudent terms. For example, on September 9, 2016 the Company purchased the real property assets of the Meadows Racetrack and Casino from CCR. Concurrent with the Company's purchase of the Meadows' real estate assets, Pinnacle purchased the entities holding the Meadows gaming and racing licenses and operating assets from CCR. GLPI leases the Meadows real property assets to Pinnacle under a triple-net lease separate from the Pinnacle Master Lease with an initial term of 10 years with no purchase option and the option to renew for three successive five-year terms and one four-year term, at Pinnacle's option.

Additionally, we believe we have the ability to leverage the expertise our management team has developed over the years to secure additional avenues for growth beyond the gaming industry. Accordingly, we anticipate we will be able to effect strategic acquisitions unrelated to the gaming industry as well as other acquisitions that may prove complementary to GLPI's gaming facilities.

As of September 30, 2016, the majority of our earnings are the result of the rental revenues we receive from our triple-net Master Leases with Penn and Pinnacle. Additionally, we have rental revenue from the Casino Queen property which is leased back to a third party operator on a triple-net basis and the Meadows property which is leased to Pinnacle under a triple-net lease separate from the Pinnacle Master Lease. In addition to rent, the tenants are required to pay the following executory costs: (1) all facility maintenance, (2) all insurance required in connection with the leased properties and the business conducted on the leased properties, (3) taxes levied on or with respect to

the leased properties (other than taxes on the income of the lessor) and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties.

Additionally, in accordance with ASC 605, we record revenue for the real estate taxes paid by our tenants on the leased properties with an offsetting expense in general and administrative expense within the consolidated statement of income, as we believe we are the primary obligor. Similarly, we record revenue for the ground lease rent paid by our tenants with an offsetting expense in general and administrative expense within the condensed consolidated statement of income as we have concluded that as the lessee we are the primary obligor under the ground leases. We sublease these ground leases back to our tenants, who are responsible for payment directly to the landlord.

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Gaming revenue for our TRS Properties is derived primarily from gaming on slot machines and to a lesser extent, table game and poker revenue, which is highly dependent upon the volume and spending levels of customers at our TRS Properties. Other revenues at our TRS Properties are derived from our dining, retail, and certain other ancillary activities.

Segment Information

Consistent with how our Chief Operating Decision Maker reviews and assesses our financial performance, we have two reportable segments, GLP Capital and the TRS Properties. The GLP Capital reportable segment consists of the leased real property and represents the majority of our business. The TRS Properties reportable segment consists of Hollywood Casino Perryville and Hollywood Casino Baton Rouge.

Executive Summary

Financial Highlights

We reported net revenues and income from operations of \$233.3 million and \$143.3 million, respectively, for the three months ended September 30, 2016, compared to \$147.8 million and \$65.3 million, respectively, for the corresponding period in the prior year. Net revenues and income from operations were \$589.5 million and \$331.8 million, respectively, for the nine months ended September 30, 2016, compared to \$446.4 million and \$193.0 million, respectively, for the corresponding period in the prior year. The major factors affecting our results for the three and nine months ended September 30, 2016, as compared to the three and nine months ended September 30, 2015, were:

During April 2016, we acquired substantially all of Pinnacle's real estate assets. These assets are leased back to Pinnacle under a Master Lease which is bifurcated between an operating lease and a direct financing lease, resulting in the recognition of rental income for the land assets leased to Pinnacle and income from a direct financing lease for the building assets leased to Pinnacle. Additionally, during September 2016, we acquired the real estate assets of the Meadows and leased these assets to Pinnacle under a single property triple-net lease. Rental revenue and income from the direct financing lease were \$199.3 million and \$481.7 million, respectively, for the three and nine months ended September 30, 2016, and \$111.5 million and \$333.7 million, respectively, for the three and nine months ended September 30, 2015. Rental revenue and income from the direct financing lease increased by \$87.7 million for the three months ended September 30, 2016, as compared to the corresponding period in the prior year, primarily due to the Pinnacle transaction which increased rental income, income from the direct financing lease and the revenue recorded for real estate taxes paid by our tenants. Rental revenue and income from the direct financing lease increased by \$148.0 million for the nine months ended September 30, 2016, as compared to the corresponding period in the prior year, primarily due to the reasons described above, as well as the impact of the Penn rent escalator and improved results at our two properties with monthly variable rent in 2016.

Net revenues for our TRS Properties decreased by \$2.2 million and 4.9 million for the three and nine months ended September 30, 2016, as compared to the corresponding periods in the prior year, primarily due to decreased gaming revenues at both Hollywood Casino Baton Rouge and Hollywood Casino Perryville, resulting from lower volumes.

Total operating expenses increased by \$7.5 million and \$4.3 million, respectively, for the three and nine months ended September 30, 2016, as compared to the corresponding periods in the prior year, driven by increases in real estate taxes, primarily as a result of the addition of the Pinnacle and Meadows properties to our real estate portfolio and partially offset by declines in gaming and food, beverage and other expenses led by the revenue declines at our TRS properties.

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Other expenses, net increased by \$21.8 million and \$42.0 million, respectively, for the three and nine months ended September 30, 2016, as compared to the corresponding periods in the prior year, driven by increases in interest expense related to the Company's new borrowings.

Net income increased by \$56.4 million and \$97.3 million, respectively, for the three and nine months ended September 30, 2016, as compared to the corresponding periods in the prior year, primarily due to the variances explained above.

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Segment Developments

The following are recent developments that have had or are likely to have an impact on us by segment:

GLP Capital

On September 9, 2016, the Company purchased the real property assets of the Meadows Racetrack and Casino from CCR. Concurrent with the Company's purchase of the Meadows' real estate assets, Pinnacle purchased the entities holding the Meadows gaming and racing licenses and operating assets from CCR. GLPI leases the Meadows real property assets to Pinnacle under a triple-net lease separate from the Pinnacle Master Lease with an initial term of 10 years with no purchase option and the option to renew for three successive five-year terms and one four-year term, at Pinnacle's option. See "Note 5: Acquisitions" in the Notes to the Condensed Consolidated Financial Statements in Part I of this Quarterly Report on Form 10-Q for further details surrounding the Meadows acquisition.

On April 28, 2016, the Company acquired substantially all of the real estate assets of Pinnacle, for approximately \$4.8 billion. GLPI leases these assets back to Pinnacle, under a triple-net lease with an initial term of 10 years with no purchase option, followed by five 5-year renewal options (exercisable by Pinnacle) on the same terms and conditions. The Pinnacle Master Lease added 14 properties to our real estate portfolio. See "Note 5: Acquisitions" in the Notes to the Condensed Consolidated Financial Statements in Part I of this Quarterly Report on Form 10-Q for further details surrounding the Pinnacle acquisition.

TRS Properties

In November 2012, voters approved legislation authorizing a sixth casino in Prince George's County, Maryland. The new law also changed the tax rate casino operators pay the state, varying from casino to casino, allowed all casinos in Maryland to be open 24 hours per day for the entire year, and permitted casinos to directly purchase slot machines in exchange for gaming tax reductions. As a result of slot machines purchased during 2015, Hollywood Casino Perryville's effective tax rate was reduced to 62.5 percent from 67 percent in 2015 and to 61 percent in 2016. The option for an additional 5 percent tax reduction is possible in 2019, if an independent commission agrees. In December 2013, the license for the sixth casino in Prince George's County was granted. The \$1.4 billion casino resort, which is scheduled to open on December 8, 2016, could adversely impact Hollywood Casino Perryville's financial results.

Critical Accounting Estimates

We make certain judgments and use certain estimates and assumptions when applying accounting principles in the preparation of our consolidated financial statements. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change. We have identified the accounting for income taxes, real estate investments, leases and goodwill and other intangible assets as critical accounting estimates, as they are the most important to our financial statement presentation and require difficult, subjective and complex judgments.

We believe the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations and, in certain situations, could have a material adverse effect on our consolidated financial condition.

For further information on our critical accounting estimates, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to our audited consolidated financial statements included in our Annual Report on Form 10-K. Other than the identification of the accounting for leases (as discussed below) as a critical accounting estimate there has been no material change to these estimates for the nine months ended September 30, 2016.

Leases

As a REIT, the majority of our revenues are derived from rent received from our tenants under long-term triple-net leases. Currently, we have Master Leases with both Penn and Pinnacle under which we lease 18 and 14 properties, respectively, to these tenants. We also have a long-term lease with Casino Queen and a separate single property lease by which we lease the newly acquired Meadows real estate assets to Pinnacle. The accounting guidance under ASC 840 - Leases ("ASC 840") is

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complex and requires the use of judgments and assumptions by management to determine the proper accounting treatment of a lease. We perform a lease classification test upon the entry into any new lease, to determine if we will account for the lease as a capital or operating lease. The revenue recognition model and thus the presentation of our financial statements is significantly different under capital leases and operating leases.

Under the operating lease model, as the lessor, the assets we lease remain on our books and we record rental revenues on a straight-line basis over the lease term. This includes the recognition of percentage rents that are fixed and determinable at the lease inception date on a straight-line basis over the entire lease term, resulting in the recognition of deferred rental revenue on our condensed consolidated balance sheets. Deferred rental revenue is amortized to rental revenue on a straight-line basis over the remainder of the lease term. The lease term includes the initial non-cancelable lease term and any reasonably assured renewable periods. Contingent rental income that is not fixed and determinable at lease inception is recognized only when the lessee achieves the specified target. Recognition of rental income commences when control of the facility has been transferred to the tenant. Under operating lease treatment, assets we own and lease to tenants are recorded on our consolidated balance sheet as real estate investments.

Under the direct financing lease model, however, at lease inception we record an investment in direct financing lease on our condensed consolidated balance sheet rather than recording the actual assets we own and the cash rent we receive from tenants is not entirely recorded as rental revenue, but rather a portion is recorded as interest income and a portion is recorded as a reduction to the direct financing lease receivable. Under ASC 840, for leases of both building and land, leases may be bifurcated between operating and capital leases, with the land portion of the lease typically qualifying for operating lease treatment. To determine if the building portion of a lease triggers capital lease treatment we conduct the four lease tests in ASC 840 outlined below. If a lease meets any of the four criteria below, it is accounted for as a capital lease.

1) Transfer of ownership - The lease transfers ownership of the property to the lessee by the end of the lease term.

This criterion is met in situations in which the lease agreement provides for the transfer of title at or shortly after the end of the lease term in exchange for the payment of a nominal fee, for example, the minimum required by statutory regulation to transfer title.

2) Bargain purchase option - The lease contains a bargain purchase option, which is a provision allowing the lessee, at its option, to purchase the leased property for a price which is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable. In addition, the exercise of the option must be reasonably assured at lease inception.

3) Lease term - The lease term is equal to 75 percent or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease. This test is conducted on a property by property basis.

4) Minimum lease payments - The present value of the minimum lease payments at the beginning of the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or exceeds 90% of the fair value of the leased property to the lessor at lease inception less any related investment tax credit retained by the lessor and expected to be realized by the lessor. If the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

The tests outlined above, as well as the resulting calculations, require subjective judgments, such as determining, at lease inception, the fair value of the assets, the residual value of the assets at the end of the lease term, the likelihood a

tenant will exercise all renewal options (in order to determine the lease term), the estimated remaining economic life of the leased assets, the incremental borrowing rate of the lessee and the interest rate implicit in the lease. A slight change in estimate or judgment can result in a materially different financial statement presentation.

For example, in conducting the lease classification tests on the Pinnacle Master Lease, we concluded that the remaining economic lives of the leased properties were not ample enough to pass the lease term test above, thus triggering capital lease treatment, specifically direct financing lease treatment. As a result, we record rental revenues from the land portion of the lease, while also recording interest income from the direct financing lease for the building portion of the lease, as well as applying a portion of the rent received against the lease receivable we recorded on our books at lease inception. In determining the portion of the rent to be applied to the leased land we used an assumption of the lessee's incremental borrowing rate. Any change to this borrowing rate would impact the amount of cash rent received which we record as rental revenue, as interest income from the direct financing lease and against the lease receivable over the lease term. Furthermore, this borrowing rate, in addition to an estimated residual value, determines the actual amount of the lease receivable recorded on our books at lease inception. We use this borrowing rate as the basis for our calculation of the recognition of income under the direct financing

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lease model which is computed using an implicit interest rate that is derived from the lessee's assumed incremental borrowing. The residual value is our estimate of what we would realize upon the sale of the property at the end of the lease term and is derived from management's best estimates.

Our net investment in the direct financing lease is evaluated for impairment on an annual basis and as necessary, if indicators of impairment are present, to determine if there has been an-other-than-temporary decline in the residual value of the property or a change in the lessee's credit worthiness.

Results of Operations

The following are the most important factors and trends that contribute or will contribute to our operating performance:

The fact that the rules and regulations of U.S. federal income taxation are constantly under review by legislators, the IRS and the U.S. Department of the Treasury. Changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect GLPI's investors or GLPI.

The risks related to economic conditions and the effect of such conditions on consumer spending for leisure and gaming activities, which may negatively impact our gaming tenants and operators.

The consolidated results of operations for the three and nine months ended September 30, 2016 and 2015 are summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Revenues				
Rental income	\$160,664	\$97,754	\$402,980	\$293,597
Income from direct financing lease	18,155	—	30,786	—
Real estate taxes paid by tenants	20,438	13,778	47,938	40,071
Total rental revenue and income from direct financing lease	199,257	111,532	481,704	333,668
Gaming	32,770	34,915	103,692	108,425
Food, beverage and other	2,613	2,794	8,221	8,464
Total revenues	234,640	149,241	593,617	450,557
Less promotional allowances	(1,365)	(1,449)	(4,161)	(4,193)
Net revenues	233,275	147,792	589,456	446,364
Operating expenses				
Gaming	18,080	19,357	56,119	58,644
Food, beverage and other	2,037	2,128	6,174	6,489
Real estate taxes	20,866	14,174	49,148	41,138
General and administrative	21,821	19,285	64,988	64,546
Depreciation	27,165	27,557	81,267	82,585
Total operating expenses	89,969	82,501	257,696	253,402
Income from operations	\$143,306	\$65,291	\$331,760	\$192,962

Certain information regarding our results of operations by segment for the three and nine months ended September 30, 2016 and 2015 is summarized below:

Three Months Ended September 30,

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	2016	2015	2016	2015
	Net Revenues		Income from Operations	
	(in thousands)			
GLP Capital	\$ 199,257	\$ 111,532	\$ 138,270	\$ 59,896
TRS Properties	34,018	36,260	5,036	5,395
Total	\$ 233,275	\$ 147,792	\$ 143,306	\$ 65,291

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	Nine Months Ended September 30,			
	2016	2015	2016	2015
	Net Revenues		Income from Operations	
	(in thousands)			
GLP Capital	\$481,704	\$333,668	\$312,586	\$173,809
TRS Properties	107,752	112,696	19,174	19,153
Total	\$589,456	\$446,364	\$331,760	\$192,962

Adjusted EBITDA, FFO and AFFO

Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO") and Adjusted EBITDA are non-GAAP financial measures used by the Company as performance measures for benchmarking against the Company's peers and as internal measures of business operating performance which is used as a bonus metric. The Company believes FFO, AFFO and Adjusted EBITDA provide a meaningful perspective of the underlying operating performance of the Company's current business. This is especially true since these measures exclude real estate depreciation and we believe that real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. In addition, in order for the Company to qualify as a REIT, it must distribute 90% of its REIT taxable income annually. The Company adjusts AFFO accordingly to provide our investors an estimate of the taxable income available for this distribution requirement.

FFO is a non-GAAP financial measure that is considered a supplemental measure for the real estate industry and a supplement to GAAP measures. The National Association of Real Estate Investment Trusts defines FFO as net income (computed in accordance with GAAP), excluding (gains) or losses from sales of property and real estate depreciation. We have defined AFFO as FFO excluding stock based compensation expense, debt issuance costs amortization, other depreciation, amortization of land rights, straight-line rent adjustments and direct financing lease adjustments, reduced by maintenance capital expenditures. Finally, we have defined Adjusted EBITDA as net income excluding interest, taxes on income, depreciation, (gains) or losses from sales of property, stock based compensation expense, straight-line rent adjustments, direct financing lease adjustments and the amortization of land rights.

FFO, AFFO and Adjusted EBITDA are not recognized terms under GAAP. Because certain companies do not calculate FFO, AFFO and Adjusted EBITDA in the same way and certain other companies may not perform such calculation, those measures as used by other companies may not be consistent with the way the Company calculates such measures and should not be considered as alternative measures of operating profit or net income. The Company's presentation of these measures does not replace the presentation of the Company's financial results in accordance with GAAP.

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The reconciliation of the Company's net income per GAAP to FFO, AFFO, and Adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015 is as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(in thousands)			
Net income	\$89,600	\$33,229	\$195,613	\$98,349
(Gains) or losses from dispositions of property	(445)	22	(460)	89
Real estate depreciation	23,802	23,867	71,164	71,718
Funds from operations	\$112,957	\$57,118	\$266,317	\$170,156
Straight-line rent adjustments	14,517	13,957	42,429	41,869
Direct financing lease adjustments	18,004	—	30,529	—
Other depreciation	3,363	3,690	10,103	10,867
Amortization of land rights	2,311	—	3,852	—
Amortization of debt issuance costs	3,257	3,691	11,889	7,730
Stock based compensation	4,641	4,153	13,804	12,658
Maintenance CAPEX	(496)	(382)	(1,693)	(2,108)
Adjusted funds from operations	\$158,554	\$82,227	\$377,230	\$241,172
Interest, net	52,399	30,645	130,565	88,612
Income tax expense	1,307	1,417	5,582	6,001
Maintenance CAPEX	496	382	1,693	2,108
Amortization of debt issuance costs	(3,257)	(3,691)	(11,889)	(7,730)
Adjusted EBITDA	\$209,499	\$110,980	\$503,181	\$330,163

The reconciliation of each segment's net income per GAAP to FFO, AFFO, and Adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015 is as follows:

Three Months Ended September 30,	GLP Capital		TRS Properties	
	2016	2015	2016	2015
	(in thousands)			
Net income	\$88,261	\$31,626	\$1,339	\$1,603
(Gains) or losses from dispositions of property	(471)	10	26	12
Real estate depreciation	23,802	23,867	—	—
Funds from operations	\$111,592	\$55,503	\$1,365	\$1,615
Straight-line rent adjustments	14,517	13,957	—	—
Direct financing lease adjustments	18,004	—	—	—
Other depreciation	526	470	2,837	3,220
Amortization of land rights	2,311	—	—	—
Debt issuance costs amortization	3,257	3,691	—	—
Stock based compensation	4,641	4,153	—	—
Maintenance CAPEX	—	—	(496)	(382)
Adjusted funds from operations	\$154,848	\$77,774	\$3,706	\$4,453
Interest, net ⁽¹⁾	49,799	28,045	2,600	2,600
Income tax expense	210	225	1,097	1,192
Maintenance CAPEX	—	—	496	382
Debt issuance costs amortization	(3,257)	(3,691)	—	—
Adjusted EBITDA	\$201,600	\$102,353	\$7,899	\$8,627

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Nine Months Ended September 30,	GLP Capital		TRS Properties	
	2016	2015	2016	2015
	(in thousands)			
Net income	\$189,016	\$91,777	\$6,597	\$6,572
(Gains) or losses from dispositions of property	(471)	56	11	33
Real estate depreciation	71,164	71,718	—	—
Funds from operations	\$259,709	\$163,551	\$6,608	\$6,605
Straight-line rent adjustments	42,429	41,869	—	—
Direct financing lease adjustments	30,529	—	—	—
Other depreciation	1,573	1,405	8,530	9,462
Amortization of land rights	3,852	—	—	—
Debt issuance costs amortization	11,889	7,730	—	—
Stock based compensation	13,804	12,658	—	—
Maintenance CAPEX	—	—	(1,693)	(2,108)
Adjusted funds from operations	\$363,785	\$227,213	\$13,445	\$13,959
Interest, net ⁽¹⁾	122,764	80,811	7,801	7,801
Income tax expense	806	1,221	4,776	4,780
Maintenance CAPEX	—	—	1,693	2,108
Debt issuance costs amortization	(11,889)	(7,730)	—	—
Adjusted EBITDA	\$475,466	\$301,515	\$27,715	\$28,648

(1) Interest expense, net for the GLP Capital segment is net of intercompany interest eliminations of \$2.6 million and \$7.8 million for both the three and nine months ended September 30, 2016 and 2015, respectively.

Net income for our GLP Capital segment was \$88.3 million for the three months ended September 30, 2016 and \$31.6 million for the three months ended September 30, 2015. FFO, AFFO, and Adjusted EBITDA for our GLP Capital segment were \$111.6 million, \$154.8 million and \$201.6 million, respectively, for the three months ended September 30, 2016. FFO, AFFO, and Adjusted EBITDA for our GLP Capital segment were \$55.5 million, \$77.8 million and \$102.4 million, respectively, for the three months ended September 30, 2015. The significant increase in net income for our GLP Capital segment for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015 was primarily driven by a \$87.7 million increase in net revenues, partially offset by a \$6.7 million increase in real estate taxes and a \$21.7 million increase in interest expense. The increase in net revenues in our GLP Capital segment was primarily due to the portion of the rent received under the Pinnacle Master Lease recognized as rental income and as income from the direct financing lease, as well as the impact of the Penn rent escalator and an increase in real estate taxes paid by tenants, also resulting from the addition of the Pinnacle properties to our real estate portfolio. Interest expense increased due to the Company's additional borrowings incurred to finance the Pinnacle acquisition. The changes described above also led to higher FFO for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015. The increase in AFFO for our GLP Capital segment was primarily driven by the changes described above, as well as, the inclusion of adjustments for our direct financing lease and the amortization of land rights, increased straight-line rent adjustments related to our new Meadows lease and higher stock-based compensation expense, which are added back for purposes of calculating AFFO. Direct financing lease adjustments represent the portion of cash rent we receive from tenants that is applied against our lease receivable and thus not recorded as revenue and the amortization of land rights represents the non-cash amortization of the value assigned to the Company's assumed ground leases. These adjustments are added back to arrive at AFFO because they represent, in the case of the direct financing lease adjustments, cash we have received and recorded in taxable income and in the case of the amortization of land rights, non-cash charges which are

non-deductible for tax purposes. Therefore, these adjustments help our investors better understand the components of our taxable income which must be distributed to our shareholders. The increase in Adjusted EBITDA for our GLP Capital segment was primarily driven by the increases in AFFO described above, as well as, a higher add back for interest.

Net income and FFO for our TRS Properties segment both decreased by \$0.3 million for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, while AFFO and Adjusted EBITDA both decreased by \$0.7 million for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015. Net income and FFO for our TRS Properties segment decreased for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, primarily due to declining revenues at both properties. AFFO and Adjusted EBITDA for our TRS Properties segment decreased for the three months ended September 30, 2016, as compared to

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the three months ended September 30, 2015, primarily due to the reasons described above, plus a decrease in depreciation expense due to certain assets reaching their full depreciation.

Net income for our GLP Capital segment was \$189.0 million for the nine months ended September 30, 2016 and \$91.8 million for the nine months ended September 30, 2015. FFO, AFFO, and Adjusted EBITDA for our GLP Capital segment were \$259.7 million, \$363.8 million and \$475.5 million, respectively, for the nine months ended September 30, 2016. FFO, AFFO, and Adjusted EBITDA for our GLP Capital segment were \$163.6 million, \$227.2 million and \$301.5 million, respectively, for the nine months ended September 30, 2015. The significant increase in net income for our GLP Capital segment for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015 was primarily driven by a \$148.0 million increase in net revenues, partially offset by a \$7.9 million increase in real estate taxes and a \$41.8 million increase in interest expense. The increase in net revenues in our GLP Capital segment was primarily due to the portion of the rent received under the Pinnacle Master Lease recognized as rental income and as income from the direct financing lease, as well as the impact of the Penn rent escalator, improved results at our two properties with monthly variable rent in 2016 and an increase in real estate taxes paid by tenants, also resulting from the addition of the Pinnacle properties to our real estate portfolio. Interest expense increased due to the Company's additional borrowings incurred to finance the Pinnacle acquisition. The changes described above also led to higher FFO for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015. The increase in AFFO for our GLP Capital segment was primarily driven by the changes described above, as well as, the inclusion of adjustments for our direct financing lease and the amortization of land rights, increased amortized debt issuance costs associated with our new borrowings and the bridge financing related to the Pinnacle acquisition, increased straight-line rent adjustments related to our new Meadows lease and higher stock-based compensation expense, which are added back for purposes of calculating AFFO. The increase in Adjusted EBITDA for our GLP Capital segment was primarily driven by the increases in AFFO described above, as well as, a higher add back for interest, less the increase in amortized debt issuance costs, which are non-cash and excluded from Adjusted EBITDA.

Net income and FFO for our TRS Properties segment were both relatively flat for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, while AFFO decreased by \$0.5 million and Adjusted EBITDA decreased by \$0.9 million for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015. Net income and FFO for our TRS Properties segment remained flat for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, primarily due to expense management, in spite of declining revenues. AFFO for our TRS Properties segment decreased for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, primarily due to the reasons described above, in addition to lower depreciation expense due to certain assets reaching their full depreciation, offset by a decrease in capital maintenance expenditures. Adjusted EBITDA for our TRS Properties segment decreased for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, primarily due to the reasons described above.

Revenues

Revenues for the three and nine months ended September 30, 2016 and 2015 were as follows (in thousands):

	2016	2015	Variance	Percentage
Three Months Ended September 30,				
Total rental revenue and income from direct financing lease	\$199,257	\$111,532	\$87,725	78.7 %
Gaming	32,770	34,915	(2,145)	(6.1)%
Food, beverage and other	2,613	2,794	(181)	(6.5)%
Total revenues	234,640	149,241	85,399	57.2 %
Less promotional allowances	(1,365)	(1,449)	84	5.8 %
Net revenues	\$233,275	\$147,792	\$85,483	57.8 %

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Nine Months Ended September 30,	2016	2015	Variance	Percentage	
				Variance	
Total rental revenue and income from direct financing lease	\$481,704	\$333,668	\$148,036	44.4	%
Gaming	103,692	108,425	(4,733)	(4.4)	%
Food, beverage and other	8,221	8,464	(243)	(2.9)	%
Total revenues	593,617	450,557	143,060	31.8	%
Less promotional allowances	(4,161)	(4,193)	32	0.8	%
Net revenues	\$589,456	\$446,364	\$143,092	32.1	%

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Total rental revenue and income from direct financing lease

For the three months ended September 30, 2016 and 2015, rental revenue and income from the direct financing lease were \$199.3 million and \$111.5 million, respectively, for our GLP Capital segment, which included \$20.4 million and \$13.8 million, respectively, of revenue for the real estate taxes paid by our tenants on the leased properties. During April 2016, we acquired the real estate assets of Pinnacle and immediately leased these assets back to Pinnacle under a long-term triple-net master lease. Under ASC 840, the Pinnacle lease is bifurcated between an operating and direct financing lease, resulting in the recognition of rental revenue for the land portion of the lease and interest income from the direct financing lease, relating to the leased building assets. Additionally, during September 2016, we acquired the real estate assets of the Meadows and leased these assets to Pinnacle under a single property triple-net lease. In accordance with ASC 605, the Company is required to present the real estate taxes paid by its tenants on the leased properties as revenue with an offsetting expense on its consolidated statement of operations, as the Company believes it is the primary obligor. Similarly, the Company records revenue for the ground lease rent paid by its tenants with an offsetting expense in general and administrative expense within the condensed consolidated statement of income as the Company has concluded that as the lessee it is the primary obligor under the ground leases. The Company subleases these ground leases back to its tenants, who are responsible for payment directly to the landlord.

Rental revenue and income from the direct financing lease increased \$87.7 million or 78.7% for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, primarily due to the portion of the rent received under the Pinnacle Master Lease recognized as rental income and as income from the direct financing lease, as well as the impact of the Penn rent escalator and an increase in real estate taxes, resulting from the addition of the Pinnacle properties to our real estate portfolio. Specifically, Pinnacle contributed \$61.1 million of rental revenue, \$18.2 million of interest income from the direct financing lease and \$8.9 million of real estate tax income to net revenues for the three months ended September 30, 2016. The Penn rent escalator contributed an increase of \$1.3 million of rental revenue for three months ended September 30, 2016, as compared to the three months ended September 30, 2015. These increases to rental revenue and income from the direct financing lease were offset by decreases in the real estate taxes paid by tenants at our Penn properties and a decline in the revenue recognized at our two properties with monthly variable rent during the three months ended September 30, 2016, as compared to the same period in the prior year.

For the nine months ended September 30, 2016 and 2015, rental revenue and income from the direct financing lease were \$481.7 million and \$333.7 million, respectively, for our GLP Capital segment, which included \$47.9 million and \$40.1 million, respectively, of revenue for the real estate taxes paid by our tenants on the leased properties. Rental revenue and income from the direct financing lease increased \$148.0 million or 44.4% for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, primarily due to the portion of the rent received under the Pinnacle Master Lease recognized as rental income and as income from the direct financing lease, as well as the impact of the Penn rent escalator, improved results at our two properties with monthly variable rent in 2016 and an increase in real estate taxes, resulting from the addition of the Pinnacle properties to our real estate portfolio. Specifically, Pinnacle contributed \$103.6 million of rental revenue, \$30.8 million of interest income from the direct financing lease and \$15.6 million of real estate tax income to net revenues for the nine months ended September 30, 2016. The Penn rent escalator and the variable rent properties contributed an increase of \$4.5 million of rental revenue for nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015. These increases to rental revenue and income from the direct financing lease were offset by decreases in the real estate taxes paid by tenants at our Penn properties.

Gaming revenue

Gaming revenue for our TRS Properties segment decreased by \$2.1 million, or 6.1%, for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, primarily due to decreases in gaming revenues of \$1.161 million and \$984 thousand at Hollywood Casino Baton Rouge and Hollywood Casino Perryville, respectively, resulting from lower volumes. Gaming revenue for our TRS Properties segment decreased by \$4.7 million, or 4.4%, for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, primarily due to decreases in gaming revenues of \$3.654 million and \$1.079 million at Hollywood Casino Baton Rouge and Hollywood Casino Perryville, respectively, resulting from lower volumes.

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Operating expenses

Operating expenses for the three and nine months ended September 30, 2016 and 2015 were as follows (in thousands):

				Percentage	
Three Months Ended September 30,	2016	2015	Variance	Variance	
Gaming	\$18,080	\$19,357	\$(1,277)	(6.6)	%
Food, beverage and other	2,037	2,128	(91)	(4.3)	%
Real estate taxes	20,866	14,174	6,692	47.2	%
General and administrative	21,821	19,285	2,536	13.2	%
Depreciation	27,165	27,557	(392)	(1.4)	%
Total operating expenses	\$89,969	\$82,501	\$7,468	9.1	%

				Percentage	
Nine Months Ended September 30,	2016	2015	Variance	Variance	
Gaming	\$56,119	\$58,644	\$(2,525)	(4.3)	%
Food, beverage and other	6,174	6,489	(315)	(4.9)	%
Real estate taxes	49,148	41,138	8,010	19.5	%
General and administrative	64,988	64,546	442	0.7	%
Depreciation	81,267	82,585	(1,318)	(1.6)	%
Total operating expenses	\$257,696	\$253,402	\$4,294	1.7	%

Real estate taxes

Real estate taxes increased by \$6.7 million, or 47.2%, for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, primarily due to the inclusion of the real estate tax expense attributable to the acquired Pinnacle properties, offset by reduction to real estate taxes from the settlement of a property tax appeal in late 2015 (at one of our properties leased to Penn), which reduced real estate taxes for this property for the three months ended September 30, 2016, as compared to the corresponding period in the prior year. Real estate taxes increased by \$8.0 million or 19.5% for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, primarily due to the reasons described above. Although this amount is paid by our tenants, we are required to present this amount in both revenues and expenses for financial reporting purposes under ASC 605.

General and administrative expense

General and administrative expense increased by \$2.5 million, or 13.2%, for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015. The increase in general and administrative expenses for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015 was primarily related to the amortization of the land rights acquired from Pinnacle, as well as the rent expense associated with the same ground leases, partially offset by lower legal expenses in the current quarter. General and administrative expense increased by \$0.4 million, or 0.7%, for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015. The increases in general and administrative expenses for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015 was primarily related to the reasons described above, in addition to a decrease in outside services. During 2015, the Company incurred significant legal and outside service fees related to the Pinnacle acquisition.

Other income (expenses)

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Other income (expenses) for the three and nine months ended September 30, 2016 and 2015 were as follows (in thousands):

Three Months Ended September 30,	2016	2015	Variance	Percentage
				Variance
Interest expense	\$(52,880)	\$(31,226)	\$(21,654)	(69.3)%
Interest income	481	581	(100)	(17.2)%
Total other expenses	\$(52,399)	\$(30,645)	\$(21,754)	(71.0)%

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				Percentage
Nine Months Ended September 30,	2016	2015	Variance	Variance
Interest expense	\$(132,217)	\$(90,373)	\$(41,844)	(46.3)%
Interest income	1,652	1,761	(109)	(6.2)%
Total other expenses	\$(130,565)	\$(88,612)	\$(41,953)	(47.3)%

Interest expense

Interest expense increased by \$21.7 million or 69.3% for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, primarily due to interest expense related to the issuance of \$400 million of senior unsecured notes due 2021 and \$975 million of senior unsecured notes due 2026 and borrowings of \$825 million under the term loan A-1 facility during April 2016. The additional borrowings were utilized to finance the Pinnacle acquisition. Interest expense increased by \$41.8 million or 46.3% for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015 primarily due the reasons described above, in addition to the amortization of bridge financing fees related to the Pinnacle transaction through interest expense during the first quarter of 2016.

Taxes

During the three months ended September 30, 2016 and 2015, income tax expense was approximately \$1.3 million and \$1.4 million, respectively. Our effective tax rate (income taxes as a percentage of income from operations before income taxes) was 1.4% for the three months ended September 30, 2016, as compared to 4.1% for the three months ended September 30, 2015. During the nine months ended September 30, 2016 and 2015, income tax expense was approximately \$5.6 million and \$6.0 million, respectively. Our effective tax rate was 2.8% for the nine months ended September 30, 2016, as compared to 5.8% for the nine months ended September 30, 2015.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources are cash flow from operations, borrowings from banks, and proceeds from the issuance of debt and equity securities.

Net cash provided by operating activities was \$405.4 million and \$266.8 million, respectively, during the nine months ended September 30, 2016 and 2015. The increase in net cash provided by operating activities of \$138.6 million for the nine months ended September 30, 2016 compared to the corresponding period in the prior year was primarily comprised of an increase in cash receipts from customers/tenants of \$132.1 million and decreases in cash paid for operating expenses and taxes of \$10.9 million and \$2.8 million, respectively, partially offset by increases in cash paid for interest of \$6.9 million. The increase in cash receipts collected from our customers and tenants for the nine months ended September 30, 2016 compared to the corresponding period in the prior year was primarily due to the rent received under the Pinnacle Master Lease, as well as the impact of the Penn rent escalator and improved results at our two properties with monthly variable rent, partially offset by a decrease in our TRS Properties' net revenues, while the decrease in cash paid for operating expenses was primarily related to changes in working capital. The increase in cash paid for interest was related to the Company's new borrowings.

Investing activities used cash of \$3.235 billion and \$14.1 million during the nine months ended September 30, 2016 and 2015, respectively. Net cash used in investing activities during the nine months ended September 30, 2016 consisted of cash payments of \$3.267 billion related to the acquisition of the Pinnacle and Meadows' real estate assets, partially offset by principal payments of \$2.6 million made by Casino Queen on their five year term loan, as well rental payments received from tenants and applied against the lease receivable on our balance sheet of \$30.5 million. In addition to the cash paid for the Pinnacle assets, we also issued approximately 56 million shares of our common

stock as consideration for the Pinnacle real estate assets (non-cash investing activity). Net cash used in investing activities for the nine months ended September 30, 2015 included capital expenditures of \$15.8 million, primarily related to \$4.2 million of construction spend related to the Company's new corporate headquarters building located in Wyomissing, Pennsylvania and Hollywood Casino Perryville's \$5.9 million purchase of slot machines, associated with its initiative to directly purchase slot machines in exchange for gaming tax reductions, partially offset by principal payments of \$1.6 million made by Casino Queen on their five year term loan.

Financing activities provided cash of \$2.813 billion during the nine months ended September 30, 2016 and used cash of \$246.0 million during the nine months ended September 30, 2015. Net cash provided by financing activities for the nine months ended September 30, 2016 included proceeds from the issuance of long-term debt of \$2.502 billion, proceeds from the issuance of common stock, net of issuance costs of \$870.9 million and proceeds from stock option exercises of \$102.6 million, partially offset by dividend payments of \$303.6 million and repayments of long-term debt and financing costs of \$359.0

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million. During the nine months ended September 30, 2016, we issued approximately 29 million shares of our common stock in a primary equity offering and approximately 1.3 million shares of our common stock in an ATM offering, as well as issuing \$1.375 billion in new senior unsecured notes and drawing down on the \$825 million term loan A-1 facility. These new debt and equity instruments were utilized to finance the acquisition of the Pinnacle and Meadows real estate assets. In addition to the shares issued in the primary equity offering, we also issued approximately 56 million shares of our common stock as consideration for the Pinnacle real estate assets (non-cash investing activity). Net cash used in financing activities for the nine months ended September 30, 2015 included dividend payments of \$188.5 million and repayments of long-term debt and financing costs of \$74.8 million, partially offset by proceeds from stock options exercises of \$17.3 million.

Capital Expenditures

Capital expenditures are accounted for as either capital project or capital maintenance (replacement) expenditures. Capital project expenditures are for fixed asset additions that expand an existing facility or create a new facility. The cost of properties developed by the Company include costs of construction, property taxes, interest and other miscellaneous costs incurred during the development period until the project is substantially complete and available for occupancy. Capital maintenance expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair.

Capital project expenditures were \$0.3 million for the nine months ended September 30, 2016, as compared to \$13.7 million for the nine months ended September 30, 2015. Capital project expenditures for the nine months ended September 30, 2015 primarily consisted of construction spend totaling \$4.2 million related to the Company's new corporate headquarters building located in Wyomissing, Pennsylvania and Hollywood Casino Perryville's direct purchases of slot machines. During the nine months ended September 30, 2015, Hollywood Casino Perryville made direct purchases of slot machines totaling \$5.9 million, which resulted in a decrease of gaming taxes derived from slot machine revenues. Prior to Perryville's slot machine purchases, all slot machines were owned by the state.

During the nine months ended September 30, 2016 and 2015, the TRS Properties spent approximately \$1.7 million and \$2.1 million, respectively, for capital maintenance expenditures. The majority of the capital maintenance expenditures were for slot machines and slot machine equipment. Under the triple-net lease structure, our tenants are responsible for capital maintenance expenditures at our leased properties.

Debt

Senior Unsecured Credit Facility

The Company has a \$1,825.0 million Credit Facility, consisting of a \$700.0 million revolving credit facility, a \$300.0 million Term Loan A facility, and an \$825 million Term Loan A-1 facility. At September 30, 2016, the Credit Facility had a gross outstanding balance of \$1,290.0 million, consisting of the \$1,125.0 million Term Loan A and A-1 facilities and \$165.0 million of borrowings under the revolving credit facility. Additionally, at September 30, 2016, the Company was contingently obligated under letters of credit issued pursuant to the senior unsecured credit facility with face amounts aggregating approximately \$0.9 million, resulting in \$534.1 million of available borrowing capacity under the revolving credit facility as of September 30, 2016. The revolving credit facility and the Term Loan A facility mature on October 28, 2018 and the Term Loan A-1 facility matures on April 28, 2021.

The Credit Facility contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of GLPI and its subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations or pay certain dividends and other restricted payments. The Credit Facility contains the following financial covenants, which are measured quarterly on a trailing four-quarter basis: a

maximum total debt to total asset value ratio, a maximum senior secured debt to total asset value ratio, a maximum ratio of certain recourse debt to unencumbered asset value and a minimum fixed charge coverage ratio. In addition, GLPI is required to maintain a minimum tangible net worth and its status as a REIT on and after the effective date of its election to be treated as a REIT, which the Company elected on its 2014 U.S. federal income tax return. GLPI is permitted to pay dividends to its shareholders as may be required in order to maintain REIT status, subject to the absence of payment or bankruptcy defaults. GLPI is also permitted to make other dividends and distributions subject to pro forma compliance with the financial covenants and the absence of defaults. The Credit Facility also contains certain customary affirmative covenants and events of default, including the occurrence of a change of control and termination of the Penn Master Lease (subject to certain replacement rights). The occurrence and continuance of an event of default under the Credit Facility will enable the lenders under the Credit Facility to accelerate the loans and terminate the commitments thereunder. At September 30, 2016, the Company was in compliance with all required financial covenants under the Credit Facility.

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Senior Unsecured Notes

On April 28, 2016, in connection with the Merger, the Company issued \$400 million of 4.375% senior unsecured notes maturing on April 15, 2021 (the "2021 Notes") and \$975 million of 5.375% senior unsecured notes maturing on April 15, 2026 (the "2026 Notes"). Interest on the 2021 Notes and 2026 Notes is payable semi-annually on April 15 and October 15 of each year, commencing on October 15, 2016. The net proceeds from the sale of the 2021 Notes and 2026 Notes were used (i) to finance the repayment, redemption and/or discharge of certain Pinnacle debt obligations that the Company assumed in the Merger, (ii) to pay transaction-related fees and expenses related to the Merger and (iii) for general corporate purposes, which may include the acquisition, development and improvement of properties, capital expenditures, the repayment of borrowings under our revolving credit facility and other general business purposes.

The Notes contain covenants limiting the Company's ability to: incur additional debt and use its assets to secure debt; merge or consolidate with another company; and make certain amendments to the Penn Master Lease. The Notes also require the Company to maintain a specified ratio of unencumbered assets to unsecured debt. These covenants are subject to a number of important and significant limitations, qualifications and exceptions.

At September 30, 2016, the Company was in compliance with all required financial covenants under the Notes.

Capital Lease

The Company assumed the capital lease obligation related to certain assets at its Aurora, Illinois property. GLPI recorded the asset and liability associated with the capital lease on its balance sheet. The original term of the capital lease was 30 years and it will terminate in 2026.

Bridge Facility

Also in connection with the Merger, the Company entered into an amended and restated commitment letter dated July 31, 2015 (the "GLPI Commitment Letter") with JPMorgan Chase Bank, N.A., Bank of America, N.A., Fifth Third Bank, Manufacturers and Traders Trust Company, Wells Fargo Bank, National Association, UBS AG, Stamford Branch, Credit Agricole Corporate and Investment Bank, Suntrust Bank, Nomura Securities International, Inc., Citizens Bank, National Association, Barclays and certain of their affiliates (collectively, the "GLPI Commitment Parties") to provide debt financing in connection with the transaction. Pursuant to the GLPI Commitment Letter, the GLPI Commitment Parties committed to provide a \$1.875 billion senior unsecured 364 - day term loan bridge facility (the "GLPI Bridge Facility"). The Company did not utilize the GLPI Bridge Facility to finance the Pinnacle transaction, as the Company raised the proceeds which, together with an incremental term loan under the Company's Credit Facility, were necessary to finance the Merger through a combination of debt and equity offerings. The GLPI Bridge Facility expired on July 30, 2016 unused.

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Commitments and Contingencies

Contractual Cash Obligations

The following table presents our contractual obligations at September 30, 2016:

	Payments Due By Period				
	Total	Remainder of 2016	2017 - 2018	2019 - 2020	2021 and After
	(in thousands)				
Senior unsecured credit facility					
Principal	\$1,290,000	\$—	\$465,000	\$—	\$825,000
Interest ⁽¹⁾	170,278	10,954	88,328	61,060	9,936
4.375% senior unsecured notes due 2018					
Principal	550,000	—	550,000	—	—
Interest	60,156	12,031	48,125	—	—
4.875% senior unsecured notes due 2020					
Principal	1,000,000	—	—	1,000,000	—
Interest	219,375	24,375	97,500	97,500	—
4.375% senior unsecured notes due 2021					
Principal	400,000	—	—	—	400,000
Interest	86,868	8,118	35,000	35,000	8,750
5.375% senior unsecured notes due 2023					
Principal	500,000	—	—	—	500,000
Interest	201,563	13,438	53,750	53,750	80,625
5.375% senior unsecured notes due 2026					
Principal	975,000	—	—	—	975,000
Interest	522,171	24,311	104,813	104,813	288,234
Capital lease obligations	1,313	26	220	242	825
Purchase obligations	354	220	134	—	—
Operating leases	525,675	2,178	17,288	15,724	490,485
Other liabilities reflected in the Company's consolidated balance sheets ⁽²⁾	458	458	—	—	—
Total	\$6,503,211	\$96,109	\$1,460,158	\$1,368,089	\$3,578,855

The interest rates associated with the variable rate components of our senior unsecured credit facility are estimated, reflected of forward LIBOR curves plus the spread over LIBOR of 175 basis points. The contractual amounts to be paid on our variable rate obligations are affected by changes in market interest rates and changes in our spreads which are based on our leverage ratios. Future changes in such ratios will impact the contractual amounts to be paid.

⁽²⁾ Primarily represents liabilities associated with reward programs at our TRS Properties that can be redeemed for free play, merchandise or services.

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Other Commercial Commitments

The following table presents our material commercial commitments as of September 30, 2016 for the following future periods:

	Total Amounts Committed (in thousands)	Remainder of 2016	2017 2018	2019 2020	2021 and After
Letters of Credit ⁽¹⁾	\$ 855	\$ 855	—	—	—
Total	\$ 855	\$ 855	—	—	—

(1) The available balance under the revolving credit portion of our senior unsecured credit facility is reduced by outstanding letters of credit.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We face market risk exposure in the form of interest rate risk. These market risks arise from our debt obligations. We have no international operations. Our exposure to foreign currency fluctuations is not significant to our financial condition or results of operations.

GLPI's primary market risk exposure is interest rate risk with respect to its indebtedness of \$4,716.3 million at September 30, 2016. Furthermore, \$3,425.0 million of our obligations at September 30, 2016, are the senior unsecured notes that have fixed interest rates with maturity dates ranging from two to ten years. An increase in interest rates could make the financing of any acquisition by GLPI more costly, as well as increase the costs of its variable rate debt obligations. Rising interest rates could also limit GLPI's ability to refinance its debt when it matures or cause GLPI to pay higher interest rates upon refinancing and increase interest expense on refinanced indebtedness. GLPI may manage, or hedge, interest rate risks related to its borrowings by means of interest rate swap agreements. GLPI also expects to manage its exposure to interest rate risk by maintaining a mix of fixed and variable rates for its indebtedness. However, the provisions of the Code applicable to REITs substantially limit GLPI's ability to hedge its assets and liabilities.

The table below provides information at September 30, 2016 about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts maturing in each fiscal year and the related weighted-average interest rates by maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged by maturity date and the weighted-average interest rates are based on implied forward LIBOR rates at September 30, 2016.

	10/01/16-09/30/17	10/01/17-09/30/18	10/01/18-09/30/19	10/01/19-09/30/20	10/01/20-09/30/21	Thereafter	Total	Fair Value at 9/30/2016
	(in thousands)							
Long-term debt:								
Fixed rate	\$—	—\$ 550,000	\$	—\$ 1,400,000	\$1,475,000	\$3,425,000	\$3,643,750	
Average interest rate		4.38%		4.73%	5.38%			
Variable rate	\$—	—\$ 465,000	\$	—\$ 825,000	\$—	\$1,290,000	\$1,283,165	
Average interest rate ⁽¹⁾		3.53%		3.71%				

(1) Estimated rate, reflective of forward LIBOR plus the spread over LIBOR applicable to variable-rate borrowing.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures

The Company's management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2016, which is the end of the period covered by this Quarterly Report on

Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2016 to ensure that information required to be disclosed by the Company in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the United States Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information in response to this Item is incorporated by reference to the information set forth in "Note 11: Commitments and Contingencies" in the Notes to the condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Risk factors that affect our business and financial results are discussed in Part I, "Item 1A. Risk Factors," of our Annual Report on Form 10-K. There have been no material changes in our risk factors from those previously disclosed in our Annual Report other than as set forth below. You should carefully consider the risks described in our Annual Report and below, which could materially affect our business, financial condition or future results. The risks described in our Annual Report and below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

Our future results will suffer if we do not effectively manage our expanded portfolio of properties following the Merger and any failure by us to effectively manage our portfolio could have a material and adverse effect on our business and our ability to make distributions to shareholders, as required for us to continue to qualify as a REIT.

Following the completion of the Merger, the size of our business materially increased. Our future success depends, in part, upon our ability to manage this expanded business, which will pose challenges for management, including challenges related to acting as landlord to a larger portfolio of properties and associated increased costs and complexity. There can be no assurances that we will be successful.

We are significantly dependent on two tenants and their respective subsidiaries until we substantially diversify our portfolio and an event that has a material and adverse effect on either tenant's respective business, financial position or results of operations could have a material and adverse effect on our business, financial position or results of operations and we could be restrained from exercising any remedies under our Master Leases.

Substantially all of our revenues are based on the revenue derived under the master leases with Pinnacle and Penn. Because these master leases are triple-net leases, we depend on Pinnacle and Penn to operate the properties that we own in a manner that generates revenues sufficient to allow the tenants to meet their obligations to us, including to pay rent and all insurance, taxes, utilities and maintenance and repair expenses in connection with these leased properties and to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their businesses. There can be no assurance that either Pinnacle or Penn will have sufficient assets, income or access to financing to enable them to satisfy their payment obligations under the master leases. The ability of our tenants to fulfill their obligations may depend, in part, upon the overall profitability of their operations. The inability or unwillingness of either Pinnacle or Penn to meet their subsidiaries' rent obligations and other obligations under the master leases, in each case, could materially and adversely affect our business, financial position or results of operations, including our ability to pay dividends to our shareholders as required to maintain our status as a REIT and our financial position could be materially weakened if any of our tenants were unable to meet their obligations to us or failed to renew or extend any lease as such lease expires, or if we were unable to lease or re-lease our properties on economically favorable terms.

Due to our dependence on rental payments from Pinnacle and Penn (and their respective subsidiaries) as our primary source of revenue, we may be limited in our ability to enforce our rights under the master leases or to terminate the master leases with respect to any particular property. Failure by Pinnacle or Penn to comply with the terms of their respective master leases or to comply with the gaming regulations to which the leased properties are subject could require us to find another lessee for such leased property and there could be a decrease or cessation of rental payments by either Pinnacle or Penn, as the case may be. In such event, we may be unable to locate a suitable lessee at similar rental rates or at all, which would have the effect of reducing our rental revenues.

We could be subject to tax on any unrealized net built-in gains in the assets we acquired from Pinnacle.

The assets acquired from Pinnacle are expected to have significant built-in-gains. Because prior to the Merger Pinnacle was a C corporation, if we dispose of any such appreciated assets during the five-year period following the Merger, we will be subject to tax at the highest corporate tax rates on any gain from such assets to the extent of the built-in-gain in such

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assets at the time of the Merger. We would be subject to this tax liability even if we continue to qualify and maintain our status as a REIT. Any recognized built-in gain will retain its character as ordinary income or capital gain and will be taken into account in determining REIT taxable income and our distribution requirement. Any tax on the recognized built-in gain will reduce REIT taxable income. We may choose not to sell in a taxable transaction appreciated assets we might otherwise sell during the five-year period in which the built-in gain tax applies in order to avoid the built-in gain tax. However, there can be no assurance that such a taxable transaction will not occur. If we sell such assets in a taxable transaction, the amount of corporate tax that we will pay will vary depending on the actual amount of net built-in gain or loss present in those assets as of the time we became a REIT. The amount of tax could be significant.

We may have future capital needs and may not be able to obtain additional financing on acceptable terms.

We may incur additional indebtedness in the future to refinance our existing indebtedness or to finance newly-acquired properties. Any significant additional indebtedness could require a substantial portion of our cash flow to make interest and principal payments due on our indebtedness. Greater demands on our cash resources may reduce funds available to us to pay dividends, make capital expenditures and acquisitions, or carry out other aspects of our business strategy. Increased indebtedness can also limit our ability to adjust rapidly to changing market conditions, make us more vulnerable to general adverse economic and industry conditions and create competitive disadvantages for us compared to other companies with relatively lower debt levels and/or borrowing costs. Increased future debt service obligations may limit our operational flexibility, including our ability to acquire properties, finance or refinance our properties, contribute properties to joint ventures or sell properties as needed.

We may be unable to obtain additional financing or financing on favorable terms or our operating cash flow may be insufficient to satisfy our financial obligations under indebtedness outstanding from time to time (if any). Among other things, the absence of an investment grade credit rating or any credit rating downgrade could increase our financing costs and could limit our access to financing sources. If financing is not available when needed, or is available on unfavorable terms, we may be unable to develop new or enhance our existing properties, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company did not repurchase any shares of common stock or sell any unregistered securities during the three months ended September 30, 2016. On August 9, 2016, the Company commenced a continuous equity offering under which the Company may sell up to an aggregate of \$400 million of its common stock from time to time through a sales agent in “at the market” offerings (the “ATM Program”). Through September 30, 2016, the Company sold approximately 1.3 million shares of its common stock at an average price of \$35.00 per share under the ATM Program, which generated net proceeds of approximately \$45.7 million. The Company used the net proceeds from the ATM Program to partially fund its acquisition of the Meadows real estate assets. The issued securities were registered under an automatic shelf registration statement (Commission File No. 333-210423), effective March 28, 2016.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS

Exhibit Description of Exhibit

- 10.1* First Amendment to the Master Lease, dated August 29, 2016, by and among Gold Merger Sub, LLC (as successor to Pinnacle Entertainment, Inc.) and Pinnacle MLS, LLC.
- 10.2* Third Amendment to the Master Lease Agreement, dated as of September 20, 2016, by and among GLP Capital L.P. and Penn Tenant, LLC.
- 31.1* CEO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
- 31.2* CFO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
- 32.1* CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101* Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets at September 30, 2016 and December 31, 2015, (ii) the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2016 and 2015, (iii) the Condensed Consolidated Statement of Changes in Shareholders' (Deficit) Equity for the nine months ended September 30, 2016, (iv) the Condensed Consolidated Statements of Cash Flows for nine months ended September 30, 2016 and 2015 and (v) the notes to the Condensed Consolidated Financial Statements.

*Filed or furnished, as applicable, herewith

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SIGNATURE

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.

GAMING AND LEISURE
PROPERTIES, INC.

November 9, 2016 By: /s/ William J. Clifford
William J. Clifford
Chief Financial Officer
(Principal Financial Officer)

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