GLP Capital, L.P.
Form 10-Q
July 30, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2015

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 incorporation or organization)	(I.R.S. Employer Identification No.)

825 Berkshire Blvd., Suite 400
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 x 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 x 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 x	Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 x

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

Title	Outstanding as of July 27, 2015
Common Stock, par value $.01 per share	114,518,875

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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, and goals and objectives.

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, develop and/or operate our properties, or other delays or impediments to completing our planned acquisitions or projects;

- the ultimate timing and outcome of the Company's proposed acquisition of substantially all of the real estate assets of Pinnacle Entertainment, Inc. ("Pinnacle"), including the Company's and Pinnacle's ability to obtain the financing and third party approvals and consents necessary to complete the acquisition;

- the ultimate outcome and results of integrating the assets to be acquired by the Company in the proposed transaction with Pinnacle;

- the effects of a transaction between GLPI and Pinnacle on each party, including the post-transaction impact on GLPI's financial condition, operating results, strategy and plans;

- the outcome of our lawsuit against Cannery Casino Resorts LLC ("CCR"), the owner of the Meadows Racetrack and Casino ("the Meadows"), alleging among other things, fraud, breach of the agreement to acquire the Meadows and breach of the related consulting agreement;

- 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 status 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 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;

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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;

- fluctuating interest rates;

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- 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;

- 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, 2014, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the United States Securities and Exchange Commission.

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, 2014. 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, 2014, 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)

	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Real estate investments, net	$2,135,337	$2,180,124
Property and equipment, used in operations, net	134,741	134,028
Cash and cash equivalents	31,059	35,973
Prepaid expenses	3,542	7,900
Deferred tax assets, current	1,847	2,015
Other current assets	54,606	45,254
Goodwill	75,521	75,521
Other intangible assets	9,577	9,577
Debt issuance costs, net of accumulated amortization of $13,366 and $9,327 at June 30, 2015 and December 31, 2014, respectively	35,087	39,126
Loan receivable	32,925	34,000
Deferred tax assets, non-current	1,308	679
Other assets	424	383
Total assets	$2,515,974	$2,564,580
Liabilities		
Accounts payable	$2,441	$4,409
Accrued expenses	9,106	5,339
Accrued interest	17,514	17,528
Accrued salaries and wages	9,140	12,581
Gaming, property, and other taxes	30,136	22,741
Income taxes	229	—
Current maturities of long-term debt	100	81
Other current liabilities	16,450	15,788
Long-term debt, net of current maturities	2,566,339	2,609,406
Deferred tax liabilities, non-current	366	1,443
Total liabilities	2,651,821	2,689,316
Shareholders' deficit		
Preferred stock ($.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at June 30, 2015 and December 31, 2014)	—	—
Common stock ($.01 par value, 500,000,000 shares authorized, 114,413,073 and 112,981,088 shares issued at June 30, 2015 and December 31, 2014, respectively)	1,144	1,130
Additional paid-in capital	910,225	888,860
Retained deficit	(1,047,216)	(1,014,726)
Total shareholders' deficit	(135,847)	(124,736)
Total liabilities and shareholders' deficit	$2,515,974	$2,564,580

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues				
Rental	$112,251	$107,298	$223,755	$213,412
Real estate taxes paid by tenants	12,943	12,446	26,293	24,444
Total rental revenue	125,194	119,744	250,048	237,856
Gaming	37,131	39,449	73,510	78,204
Food, beverage and other	2,855	3,088	5,670	5,919
Total revenues	165,180	162,281	329,228	321,979
Less promotional allowances	(1,357)	(1,495)	(2,744)	(2,865)
Net revenues	163,823	160,786	326,484	319,114
Operating expenses				
Gaming	20,271	22,167	39,287	43,729
Food, beverage and other	2,177	2,509	4,361	5,055
Real estate taxes	13,209	12,856	26,964	25,279
General and administrative	23,722	19,531	45,261	40,472
Depreciation	27,617	26,349	55,028	52,871
Total operating expenses	86,996	83,412	170,901	167,406
Income from operations	76,827	77,374	155,583	151,708
Other income (expenses)				
Interest expense	(29,585)	(29,108)	(59,147)	(58,082)
Interest income	585	668	1,180	1,214
Total other expenses	(29,000)	(28,440)	(57,967)	(56,868)
Income before income taxes	47,827	48,934	97,616	94,840
Income tax expense	1,882	1,922	4,584	3,516
Net income	$45,945	$47,012	$93,032	$91,324
Earnings per common share:				
Basic earnings per common share	$0.40	$0.42	$0.81	$0.82
Diluted earnings per common share	$0.38	$0.40	$0.78	$0.78
Dividends paid per common share	$0.55	$0.52	$1.09	$1.04

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
(in thousands, except share data)
(unaudited)

	Common Stock		Additional Paid-In Capital	Retained Deficit	Total Shareholders' Deficit
	Shares	Amount			
Balance, December 31, 2014	112,981,088	$1,130	$888,860	$(1,014,726)	$(124,736)
Stock option activity	1,331,959	13	16,428	—	16,441
Restricted stock activity	100,026	1	4,937	—	4,938
Dividends paid	—	—	—	(125,522)	(125,522)
Net income	—	—	—	93,032	93,032
Balance, June 30, 2015	114,413,073	$1,144	$910,225	$(1,047,216)	$(135,847)

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)

Six months ended June 30,	2015	2014
Operating activities		
Net income	$93,032	$91,324
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	55,028	52,871
Amortization of debt issuance costs	4,039	4,018
Losses on dispositions of property	67	159
Deferred income taxes	(1,537)	(1,919)
Stock-based compensation	8,505	5,087
Decrease (increase),		
Prepaid expenses and other current assets	3,390	(17,296)
Other assets	(4)	(1,309)
(Decrease) increase,		
Accounts payable	(665)	8,183
Accrued expenses	3,767	(6,360)
Accrued interest	(14)	(565)
Accrued salaries and wages	(3,441)	104
Gaming, property and other taxes	(989)	7,970
Income taxes	229	(18,476)
Other current and noncurrent liabilities	662	2,430
Net cash provided by operating activities	162,069	126,221
Investing activities		
Capital project expenditures, net of reimbursements	(10,750)	(55,504)
Capital maintenance expenditures	(1,726)	(1,468)
Proceeds from sale of property and equipment	97	6
Funding of loan receivable	—	(43,000)
Principal payments on loan receivable	1,075	7,000
Acquisition of real estate	—	(140,730)
Other investing activities	(37)	—
Net cash used in investing activities	(11,341)	(233,696)
Financing activities		
Dividends paid	(125,522)	(329,224)
Proceeds from exercise of options	12,928	17,463
Proceeds from issuance of long-term debt	—	208,000
Financing costs	—	(306)
Payments of long-term debt	(43,048)	(32,000)
Net cash used in financing activities	(155,642)	(136,067)
Net decrease in cash and cash equivalents	(4,914)	(243,542)
Cash and cash equivalents at beginning of period	35,973	285,221
Cash and cash equivalents at end of period	$31,059	$41,679

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. Organization 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 "Master Lease"), and GLPI also owns and operates the TRS Properties through an indirect wholly-owned subsidiary, GLP Holdings, Inc.

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 June 30, 2015, GLPI's portfolio consisted of 21 gaming and related facilities, including the TRS Properties, the real property associated with 18 gaming and related facilities operated by Penn and the real property associated with the Casino Queen in East St. Louis, Illinois. These facilities are geographically diversified across 12 states.

In connection with the Spin-Off, Penn allocated its accumulated earnings and profits (as determined for U.S. federal income tax purposes) for periods prior to the consummation of the Spin-Off between Penn and GLPI. In connection with its election to be taxed as a REIT for U.S. federal income tax purposes, GLPI declared 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 GLPI in connection with the Spin-Off, to comply with certain REIT qualification requirements (the "Purging Distribution"). The Purging Distribution, which was paid on February 18, 2014, totaled approximately $1.05 billion and was comprised of cash and GLPI common stock. Additionally, pursuant to the terms of a Pre-Filing Agreement with the IRS, on December 19, 2014, the Company made a one-time distribution of $37.0 million to shareholders in order to confirm the Company appropriately allocated its historical earnings and profits relative to the separation from Penn. See Note 9 for further details.

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 adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The condensed consolidated financial statements include the accounts of GLPI and its subsidiaries. All significant 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.

Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. The notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2014 (our "Annual Report") should be read in conjunction with these condensed consolidated financial statements. The December 31, 2014 financial information has been derived from the Company’s audited consolidated financial statements.

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2. New Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-05, Intangibles - Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement ("ASU 2015-05"). This ASU provides guidance on determining whether a cloud computing arrangement includes a software license, the accounting treatment of such a software license to be consistent with that of other licensed intangible assets, and the treatment of service agreements within cloud computing arrangements as service contracts. ASU 2015-05 is effective for financial statements issued for fiscal years beginning after December 15, 2015 and may be applied on a prospective or retrospective basis. The Company is evaluating the impact of adopting ASU 2015-05 and does not believe its adoption will have a material effect on its financial position or results of operation.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). This ASU requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015 and will be applied on a retrospective basis, wherein the balance sheet of each period presented will be adjusted to reflect the period-specific effects of applying the new guidance. Consistent with current guidance, the Company currently recognizes its debt issuance costs as deferred charges or assets on its balance sheet. The Company is evaluating the impact of adopting ASU 2015-03 and does not believe its adoption will have a material effect on its financial position or results of operation, as it believes only a balance sheet reclassification between assets and liabilities will be required upon adoption of the new standard.

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.

3. 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." 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 at both June 30, 2015 and December 31, 2014 is related to timing differences between the funding of assets held at the plan trustee and the actual contributions from eligible employees' compensation.

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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.

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 "Fair Value Measurements and Disclosures."

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

	June 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$31,059	$31,059	$35,973	$35,973
Deferred compensation plan assets	15,031	15,031	14,280	14,280
Loan receivable	32,925	32,925	34,000	34,000
Financial liabilities:				
Deferred compensation plan liabilities	15,118	15,118	14,369	14,369
Long-term debt				
Senior unsecured credit facility	515,000	499,550	558,000	535,010
Senior notes	2,050,000	2,087,125	2,050,000	2,091,000

Comprehensive Income

Comprehensive income includes net income and all other non-owner changes in shareholders’ equity during a period. The Company did not have any non-owner changes in shareholders’ equity for the three and six months ended June 30, 2015 and 2014, and comprehensive income for the three and six months ended June 30, 2015 and 2014 was equivalent to net income for those time periods.

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. Contingent rental income is recognized once the lessee achieves the specified target. Recognition of rental income commences when control of the facility has been transferred to the tenant.

As of June 30, 2015, all but one of the Company’s real estate investment properties were leased to a subsidiary of Penn under the Master Lease. The obligations under the Master Lease are guaranteed by Penn and by most Penn subsidiaries that occupy and operate the facilities leased under the Master Lease. A default by Penn or its subsidiaries with regard to any facility will cause a default with regard to the Master Lease. In January 2014, GLPI completed the asset acquisition of Casino Queen in East St. Louis, Illinois. GLPI subsequently leased the property back to Casino Queen on a triple-net basis on terms similar to those in the Master Lease.

The rent structure under the Master Lease with Penn 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 by an amount equal to 4% of the average change to net revenues of all facilities under the 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 Master Lease with Penn are required to pay the following: (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.

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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 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 Master Lease, the tenant is responsible for all executory charges described in the above paragraph.

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 consolidated statement of income as the Company has concluded it is the primary obligor.

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 six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)		(in thousands)	
Video lottery	$31,930	$33,651	$63,171	$67,032
Table game	4,881	5,350	9,691	10,290
Poker	320	448	648	882
Total gaming revenue, net of cash incentives	$37,131	$39,449	$73,510	$78,204

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 six months ended June 30, 2015 and 2014 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)		(in thousands)	
Food and beverage	$1,346	$1,484	$2,723	$2,845
Other	11	11	21	20
Total promotional allowances	$1,357	$1,495	$2,744	$2,865

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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 six months ended June 30, 2015 and 2014 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)		(in thousands)	
Food and beverage	$576	$720	$1,172	$1,437
Other	4	4	7	7
Total cost of complimentary services	$580	$724	$1,179	$1,444

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 six months ended June 30, 2015, these expenses, which are recorded within gaming expense in the condensed consolidated statements of income, totaled $15.8 million and $30.8 million, respectively, as compared to $17.9 million and $35.2 million for the three and six months ended June 30, 2014, respectively.

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 six months ended June 30, 2015 and 2014 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Determination of shares:				
Weighted-average common shares outstanding	114,330	111,921	114,000	111,561
Assumed conversion of dilutive employee stock-based awards	4,376	5,579	4,322	5,922
Assumed conversion of restricted stock	163	157	193	261
Assumed conversion of performance-based restricted stock awards	518	74	522	40

Diluted weighted-average common shares outstanding	119,387	117,731	119,037	117,784

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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 six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands, expect per share data)			
Calculation of basic EPS:				
Net income	$45,945	$47,012	$93,032	$91,324
Less: Net income allocated to participating securities	(188)	(194)	(381)	(378)
Net income attributable to common shareholders	$45,757	$46,818	$92,651	$90,946
Weighted-average common shares outstanding	114,330	111,921	114,000	111,561
Basic EPS	$0.40	$0.42	$0.81	$0.82
Calculation of diluted EPS:				
Net income	$45,945	$47,012	$93,032	$91,324
Diluted weighted-average common shares outstanding	119,387	117,731	119,037	117,784
Diluted EPS	$0.38	$0.40	$0.78	$0.78

There were no outstanding options to purchase shares of common stock during the three months ended June 30, 2015 that were not included in the computation of diluted EPS because of being antidilutive. Options to purchase 7,269 shares were outstanding during the six months ended June 30, 2015 but were not included in the computation of diluted EPS because of being antidilutive. Options to purchase 109,714 shares were outstanding during the three months ended June 30, 2014 but were not included in the computation of diluted EPS because of being antidilutive. There were no outstanding options to purchase shares of common stock during the six months ended June 30, 2014 that were not included in the computation of diluted EPS because of being 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 will be amortized to expense over the awards' remaining vesting periods.

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As of June 30, 2015, there was $1.3 million of total unrecognized compensation cost for stock options that will be recognized over the grants remaining weighted average vesting period of 0.51 years. For the three and six months ended June 30, 2015, the Company recognized $0.7 million and $1.4 million, respectively, of compensation expense associated with these awards, compared to $1.4 million and $2.8 million for the three and six months ended June 30, 2014, respectively. In addition, the Company also recognized $2.9 million and $5.8 million of compensation expense for the three and six months ended June 30, 2015, respectively, relating to each of the 2015 first and second quarter $0.545 per share dividends paid on vested employee stock options. During the three and six months ended June 30, 2014, the Company recognized $3.2 million and $6.5 million of compensation expense, relating to each of the 2014 first and second quarter $0.52 per share dividends paid on vested employee stock options.

As of June 30, 2015, there was $11.3 million of total unrecognized compensation cost for restricted stock awards that will be recognized over the grants remaining weighted average vesting period of 2.02 years. For the three and six months ended June 30, 2015, the Company recognized $1.5 million and $2.9 million, respectively, of compensation expense associated with these awards, compared to $0.9 million and $1.5 million for the three and six months ended June 30, 2014, respectively.

The following table contains information on restricted stock award activity for the six months ended June 30, 2015:

	Number of Award Shares	
Outstanding at December 31, 2014	468,841	
Granted	164,612	
Released	(157,918	)
Canceled	(6,628	)
Outstanding at June 30, 2015	468,907	

Performance-based restricted stock awards have three year cliff vesting with the amount of restricted shares vesting at the end of the three-year period determined based on 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 companies included in the MSCI US REIT index. As of June 30, 2015, there was $14.9 million of total unrecognized compensation cost, which will be recognized over the awards remaining weighted average vesting period of 2.04 years for performance-based restricted stock awards. For the three and six months ended June 30, 2015, the Company recognized $2.0 million and $4.2 million, respectively, of compensation expense associated with these awards, compared to $0.7 million for both the three and six months ended June 30, 2014.

The following table contains information on performance-based restricted stock award activity for the six months ended June 30, 2015:

	Number of Performance-Based Award Shares
Outstanding at December 31, 2014	543,556
Granted	548,000
Released	—
Canceled	—
Outstanding at June 30, 2015	1,091,556

As of June 30, 2015, there was $4.3 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 1.59 years. For the three and six months ended June 30, 2015, the Company recognized $1.1 million and $2.9 million, respectively of compensation expense associated with these awards, compared to $0.7 million and $1.1 million for the three and six months ended June 30, 2014, respectively. In addition, the Company also recognized $57 thousand and $0.1 million, respectively, for the three and six months ended June 30, 2015, relating to the 2015 first and second quarter $0.545 per share dividends paid on unvested PSUs. For the three and six months ended June 30, 2014, the Company recognized $0.1 million and $0.5 million, respectively, relating to the Purging Distribution dividend and the 2014 first and second quarter $0.52 per share dividends paid on unvested PSUs.

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Upon the declaration of 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.

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. See Note 10 for further information with respect to the Company's segments.

4. Acquisitions

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, including transaction fees of $0.7 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 refinanced and retired all of Casino Queen's outstanding long-term debt obligations. As of June 30, 2015, principal and interest payments have reduced the balance of this loan to $32.9 million. As of March 31, 2015, Casino Queen is 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. The collectability of the remaining loan balance is reasonably assured, and it is recorded at carrying value which approximates fair value. Interest income related to the loan is recorded in interest income within the Company's consolidated statement of income in the period of receipt. GLPI leased the property back to Casino Queen on a triple-net basis on terms similar to those in the Master Lease, resulting in approximately $14.0 million in annual rent. 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.

5. Real Estate Investments

Real estate investments, net, represents investments in 19 rental properties and the corporate headquarters building and is summarized as follows:

	June 30, 2015	December 31, 2014
	(in thousands)	
Land and improvements	$454,044	$454,181
Building and improvements	2,288,664	2,288,664
Construction in progress	5,777	2,576
Total real estate investments	2,748,485	2,745,421
Less accumulated depreciation	(613,148)	(565,297)
Real estate investments, net	$2,135,337	$2,180,124

Construction in progress represents the Company's investment in its corporate headquarters building located in Wyomissing, Pennsylvania. The building is expected to be ready for occupancy in the second half of 2015.

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6. 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:

	June 30, 2015	December 31, 2014
	(in thousands)	
Land and improvements	$31,595	$31,595
Building and improvements	117,070	116,867
Furniture, fixtures, and equipment	110,191	103,612
Construction in progress	1,602	724
Total property and equipment	260,458	252,798
Less accumulated depreciation	(125,717)	(118,770)
Property and equipment, net	$134,741	$134,028

The increase in furniture, fixtures, and equipment is primarily due to the purchase of slot machines at Hollywood Casino Perryville, totaling approximately $5.9 million for the six months ended June 30, 2015.

7. Long-term Debt

Long-term debt is as follows:

	June 30, 2015	December 31, 2014
	(in thousands)	
Senior unsecured credit facility	$515,000	$558,000
$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
$500 million 5.375% senior unsecured notes due November 2023	500,000	500,000
Capital lease	1,439	1,487
Total long-term debt	2,566,439	2,609,487
Less current maturities of long-term debt	(100)	(81)
Long-term debt, net of current maturities	$2,566,339	$2,609,406

The following is a schedule of future minimum repayments of long-term debt as of June 30, 2015 (in thousands):

Within one year	$100
2-3 years	215
4-5 years	1,065,236
Over 5 years	1,500,888
Total minimum payments	$2,566,439

Senior Unsecured Credit Facility

The Company has a one billion dollar senior unsecured credit facility (the "Credit Facility"), consisting of a $700.0 million revolving credit facility and a $300.0 million Term Loan A facility. The Credit Facility matures on October 28, 2018. At June 30, 2015, the Credit Facility had a gross outstanding balance of $515.0 million, consisting of the $300.0 million Term Loan A facility and $215.0 million of borrowings under the revolving credit facility. Additionally, at June 30, 2015, 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 $484.1 million of available borrowing capacity under the revolving credit facility as of June 30, 2015.

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

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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 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 June 30, 2015, the Company was in compliance with all required covenants under the Credit Facility.

Senior Unsecured Notes

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 and 2020 Notes, the "Notes") contains 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 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 June 30, 2015, the Company was in compliance with all required 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.

8. Commitments and Contingencies

Litigation

On May 14, 2014, the Company announced that it entered into an agreement with CCR to acquire The Meadows Racetrack and Casino located in Washington, Pennsylvania, a suburb of Pittsburgh, Pennsylvania. The agreement provides that closing of the acquisition is subject to, among other things, the accuracy of CCR’s representations and its compliance with the covenants set forth in the agreement, as well as the approval of the Pennsylvania Gaming Control Board and Pennsylvania Racing Commission. On October 27, 2014, the Company filed a lawsuit in the Southern District of New York against CCR alleging, among other things, fraud, breach of the agreement and breach of the related consulting agreement entered into at the same time. The lawsuit was subsequently re-filed in New York state court on January 7, 2015 for procedural reasons. The Company asserts claims that CCR has breached the agreements, with the Company seeking return of $10.0 million paid pursuant to a related consulting agreement and an unspecified amount of additional damages. The Company further seeks a declaration that a material adverse effect has occurred that excuses CCR from consummating the agreement. The Company will further evaluate and consider all other remedies available to it, including termination of the agreements.

Although the Company intends to pursue its claims vigorously, there can be no assurance that the Company will prevail on any of the claims in the action, or, if the Company does prevail on one or more of the claims, of the amount of recovery that may be awarded to the Company for such claim(s). In addition, the timing and resolution of the claims set forth in the lawsuit are unpredictable and the Company is not able to currently predict any effect this suit may have on closing of the transaction.

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.

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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.

9. Dividends

The following table lists the dividends declared and paid by the Company during the six months ended June 30, 2015 and 2014:

Declaration Date	Shareholder Record Date	Securities Class	Dividend Per Share	Period Covered	Distribution Date	Dividend Amount (in thousands)
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
2014						
February 18, 2014	March 7, 2014	Common Stock	$0.52	First Quarter 2014	March 28, 2014	$58,008
May 30, 2014	June 12, 2014	Common Stock	$0.52	Second Quarter 2014	June 27, 2014	$58,207

In addition for the three and six months ended June 30, 2015, 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 $0.5 million and $1.1 million, respectively, as compared to $1.0 million and $2.0 million for the three and six months ended June 30, 2014, respectively.

Additionally, on February 18, 2014, GLPI made the Purging Distribution, which totaled $1.05 billion and was comprised of cash and GLPI common stock, to distribute the accumulated earnings and profits related to the real property assets and attributable to any pre-REIT years, including any earnings and profits allocated to GLPI in connection with the Spin-Off. Shareholders were given the option to elect either an all-cash or all-stock dividend, subject to a total cash limitation of $210.0 million. Of the 88,691,827 shares of common stock outstanding on the record date, approximately 54.3% elected the cash distribution and approximately 45.7% elected a stock distribution or made no election. Shareholders electing cash received $4.358049 plus 0.195747 additional GLPI shares per common share held on the record date. Shareholders electing stock or not making an election received 0.309784 additional GLPI shares per common share held on the record date. Stock dividends were paid based on the volume weighted average price for the three trading days ended February 13, 2014 of $38.2162 per share. Approximately 22.0 million shares were issued in connection with this dividend payment. In addition, cash distributions were made to GLPI and Penn employee restricted stock award holders in the amount of $1.0 million for the Purging Distribution. Additionally, pursuant to the terms of a Pre-Filing Agreement with the IRS, on December 19, 2014, the Company made a one-time distribution of $37.0 million to shareholders in order to confirm the Company appropriately allocated its historical earnings and profits relative to the separation from Penn. In addition, cash distributions were made to or accrued for both GLPI restricted stock award holders and GLPI and Penn unvested employee stock options in the amount of $0.7 million for this one-time distribution.

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10. Segment Information

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

	Three Months Ended June 30, 2015				Three Months Ended June 30, 2014			
(in thousands)	GLP Capital	TRS Properties	Eliminations (1)	Total	GLP Capital	TRS Properties	Eliminations (1)	Total
Net revenues	$125,194	$ 38,629	$ —	$163,823	$119,744	$ 41,042	$ —	$160,786
Income from operations	70,269	6,558	—	76,827	70,219	7,155	—	77,374
Interest, net	29,001	2,601	(2,602)	29,000	28,440	2,601	(2,601)	28,440
Income before income taxes	43,870	3,957	—	47,827	44,380	4,554	—	48,934
Income tax expense	186	1,696	—	1,882	—	1,922	—	1,922
Net income	43,684	2,261	—	45,945	44,380	2,632	—	47,012
Depreciation	24,393	3,224	—	27,617	23,292	3,057	—	26,349
Capital project expenditures, net of reimbursements	4,244	866	—	5,110	31,502	—	—	31,502
Capital maintenance expenditures	—	775	—	775	—	597	—	597

	Six Months Ended June 30, 2015				Six Months Ended June 30, 2014			
(in thousands)	GLP Capital	TRS Properties	Eliminations (1)	Total	GLP Capital	TRS Properties	Eliminations (1)	Total
Net revenues	$250,048	$ 76,436	$ —	$326,484	$237,856	$ 81,258	$ —	$319,114
Income from operations	141,825	13,758	—	155,583	138,090	13,618	—	151,708
Interest, net	57,969	5,201	(5,203)	57,967	56,868	5,202	(5,202)	56,868
Income before income taxes	89,059	8,557	—	97,616	86,424	8,416	—	94,840
Income tax expense	996	3,588	—	4,584	—	3,516	—	3,516
Net income	88,063	4,969	—	93,032	86,424	4,900	—	91,324
Depreciation	48,786	6,242	—	55,028	46,733	6,138	—	52,871
Capital project expenditures, net of reimbursements	4,853	5,897	—	10,750	55,504	—	—	55,504
Capital maintenance expenditures	—	1,726	—	1,726	—	1,468	—	1,468

(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.

11. Supplemental Disclosures of Cash Flow Information

Supplemental disclosures of cash flow information is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Cash paid for income taxes (1)	$4,425	$10,711	$4,425	$24,632
Cash paid for interest	52,451	52,450	55,066	54,579

[1] For the three months ended June 30, 2014, amounts included a payment of $5.1 million directly to Penn for federal and state income tax liabilities incurred prior to the Spin-Off, which Penn was responsible for when they filed their 2013 returns. For the six months ended June 30, 2014, amounts primarily reflect 2013 extension payments while GLPI was still a subsidiary of Penn.

12. 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. The Company subsequently paid $189,000 and $228,000, respectively, to WPC during the three and six months ended June 30, 2015 in connection with construction costs WPC paid on the Company's behalf.

In connection with completion of construction of the building in The Wyomissing Professional Center Campus, the Company also entered into an agreement (the "Construction Management Agreement") with CB Consulting Group LLC (the "Construction Manager") during the year ended December 31, 2014. Pursuant to the Construction Management Agreement, the Construction Manager will, among other things, provide 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

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costs for added services. The Company paid or accrued $101,000 to the Construction Manager during the three and six months ended June 30, 2015.

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

13. 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. No subsidiaries of GLPI guarantee the Notes.

Summarized financial information as of June 30, 2015 and December 31, 2014 and for the six months ended June 30, 2015 and 2014 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. In preparation for the Company's potential use of an UPREIT structure, on January 1, 2015, all employees and associated assets and liabilities were transferred from GLPI to GLP Capital, L.P.

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At June 30, 2015 Condensed Consolidating Balance Sheet	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Assets					
Real estate investments, net	$—	$1,999,046	$136,291	$—	$2,135,337
Property and equipment, used in operations, net	—	24,588	110,153	—	134,741
Cash and cash equivalents	—	3,722	27,337	—	31,059
Prepaid expenses	—	1,526	2,016	—	3,542
Deferred tax assets, current	—	—	1,847	—	1,847
Other current assets	—	51,620	2,986	—	54,606
Goodwill	—	—	75,521	—	75,521
Other intangible assets	—	—	9,577	—	9,577
Debt issuance costs, net of accumulated amortization of $13,666 at June 30, 2015	—	35,087	—	—	35,087
Loan receivable	—	—	32,925	—	32,925
Intercompany loan receivable	—	193,595	—	(193,595)	—
Intercompany transactions and investment in subsidiaries	(135,847)	194,885	74,889	(133,927)	—
Deferred tax assets, non-current	—	—	1,308	—	1,308
Other assets	—	294	130	—	424
Total assets	$(135,847)	$2,504,363	$474,980	$(327,522)	$2,515,974
Liabilities					
Accounts payable	$—	$2,202	$239	$—	$2,441
Accrued expenses	—	4,805	4,301	—	9,106
Accrued interest	—	17,514	—	—	17,514
Accrued salaries and wages	—	6,835	2,305	—	9,140
Gaming, property, and other taxes	—	27,340	2,796	—	30,136
Income taxes	—	(43)	272	—	229
Current maturities of long-term debt	—	100	—	—	100
Other current liabilities	—	15,118	1,332	—	16,450
Long-term debt, net of current maturities	—	2,566,339	—	—	2,566,339
Intercompany loan payable	—	—	193,595	(193,595)	—
Deferred tax liabilities, non-current	—	—	366	—	366
Total liabilities	—	2,640,210	205,206	(193,595)	2,651,821
Shareholders' (deficit) equity					
Preferred stock ($.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at June 30, 2015	—	—	—	—	—
Common stock ($.01 par value, 500,000,000 shares authorized, 114,413,073 shares issued at June 30, 2015	1,144	1,144	1,144	(2,288)	1,144
Additional paid-in capital	910,225	910,226	1,063,063	(1,973,289)	910,225
Retained (deficit) earnings	(1,047,216)	(1,047,217)	(794,433)	1,841,650	(1,047,216)
Total shareholders' (deficit) equity	(135,847)	(135,847)	269,774	(133,927)	(135,847)
	$(135,847)	$2,504,363	$474,980	$(327,522)	$2,515,974

Total liabilities and shareholders' (deficit) equity

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Six months ended June 30, 2015 Condensed Consolidating Statement of Operations	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental	$—	$216,755	$7,000	$—	$223,755
Real estate taxes paid by tenants	—	25,309	984	—	26,293
Total rental revenue	—	242,064	7,984	—	250,048
Gaming	—	—	73,510	—	73,510
Food, beverage and other	—	—	5,670	—	5,670
Total revenues	—	242,064	87,164	—	329,228
Less promotional allowances	—	—	(2,744)	—	(2,744)
Net revenues	—	242,064	84,420	—	326,484
Operating expenses					
Gaming	—	—	39,287	—	39,287
Food, beverage and other	—	—	4,361	—	4,361
Real estate taxes	—	25,309	1,655	—	26,964
General and administrative	—	33,144	12,117	—	45,261
Depreciation	—	47,264	7,764	—	55,028
Total operating expenses	—	105,717	65,184	—	170,901
Income from operations	—	136,347	19,236	—	155,583
Other income (expenses)					
Interest expense	—	(59,147)	—	—	(59,147)
Interest income	—	11	1,169	—	1,180
Intercompany dividends and interest	—	17,689	7,000	(24,689)	—
Total other expenses	—	(41,447)	8,169	(24,689)	(57,967)
Income before income taxes	—	94,900	27,405	(24,689)	97,616
Income tax expense	—	996	3,588	—	4,584
Net income	$—	$93,904	$23,817	$(24,689)	$93,032

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Six months ended June 30, 2015 Condensed Consolidating Statement of Cash Flows	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Operating activities					
Net income	$—	$93,904	$23,817	$(24,689)	$93,032
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation	—	47,264	7,764	—	55,028
Amortization of debt issuance costs	—	4,039	—	—	4,039
Losses on dispositions of property	—	46	21	—	67
Deferred income taxes	—	—	(1,537)	—	(1,537)
Stock-based compensation	—	8,505	—	—	8,505
Decrease (increase),					