Gaming & Leisure Properties, Inc.
Form 10-Q
August 01, 2018
Table of Contents

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, 2018

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.)

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 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth 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 ¨
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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	July 30, 2018
Common Stock, par value $.01 per share	213,768,996

Table of Contents

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 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 ultimate timing and outcome (including the possibility that the proposed transaction may not be completed or that completion may be unduly delayed) of the proposed merger transaction between Penn National Gaming, Inc. ("Penn") and Pinnacle Entertainment, Inc. ("Pinnacle") and the related transactions with Boyd Gaming Corporation ("Boyd");
- our increased reliance on Penn as our largest tenant following the closing of the proposed Penn acquisition of Pinnacle;
- the ultimate timing and outcome (including the possibility that the proposed transaction may not be completed or that the completion may be unduly delayed) of our proposed acquisition of certain real estate assets from Tropicana Entertainment Inc. ("Tropicana") and the related acquisition of the operating assets of these properties by Eldorado Resorts, Inc. ("Eldorado") from Tropicana;
- 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 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 ability to generate sufficient cash flows to service our outstanding indebtedness;

- the access to debt and equity capital markets, including for acquisitions or refinancings due to maturities;

- adverse changes in our credit rating;

1

Table of Contents

- 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 and its subsidiaries 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, 2017, 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, 2017 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, 2017 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.

GAMING AND LEISURE PROPERTIES, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION	4
ITEM 1.	FINANCIAL STATEMENTS (Unaudited)	4
	Condensed Consolidated Balance Sheets - June 30, 2018 and December 31, 2017	4
	Condensed Consolidated Statements of Income - Three and Six Months Ended June 30, 2018 and 2017	5
	Condensed Consolidated Statement of Changes in Shareholders' Equity - Six Months Ended June 30, 2018	6
	Condensed Consolidated Statements of Cash Flows - Six Months Ended June 30, 2018 and 2017	7
	Notes to the Condensed Consolidated Financial Statements	8
ITEM 2.	MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	32
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	44
ITEM 4.	CONTROLS AND PROCEDURES	45
PART II.	OTHER INFORMATION	46
ITEM 1.	LEGAL PROCEEDINGS	46
ITEM 1A.	RISK FACTORS	46
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	49
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	49
ITEM 4.	MINE SAFETY DISCLOSURES	49
ITEM 5.	OTHER INFORMATION	49
ITEM 6.	EXHIBITS	50
SIGNATURE		51

Table of Contents

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, 2018 (unaudited)	December 31, 2017
Assets		
Real estate investments, net	$3,612,095	$3,662,045
Land rights, net	634,693	640,148
Property and equipment, used in operations, net	104,312	108,293
Investment in direct financing lease, net	2,608,400	2,637,639
Cash and cash equivalents	144,472	29,054
Prepaid expenses	4,417	8,452
Goodwill	75,521	75,521
Other intangible assets	9,577	9,577
Loan receivable	13,497	13,000
Deferred tax assets	4,769	4,478
Other assets	76,807	58,675
Total assets	$7,288,560	$7,246,882
Liabilities		
Accounts payable	$461	$715
Accrued expenses	7,171	7,913
Accrued interest	35,608	33,241
Accrued salaries and wages	17,416	10,809
Gaming, property, and other taxes	49,811	35,399
Long-term debt, net of unamortized debt issuance costs	4,506,744	4,442,880
Deferred rental revenue	265,256	232,023
Deferred tax liabilities	257	244
Other liabilities	27,068	25,411
Total liabilities	4,909,792	4,788,635
Shareholders’ equity		
Preferred stock ($.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at June 30, 2018 and December 31, 2017)	—	—
Common stock ($.01 par value, 500,000,000 shares authorized, 213,737,939 and 212,717,549 shares issued at June 30, 2018 and December 31, 2017, respectively)	2,137	2,127
Additional paid-in capital	3,935,517	3,933,829
Retained accumulated deficit	(1,558,886)	(1,477,709)
Total shareholders’ equity	2,378,768	2,458,247
Total liabilities and shareholders’ equity	$7,288,560	$7,246,882

See accompanying notes to the condensed consolidated financial statements.

4

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,	
	2018	2017	2018	2017
Revenues				
Rental income	$169,865	$167,763	$339,270	$332,924
Income from direct financing lease	26,984	18,516	45,605	36,340
Real estate taxes paid by tenants	21,483	20,840	42,761	42,560
Total rental revenue and income from direct financing lease	218,332	207,119	427,636	411,824
Gaming, food, beverage and other	35,889	36,272	70,635	74,280
Total revenues	254,221	243,391	498,271	486,104
Operating expenses				
Gaming, food, beverage and other	20,407	20,669	40,065	41,745
Real estate taxes	21,800	20,912	43,395	43,055
Land rights and ground leases expense	6,444	6,035	12,976	11,210
General and administrative	24,806	14,656	41,266	30,712
Depreciation	27,523	28,423	55,477	56,680
Total operating expenses	100,980	90,695	193,179	183,402
Income from operations	153,241	152,696	305,092	302,702
Other income (expenses)				
Interest expense	(57,055)	(54,657)	(111,123)	(108,606)
Interest income	891	487	1,372	951
Losses on debt extinguishment	(3,473)	—	(3,473)	—
Total other expenses	(59,637)	(54,170)	(113,224)	(107,655)
Income before income taxes	93,604	98,526	191,868	195,047
Income tax expense	1,606	2,192	3,098	4,722
Net income	$91,998	$96,334	$188,770	$190,325
Earnings per common share:				
Basic earnings per common share	$0.43	$0.46	$0.88	$0.91
Diluted earnings per common share	$0.43	$0.45	$0.88	$0.90
Dividends paid per common share	$0.63	$0.62	$1.26	$1.24

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

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

	Common Stock		Additional Paid-In Capital	Retained Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance, December 31, 2017	212,717,549	$ 2,127	$3,933,829	$ (1,477,709)	$ 2,458,247
Stock option activity	533,845	5	9,366	—	9,371
Restricted stock activity	486,545	5	(7,678)	—	(7,673)
Dividends paid	—	—	—	(269,537)	(269,537)
Adoption of new revenue standard	—	—	—	(410)	(410)
Net income	—	—	—	188,770	188,770
Balance, June 30, 2018	213,737,939	$ 2,137	$3,935,517	$ (1,558,886)	$ 2,378,768

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

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

Six months ended June 30,	2018	2017
Operating activities		
Net income	$188,770	$190,325
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,932	61,580
Amortization of debt issuance costs	6,296	6,513
Losses on dispositions of property	225	94
Deferred income taxes	(117)	(1,280)
Stock-based compensation	4,603	8,256
Straight-line rent adjustments	33,233	32,738
Losses on debt extinguishment	3,473	—
(Increase), decrease		
Prepaid expenses, loan receivable and other assets	(1,123)	(663)
Increase, (decrease)		
Accounts payable	(254)	(704)
Accrued expenses	157	837
Accrued interest	2,367	(571)
Accrued salaries and wages	6,607	(5,794)
Gaming, property and other taxes	(119)	(573)
Income taxes	—	—
Other liabilities	572	1,482
Net cash provided by operating activities	305,622	292,240
Investing activities		
Capital project expenditures	(14)	(68)
Capital maintenance expenditures	(1,984)	(1,727)
Proceeds from sale of property and equipment	227	11
Principal payments on loan receivable	—	13,200
Acquisition of real estate assets	—	(82,866)
Collections of principal payments on investment in direct financing lease	29,239	35,845
Net cash provided by (used in) investing activities	27,468	(35,605)
Financing activities		
Dividends paid	(269,537)	(261,071)
Taxes paid related to shares withheld for tax purposes on restricted stock award vestings, net of proceeds from exercise of options	(2,905)	8,065
Proceeds from issuance of common stock, net of issuance costs	—	139,380
Proceeds from issuance of long-term debt	1,000,000	100,000
Financing costs	(19,745)	—
Repayments of long-term debt	(923,601)	(250,055)
Premium and related costs paid on tender of senior unsecured notes	(1,884)	—
Net cash used in financing activities	(217,672)	(263,681)
Net increase (decrease) in cash and cash equivalents	115,418	(7,046)
Cash and cash equivalents at beginning of period	29,054	36,556
Cash and cash equivalents at end of period	$144,472	$29,510

See Note 14 to the condensed consolidated financial statements for supplemental cash flow information and noncash investing and financing activities.

7

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 that began on January 1, 2014 to be treated as a REIT and GLPI, together with its indirect wholly-owned subsidiary, 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 unitary master lease, a triple-net operating lease with an initial term of 15 years (expiring October 31, 2028) 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 unitary triple-net lease with an initial term of 10 years (expiring April 30, 2026) with no purchase option, followed by five 5-year renewal options (exercisable by Pinnacle) on the same terms and conditions (the "Pinnacle Master Lease" and together with the Penn Master Lease, the "Master Leases").

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, 2018, GLPI's portfolio consisted of 38 gaming and related facilities, including the TRS Properties, the real property associated with 20 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 June 30, 2018.

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 December 17, 2017, the Company entered into agreements to purchase two additional properties, Plainridge Park Casino and Belterra Park Gaming & Entertainment Center ("Belterra Park") from Penn and Pinnacle, respectively. We will acquire these properties in connection with the proposed acquisition of Pinnacle by Penn pursuant to a definitive agreement and plan of merger between them, also dated December 17, 2017 (the "Merger"). Subject to and concurrently with the completion of the Merger, we have agreed to, among other things, amend our master lease with Pinnacle to allow for the sale by Pinnacle of the operating assets at Ameristar Casino Hotel Kansas City, Ameristar Casino Resort Spa St. Charles and Belterra Casino Resort to Boyd and to enter into a new master lease agreement with Boyd on terms similar to the Company's existing Master Leases for these properties and the real property underlying Belterra Park. The Plainridge Park Casino will be added to the Pinnacle Master Lease. The transaction is subject to regulatory approval and is expected to close in the fourth quarter of 2018.

Furthermore, on April 15, 2018, the Company entered into a definitive agreement to acquire the real estate assets of six casino properties from Tropicana for $1.21 billion, exclusive of taxes and transaction fees of approximately $40.0 million. The assets to be acquired are Tropicana Atlantic City, Tropicana Evansville, Lumiere Place, Tropicana Laughlin, Trop Casino Greenville and The Belle of Baton Rouge. Concurrent with the closing of this transaction, Eldorado will acquire the operating assets of these properties and lease the real estate from the Company through a new master lease with a 15-year initial term and four 5-year renewal periods. Initial annual rent is expected to be $110 million. Terms of the new lease with Eldorado are similar to the Company's existing Master Leases. The transaction is subject to regulatory approval and is expected to close by the end of 2018. The Company expects to fund the transaction with a combination of debt and equity, however, based on market conditions the entire transaction could be funded with debt.

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.

In order to conform to the current presentation of the statement of income, the Company separated the general and administrative expense line item into the line items general and administrative expenses and land rights and ground lease expense on the condensed consolidated statements of income for the three and six months ended June 30, 2017. This new line item includes the amortization of land rights and rent expense related to the Company's long-term ground leases. These reclassifications were made only for presentation purposes and had no impact on the Company's financial results for the three and six months ended June 30, 2017.

Furthermore, in conjunction with the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), on January 1, 2018, promotional allowances representing the retail value of food, beverages and other services furnished to guests without charge are presented on a net basis within the gaming, food, beverage and other revenue line item on the condensed consolidated statements of income. Prior to the adoption of ASU 2014-09, promotional allowances were required to be presented as a separate line item on the condensed consolidated statements of income. This change also had no impact on the Company's financial results for the three and six months ended June 30, 2017.

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.

Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. The notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2017 (our "Annual Report") should be read in conjunction with these condensed consolidated financial statements. The December 31, 2017 financial information has been derived from the Company’s audited consolidated financial statements.

3. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"). This ASU provides clarity about which changes to the terms or conditions of a share-based payment award require the application of modification accounting. Specifically, ASU 2017-09 clarifies that changes to the terms or conditions of an award should be accounted for as a modification unless all of the following are met: 1) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified, 2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified and 3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. ASU 2017-09 is effective for annual reporting periods beginning after December 15, 2017. The Company adopted ASU 2017-09 on January 1, 2018 and does not expect ASU 2017-09 to significantly impact its accounting for share-based payment awards, as changes to awards' terms and conditions subsequent to the grant date are unusual and infrequent in nature.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"). This ASU provides clarifying guidance on what constitutes a business acquisition versus an asset acquisition. Specifically, the new guidance lays out a screen to more easily determine if a set of integrated assets and activities does in fact represent a business. Under the ASU 2017-01, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the assets do not represent a business. ASU 2017-01 is effective for annual reporting periods beginning after December 15, 2017. The Company adopted ASU 2017-01 on January 1, 2018 with no impact to the Company's accounting treatment of its acquisitions.

Table of Contents

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. The Company adopted ASU 2016-15 on January 1, 2018, with no impact to its presentation of cash receipts and payments on its consolidated statements of cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). This new standard replaces all preceding U.S. GAAP guidance on this topic and eliminates all industry-specific guidance. ASU 2014-09 provides a unified five-step 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. The Company adopted ASU 2014-09 on January 1, 2018 using the modified retrospective approach and recorded a cumulative adjustment to retained earnings of approximately $410,000 at the adoption date.

The majority of the Company's revenue recognition policies were not impacted by the new revenue standard, as leases (the source of the Company's majority of revenues) are excluded from ASU 2014-09. Only the accounting treatment for the customer loyalty programs at the TRS properties was impacted by the adoption of ASU 2014-09. See Note 11 to the condensed consolidated financial statements for further details on the adoption impact of ASU 2014-09 at the TRS Properties.

Accounting Pronouncements Not Yet Adopted

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). This ASU simplifies an entity's goodwill impairment test by eliminating Step 2 from the test. The new guidance also amends the definition of impairment to a condition that exists when the carrying amount of goodwill exceeds its fair value. By eliminating Step 2 from the test, entities are no longer required to determine the implied fair value of goodwill by computing the fair value (at impairment testing date) of all assets and liabilities in a manner similar to that required in conjunction with business combinations. Upon the adoption of ASU 2017-04, an impairment charge is simply recorded as the difference between carrying value and fair value, when carrying value exceeds fair value. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2019 and early adoption is permitted. The Company does not expect the adoption of ASU 2017-04 to significantly impact its goodwill impairment testing.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instrument ("ASU 2016-13"). This ASU introduces a new model for estimating credit losses for certain types of financial instruments, including loans receivable and net investments in direct financing leases, amongst other financial instruments. ASU 2016-13 sets forth an "expected credit loss" impairment model to replace the current "incurred loss" method of recognizing credit losses, which is intended to improve financial reporting by requiring timely recording of credit losses on loans and other financial instruments. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted for fiscal years beginning after December 15, 2018. The Company does not expect the adoption of ASU 2016-13 to have a significant impact on its consolidated financial statements.

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. However, in January 2018, the FASB issued a proposed ASU, which would permit companies to apply the transition provisions of the lease accounting standard at its effective date (i.e. comparative financial statements would not be required). The FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, containing the new transition option and other considerations surrounding the new leasing standard in July 2018.

The Company is evaluating the impact of adopting this new accounting standard on its financial statements but does not expect the adoption of the new guidance to have a significant impact on the accounting treatment of its triple-net tenant leases, which are the primary source of revenue to the Company. Generally speaking, ASU 2016-02 will more significantly impact the accounting for leases in which GLPI is the lessee by requiring the Company to record a right of use asset and lease liability on its consolidated balance sheets for these leases. Although the Company has made significant strides in the implementation of ASU 2016-02, due to the pending transactions described in Note 1 to the condensed consolidated financial statements, which will result in the Company's entry into a number of new ground leases and the uncertainty surrounding borrowing rates at January 1, 2019, the Company is still evaluating the final dollar impact of adopting the new leasing standard.

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

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 assets on the condensed consolidated balance sheets.

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. See Note 8 to the condensed consolidated financial statements for current considerations surrounding the loan receivable.

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):

	June 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	144,472	144,472	29,054	29,054
Deferred compensation plan assets	24,403	24,403	22,617	22,617
Loan receivable	13,497	13,497	13,000	13,000
Financial liabilities:				
Long-term debt				
Senior unsecured credit facility	525,000	515,183	1,055,000	1,045,600
Senior unsecured notes	4,031,457	4,050,052	3,425,000	3,574,688

Revenue Recognition

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

Table of Contents

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 8 to the condensed consolidated financial statements.

Additionally, in accordance with ASC 606, "Revenue from Contracts with Customers," 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. Similarly, the Company records revenue for the ground lease rent paid by its tenants with an offsetting expense in land rights and ground lease 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.

Gaming revenue generated by the TRS Properties mainly consists of revenue from slot machines, and to a lesser extent, table game and poker revenue. Gaming revenue from slot machines 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.

Gaming revenue is recognized net of certain sales incentives, including promotional allowances in accordance with ASC 606, "Revenue from Contracts with Customers." The Company also defers a portion of the revenue received from customers (who participate in the points based loyalty programs) at the time of play and attributed to the awarded points until a later period when the points are redeemed or forfeited. See Note 11 to the condensed consolidated financial statements for a summary of the changes to the recognition of revenue at the TRS Properties related to the adoption of ASU 2014-09 on January 1, 2018.

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, as well as state gaming device fees, based upon a standard per game assessment. The Company 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. Admission taxes are only assessed in Louisiana, while state gaming device fees are only assessed in Maryland. 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, 2018, these expenses, which are recorded within gaming, food, beverage and other expense in the condensed consolidated statements of income, totaled $15.1 million and $29.3 million, respectively, as compared to $14.8 million and $29.9 million for the three and six months ended June 30, 2017.

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.

Table of Contents

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, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Determination of shares:				
Weighted-average common shares outstanding	213,579	209,747	213,442	208,818
Assumed conversion of dilutive employee stock-based awards	262	714	325	714
Assumed conversion of restricted stock awards	62	123	50	139
Assumed conversion of performance-based restricted stock awards	658	1,218	689	1,153
Diluted weighted-average common shares outstanding	214,561	211,802	214,506	210,824

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, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands, except per share data)			
Calculation of basic EPS:				
Net income	$91,998	$96,334	$188,770	$190,325
Less: Net income allocated to participating securities	(129)	(159)	(265)	(315)
Net income attributable to common shareholders	$91,869	$96,175	$188,505	$190,010
Weighted-average common shares outstanding	213,579	209,747	213,442	208,818
Basic EPS	$0.43	$0.46	$0.88	$0.91
Calculation of diluted EPS:				
Net income	$91,998	$96,334	$188,770	$190,325
Diluted weighted-average common shares outstanding	214,561	211,802	214,506	210,824
Diluted EPS	$0.43	$0.45	$0.88	$0.90

There were 169,324 and 195,529 outstanding equity based awards during the three and six months ended June 30, 2018, respectively, that were not included in the computation of diluted EPS because they were antidilutive. There were 3,887 and 13,486 outstanding equity based awards during the three and six months ended June 30, 2017, 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 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.

As of June 30, 2018, there was $7.8 million of total unrecognized compensation cost for restricted stock awards that will be recognized over the grants' remaining weighted average vesting period of 2.04 years. For the three and six months ended June 30, 2018, the Company recognized $1.0 million and $2.4 million, respectively, of compensation expense associated with these awards, compared to $1.4 million and $3.5 million for the three and six months ended June 30, 2017, respectively.

Table of Contents

The following table contains information on restricted stock award activity for the six months ended June 30, 2018:

	Number of Award Shares
Outstanding at December 31, 2017	344,744
Granted	283,183
Released	(273,152)
Canceled [1]	(54,999)
Outstanding at June 30, 2018	299,776

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 companies included in the MSCI US REIT index and the Company's stock performance ranking among a group of triple-net REIT peer companies. The triple-net measurement group includes publicly traded REITs deriving at least 75% of revenues from triple-net leases. As of June 30, 2018, there was $13.0 million of total unrecognized compensation cost, which will be recognized over the performance-based restricted stock awards' remaining weighted average vesting period of 2.00 years. For the three and six months ended June 30, 2018, the Company reversed $0.4 million and recognized $2.2 million, respectively, of compensation expense associated with these awards, compared to the recognition of $2.4 million and $4.8 million for the three and six months ended June 30, 2017, respectively.

The following table contains information on performance-based restricted stock award activity for the six months ended June 30, 2018:

	Number of Performance-Based Award Shares
Outstanding at December 31, 2017	1,664,000
Granted	556,000
Released	(548,000)
Canceled [1]	(330,000)
Outstanding at June 30, 2018	1,342,000

[1] The canceled shares and the resulting reversal of expense during the second quarter of 2018 are the result of the retirement of the Company's former Chief Financial Officer.

5. Real Estate Investments

Real estate investments, net, represents investments in 36 rental properties and the corporate headquarters building and is summarized as follows:

	June 30, 2018	December 31, 2017
	(in thousands)	
Land and improvements	$2,057,727	$2,057,928
Building and improvements	2,461,573	2,461,573
Total real estate investments	4,519,300	4,519,501
Less accumulated depreciation	(907,205)	(857,456)
Real estate investments, net	$3,612,095	$3,662,045

14

Table of Contents

6. Land Rights

Land rights, net represent the Company's rights to land subject to long-term ground leases. The Company obtained ground lease rights through the acquisition of several of its rental properties and immediately subleased the land to its tenants. These land rights represent the below market value of the related ground leases. The Company assessed the acquired ground leases to determine if the lease terms were favorable or unfavorable, given market conditions at the acquisition date. Because the market rents to be received under the Company's triple-net tenant leases were greater than the rents to be paid under the acquired ground leases, the Company concluded that the ground leases were below market and were therefore required to be recorded as a definite lived asset (land rights) on its books.

The land rights are amortized over the individual lease term of each ground lease, including all renewal options, which ranged from 25 years to 92 years at their respective acquisition dates. Land rights net, consists of the following:

	June 30, 2018	December 31, 2017
	(in thousands)	
Land rights	$656,666	$ 656,666
Less accumulated amortization	(21,973)	(16,518)
Land rights, net	$634,693	$ 640,148

Amortization expense related to the ground leases is recorded within land rights and ground lease expense in the condensed consolidated statements of income and totaled $2.7 million and $5.5 million for the three and six months ended June 30, 2018, respectively. Amortization expense related to the ground leases totaled $2.6 million and $4.9 million for the three and six months ended June 30, 2017, respectively.

As of June 30, 2018, estimated future amortization expense related to the Company’s ground leases by fiscal year is as follows (in thousands):

Year ending December 31,	
2018	$5,455
2019	10,910
2020	10,910
2021	10,910
2022	10,910
Thereafter	585,598
Total	$634,693

7. 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, 2018	December 31, 2017
	(in thousands)	
Land and improvements	$30,287	$ 30,276
Building and improvements	116,509	116,286
Furniture, fixtures, and equipment	115,297	114,972
Construction in progress	442	8
Total property and equipment	262,535	261,542

Less accumulated depreciation	(158,223)	(153,249)
Property and equipment, net	$104,312	$ 108,293

8. 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 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 June 30, 2018, 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 Company's investment in direct financing lease, net, consists of the following and represents the building assets acquired from Pinnacle:

	June 30, 2018	December 31, 2017
	(in thousands)	
Minimum lease payments receivable	$3,200,836	$3,263,387
Unguaranteed residual value	689,811	689,811
Gross investment in direct financing lease	3,890,647	3,953,198
Less: unearned income	(1,282,247)	(1,315,559)
Investment in direct financing lease, net	$2,608,400	$2,637,639

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. GLPI leases the property back to Casino Queen on a triple-net basis on terms similar to those in the Master Leases. 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.

Simultaneously with the Casino Queen acquisition, GLPI 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. On March 13, 2017, the outstanding principal and interest on this loan was repaid in full and GLPI simultaneously provided a new unsecured $13.0 million, 5.5 year term loan to CQ Holding Company, Inc., the parent company of Casino Queen ("CQ Holding Company"), to partially finance their acquisition of Lady Luck Casino in Marquette, Iowa. The cash proceeds were net settled. The new loan bears an interest rate of 15% and is pre-payable at any time.

The Company evaluates loans for impairment when it is probable that it will not be able to collect all amounts due according to contractual terms. All amounts due according to the contractual terms means that both contractual interest payments and the contractual principal payments of a loan will be collected as scheduled in the loan agreement. Indicators of impairment may include delinquent payments, a decline in the credit worthiness of a debtor, or a decline in the underlying property/tenant's performance. The Company measures loan impairment based upon the present value of expected future cash flows discounted at the loan's original effective interest rate. The determination of whether loans are impaired involves

Table of Contents

judgments and assumptions based on objective and subjective factors. If an impairment occurs, the Company will reduce the carrying value of the loan and record a corresponding charge to net income.
On June 12, 2018, the Company received a Notice of Event of Default under the Senior Credit Agreement of CQ Holding Company from Citizens Bank, N.A. ("Citizens"), which reported a covenant default under their senior secured agreement. Under the terms of that agreement, Citizens may halt debtor payments to unsecured lenders such as GLPI. As this did in fact occur, the interest due from CQ Holding Company in June 2018 under the Company's unsecured loan was paid in kind in the amount of $0.5 million. At this time, full payment of the principal is still expected and all lease payments due from Casino Queen remain current. No modifications or concessions have been made to the loan and as such at June 30, 2018, the Company believes it is appropriate to accrue the full principal and interest due under the loan. At June 30, 2018, the balance of the loan is $13.5 million, including $0.5 million of accrued interest. 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.

9. Long-term Debt

Long-term debt is as follows:

	June 30, 2018	December 31, 2017
	(in thousands)	
Unsecured term loan A	$—	$ 230,000
Unsecured term loan A-1	525,000	825,000
Unsecured revolver	—	—
$550 million 4.375% senior unsecured notes due November 2018	156,457	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	400,000
$500 million 5.375% senior unsecured notes due November 2023	500,000	500,000
$500 million 5.250% senior unsecured notes due June 2025	500,000	—
$975 million 5.375% senior unsecured notes due April 2026	975,000	975,000
$500 million 5.750% senior unsecured notes due June 2028	500,000	—
Capital lease	1,171	1,230
Total long-term debt	4,557,628	4,481,230
Less: unamortized debt issuance costs	(50,884)	(38,350)
Total long-term debt, net of unamortized debt issuance costs	$4,506,744	$ 4,442,880

The following is a schedule of future minimum repayments of long-term debt as of June 30, 2018 (in thousands):

Within one year	$ 156,577
2-3 years	1,925,258
4-5 years	284
Over 5 years	2,475,509
Total minimum payments	$4,557,628

Senior Unsecured Credit Facility

The Company's senior unsecured credit facility (the "Credit Facility"), consists of a $1,100 million revolving credit facility and a $525 million Term Loan A-1 facility. On May 21, 2018, the Company entered into the second amendment to the Credit Facility, which increased the Company's revolving commitments to an aggregate principal amount of $1,100 million, eliminated the Term Loan A facility, required the Company to repay a portion of the Term Loan A-1 facility and extended the maturity date of the revolving credit facility. The revolving credit facility matures on May 21, 2023 and the Term Loan A-1 facility matures on April 28, 2021.

The Company recorded a loss on the early extinguishment of debt, related to the second amendment to the Credit Facility, of approximately $1.0 million for the proportional amount of unamortized debt issuance costs associated with the extinguished Term Loan A facility and related to the banks that are no longer participating in the Credit Facility.

Table of Contents

At June 30, 2018, the Credit Facility had a gross outstanding balance of $525 million, consisting of the $525 million Term Loan A-1 facility. Additionally, at June 30, 2018, the Company was contingently obligated under letters of credit issued pursuant to the Credit Facility with face amounts aggregating approximately $0.4 million, resulting in $1,099.6 million of available borrowing capacity under the revolving credit facility as of June 30, 2018.

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. 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 June 30, 2018, the Company was in compliance with all required financial covenants under the Credit Facility.

Senior Unsecured Notes

On May 21, 2018, the Company completed a cash tender offer (the "Tender Offer") to purchase any and all of the outstanding $550 million aggregate principal of its 4.375% Senior Unsecured Notes due 2018 (the "2018 Notes"). The Company received tenders from the holders of approximately $393.5 million in aggregate principal of the 2018 Notes, or approximately 72% of its outstanding 2018 Notes in connection with the Tender Offer at a price of 100.396% of the unpaid principal amount plus accrued and unpaid interest through the settlement date. The Company recorded a loss on the early extinguishment of debt, related to the Tender Offer of approximately $2.5 million for the proportional amount of unamortized debt issuance costs associated with the tendered 2018 Notes and the difference between the reaquisition price of the tendered 2018 Notes and their net carrying value.

Also on May 21, 2018, the Company issued $500 million of 5.250% Senior Unsecured Notes maturing on June 1, 2025 (the "2025 Notes") and $500 million of 5.750% Senior Unsecured Notes maturing on June 1, 2028 (the "2028 Notes"). Interest on the 2025 Notes and 2028 Notes is payable semi-annually on June 1 and December 1 of each year, commencing on December 1, 2018. The net proceeds from the sale of the 2025 Notes and 2028 Notes were used (i) to prepay and extinguish the outstanding borrowings under the Term Loan A facility under the Credit Facility and to repay a portion of the outstanding borrowings under the Term Loan A-1 facility and (ii) to finance the tender offer of the 2018 Notes and to pay fees and expenses to amend our Credit Facility, as described above.

Each of the 4.875% Senior Unsecured Notes due 2020 (the "2020 Notes"), 4.375% Senior Unsecured Notes due 2021 (the "2021 Notes"), 5.375% Senior Unsecured Notes due 2023 (the "2023 Notes"), and 5.375% Senior Unsecured Notes due 2026 (the "2026 Notes") and collectively with the 2018 Notes, 2020 Notes, 2021 Notes, 2023 Notes, 2025 Notes and 2028 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 June 30, 2018, 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.

Table of Contents

10. Commitments and Contingencies

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.

11. Revenue Recognition

As of June 30, 2018, 20 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 of Penn's and Pinnacle's subsidiaries that occupy and operate the facilities leased under the respective 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 real estate assets of the Meadows Racetrack and Casino (the "Meadows") 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 "Casino Queen Lease").

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.

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.

GLPI leases the Meadows real property assets to Pinnacle under a triple-net operating 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"). 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.

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.

In addition to rent, as triple-net lessees, all of the Company's 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, including coverage of the landlord's interests, (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.

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.

Gaming revenue generated by the TRS Properties mainly consists of revenue from slot machines, and to a lesser extent, table game and poker revenue. Gaming revenue from slot machines 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.

On January 1, 2018, the Company adopted ASU 2014-09, which altered the recognition of revenue at the TRS Properties related to the customer loyalty programs. Specifically, the recognition of revenue associated with these points based programs was impacted by eliminating the current accrual for the cost of the points awarded at the time of play and instead deferring the portion of the revenue received from the customer at the time of play and attributed to the awarded points until a later period when such points are redeemed or forfeited. The revenue deferral is calculated by allocating a portion of the transaction price to the points based upon their retail value. Under the former guidance, the cost of the points was recorded as an operating expense through the gaming, food, beverage and other expense line item of the Company's condensed consolidated statement of income. Under ASU 2014-09, promotional allowances representing the retail value of food, beverages and other services furnished to guests without charge are no longer presented as a separate line item on the condensed consolidated statements of income, rather they are presented on a net basis within gaming, food, beverage and other revenue. This change has no impact to total revenues and is for presentation purposes only. The impact of adopting ASU 2014-09 was immaterial to our total revenue for both the three and six months ended June 30, 2018.

The following table discloses the components of gaming, food, beverage and other revenue within the condensed consolidated statements of income for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Slot machines	$30,120	$30,318	$59,132	$62,016
Table games	4,195	4,451	8,479	9,254
Poker	268	270	576	584
Food, beverage and other	2,415	2,450	4,603	4,895
Promotional allowances	(1,109)	(1,217)	(2,155)	(2,469)
Total gaming, food, beverage and other revenue	$35,889	$36,272	$70,635	$74,280

Table of Contents

12. Shareholders' Equity

Common Stock

During August 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.
No shares were sold under the ATM Program during the six months ended June 30, 2018. During the six months ended June 30, 2017, the Company sold 3,864,872 shares of its common stock at an average price of $36.22 per share under the ATM Program, which generated gross proceeds of approximately $140.0 million (net proceeds of approximately $139.4 million). Program to date, the Company has sold 5,186,871 shares of its common stock at an average price of $35.91 per share under the ATM Program and generated gross proceeds of approximately $186.3 million (net proceeds of approximately $185.0 million). The Company used the net proceeds from the ATM Program to partially fund its acquisition of the Meadows' and Tunica real estate assets. As of June 30, 2018, the Company had $213.7 million remaining for issuance under the ATM Program and had not entered into any forward sale agreements.

Dividends

The following table lists the dividends declared and paid by the Company during the six months ended June 30, 2018 and 2017:

Declaration Date	Shareholder Record Date	Securities Class	Dividend Per Share	Period Covered	Distribution Date	Dividend Amount
						(in thousands)
2018						
February 1, 2018	March 9, 2018	Common Stock	$ 0.63	First Quarter 2018	March 23, 2018	$ 134,490
April 24, 2018	June 15, 2018	Common Stock	$ 0.63	Second Quarter 2018	June 29, 2018	$ 134,631
2017						
	March 13, 2017		$ 0.62	First Quarter 2017	March 24, 2017	$ 129,007

February 1, 2017		Common Stock				
April 25, 2017	June 16, 2017	Common Stock	$ 0.62	Second Quarter 2017	June 30, 2017	$ 131,554

In addition, for the three and six months ended June 30, 2018, dividend payments were made to GLPI restricted stock award holders in the amount of $0.2 million and $0.4 million, respectively, as compared to $0.2 million and $0.5 million for the three and six months ended June 30, 2017, respectively.

Table of Contents

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.

	Three Months Ended June 30, 2018				Three Months Ended June 30, 2017			
(in thousands)	GLP Capital	TRS Properties	Eliminations[1]	Total	GLP Capital	TRS Properties	Eliminations[1]	Total
Total revenues	$218,332	$ 35,889	$ —	$254,221	$207,119	$ 36,272	$ —	$243,391
Income from operations	146,133	7,108	—	153,241	145,401	7,295	—	152,696
Interest, net	56,164	2,602	(2,602)	56,164	54,171	2,601	(2,602)	54,170
Income before income taxes	89,098	4,506	—	93,604	93,832	4,694	—	98,526
Income tax expense	228	1,378	—	1,606	242	1,950	—	2,192
Net income	88,870	3,128	—	91,998	93,590	2,744	—	96,334
Depreciation	25,172	2,351	—	27,523	25,626	2,797	—	28,423
Capital project expenditures	14	—	—	14	60	—	—	60
Capital maintenance expenditures	3	1,159	—	1,162	—	1,245	—	1,245

	Six Months Ended June 30, 2018				Six Months Ended June 30, 2017			
(in thousands)	GLP Capital	TRS Properties	Eliminations[1]	Total	GLP Capital	TRS Properties	Eliminations[1]	Total
Total revenues	$427,636	$ 70,635	$ —	$498,271	$411,824	$ 74,280	$ —	$486,104
Income from operations	291,007	14,085	—	305,092	287,435	15,267	—	302,702
Interest, net	109,752	5,202	(5,203)	109,751	107,657	5,201	(5,203)	107,655
Income before income taxes	182,985	8,883	—	191,868	184,981	10,066	—	195,047
Income tax expense	399	2,699	—	3,098	612	4,110	—	4,722
Net income	182,586	6,184	—	188,770	184,369	5,956	—	190,325
Depreciation	50,787	4,690	—	55,477	51,050	5,630	—	56,680
Capital project expenditures	14	—	—	14	68	—	—	68
Capital maintenance expenditures	51	1,933	—	1,984	—	1,727	—	1,727

(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 and Noncash Activities

Supplemental disclosures of cash flow information are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	

Cash paid for income taxes, net of refunds received	$2,650	$6,424	$2,672	$6,424
Cash paid for interest	93,861	93,874	102,410	102,613

Noncash Investing and Financing Activities

During the six months ended June 30, 2018 and 2017, the Company did not engage in any noncash investing and financing activities.

15. 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 June 30, 2018 and December 31, 2017, statements of income for the three and six months ended June 30, 2018 and 2017 and statements of cash flows for the six months ended June 30, 2018 and 2017 for GLPI

Table of Contents

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.

At June 30, 2018 Condensed Consolidating Balance Sheet	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Assets					
Real estate investments, net	$—	$1,748,886	$1,863,209	$—	$3,612,095
Land rights, net	—	57,802	576,891	—	634,693
Property and equipment, used in operations, net	—	19,594	84,718	—	104,312
Investment in direct financing lease, net	—	—	2,608,400	—	2,608,400
Cash and cash equivalents	—	113,606	30,866	—	144,472
Prepaid expenses	—	2,536	1,316	565	4,417
Goodwill	—	—	75,521	—	75,521
Other intangible assets	—	—	9,577	—	9,577
Loan receivable	—	—	13,497	—	13,497
Intercompany loan receivable	—	193,595	—	(193,595)	—
Intercompany transactions and investment in subsidiaries	2,378,768	5,050,698	2,877,150	(10,306,616)	—
Deferred tax assets	—	—	4,769	—	4,769
Other assets	—	50,729	26,078	—	76,807
Total assets	$2,378,768	$7,237,446	$8,171,992	$(10,499,646)	$7,288,560
Liabilities					
Accounts payable	$—	$168	$293	$—	$461
Accrued expenses	—	1,580	5,591	—	7,171
Accrued interest	—	35,608	—	—	35,608
Accrued salaries and wages	—	15,376	2,040	—	17,416
Gaming, property, and other taxes	—	25,238	24,573	—	49,811
Income taxes	—	(181)	(384)	565	—
Long-term debt, net of unamortized debt issuance costs	—	4,506,744	—	—	4,506,744
Intercompany loan payable	—	—	193,595	(193,595)	—
Deferred rental revenue	—	248,674	16,582	—	265,256
Deferred tax liabilities	—	—	257	—	257
Other liabilities	—	25,471	1,597	—	27,068
Total liabilities	—	4,858,678	244,144	(193,030)	4,909,792
Shareholders’ equity (deficit)					
Preferred stock ($.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at June 30, 2018)	—	—	—	—	—
Common stock ($.01 par value, 500,000,000 shares authorized, 213,737,939 shares issued at June 30, 2018)	2,137	2,137	2,137	(4,274)	2,137
Additional paid-in capital	3,935,517	3,935,517	9,500,443	(13,435,960)	3,935,517
Retained accumulated (deficit) earnings	(1,558,886)	(1,558,886)	(1,574,732)	3,133,618	(1,558,886)
Total shareholders’ equity (deficit)	2,378,768	2,378,768	7,927,848	(10,306,616)	2,378,768

Total liabilities and shareholders' equity (deficit)	$2,378,768	$7,237,446	$8,171,992	$(10,499,646)	$7,288,560

Table of Contents

Three months ended June 30, 2018 Condensed Consolidating Statement of Income	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental income	$ —	$ 101,767	$ 68,098	$ —	$ 169,865
Income from direct financing lease	—	—	26,984	—	26,984
Real estate taxes paid by tenants	—	11,176	10,307	—	21,483
Total rental revenue and income from direct financing lease	—	112,943	105,389	—	218,332
Gaming, food, beverage and other	—	—	35,889	—	35,889
Total revenues	—	112,943	141,278	—	254,221
Operating expenses					
Gaming, food, beverage and other	—	—	20,407	—	20,407
Real estate taxes	—	11,195	10,605	—	21,800
Land rights and ground lease expense	—	1,929	4,515	—	6,444
General and administrative	—	19,016	5,790	—	24,806
Depreciation	—	23,190	4,333	—	27,523
Total operating expenses	—	55,330	45,650	—	100,980
Income from operations	—	57,613	95,628	—	153,241
Other income (expenses)					
Interest expense	—	(57,055)	—	—	(57,055)
Interest income	—	404	487	—	891
Losses on debt extinguishment	—	(3,473)	—	—	(3,473)
Intercompany dividends and interest	—	109,988	4,898	(114,886)	—
Total other income (expenses)	—	49,864	5,385	(114,886)	(59,637)
Income (loss) before income taxes	—	107,477	101,013	(114,886)	93,604
Income tax expense	—	228	1,378	—	1,606
Net income (loss)	$ —	$ 107,249	$ 99,635	$ (114,886)	$ 91,998

Table of Contents

Six months ended June 30, 2018 Condensed Consolidating Statement of Income	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental income	$ —	$ 203,587	$ 135,683	$ —	$ 339,270
Income from direct financing lease	—	—	45,605	—	45,605
Real estate taxes paid by tenants	—	22,076	20,685	—	42,761
Total rental revenue and income from direct financing lease	—	225,663	201,973	—	427,636
Gaming, food, beverage and other	—	—	70,635	—	70,635
Total revenues	—	225,663	272,608	—	498,271
Operating expenses					
Gaming, food, beverage and other	—	—	40,065	—	40,065
Real estate taxes	—	22,114	21,281	—	43,395
Land rights and ground lease expense	—	3,948	9,028	—	12,976
General and administrative	—	29,937	11,329	—	41,266
Depreciation	—	46,791	8,686	—	55,477
Total operating expenses	—	102,790	90,389	—	193,179
Income from operations	—	122,873	182,219	—	305,092
Other income (expenses)					
Interest expense	—	(111,123)	—	—	(111,123)
Interest income	—	404	968	—	1,372
Losses on debt extinguishment	—	(3,473)	—	—	(3,473)
Intercompany dividends and interest	—	217,091	4,583	(221,674)	—
Total other income (expenses)	—	102,899	5,551	(221,674)	(113,224)
Income (loss) before income taxes	—	225,772	187,770	(221,674)	191,868
Income tax expense	—	399	2,699	—	3,098
Net income (loss)	$ —	$ 225,373	$ 185,071	$ (221,674)	$ 188,770

Table of Contents

Six months ended June 30, 2018 Condensed Consolidating Statement of Cash Flows	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Operating activities					
Net income (loss)	$—	$225,373	$ 185,071	$ (221,674)	$ 188,770
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	47,624	13,308	—	60,932
Amortization of debt issuance costs	—	6,296	—	—	6,296
(Gains) losses on dispositions of property	—	(9)	234	—	225
Deferred income taxes	—	—	(117)	—	(117)
Stock-based compensation	—	4,603	—	—	4,603
Straight-line rent adjustments	—	28,655	4,578	—	33,233
Losses on debt extinguishment	—	3,473	—	—	3,473
(Increase) decrease,					
Prepaid expenses, loan receivable and other assets	—	(2,146)	(50)	1,073	(1,123)
Intercompany	—	183	(183)	—	—
Increase (decrease),					
Accounts payable	—	(450)	196	—	(254)
Accrued expenses	—	(39)	196	—	157
Accrued interest	—	2,367	—	—	2,367
Accrued salaries and wages	—	7,544	(937)	—	6,607
Gaming, property and other taxes	—	(190)	71	—	(119)
Income taxes	—	125	948	(1,073)	—
Other liabilities	—	992	(420)	—	572
Net cash provided by (used in) operating activities	—	324,401	202,895	(221,674)	305,622
Investing activities					
Capital project expenditures	—	(14)	—	—	(14)
Capital maintenance expenditures	—	(51)	(1,933)	—	(1,984)
Proceeds from sale of property and equipment	—	210	17	—	227
Collection of principal payments on investment in direct financing lease	—	—	29,239	—	29,239
Net cash provided by investing activities	—	145	27,323	—	27,468
Financing activities					
Dividends paid	(269,537)	—	—	—	(269,537)
Taxes paid related to shares withheld for tax purposes on restricted stock award vestings, net of proceeds from exercise of options	(2,905)	—	—	—	(2,905)
Proceeds from issuance of long-term debt	—	1,000,000	—	—	1,000,000
Financing costs	—	(19,745)	—	—	(19,745)
Repayments of long-term debt	—	(923,601)	—	—	(923,601)
Premium and related costs paid on tender of senior unsecured notes	—	(1,884)	—	—	(1,884)
Intercompany financing	272,442	(272,444)	(221,672)	221,674	—
Net cash (used in) provided by financing activities	—	(217,674)	(221,672)	221,674	(217,672)
Net increase in cash and cash equivalents	—	106,872	8,546	—	115,418
Cash and cash equivalents at beginning of period	—	6,734	22,320	—	29,054
Cash and cash equivalents at end of period	$—	$113,606	$ 30,866	$—	$ 144,472

26

Table of Contents

At December 31, 2017 Condensed Consolidating Balance Sheet	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Assets					
Real estate investments, net	$—	$1,794,840	$1,867,205	$—	$3,662,045
Land rights, net	—	58,635	581,513	—	640,148
Property and equipment, used in operations, net	—	20,568	87,725	—	108,293
Investment in direct financing lease, net	—	—	2,637,639	—	2,637,639
Cash and cash equivalents	—	6,734	22,320	—	29,054
Prepaid expenses	—	4,067	2,746	1,639	8,452
Goodwill	—	—	75,521	—	75,521
Other intangible assets	—	—	9,577	—	9,577
Loan receivable	—	—	13,000	—	13,000
Intercompany loan receivable	—	193,595	—	(193,595)	—
Intercompany transactions and investment in subsidiaries	2,458,247	5,087,893	2,959,174	(10,505,314)	—
Deferred tax assets	—	—	4,478	—	4,478
Other assets	—	42,485	16,190	—	58,675
Total assets	$2,458,247	$7,208,817	$8,277,088	$(10,697,270)	$7,246,882
Liabilities					
Accounts payable	$—	$619	$96	$—	$715
Accrued expenses	—	672	7,241	—	7,913
Accrued interest	—	33,241	—	—	33,241
Accrued salaries and wages	—	7,832	2,977	—	10,809
Gaming, property, and other taxes	—	21,135	14,264	—	35,399
Income taxes	—	(306)	(1,333)	1,639	—
Long-term debt, net of unamortized debt issuance costs	—	4,442,880	—	—	4,442,880
Intercompany loan payable	—	—	193,595	(193,595)	—
Deferred rental revenue	—	220,019	12,004	—	232,023
Deferred tax liabilities	—	—	244	—	244
Other liabilities	—	24,478	933	—	25,411
Total liabilities	—	4,750,570	230,021	(191,956)	4,788,635
Shareholders' equity (deficit)					
Preferred stock ($.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at December 31, 2016)	—	—	—	—	—
Common stock ($.01 par value, 500,000,000 shares authorized, 212,717,549 shares issued at December 31, 2017)	2,127	2,127	2,127	(4,254)	2,127
Additional paid-in capital	3,933,829	3,933,831	9,498,755	(13,432,586)	3,933,829
Retained accumulated (deficit) earnings	(1,477,709)	(1,477,711)	(1,453,815)	2,931,526	(1,477,709)
Total shareholders' equity (deficit)	2,458,247	2,458,247	8,047,067	(10,505,314)	2,458,247
Total liabilities and shareholders' equity (deficit)	$2,458,247	$7,208,817	$8,277,088	$(10,697,270)	$7,246,882

27

Table of Contents

Three months ended June 30, 2017 Condensed Consolidating Statement of Income	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental income	$ —	$ 99,647	$ 68,116	$ —	$ 167,763
Income from direct financing lease	—	—	18,516	—	18,516
Real estate taxes paid by tenants	—	10,927	9,913	—	20,840
Total rental revenue and income from direct financing lease	—	110,574	96,545	—	207,119
Gaming, food, beverage and other	—	—	36,272	—	36,272
Total revenues	—	110,574	132,817	—	243,391
Operating expenses					
Gaming, food, beverage and other	—	—	20,669	—	20,669
Real estate taxes	—	10,946	9,966	—	20,912
Land rights and ground lease expense	—	1,514	4,521	—	6,035
General and administrative	—	9,134	5,522	—	14,656
Depreciation	—	23,450	4,973	—	28,423
Total operating expenses	—	45,044	45,651	—	90,695
Income from operations	—	65,530	87,166	—	152,696
Other income (expenses)					
Interest expense	—	(54,657)	—	—	(54,657)
Interest income	—	—	487	—	487
Intercompany dividends and interest	—	107,546	4,398	(111,944)	—
Total other income (expenses)	—	52,889	4,885	(111,944)	(54,170)
Income (loss) before income taxes	—	118,419	92,051	(111,944)	98,526
Income tax expense	—	242	1,950	—	2,192
Net income (loss)	$ —	$ 118,177	$ 90,101	$ (111,944)	$ 96,334

Table of Contents

Six months ended June 30, 2017 Condensed Consolidating Statement of Income	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental income	$ —	$ 197,399	$ 135,525	$ —	$ 332,924
Income from direct financing lease	—	—	36,340	—	36,340
Real estate taxes paid by tenants	—	22,083	20,477	—	42,560
Total rental revenue and income from direct financing lease	—	219,482	192,342	—	411,824
Gaming, food, beverage and other	—	—	74,280	—	74,280
Total revenues	—	219,482	266,622	—	486,104
Operating expenses					
Gaming, food, beverage and other	—	—	41,745	—	41,745
Real estate taxes	—	22,129	20,926	—	43,055
Land rights and ground lease expense	—	2,146	9,064	—	11,210
General and administrative	—	19,397	11,315	—	30,712
Depreciation	—	46,698	9,982	—	56,680
Total operating expenses	—	90,370	93,032	—	183,402
Income from operations	—	129,112	173,590	—	302,702
Other income (expenses)					
Interest expense	—	(108,606)	—	—	(108,606)
Interest income	—	—	951	—	951
Intercompany dividends and interest	—	223,319	5,521	(228,840)	—
Total other income (expenses)	—	114,713	6,472	(228,840)	(107,655)
Income (loss) before income taxes	—	243,825	180,062	(228,840)	195,047
Income tax expense	—	612	4,110	—	4,722
Net income (loss)	$ —	$ 243,213	$ 175,952	$ (228,840)	$ 190,325

Six months ended June 30, 2017 Condensed Consolidating Statement of Cash Flows	Parent Guarantor	Subsidiary Issuer	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Operating activities					
Net income (loss)	$ —	$ 243,213	$ 175,952	$ (228,840)	$ 190,325
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation	—	46,975	14,605	—	61,580
Amortization of debt issuance costs	—	6,513	—	—	6,513
Losses on dispositions of property	—	—	94	—	94
Deferred income taxes	—	—	(1,280)	—	(1,280)
Stock-based compensation	—	8,256	—	—	8,256
Straight-line rent adjustments	—	28,160	4,578	—	32,738
(Increase) decrease,					
Prepaid expenses and other assets	—	(1,402)	750	(11)	(663)
Intercompany	—	(494)	494	—	—
(Decrease) increase,	0	0		0	
Accounts payable	—	(286)	(418)	—	(704)
Accrued expenses	—	516	321	—	837
Accrued interest	—	(571)	—	—	(571)
Accrued salaries and wages	—	(5,173)	(621)	—	(5,794)
Gaming, property and other taxes	—	(692)	119	—	(573)
Income taxes	—	(127)	116	11	—
Other liabilities	—	2,364	(882)	—	1,482
Net cash provided by (used in) operating activities	—	327,252	193,828	(228,840)	292,240
Investing activities					