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 September 30, 2013

OR

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

For the transition period from to

Commission file number: 001-36124

Gaming and Leisure Properties, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	**46-2116489**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

825 Berkshire Blvd., Suite 400

Wyomissing, PA 19610

(Address of principal executive offices) (Zip Code)

610-401-2900

(Registrant s telephone number, including area code)

Not Applicable

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

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

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 o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

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

Title	Outstanding as of November 11, 2013
Common Stock, par value $.01 per share	89,020,704 (includes 419,067 shares of restricted stock)

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Forward-looking statements in this document are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Gaming and Leisure Properties, Inc. and its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements include information concerning the Company s business strategy, plans, and goals and objectives. As used herein, the terms we, us, our, GLPI or the Company ref to Gaming and Leisure Properties, Inc. and/or more of its subsidiaries.

Statements preceded by, followed by or that otherwise include the words believes, expects, anticipates, intends, projects, estimates, plan 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 effects of local and national economic, credit, capital market, housing, and energy conditions on the economy in general and on the real estate, gaming, lodging and hospitality industries in particular;

- the ability and willingness of our sole tenant, Penn Tenant, LLC (Penn Tenant), which is a wholly owned subsidiary of Penn National Gaming, Inc. (Penn), 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 Penn and operators to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to third parties, including without limitation obligations under their existing credit facilities and other indebtedness;

- the ability of Penn 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 and willingness of tenants to renew their leases with us upon expiration of the leases, our ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we exercise our right to replace an existing tenant, and obligations, including indemnification obligations, we may incur in connection with the replacement of an existing tenant;

- the availability 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 willingness of gaming operators other than Penn to enter into leasing transactions or other arrangements with us;

- the ability to diversify into different businesses, such as hotels, entertainment facilities and office space;

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

- the degree and nature of our competition;

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

- the access to debt and equity capital markets;

- fluctuating interest rates;

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

- the ability to qualify for and subsequently maintain our status as a real estate investment trust following our anticipated election to be taxed as a real estate investment trust for U.S. federal income tax purposes commencing with our taxable year beginning on January 1, 2014;

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- 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 discussed in the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations in this document.

Certain of these factors and other factors, risks and uncertainties are discussed in the Risk Factors section of this document. 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 under the heading Risk Factors, in connection with considering any forward-looking statements that may be made by the Company generally. Except for the ongoing obligations of the Company to disclose material information under the federal securities laws, the Company does not undertake any obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless required to do so by law.

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GAMING AND LEISURE PROPERTIES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Gaming and Leisure Properties, Inc.

Condensed Consolidated Balance Sheets

(amounts in thousands, except share data)

	September 30, 2013 (unaudited)	March 31, 2013
Assets		
Cash	$	$
Total assets	$	$
Stockholder s Equity		
Common stock, $0.01 par value, 1,000 shares authorized, issued and outstanding	$	$
Additional paid in capital		
Total stockholder s equity	$	$

See accompanying notes to the condensed consolidated balance sheets.

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Gaming and Leisure Properties, Inc.

Notes to the Condensed Consolidated Balance Sheets

1. Organization and Operations

Gaming and Leisure Properties, Inc. (the Company or GLPI) is a Pennsylvania corporation that was incorporated on February 13, 2013 as a wholly-owned subsidiary of Penn National Gaming, Inc. (Penn). On November 1, 2013, Penn completed the spin-off of GLPI by distributing the common stock it held in GLPI to Penn s shareholders (the Spin-Off). Prior to the Spin-Off, Penn engaged in a series of internal corporate restructurings to separate its real estate assets from its operating assets. GLPI holds directly or indirectly substantially all of the assets and liabilities associated with the real property interests and real estate development business related to Penn s gaming operations, as well as the assets and liabilities of Louisiana Casino Cruises, Inc. (Hollywood Casino Baton Rouge) and Penn Cecil Maryland, Inc. (Hollywood Casino Perryville). Penn continues to hold all of its other historical operations, assets and liabilities.

GLPI intends to elect to be taxed as a real estate investment trust (REIT) for United States (U.S.) federal income tax purposes, which GLPI currently expects to occur commencing with its taxable year beginning on January 1, 2014. GLPI s primary business consists of acquiring, financing, and owning real estate property to be leased to gaming operators in triple net lease arrangements, pursuant to which the tenant is responsible for all facility maintenance, insurance required in connection with the leased properties and the business conducted on the leased properties, taxes levied on or with respect to the leased properties and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. As of November 1, 2013, GLPI s sole tenant is Penn Tenant, LLC (Penn Tenant), a subsidiary of Penn, which leases the GLPI assets related to the business of Penn other than the Hollywood Casino Baton Rouge and Hollywood Casino Perryville (the TRS Properties) pursuant to a master lease agreement (the Master Lease). Following its qualification as a REIT, GLPI expects to be the first gaming-focused REIT, and expects to grow its portfolio by aggressively pursuing opportunities to acquire additional gaming facilities to lease to gaming operators, which may include Penn. GLPI also anticipates diversifying its portfolio over time, including by acquiring properties outside the gaming industry to lease to third parties.

To govern their ongoing relationship, Penn and GLPI or their respective subsidiaries, as applicable, entered into certain agreements on or prior to the Spin-Off. These agreements included: (i) a separation and distribution agreement, providing for the separation of Penn s real estate assets and certain organizational matters, setting forth certain mechanics related to the Spin-Off and setting forth certain ongoing agreements between Penn and GLPI with respect to the Spin-Off (the Separation and Distribution Agreement), (ii) the Master Lease, (iii) an agreement relating to tax matters (the Tax Matters Agreement), (iv) an agreement pursuant to which Penn provides certain services to GLPI on a transitional basis (the Transition Services Agreement) and (v) an agreement relating to employee matters (the Employee Matters Agreement).

We believe that we will qualify as a REIT commencing with our taxable year beginning January 1, 2014. To maintain our status as a REIT, we will be required to distribute 90% of our ordinary taxable income to our shareholders. Generally, and subject to our ongoing qualification as a REIT, no provisions for income taxes will be necessary except for taxes on undistributed REIT taxable income and taxes on the income generated by our TRS properties. Our TRS properties will be subject to corporate federal and state income tax on their taxable income at regular statutory rates.

The consolidated balance sheets should be read in conjunction with the schedule of real estate assets to be acquired by GLPI and the combined financial statements of Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc. which are included in this Form 10-Q.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated balance sheets of GLPI have been prepared in conformity with generally accepted accounting principles in the United States (GAAP).

Use of Estimates

The preparation of the consolidated balance sheets in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts reported in the balance sheet and related notes. Actual results could differ from those estimates.

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Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all cash balances and highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

3. 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 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.

Pursuant to the Separation and Distribution Agreement, any liability arising from or relating to legal proceedings involving the businesses and operations of Penn s real property holdings prior to the Spin-Off (other than any liability arising from or relating to legal proceedings where the dispute arises from the operation or ownership of the TRS Properties) is retained by Penn and Penn indemnifies GLPI (and its subsidiaries, directors, officers, employees and agents and certain other related parties) against any losses it may incur arising from or relating to such legal proceedings.

Rentals under Operating Leases

The majority of the Company s real estate properties are leased to Penn Tenant under the Master Lease. The Master Lease provides for an initial term of 15 years commencing on November 1, 2013, with no purchase option. At the option of the Penn Tenant, the Master Lease may be extended for up to four five-year renewal terms beyond the initial term, on the same terms and conditions. The future minimum rental income (which excludes any rental payments that are variable during the term of the Master Lease) from the Company s properties under non-cancelable operating leases is as follows (in thousands):

Year ending December 31,

2013 (2 months)	$	62,800
2014		376,802
2015		376,802
2016		376,802
2017		376,802
Thereafter		3,646,018
Total	$	5,216,026

Operating Lease Commitments

In connection with the Spin-Off, Penn assigned to GLPI various leases on the real property held by GLPI. The following is a description of some of the more significant lease contracts that Penn assigned to GLPI on November 1, 2013:

A lease agreement for the land utilized in connection with the operations of a casino in Biloxi, Mississippi. The lease commenced March 3, 1994 and is for a term of 99 years. The annual rental payment, which is currently $0.14 million, is increased every 5 years by fifteen percent. The next reset period is in March 2014.

A lease agreement for the land utilized in connection with the operations of a casino in Tunica, Mississippi. The lease commenced on October 11, 1993 with a five year initial term and nine five year renewals at the tenant s option. The lease agreement has an annual fixed rent provision, as well as an annual revenue-sharing provision, which is equal to the result obtained by subtracting the fixed rent provision from 4% of gross revenues.

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An operating lease with the City of Bangor which covers the permanent casino facility that opened on July 1, 2008. Under the lease agreement, there is a fixed rent provision, as well as a revenue-sharing provision, which is equal to 3% of gross slot revenue. The final term of the lease, which commenced with the opening of the permanent facility, is for an initial term of fifteen years, with three ten-year renewal options. GLPI assumed the obligations related to the fixed rent provisions and Penn remains liable for the revenue sharing obligations as the operator of the facility.

The future minimum lease commitments of GLPI are shown below. Note that this table does not include commitments related to obligations that are variable in nature and as such is not illustrative of the total anticipated payments that GLPI will incur related to these leases over this time period (in thousands):

Year ending December 31,

2013 (2 months)	$	243
2014		998
2015		301
2016		300
2017		314
Thereafter		44,436
Total	$	46,592

4. Subsequent Events

On November 1, 2013, Penn effected the Spin-Off by distributing one share of common stock of GLPI to the holders of Penn common stock and Series C Convertible Preferred Stock for every share of Penn common stock and every 1/1000th of a share of Series C Preferred Stock that they held at the close of business on October 16, 2013, the record date for the Spin-Off. Peter M. Carlino and the PMC Delaware Dynasty Trust dated September 25, 2013, a trust for the benefit of Mr. Carlino s children, also received additional shares of GLPI common stock, in exchange for shares of Penn common stock that they transferred to Penn immediately prior to the Spin-Off, and Mr. Carlino exchanged certain options to acquire Penn common stock for options to acquire GLPI common stock having the same aggregate intrinsic value. The transactions with Mr. Carlino and the trust were effected solely to ensure compliance with certain rules and regulations related to the qualification of GLPI as a REIT.

Prior to the consummation of the Spin-Off, Penn contributed substantially all of the assets and liabilities associated with the real property interests and real estate development business related to Penn s gaming operations, as well as the assets and liabilities of the TRS Properties, to GLPI through a series of internal corporate restructurings.

On October 28, 2013, GLP Capital, L.P. (GLP Capital), a wholly owned subsidiary of GLPI, entered into a new five year senior unsecured credit facility (the Credit Facility), consisting of a $700 million revolving credit facility and a $300 million Term Loan facility. The interest rates payable on the loans are, at our option, equal to either a LIBOR rate or a base rate plus an applicable margin, which ranges from 1.0% to 2.0% per annum for LIBOR loans and 0.0% to 1.0% per annum for base rate loans, in each case, depending on the credit ratings assigned to the Credit Facility. The current applicable margin is 1.75% for LIBOR loans and 0.75% for base rate loans, which are expected to be reduced to 1.50% and 0.50%, respectively, three months after the closing date, assuming the credit ratings of the Credit Facility are maintained. In addition, the Company is required to pay a commitment fee on the unused portion of the commitments under the revolving facility at a rate that ranges from 0.15% to 0.35% per annum, depending on the credit ratings assigned to the Credit Facility. The current commitment fee rate is 0.30%, and this is expected to be reduced to 0.25% three months after the closing date, assuming the credit ratings of the Credit Facility are maintained. GLP

Capital is not required to repay any loans under the Credit Facility prior to maturity on October 28, 2018. GLP Capital may prepay all or any portion of the loans under the Credit Facility prior to maturity without premium or penalty, subject to reimbursement of any LIBOR breakage costs of the lenders. The Credit Facility is guaranteed by GLPI.

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. GLPI is required to maintain its status as a REIT on and after the effective date of its election to be treated as a REIT, which election GLPI expects to make on its U.S. federal income tax return for its first full fiscal year following the Spin-Off. GLPI is permitted to pay dividends to its shareholders as

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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. Such events of default include the occurrence of a change of control and termination of the Master Lease (subject to certain replacement rights). The occurrence and continuance of an event of default under the Credit Facility will enable the lenders under the Credit Facility to accelerate the loans, and terminate the commitments, thereunder.

On October 30 and 31, 2013, the Company completed offerings of $2,050 million aggregate principal amount of three series of new senior notes issued by two of GLPI s wholly owned subsidiaries (the Issuers): $550 million of 4.375% Senior Notes due 2018 (the 2018 Notes); $1,000 million of 4.875% Senior Notes due 2020 (the 2020 Notes); and $500 million of 5.375% Senior Notes due 2023 (the 2023 Notes, and collectively with the 2018 Notes and the 2020 Notes, the Notes). The 2018 Notes mature on November 1, 2018 and bear interest at a rate of 4.375% per year. The 2020 Notes mature on November 1, 2020 and bear interest at a rate of 4.875% per year. The 2023 Notes mature on November 1, 2023 and bear interest at a rate of 5.375% per year. Interest on the Notes is payable on May 1 and November 1 of each year, beginning on May 1, 2014.

The Company may redeem the Notes of any series at any time, and from time to time, at a redemption price of 100% of the principal amount of the Notes redeemed, plus a make-whole redemption premium described in the indenture governing the Notes, together with accrued and unpaid interest to, but not including, the redemption date, except that if Notes of a series are redeemed 90 or fewer days prior to their maturity, the redemption price will be 100% of the principal amount of the Notes redeemed, together with accrued and unpaid interest to, but not including, the redemption date. If GLPI experiences a change of control accompanied by a decline in the credit rating of the Notes of a particular series, the Company will be required to give holders of the Notes of such series the opportunity to sell their Notes of such series at a price equal to 101% of the principal amount of the Notes of such series, together with accrued and unpaid interest to, but not including, the repurchase date. The Notes also are subject to mandatory redemption requirements imposed by gaming laws and regulations.

The Notes are guaranteed on a senior unsecured basis by GLPI. The Notes are the Issuers senior unsecured obligations and rank *pari passu* in right of payment with all of the Issuers senior indebtedness, including the Credit Facility, and senior in right of payment to all of the Issuers subordinated indebtedness, without giving effect to collateral arrangements.

The Notes contain covenants limiting the Issuers ability to: incur additional debt and use their assets to secure debt; merge or consolidate with another company; and make certain amendments to the Master Lease. The Notes also require the Issuers 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.

GLPI used the proceeds of the 2018 Notes and the 2023 Notes, together with borrowings under the Credit Facility, to make distributions directly or indirectly, to Penn in partial exchange for the contribution of real property assets to GLPI in connection with the Spin-Off and to pay related fees and expenses. A portion of the net proceeds from the 2020 Notes was used to repay certain amounts drawn under the revolving portion of the Credit Facility and the remaining net proceeds are intended to be used to fund a distribution by GLPI of accumulated earnings and profits on its real property assets in order to comply with certain REIT qualification requirements. The estimated accumulated earnings and profit distribution will be approximately $1.05 billion of which GLPI expects will consist of at least 20% being paid in cash with the remainder in GLPI common stock. The proceeds of additional revolving loans under the Credit Facility will be used for working capital, to fund permitted dividends, distributions and acquisitions, for general corporate purposes and for any other purpose not prohibited by the documentation governing the Credit Facility.

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Schedule of Real Estate Assets to be Acquired by

Gaming and Leisure Properties, Inc.

(in thousands)

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Land and Buildings, net of accumulated depreciation	$ 2,003,913	$ 2,008,171
Total assets	$ 2,003,913	$ 2,008,171

See accompanying notes to the schedule of real estate assets to be acquired by Gaming and Leisure Properties, Inc.

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Notes to Schedule of Real Estate Assets to be Acquired by

Gaming and Leisure Properties, Inc.

1. Business and Basis of Presentation

Penn National Gaming, Inc. and subsidiaries (collectively, Penn) is a diversified, multi-jurisdictional owner and manager of gaming and pari-mutuel properties. As of September 30, 2013, Penn owned, managed, or had ownership interests in 28 facilities in the following 18 jurisdictions: Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario. On November 15, 2012, Penn announced that it was pursuing plans to separate the majority of its operating assets and real property assets into two publicly traded companies including an operating entity and, through a tax-free spin-off of its real estate assets to holders of its common stock (the Spin-Off), a newly formed publicly traded entity that intends to qualify as a real estate investment trust (REIT). The Spin-Off was completed on November 1, 2013.

Gaming and Leisure Properties, Inc., (the Company or GLPI) was incorporated on February 13, 2013 as a wholly-owned subsidiary of Penn. On November 1, 2013, Penn completed the Spin-Off by distributing the common stock it held in GLPI to Penn s shareholders. Prior to the Spin-Off, Penn engaged in a series of internal corporate restructurings to separate its real estate assets from its operating assets. Penn transferred substantially all of the assets and liabilities associated with the real property interests and real estate development business related to Penn s gaming operations, as well as the assets and liabilities of Louisiana Casino Cruises, Inc. (Hollywood Casino Baton Rouge) and Penn Cecil Maryland, Inc. (Hollywood Casino Perryville). All of Penn s operations and other historical assets and liabilities continue to be held by Penn. GLPI s primary business consists of acquiring, financing, and owning real estate property to be leased to gaming operators in triple net lease arrangements, pursuant to which the tenant is responsible for all facility maintenance, insurance required in connection with the leased properties and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. Initially, GLPI s sole tenant is Penn Tenant, LLC (Penn Tenant), a subsidiary of Penn, which leases the GLPI assets related to the business of Penn other than the Hollywood Casino Baton Rouge and Hollywood Casino Perryville (the TRS Properties) pursuant to a master lease agreement (the Master Lease). Following its qualification as a REIT, GLPI expects to be the first gaming-focused REIT, and expects to grow its portfolio by aggressively pursuing opportunities to acquire additional gaming facilities to lease to gaming operators, which may include Penn. GLPI also anticipates diversifying its portfolio over time, including by acquiring properties outside the gaming industry to lease to third parties.

The accompanying schedule of real estate assets to be acquired by GLPI reflects certain owned real estate of 19 gaming and related facilities that were acquired by GLPI from Penn prior to the Spin-Off.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of real estate assets to be acquired by GLPI reflects the assets directly attributable to Penn s real estate holdings to be owned by GLPI, with the exception of the operations of Hollywood Casino Baton Rouge and Hollywood Casino Perryville. The schedule of real estate assets to be acquired by GLPI presented herein is combined on the basis of common control. The schedule of real estate assets to be acquired by GLPI is prepared in conformity with United States generally accepted accounting principles (GAAP) and has been derived from the accounting records of Penn using the historical basis of assets of Penn adjusted as necessary to conform to GAAP. Management believes the assumptions underlying the schedule of real estate assets to be acquired by GLPI are reasonable. However, the schedule of real estate assets to be acquired by GLPI included herein may not necessarily reflect GLPI s financial position in the future or what their financial position would have been had GLPI operated independently of Penn at the date presented.

Land and Buildings

Land and buildings are stated at historical cost. Maintenance and repairs that neither add materially to the value of the asset nor appreciably prolong its useful life are charged to expense as incurred. Gains or losses on the disposal of property and equipment are included in the determination of income.

Depreciation is recorded using the straight-line method over the following estimated useful lives:

Land improvements	5 to 15 years
Building and improvements	40 years

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The estimated useful lives are determined based on the nature of the assets as well as the Company s current operating strategy.

The Company reviews the carrying value of its property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In assessing the recoverability of the carrying value of land and buildings, the Company must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, the Company may be required to record an impairment loss for these assets.

3. Land and Buildings, net

Land and buildings, net, consists of the following (in thousands):

	September 30, 2013 (Unaudited)	December 31, 2012
Land and improvements	$ 382,598	$ 385,273
Building and improvements	2,083,368	2,026,028
Total land and buildings	2,465,966	2,411,301
Less accumulated depreciation	(462,053)	(403,130)
Land and buildings, net	$ 2,003,913	$ 2,008,171

4. Concentration of Credit Risks

Concentrations of credit risks arise when a number of operators, tenants, or obligors related to the Company s investments are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. Substantially all of the Company s real estate properties are leased to Penn Tenant, and all of the Company s rental revenues are derived from the Master Lease. Penn is a publicly traded company that is subject to the informational filing requirements of the Securities Exchange Act of 1934, as amended, and is required to file periodic reports on Form 10-K and Form 10-Q with the SEC. Penn s net revenues were $2.27 billion for the nine months ended September 30, 2013, and $2.90 billion for the year ended December 31, 2012. Other than the Company s tenant concentration, management believes the current portfolio is reasonably diversified by geographical location and does not contain any other significant concentration of credit risks. The Company s portfolio of 19 properties is diversified by location across 13 states.

5. Subsequent Event

As discussed in Note 1, the Spin-Off was completed on November 1, 2013 and in connection with the Spin-Off, GLPI acquired approximately $2.0 billion of Land and Buildings, net of accumulated depreciation.

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Condensed Combined Balance Sheets of

Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc.

(in thousands)

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 18,550	$ 14,562
Receivables, net of allowance for doubtful accounts of $34 and $36 at September 30, 2013 and December 31, 2012, respectively	418	444
Prepaid expenses and other current assets	2,887	1,706
Deferred income taxes	1,985	2,070
Total current assets	23,840	18,782
Property and equipment, net	111,185	118,954
Other assets		
Receivable from Penn National Gaming, Inc.	46,926	43,318
Goodwill	75,521	75,521
Other intangible assets	9,577	9,577
Other assets	134	134
Total other assets	132,158	128,550
Total assets	$ 267,183	$ 266,286
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	6,007	6,038
Accrued salaries and wages	2,928	3,507
Income taxes	6,959	11,538
Other current liabilities	1,959	1,245
Total current liabilities	17,853	22,328
Long-term liabilities		
Deferred income taxes	4,992	7,628
Total long-term liabilities	4,992	7,628
Stockholders equity		
Additional paid-in capital	68,770	71,356
Retained earnings	175,568	164,974
Total stockholders equity	244,338	236,330
Total liabilities and stockholders equity	$ 267,183	$ 266,286

See accompanying notes to the condensed combined financial statements.

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Condensed Combined Statements of Income of

Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc.

(in thousands) (unaudited)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Revenues				
Gaming	$ 38,129	$ 44,111	$ 123,508	$ 166,352
Food, beverage and other	2,984	3,464	9,573	12,608
Revenues	41,113	47,575	133,081	178,960
Less promotional allowances	(1,480)	(1,752)	(4,727)	(5,976)
Net revenues	39,633	45,823	128,354	172,984
Operating expenses				
Gaming	21,701	24,263	69,182	92,541
Food, beverage and other	2,690	3,077	8,240	10,241
General and administrative	5,966	6,762	18,541	20,429
Depreciation	3,611	3,566	10,826	10,639
Total operating expenses	33,968	37,668	106,789	133,850
Income from operations	5,665	8,155	21,565	39,134
Other income (expenses)				
Interest income			1	2
Management fee	(1,189)	(1,375)	(3,850)	(5,190)
Total other expenses	(1,189)	(1,375)	(3,849)	(5,188)
Income from operations before income taxes	4,476	6,780	17,716	33,946
Taxes on income	1,795	2,250	7,122	13,132
Net income	$ 2,681	$ 4,530	$ 10,594	$ 20,814

See accompanying notes to the condensed combined financial statements.

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Condensed Combined Statements of Changes in Stockholders Equity of

Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc.

(in thousands) (unaudited)

	Additional Paid-In Capital	Retained Earnings	Total Stockholders Equity
Balance, December 31, 2011	$ 77,856	$ 142,055	$ 219,911
Cash distributions to Penn National Gaming, Inc.	(6,500)		(6,500)
Net income		20,814	20,814
Balance, September 30, 2012	$ 71,356	$ 162,869	$ 234,225
Balance, December 31, 2012	$ 71,356	$ 164,974	$ 236,330
Cash distributions to Penn National Gaming, Inc.	(2,586)		(2,586)
Net income		10,594	10,594
Balance,September 30, 2013	$ 68,770	$ 175,568	$ 244,338

See accompanying notes to the condensed combined financial statements.

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Condensed Combined Statements of Cash Flows of

Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc.

(in thousands) (unaudited)

Nine Months Ended September 30,	**2013**	**2012**
Operating activities		
Net income	$ 10,594	$ 20,814
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,826	10,639
Gain on sale of fixed assets	(31)	(94)
Deferred income taxes	(2,551)	796
Decrease (increase),		
Accounts receivable	26	804
Prepaid expenses and other current assets	(1,181)	64
Other assets		(4)
(Decrease) increase,		
Accounts payable and accrued expenses	(31)	(99)
Accrued salaries and wages	(579)	(135)
Income taxes	(4,579)	(12,014)
Other current liabilities	714	190
Net cash provided by operating activities	13,208	20,961
Investing activities		
Expenditures for property and equipment, net of reimbursements	(3,167)	(3,539)
Proceeds from sale of property and equipment	141	93
Net cash used in investing activities	(3,026)	(3,446)
Financing activities		
Net advances to Penn National Gaming, Inc.	(3,608)	(13,250)
Cash distributions to Penn National Gaming, Inc.	(2,586)	(6,500)
Net cash used in financing activities	(6,194)	(19,750)
Net increase (decrease) in cash and cash equivalents	3,988	(2,235)
Cash and cash equivalents at beginning of year	14,562	17,146
Cash and cash equivalents at end of period	$ 18,550	$ 14,911

See accompanying notes to the condensed combined financial statements.

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Notes to the Condensed Combined Financial Statements of

Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc.

(Unaudited)

1. Business and Basis of Presentation

Louisiana Casino Cruises, Inc. (Hollywood Casino Baton Rouge) and Penn Cecil Maryland, Inc. (Hollywood Casino Perryville), which operate Hollywood Casino Baton Rouge and Hollywood Casino Perryville, respectively, were historically wholly-owned subsidiaries of Penn National Gaming, Inc. (Penn), a publicly held Pennsylvania corporation. On November 15, 2012, Penn announced that it was pursuing plans to separate the majority of its operating assets and real property assets into two separate publicly traded companies: an operating entity and, through a tax-free spin-off (the Spin-Off) of its real estate assets to holders of its common stock, a newly formed publicly traded entity that intends to qualify as a real estate investment trust (REIT), named Gaming and Leisure Properties, Inc. (GLPI). On November 1, 2013, Penn completed the Spin-Off by distributing the common stock it held in GLPI to Penn s shareholders. Prior to the Spin-Off, Penn engaged in a series of internal corporate restructurings to separate its real estate assets from its operating assets. GLPI now holds directly or indirectly substantially all of the assets and liabilities associated with the real property interests and real estate development business related to Penn s gaming operations, as well as all of the interests in Hollywood Casino Baton Rouge and Hollywood Casino Perryville (which are together referred to in these notes as the Company). Penn continues to hold all of its other historical operations, assets and liabilities.

Hollywood Casino Baton Rouge was acquired by Penn in April 2001 as part of its acquisition of CRC Holdings, Inc. The facility is a dockside riverboat gaming facility which at September 30, 2013 featured approximately 121,000 square feet of property space with 940 gaming machines and 18 table games. The facility also includes a dockside building featuring a variety of amenities, including a steakhouse, a buffet and deli and various entertainment options. Hollywood Casino Perryville was opened by Penn on September 27, 2010. At September 30, 2013, the facility featured approximately 98,000 square feet of property space with 1,158 slot machines and 12 table games.

The 2013 and 2012 financial information has been derived from the operations of Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc. Operating results for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The assets and liabilities of Hollywood Casino Baton Rouge and Hollywood Casino Perryville were recorded at their respective historical carrying values at the time of the Spin-off in accordance with the provisions of Financial Accounting Standards Board (the FASB) Accounting Standards Codification (ASC) 505-60, Spinoffs and Reverse Spinoffs. Information contained in the prospectus on Form 424b3, which was filed with the Securities and Exchange Commission on October 10, 2013, should be read in conjunction with these combined financial statements.

The accompanying unaudited combined financial statements of the Company have been prepared in accordance with United States 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 financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

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.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all cash balances and highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk consist of cash and cash equivalents. At times, the Company has bank deposits that exceed federally insured limits.

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Accounts are written off when management determines that an account is uncollectible. Recoveries of accounts previously written off are recorded when received. An allowance for doubtful accounts is determined to reduce the Company s receivables to their carrying value, which approximates fair value.

The allowance is estimated based on historical collection experience, specific review of individual customer accounts, and current economic and business conditions.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Maintenance and repairs that neither add materially to the value of the asset nor appreciably prolong its useful life are charged to expense as incurred. Gains or losses on the disposal of property and equipment are included in the determination of income.

Depreciation of property and equipment is recorded using the straight-line method over the following estimated useful lives:

Land improvements	5 to 15 years
Building and improvements	5 to 40 years
Furniture, fixtures, and equipment	3 to 31 years

Leasehold improvements are depreciated over the shorter of the estimated useful life of the improvement or the related lease term.

The estimated useful lives are determined based on the nature of the assets as well as the Company s current operating strategy.

The Company reviews the carrying value of its property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the individual property level. In assessing the recoverability of the carrying value of property and equipment, the Company must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, the Company may be required to record an impairment loss for these assets.

Goodwill and Other Intangible Assets

At September 30, 2013, the Company had $75.5 million in goodwill and $9.6 million in other intangible assets within its combined balance sheet, resulting from the Company s acquisition of Hollywood Casino Baton Rouge and payments for Hollywood Casino Perryville s gaming license.

Goodwill is tested annually, or more frequently if indicators of impairment exist, for impairment by comparing the fair value of the Hollywood Casino Baton Rouge reporting unit to its carrying amount. If the carrying amount exceeds its fair value in step 1 of the impairment test, then step 2 of the impairment test is performed to determine the implied value of goodwill. If the implied value of goodwill is less than the goodwill allocated, an impairment loss is recognized.

In accordance with ASC 350, Intangibles Goodwill and Other, the Company considers its Hollywood Casino Perryville gaming license as an indefinite-life intangible asset that does not require amortization based on the Company s future expectations to operate this casino indefinitely as well as the gaming industry s historical experience in renewing these intangible assets at minimal cost with various state gaming and racing commissions. Rather, the Company s gaming license is tested annually, or more frequently if indicators of impairment exist, for impairment by comparing the fair value of the recorded asset to its carrying amount. If the carrying amount of the indefinite-life intangible asset exceeds its fair value, an impairment loss is recognized.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, Income Taxes (ASC 740). Under ASC 740, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax

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bases of existing assets and liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are settled or realized. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The realizability of the deferred tax assets is evaluated by assessing the valuation allowance and by adjusting the amount of the allowance, if any, as necessary. The factors used to assess the likelihood of realization are the forecast of future taxable income.

ASC 740 also creates a single model to address uncertainty in tax positions, and clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in an enterprise s financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company did not have any uncertain tax positions at September 30, 2013 or December 31, 2012.

The Company is required under ASC 740 to disclose its accounting policy for classifying interest and penalties, the amount of interest and penalties charged to expense each period, as well as the cumulative amounts recorded in the combined balance sheets. If and when they occur, the Company will classify any income tax-related penalties and interest accrued related to unrecognized tax benefits in taxes on income within the combined statements of operations.

Revenue Recognition and Promotional Allowances

Gaming revenue mainly consists of revenues from video gaming machines as well as to a lesser extent table game and poker revenue. Revenue from video gaming 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), front money that are removed from the live gaming tables. Additionally, food and beverage revenue is recognized as services are performed.

The following table discloses the components of gaming revenue within the combined statements of income for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(in thousands)			
Video gaming machines	$ 32,859	$ 40,791	$ 107,946	$ 155,635
Table game, net of cash incentives	4,485	3,100	13,457	9,843
Poker	785	220	2,105	874
Total gaming revenue	$ 38,129	$ 44,111	$ 123,508	$ 166,352

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

The retail value of food and beverage and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The amounts included in promotional allowances for the three and nine months ended September 30, 2013 and 2012 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in thousands)			
Food and beverage	$ 1,468	$ 1,574	$ 4,573	$ 5,396
Other	12	178	154	580
Total promotional allowances	$ 1,480	$ 1,752	$ 4,727	$ 5,976

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The estimated cost of providing such complimentary services, which is primarily included in food, beverage, and other expense, for the three and nine months ended September 30, 2013 and 2012 are as follows:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(in thousands)			
Food and beverage	$ 748	$ 805	$ 2,207	$ 2,580
Other	6	93	81	292
Total cost of complimentary services	$ 754	$ 898	$ 2,288	$ 2,872

Gaming Taxes

The Company is subject to gaming taxes based on gross gaming revenues in the jurisdictions in which it operates. The Company primarily recognizes gaming tax expense based on the statutorily required percentage of revenue that is required to be paid to state and local jurisdictions in the states were or in which wagering occurs. At Hollywood Casino Baton Rouge, the gaming tax is based on graduated tax rates. The Company records gaming 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 tax rates change during the year, such changes are applied prospectively in the determination of gaming tax expense in future interim periods. For the three and nine months ended September 30, 2013, these expenses, which are primarily recorded within gaming expense in the combined statements of income, totaled $17.3 million and $55.6 million, respectively, as compared to $19.9 million and $78.1 million for the three and nine months ended September 30, 2012, respectively.

Certain Risks and Uncertainties

The Company s operations are dependent on its continued licensing by state gaming commissions. The loss of a license, in any jurisdiction in which the Company operates, could have a material adverse effect on future results of operations.

The Company is dependent on the local market in which its casinos operate for a significant number of its patrons and revenues. If economic conditions in this area deteriorate or additional gaming licenses are awarded in these markets, the Company s results of operations could be adversely affected.

The Company is dependent on the economy of the U.S. in general, and any deterioration in the national economic, energy, credit and capital markets could have a material adverse effect on future results of operations.

The Company is dependent upon a stable gaming tax structure in the locations in which it operates. Any change in the tax structure could have a material adverse effect on future results of operations.

3. New Accounting Pronouncements

In July 2013, the FASB issued explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. As of September 30, 2013, the Company does not have any unrecognized tax benefits, however, will apply this guidance, once adopted, when applicable.

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4. Property and Equipment

Property and equipment, net, consists of the following:

	September 30, 2013	December 31, 2012
	(in thousands)	
Land and improvements	$ 28,156	$ 28,193
Building and improvements	109,822	109,248
Furniture, fixtures, and equipment	77,022	76,088
Construction in progress	470	87
Total property and equipment	215,470	213,616
Less accumulated depreciation	(104,285)	(94,662)
Property and equipment, net	$ 111,185	$ 118,954

Depreciation expense, for property and equipment, totaled $3.6 million and $10.8 million for the three and nine months ended September 30, 2013, respectively, as compared to $3.6 million and $10.6 million for the three and nine months ended September 30, 2012, respectively.

5. 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 financial position or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate the risks of such proceedings. However, such proceedings can be costly, time consuming, and unpredictable and, therefore, no assurance can be given that the final outcome of such proceedings may not materially impact the Company s financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

Operating Lease Commitments

In addition, the Company is liable under certain operating leases for equipment and other miscellaneous assets, which expire at various dates through 2015. Total rental expense under these agreements was $0.3 million and $1.0 million for the three and nine months ended September 30, 2013, respectively, as compared to $0.4 million and $1.3 million for the three and nine months ended September 30, 2012, respectively.

6. Income Taxes

Deferred tax assets and liabilities are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the combined balance sheets. These temporary differences result in taxable or deductible amounts in future years.

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The components of the Company s deferred tax assets and liabilities are as follows:

	September 30, 2013	December 31, 2012
	(in thousands)	
Deferred tax assets:		
Accrued expenses	$ 13,526	$ 14,401
Net deferred tax assets	13,526	14,401
Deferred tax liabilities:		
Property, plant and equipment	(15,772)	(19,383)
Intangibles	(761)	(576)
Net deferred tax liabilities	(16,533)	(19,959)
Net	$ (3,007)	$ (5,558)
Reflected on combined balance sheets:		
Current deferred tax assets, net	$ 1,985	$ 2,070
Noncurrent deferred tax liabilities, net	(4,992)	(7,628)
Net deferred taxes	$ (3,007)	$ (5,558)

The provision for income taxes charged to operations for the three and nine months ended September 30, 2013 and 2012 was as follows:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	(in thousands)			
Current tax expense (benefit)				
Federal	$ 3,162	$ 1,423	$ 8,011	$ 10,351
State	811	(239)	1,662	1,985
Total current	3,973	1,184	9,673	12,336
Deferred tax (benefit) expense				
Federal	(1,743)	949	(2,376)	770
State	(435)	117	(175)	26
Total deferred	(2,178)	1,066	(2,551)	796
Total provision	$ 1,795	$ 2,250	$ 7,122	$ 13,132

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The following table reconciles the statutory federal income tax rate to the actual effective income tax rate for the three and nine months ended September 30, 2013 and 2012:

	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Percent of pretax income				
Federal taxes	35.0%	35.0%	35.0%	35.0%
State and local income taxes	6.0%	-5.2%	5.6%	3.1%
Permanent differences	0.5%	-0.1%	0.2%	0.0%
Other miscellaneous items	-1.4%	3.5%	-0.6%	0.6%
	40.1%	33.2%	40.2%	38.7%

	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
		(in thousands)		
Amount based upon pretax income				
Federal taxes	$ 1,566	$ 2,372	$ 6,200	$ 11,881
State and local income taxes	270	(355)	992	1,031
Permanent differences	22	(7)	31	9
Other miscellaneous items	(63)	240	(101)	211
	$ 1,795	$ 2,250	$ 7,122	$ 13,132

The Company was historically included in the consolidated federal income tax return with Penn and Penn s other subsidiaries. However, the Company computed federal and state income taxes on a separate return basis. Taxes due were settled between the Company and Penn. The Company paid no federal income taxes directly to tax authorities and instead settled all intercompany balances with Penn on a continuing basis. These settlements included, among other things, the share of the federal income taxes allocated by Penn to the Company.

7. Related Party Transactions

Net Advances and Liabilities to Penn and Related Entities

The Company had cumulative net advances to Penn of $46.9 million and $43.3 million at September 30, 2013 and December 31, 2012, respectively. These advances are the result of operating cash flows generated by the Company in excess of intercompany allocations from Penn such as the management fee agreement (described below). As part of the Spin-Off, these amounts were forgiven.

As of September 30, 2013, the Company participated in Penn s property, general liability, workers compensation, and other insurance programs. The Company s estimated share of these costs, which were allocated directly to the Hollywood Casino Baton Rouge and Hollywood Casino Perryville by Penn, was $0.6 million and $2.0 million for the three and nine months ended September 30, 2013, respectively, as compared to $0.6 million and $1.9 million for the three and nine months ended September 30, 2012, respectively. As part of the Spin-Off, Hollywood Casino Baton Rouge and Hollywood Casino Perryville have or will enter into their own insurance programs.

Management Fee Agreement

As of September 30, 2013, the Company had a corporate overhead assessment agreement with Penn, whereby Penn provided various management services in consideration of a management fee equal to 3% of net revenues. The Company incurred and paid management fees of $1.2 million and $3.9 million for the three and nine months ended September 30, 2013, respectively, as compared to $1.4 million and $5.2 million for the three and nine months ended September 30, 2012, respectively. In connection with the completion of the Spin-Off, the management fee agreements between Penn and Hollywood Casino Baton Rouge and Hollywood Casino Perryville were terminated.

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8. Supplemental Disclosures of Cash Flow Information

As of September 30, 2013, the Company paid no federal income taxes directly to tax authorities and instead settled all intercompany balances with Penn on a continuing basis. These settlements included, among other things, the share of the income taxes allocated by Penn to Hollywood Casino Baton Rouge and Hollywood Casino Perryville. The amounts paid to Penn for the Company s allocated share of federal income taxes was $0.8 million and $7.5 million for the three and nine months ended September 30, 2013, respectively, as compared to $3.3 million and $9.9 million for the three and nine months ended September 30, 2012, respectively. The Company made state income tax payments of $0.7 million and $1.4 million directly to state taxing authorities for the three and nine months ended September 30, 2013, respectively, as compared to $0.7 million and $2.5 million for the three and nine months ended September 30, 2012, respectively.

9. Subsequent Events

As discussed in Note 1, the Spin-Off was completed on November 1, 2013.

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

Our Operations

We were incorporated on February 13, 2013, as a wholly-owned subsidiary of Penn, and were spun-off from Penn. On November 1, 2013, Penn completed the spin-off of GLPI bv distributing the common stock it held in GLPI to Penn s shareholders. We intend to elect on our United States federal income tax return for our taxable year beginning on January 1, 2014 to be treated as a REIT and we, together with an indirectly wholly-owned subsidiary of the Company, GLP Holdings, Inc., intend to jointly elect to treat each of GLP Holdings, Inc., Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc. as a taxable REIT subsidiary effective on the first day of the first taxable year of GLPI as a REIT. A REIT is not permitted to retain earnings and profits (E&P) accumulated during the years when the company or its predecessor was taxed as a regular C corporation. For GLPI to elect REIT status, GLPI must distribute to its shareholders its undistributed E&P attributable to taxable periods prior to its REIT election. The Company currently estimates that, if it were to elect REIT status as of January 1, 2014, the aggregate amount of the special E&P taxable dividend would be approximately $1.05 billion. GLPI expects to pay the dividend with a combination of cash and GLPI common stock, with at least 20% being paid in cash and the remainder in GLPI common stock. GLPI s primary business consists of acquiring, financing, and owning real estate property to be leased to gaming operators in triple net lease arrangements. GLPI s portfolio consists of 21 gaming and related facilities, including Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc. and the real property associated with 19 gaming and related facilities (including two properties under development in Dayton, Ohio and Mahoning Valley, Ohio) that are geographically diversified across 13 states.

Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc., both of which were wholly-owned subsidiaries of GLP Holdings, Inc. operate Hollywood Casino Baton Rouge and Hollywood Casino Perryville, respectively. Hollywood Casino Baton Rouge was acquired by Penn in April 2001 as part of its acquisition of CRC Holdings, Inc. The facility is a dockside riverboat gaming facility which at September 30, 2013 featured approximately 121,000 square feet of property space with 940 gaming machines and 18 table games. The facility also includes a dockside building featuring a variety of amenities, including a steakhouse, a buffet and deli and various entertainment options. Hollywood Casino Perryville was opened by Penn on September 27, 2010. At September 30, 2013, the facility featured approximately 98,000 square feet of property space with 1,158 slot machines and 12 table games.

We expect to grow our portfolio by aggressively pursuing opportunities to acquire additional gaming facilities to lease to gaming operators, which may include Penn. We also anticipate diversifying our portfolio over time, including by acquiring properties outside the gaming industry to lease to third parties. We believe that a number of gaming operators would de-lever or are seeking liquidity while continuing to generate the benefits of continued operations, which may present significant expansion opportunities for us to pursue. Of particular significance, we believe that a number of gaming operators would be willing to enter into transactions designed to monetize their real estate assets (i.e., gaming facilities) through sale-leaseback transactions with an unrelated party not perceived to be a competitor. These gaming operators could use the proceeds from the sale of those assets to repay debt and rebalance their capital structures, while maintaining the use of the sold gaming facilities through long term leases. Additionally, we believe we have the ability to leverage the expertise our management team has developed over the years to secure additional avenues for growth beyond the gaming industry. Accordingly, we believe we will be able to effect strategic acquisitions unrelated to the gaming industry as well as other acquisitions that may prove complementary to GLPI s gaming facilities.

Immediately after the Spin-Off, our earnings are primarily the result of the rental revenue from the lease of our properties to Penn Tenant LLC (Penn Tenant), a subsidiary of Penn pursuant to the Master Lease, which is a triple-net operating lease with an initial term of 15 years, with no purchase option, followed by four 5 year renewal options (exercisable by Penn Tenant) on the same terms and conditions. The rent structure under the Master Lease includes a component that is based on the performance of the facilities and this component will be adjusted, subject to certain floors (i) every 5 years by an amount equal to 4% of the average change to net revenues of all facilities under the Master Lease (other than the two Hollywood Casinos in Columbus, Ohio and Toledo, Ohio) during the preceding five years, and (ii) monthly by an amount equal to

20% of the change in net revenues of the two Hollywood Casinos in Columbus, Ohio and Toledo, Ohio during the preceding month. In addition to rent, the tenant is required to pay the following: (1) all facility maintenance, (2) all insurance required in connection with the leased properties and the business conducted on the leased properties, (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor) and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties.

Executive Summary

The following discussion relates to the historical operations of GLPI s TRS Properties, namely Hollywood Casino Baton Rouge and Hollywood Casino Perryville.

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Economic conditions and the expansion of newly constructed gaming facilities continue to impact the overall domestic gaming industry as well as the TRS Properties operating results. The expansion of newly constructed gaming facilities has increased competition in the regional markets in which our TRS Properties operate.

Financial Highlights

We reported net revenues and income from operations of $39.6 million and $5.7 million, respectively, for the three months ended September 30, 2013 compared to $45.8 million and $8.2 million, respectively, for the corresponding period in the prior year and net revenues and income from operations of $128.4 million and $21.6 million, respectively, for the nine months ended September 30, 2013 compared to $173.0 million and $39.1 million, respectively, for the corresponding period in the prior year. The major factors affecting our results for the three and nine months ended September 30, 2013, as compared to the three and nine months ended September 30, 2012, were:

- The partial opening of a casino complex at the Arundel Mills mall in Maryland in June 2012 and its second phase opening in mid-September 2012, which negatively impacted Hollywood Casino Perryville. This was partially offset by the opening of table games at Hollywood Casino Perryville in March 2013.

- The opening of a new riverboat casino and hotel in Baton Rouge, Louisiana on September 1, 2012, which negatively impacted Hollywood Casino Baton Rouge.

- Net income decreased by $1.8 million and $10.2 million for the three and nine months ended September 30, 2013, respectively, as compared to the corresponding period in the prior year, primarily due to the variances explained above, partially offset by a decrease in income taxes.

Developments

- Hollywood Casino Perryville faced increased competition and its results have been negatively impacted by the opening of a casino complex at the Arundel Mills mall in Anne Arundel, Maryland. The casino opened on June 6, 2012 with approximately 3,200 slot machines and significantly increased its slot machine offerings by mid-September 2012 to approximately 4,750 slot machines. In addition, the Anne Arundel facility opened table games on April 11, 2013.

- In November 2012, voters approved legislation authorizing a sixth casino in Prince George s County and the ability to add table games to Maryland s five existing and planned casinos. The new law also changes the tax rate casino operators pay the state, varying from casino to casino, allows all casinos in Maryland to be open 24 hours per day for the entire year, and permits casinos to directly purchase slot machines in exchange for gaming tax reductions. For our Hollywood Casino Perryville facility, the tax rate would decrease upon the opening of the Prince George casino from 67 percent to 61 percent with an option for an additional 5 percent reduction if an independent commission agrees, and on March 5, 2013, table games were opened at Hollywood Casino Perryville. The opening of a sixth casino in Prince George s County (which by law may not open prior to July 1, 2016) may have an adverse impact on our Hollywood Casino Perryville facility.

- A new riverboat casino and hotel in Baton Rouge, Louisiana opened on September 1, 2012. The opening of this riverboat casino has and will continue to have an adverse effect on the financial results of Hollywood Casino Baton Rouge.

Critical Accounting Estimates

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

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

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Income Taxes

We anticipate that the Company will qualify to be taxed as a REIT for U.S. federal income tax purposes commencing with the taxable year beginning January 1, 2014, and we intend to continue to be organized and to operate in a manner that will permit us to qualify as a REIT. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual REIT taxable income to shareholders. As a REIT, we generally will not be subject to federal income tax on income that we distribute as dividends to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate income tax rates, and dividends paid to our shareholders would not be deductible by us in computing taxable income. Any resulting corporate liability could be substantial and could materially and adversely affect our net income and net cash available for distribution to shareholders. Unless we were entitled to relief under certain Internal Revenue Code provisions (the Code), we also would be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which we failed to qualify to be taxed as a REIT.

Property and Equipment

We depreciate property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are determined based on the nature of the assets as well as our current operating strategy. We review the carrying value of our property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In assessing the recoverability of the carrying value of property and equipment, we must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, we may be required to record an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

Goodwill

At September 30, 2013, we had $75.5 million in goodwill and $9.6 million in other intangible assets within our combined balance sheet resulting from the acquisition of Hollywood Casino Baton Rouge and payments for Hollywood Casino Perryville s gaming license.

Goodwill is tested annually, or more frequently if indicators of impairment exist, for impairment by comparing the fair value of the Hollywood Casino Baton Rouge reporting unit to its carrying amount. If the carrying amount exceeds its fair value in step 1 of the impairment test, then step 2 of the impairment test is performed to determine the implied value of goodwill. If the implied value of goodwill is less than the goodwill allocated, an impairment loss is recognized.

In accordance with ASC 350, Intangibles-Goodwill and Other, the Company considers its Hollywood Casino Perryville gaming license as an indefinite-life intangible asset that does not require amortization based on the Company s future expectations to operate this casino indefinitely as well as the gaming industry s historical experience in renewing these intangible assets at minimal cost with various state gaming and racing commissions. Rather, the Company s gaming license is tested annually, or more frequently if indicators of impairment exist, for impairment by comparing the fair value of the recorded asset to its carrying amount. If the carrying amount of the indefinite-life intangible asset exceeds its fair value, an impairment loss is recognized.

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Results of Operations

The combined results of operations of the TRS Properties for the three and nine months ended September 30, 2013 and 2012 are summarized below:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(in thousands)			
Revenues:				
Gaming	$ 38,129	$ 44,111	$ 123,508	$ 166,352
Food, beverage and other	2,984	3,464	9,573	12,608
Revenues				