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GLPI: Outlier in the REIT Industry

Although it went unnoticed by most industry observers, long established casino licensing regimes were quietly upended in many states by the arrival in 2013 of the first (and so far only) real estate investment trust (REIT) devoted solely to owning casinos: Gaming and Leisure Properties (GLPI.)

The architects of state gaming regulations had never contemplated the separation of casino ownership from casino operations. Nor did state regulators have any precedents for how to properly evaluate and license a REIT that, in order to maintain its qualification for REIT status, could not "own" casino licenses.

Now, with GLPI's pending bid to acquire and lease back 14 of Pinnacle Entertainment's casinos, and with several other gaming companies actively pursuing or exploring REIT conversions, state gaming regulators are faced with the daunting task of trying to establish standards and best practices (not to mention effective licensing regimes) for lessors and lessees.

The purpose of this report is to begin raising some of these thorny questions that went unanswered (and in some cases unasked) in 2013, and to search for meaningful comparisons between the developing GLPI model and established practices in other industries populated by triple-net lease REITs. The key finding of the report is that GLPI is an outlier among retail REITs and is perhaps more like a skilled nursing home REIT, especially with respect to its effect on operators.

Executive Summary

- GLPI, as a single-industry REIT with a relatively small number of properties, is considerably less diversified than any of the large retail REITs to which it compares itself in shareholder presentations.
- Penn has, and Pinnacle will have, rental coverage ratios (i.e. rent as a percentage of free cash flow) below retail REIT norms, meaning the casino operators have less of their after-rent free cash flow available for use than do typical retail tenants.
- Penn's and Pinnacle's rent coverage ratios suggest that GLPI might be more meaningfully compared to skilled nursing home REITs, some of whose tenants have experienced difficulty covering their rental payments in recent years.
- One large healthcare REIT with a sizeable share of nursing home tenants has so far been able to avoid ratings downgrades by diversifying its holdings into less-troubled healthcare sectors, lowering rent for one large nursing home chain, and buying and leasing back some of the homes it did not already own.

- It is unclear whether GLPI would be able to employ similar strategies, given its comparative lack of industry or sector diversification, its apparent need to charge higher rent to ensure consistent dividend payouts to shareholders, and the dearth of assets that its casino tenants own that could be sold-off to raise cash.

Welcomed by shareholders, unanticipated by regulators

For decades, Real Estate Investment Trusts (REITs) have provided investors with a tax-efficient means to tap into the multi-unit housing and office building markets, and more recently into a myriad of other real estate-dependent industries.

As the market for REIT securities has matured, various metrics and benchmarks have been established allowing investors to make comparisons among REIT issuers.

As the only gaming REIT currently in existence, it is difficult to compare Gaming and Leisure Properties (GLPI) to its peers, or indeed to determine who exactly its peers are. Certain characteristics of casinos do not apply to other real estate assets. For example, the gaming industry is highly regulated, and most states that allow commercial gaming strictly limit the number of gaming licenses they issue.

A casino property has little value without a license. Inversely, a gaming license is not particularly valuable without a casino. So in splitting up a casino venture into separate owning and operating components, how, in the absence of precedents, should value be apportioned between the two entities? Regulators in particular might well ask: What is a fair and sustainable rent-to-earnings ratio for a casino operator? This is especially important in the case of GLPI because as a triple-net lease REIT in a notoriously capital intensive industry, its operators are responsible for capital expenses for maintenance, upkeep and improvements.

These are not academic issues. In 2013, regulators in several states felt compelled to abandon established practice and license GLPI as a supplier instead of an owner to accommodate GLPI's need to maintain its REIT status in the eyes of the Internal Revenue Service. In a few other states regulators decided not to license GLPI at all, as if it didn't exist. With a few exceptions, regulators paid little attention to the GLPI master lease, which imposed a substantial rent obligation and various business restrictions on its sole operator (Penn National Gaming.)

Is GLPI Similar to a Retail REIT?

Understanding the relationships between the operator (Penn) and the REIT (GLPI) requires a careful analysis of the master lease agreement, which contains restrictions on the operator's ability

to acquire nearby casinos, provides for fixed rental payments from the operator to the REIT, and (because they are triple-net leases) obligates the operator to pay taxes and insurance and make any necessary capital expenditures for maintenance and upkeep.

The Penn and Pinnacle master leases are substantially similar. Both set a fixed "base rent" and a variable "percentage rent," the latter of which is tied to changes in casino revenue and is reset at specified intervals.[1] Both leases also require operators to spend at least 1% of revenue on maintenance and upkeep.[2] The leased properties in each of the lease agreements are "cross defaulted," which means the operator and its parent are responsible for lease payments on all of the properties even if one or more of the properties is unable to pay its share.[3]

The leases also contain various restrictions on operators, such as:

- GLPI has veto power over each operator's ability to construct new structures – such as hotels or retail outlets – within leased facilities.[4]
- Neither operator can undertake a new casino development within designated "restricted areas," without first giving GLPI the opportunity to "finance" such development project. In the case of PENN, a restricted area is defined as a 60-mile radius around any property leased to Penn outside of Nevada, or a seven-mile radius of any property leased to Penn in Nevada.[5] In the case of Pinnacle, a restricted area is a 60-mile radius around any property leased to Pinnacle.[6]
- GLPI has veto power over an operator's ability to assign, transfer or sublet any part of the properties they operate.[7]
- The leases require operators to obtain GLPI's consent before they can undergo a "change-in-control" (such as a hostile takeover or other sale.)[8]

Are these lease terms fair? Are they typical? Will they leave the operator with adequate free cash flow to pay for repairs, improvements, renovations and special promotions needed to keep the casinos competitive, especially during economic downturns? How does the rent compare to tenant leases at other REITs? And what would be the proper benchmark to use to begin answering these questions?

Triple-net leases with single tenants are found most typically in the retail and healthcare sectors.[9] Companies in each of these broad industries operate within a wide range of expected profit margins, and do not necessarily respond in the same way to economic factors such as consumer confidence, unemployment, inflation or changes in the cost of capital. Nevertheless, they are the only two sectors with multiple, large, public triple-net REITs specializing, like GLPI, in sale-leaseback transactions with single-tenant properties.

GLPI has compared itself to the large retail REITs[10], claiming in investor presentations that if it is able to consummate its proposed acquisition/leaseback of Pinnacle's casinos, it would become the

third largest triple-net lease REIT in the US.[11] Like GLPI, the five big retail REITs focus on single tenant properties, and have entered in to sale-leaseback transactions with operators.

But a closer look at the five retail REITs to which GLPI has compared itself reveal some important differences:

- **The retail REITs are considerably more diversified.**
  - At yearend 2014, the number of properties owned by the retail REITs ranged from 743 to 4,638 compared to GLPI, which owned 21 casinos and will own an additional 15 if the Pinnacle transaction is completed.
  - The retail REITs also had more tenants, ranging between 219 and 803. GLPI had two tenant operators at yearend 2014, added a third single-property tenant in 2015, and will have a total of four operators after a Pinnacle sale/leaseback.
  - While all GLPI properties are in a single-industry, the retail REIT tenants come from dozens of different retail industries.
  - None of the five retail REITs had a single tenant that accounted for more than 14% of total US rental revenue. By contrast, Penn contributed 97% of GLPI's rental income as of yearend 2014. If the Pinnacle transaction is completed, Penn will account for more than half of the REIT's rental income and Pinnacle will account for about 45%.[12]

Retail REITs are much more diversified

REIT	*Year REIT founded*	*Enterprise Value*	*Primary Industry*	*# of properties*	*# of tenants*	*largest corp tenant/ % of total rent rev*
VEREIT (formerly American Realty Capital Properties)	2010	$20 B	Restaurant (18%); Other retail (44%); 42 different industries altogether	4,638	803	Red Lobster - 11.6%
Realty Income Corp	1969	$17 B	convenience stores (9.8%), drug stores (9.5%), dollar stores (9.5%); other retail (51%); 47 different industries altogether	4,327	234	Walgreens - 5.4%; FedEx - 5.1%
WP Carey	2012	$11 B	20% retail; all commercial RE classes	783	219	Hellweg GmbH & Co. -5.6%; U-Haul/Mercury Partners - 4.7%
Spirit Realty	2012	$9 B	restaurants (17.3%), general merchandise (15.9%), drug stores (6.8%); 27 different industries altogether	2,509	454	Specialty Retail Shops . - 14%; no other tenant exceeded 4%;
National Retail Properties	1984	$8 B	convenience stores - 18%; full serve restaurants - 9%; 10+ different industries altogether	2,054	400+	Sunoco - 6.5%; Mister Car Wash (4.6%)
GLPI now	**2013**	**$7 b**	**gaming - 100%**	**21**	**3**	**Penn National - 97%**
GLPI (after PNK transaction)	**2013**	**$12 B**	**gaming 100%**	**35**	**4**	**Penn National - 53% ; Pinnacle - 45%**

Sources: 2014 10-Ks; and March 2015 GLPI investor presentation[13]

- **Unlike GLPI, the 5 retail REITs do not appear to saddle tenant-operators with restrictions on expanding, acquiring or developing other properties within restricted zones.**

  Very few of the retail leases have been made public, but in 10-K filings, the REITs make no mention of any of the growth restrictions that are found in the GLPI master leases, specifically:

  - Provisions giving the REIT veto power over operators' ability to expand or develop new properties within restricted zones without the REIT's involvement.
  - Provisions giving the REIT veto power over operators' ability to undergo a change in control.

Is GLPI's rent comparable to the rent charged by retail REITs?

The rent GLPI receives pursuant to its master leases siphons off a large proportion of the free cash flow of the operating companies. For example, in 2014 Penn paid 60% of its EBITDAR in rent.[14] If the Pinnacle acquisition is consummated, Pinnacle will pay approximately 59% of its Consolidated Adjusted EBITDAR in rent.[15]

Given that gaming is a capital-intensive industry and that operators are responsible for maintenance capital expenditures at the properties, inadequate free cash flow could make it difficult for operators to handle expensive repairs or renovations or to maintain a sufficient level of spending on promotions and marketing programs.

As Pinnacle describes it in its Form 10:

"our obligations under the Master Lease may:

- *make it more difficult for us to satisfy our obligations with respect to our indebtedness and to obtain additional indebtedness;*
- *increase our vulnerability to general or regional adverse economic and industry conditions or a downturn in our business;*
- *require us to dedicate a substantial portion of our cash flow from operations to making lease obligation payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;*
- *limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and*
- *restrict our ability to raise capital, make acquisitions, divestitures and engage in other significant transactions."*[16]

A standard tool used in many triple-net leases to measure a tenant's ability to afford its lease payments is the "rent coverage ratio." Although not all leases define this term in exactly the same way, in general the rent coverage ratio can be expressed as:

$$\frac{\text{EBITDAR}^{17}}{\text{Rent}}$$

In November 2012, when Penn first announced its intent to separate its real estate from its operations in a sale-leaseback, the company estimated that its rent coverage ratio would approximate 2.0x.[18] Two and a half months later, Penn lowered its estimate to 1.9x to reflect changes in its assumptions about future revenue from its Ohio properties and the effects of certain anticipated transactions on the part of its preferred shareholders.[19]

The most recent disclosure of Penn's ratio was contained in a GLPI investor presentation in September 2015. Using Penn's reported income and expenses for the first six months of 2015[20], GLPI calculated Penn's property-level rent coverage ratio to be 1.85x.[21] In that same investor presentation, GLPI estimated Pinnacle's property-level[22] rent coverage ratio under its proposed master lease would be 1.9x. If corporate expenses are included, according to GLPI, Penn's rent coverage ratio is 1.73x and Pinnacle's will be 1.68x.[23]

How do these ratios compare to those of other triple-net lease tenants? There is no definitive source on what constitutes a typical rent coverage ratio for a retail tenant. In a March 2014 report, the hedge fund Starboard Value disclosed details of a proprietary Green Street Advisors analysis, in which it was reported that Green Street believes that "rent coverage of 2.25x to 2.50x is often deemed adequate by net lease investors."[24] Four of the top five retail triple-net REITs have made recent disclosures about some or all of their tenants' coverage ratios. Those disclosures were generally consistent with, or slightly higher than, Green Street's "adequate" range.

- The largest triple-net retail REIT, Realty Income Corp, disclosed that its tenants' properties had, as of June 30, 2015, an "average EBITDAR/Rent Ratio" of 2.6x and a "median EBITDAR/Rent Ratio" also of 2.6x.[25]
- In 2014, when the second largest triple-net retail REIT (VEREIT, formerly known as American Realty Capital) purchased the Red Lobster restaurant chain and leased it back to the former owner/operator, it cited the resulting rent coverage ratio of 2.2x as evidence of "conservative performance underwriting."[26]
- The fourth largest triple-net retail REIT, National Retail Properties, said its "top tenants" had a range of rent coverage ratios of 1.9x to 4.5x, that the average ratio was 2.9x, and the weighted average ratio was 3.1x.[27]
- The fifth largest triple-net retail REIT, Spirit Realty Capital, reported a "weighted average unit level rent coverage" ratio of 2.8x and a "median unit level rent coverage" ratio of 2.4x.[28]

Tenants of largest triple-net retail REITs have higher rent coverage ratios

REIT	# of tenants		As of
Realty Income Corp	234	"average EBITDAR/Rent Ratio" = 2.6x "median EBITDAR/Rent Ratio" = 2.6x	June 2015
VEREIT	803	Red Lobster's rent coverage ratio = 2.2x shows "conservative underwriting."	June 2014
WP Carey	219	Does not disclose ratios	NA
National Retail Properties	400+	Top tenants between 1.9x and 4.5x Average ratio = 2.9x weighted average ratio = 3.1x	June 2015
Spirit Realty	454	Weighted average unit level = 2.8x Median unit level = 2.4x	June 2015
GLPI	3 or 4	Penn = 1.73x (1.85x property-level) Pinnacle estimate = 1.68x (1.9x property-level)	Sept 2015

Sources: Company 10-Ks and Investor Presentations

Is GLPI more like a healthcare REIT?

In the health care sector the picture is more complicated, as certain segments, such as skilled nursing facilities, have suffered lower margins in recent years due to changes in Medicare reimbursement rates, while some other healthcare segments (such as senior housing or medical office buildings) are more aligned with apartment and office building dynamics respectively, while considerably less sensitive to changes in federal government payout rates.[29]

Rent coverage ratios of skilled nursing facilities (SNFs), are generally among the lowest within the triple-net universe, and are mostly (but not always) lower than Penn's ratio or Pinnacle's estimated ratio. Like gaming, skilled nursing facilities are capital-intensive, with similar maintenance capital requirements.[30] Therein lies a cautionary tale, since some of the largest and best run operators of skilled nursing homes have been hobbled in their turnaround strategies due to untenable rents. Indeed, as their cash flows decline, their rent does not – which means operators are devoting an increasing share of their cash flow to rental payments. It also means that REITs with a large concentration of SNF tenants could see defaults or risk ratings downgrades.

The case of HCR ManorCare and its landlord HCP Healthcare, is particularly instructive. In December 2010, ManorCare entered in to a sale-leaseback transaction with HCP not unlike the proposed GLPI/Pinnacle transaction, whereby the REIT acquired 334 of the company's post-acute skilled nursing facilities and leased them back to ManorCare. Under the original master

lease, ManorCare risked a "rent coverage trigger event" if its rent coverage ratio fell below 1.1 to 1.[31] Like the GLPI master leases, the properties were cross-defaulted such that the lessee was responsible for lease payments on all of the properties even if one or more of the properties was unable to pay its share.[32]

Beginning in 2011, federal health policy began shifting to encourage managed-care plans like Medicare Advantage.[33] In fiscal year 2012, Medicare reimbursement rates for skilled nursing care fell by 11% compared to the previous year.[34] Almost immediately, ManorCare's financial condition began to deteriorate. Standard & Poor's put the company on Credit Watch, along with five other nursing home companies, noting that the new reimbursement rules could reduce EBITDA at the six companies by between 30% and 60%.[35]

By yearend 2012, HCP had recognized an impairment of "$865 million related to ManorCare's goodwill and intangible assets."

"Even without further reimbursement cuts," reported one investment advisor in May 2014, "Green Street Advisors projects EBITDAR (Earnings Before Interest, Depreciation, Amortization, and Rent) growth for SNF operators will be negative for the next four years."[36]

In January 2015, S&P reduced its credit rating of ManorCare's parent (HCR Healthcare), pointing out that 85% of the company's EBITDAR "is absorbed by the significant, and escalating, lease payments" to HCP and that lease-adjusted leverage had reached the "very high level" of 11x.[37]

On April 1, 2015, HCP amended its lease with ManorCare to reduce the ailing operator's annual rent by a net $68 million. HCP disclosed that "as consideration for the rent reduction, the Company received a Deferred Rent Obligation from the Lessee equal to an aggregate amount of $525 million." Additionally, HCP purchased nine of the ManorCare facilities it did not already own for $275 million, the proceeds of which were to be used to reduce ManorCare's deferred rent obligation.[38] HCP expected ManorCare's total fixed cost coverage (TFCC) ratio[39] to decline to a razor thin 1.07x by the end of 2015.[40]

At yearend 2014, the REIT had $21.4 billion in assets and 1,108 properties spread across five medical industries. ManorCare was the largest tenant accounting for 31% of HCP's assets and 26% of the REIT's revenue.[41] Nevertheless, S&P did not expect ManorCare's woes to materially affect the creditworthiness of HCP.[42]

HCP was able to avoid a ratings downgrade by virtue of its size, its industry-and-tenant diversity, its ability to absorb rent reductions, and its ability to purchase ManorCare properties it did not already own, which allowed ManorCare to pay-off some of its Deferred Rent Obligation.[43] Here is how Steve Monroe, editor of SeniorCare Investor, put it:

"You look at the big three REITs and HCP in particular, their big difficulties with HCR ManorCare, and yet HCP and the other REITs saw their stock prices continue to rise, and thus investors did not seem to care. They can bury the losses or problems because they are so large. Healthcare REIT (HCN) or Ventas can have a $500 million client or tenant go bankrupt and they will just kick them out and get new tenants in, adjust the lease rates and do more at the backend. They are so big and so diverse that they can withstand a big hiccup. To withstand a hiccup of a $6 billion investment that HCP made in HCR ManorCare, you would think would be a negative, but it actually turned out to be a huge positive because it showed to the market that even a negative event that large could not topple one of these." [44]

Which raises the question: could GLPI be as nimble as HCP if either Penn or Pinnacle were to see a sustained period of static or declining revenue? Consider the exercise that follows:

Strategies to manage prolonged operator financial stress

What HCP did	*Could GLPI do something similar?*
Diluted the effect of ManorCare's troubles by diversifying the REIT's tenant base. At YE 2014, HCP had 895 tenants spread across four distinct healthcare segments. It could do this, in part, because the universe of potential acquisition targets is vast: in 2013 there were an estimated 15,700 nursing homes, of which 10,700 were for-profit and privately owned; and 22,200 residential care communities, of which 17,400 are privately owned[45], plus hundreds of hospitals and thousands of medical office buildings.	Since its spinoff from Penn in 2013, GLPI has consummated one purchase – the Casino Queen, and is in the process of completing another - the Meadows Casino near Pittsburgh. At YE 2014, Penn accounted for 97% of the REIT's revenue. If the Pinnacle deal is completed as planned, Penn will account for 53% of revenue and Pinnacle will account for 45%.[46] GLPI estimates that there are 257 commercial gaming properties that it does not already own.[47]
Kept ManorCare on life support by re-opening leases to lower HCR's rent and improve its rent coverage.	GLPI could do this, but a 10% reduction in either Penn's or Pinnacle's rent would result in a 5% reduction in GLPI's revenue. REITs that can sustain or grow their dividends over time are more attractive to shareholders. GLPI might find it more difficult to sustain the same level of dividends after locking-in lower revenue.
Purchased nine ManorCare facilities it did not already own. Proceeds were used to reduce ManorCare's deferred rent obligation.	There is limited opportunity for GLPI to purchase operators' property it does not already own. Penn currently has two such properties, and Pinnacle will have only one owned property assuming the sale-leaseback transaction is consummated.

Conclusion

We hope this report is useful to state regulators as they undertake the daunting task of evaluating GLPI's bid to acquire and lease back Pinnacle's 14 casinos. Separating ownership and management of casinos has profound implications for our industry. With at least two other gaming companies planning to create REITs, it is imperative, we believe, to take stock of how the GLPI leaseback model could affect the financial health of the industry as well as the viability of individual operators. Specifically, we hope regulators will explore the following questions:

- Will Pinnacle be able to maintain its current level of maintenance capex? Can the company continue to grow when three fifths of its cash flow is devoted to fixed costs (rent and debt)?
- Is a 1.68x rent coverage ratio sufficient?
- How would Pinnacle be affected in an economic downturn similar to the recession of 2008-2010?
- How would Pinnacle be affected by gaming expansion in new jurisdictions like Illinois, Texas, or any other market abutting their existing locations?
- Is GLPI's property portfolio sufficiently diversified across industries and companies?
- Would GLPI be able to maintain its dividends if one or more of its operators experienced a prolonged decline in EBITDA?
- How will GLPI be affected by rising interest rates?
- Do regulators have the resources to evaluate and stress-test leases? Are they empowered to compel changes in lease terms if they determine such changes would be in the best interest of their respective jurisdictions?

In considering these questions, it is imperative that regulators understand the GLPI model and how it differs from established retail REITs. We also hope they consider examples of high rent burdens and their effects on operators in other regulated industries, such as skilled nursing homes.

Endnotes

1 Section 3.1 of each master lease; See also Section 2.1 of each master lease for the definition of "Percentage Rent": According to Section 2.1 of the Pinnacle Master Lease, "The Percentage Rent shall be reset each Percentage Rent Reset Year to a fixed annual amount equal to the product of (i) four percent (4%) and (ii) the excess (if any) of (a) the average annual Net Revenues for the trailing two-year period."
2 Section 9.1 of each master lease
3 Section 1.2 of each master lease, which refers to the lease as "indivisible" and "one economic unit." Elsewhere Penn and GLPI use the term "cross-defaulted;" For Penn lease, see Penn National Investor Presentation, May 22, 2013; for Pinnacle lease, see GLPI Press Release, 7/21/2015, filed as exhibit 99.1 to 8-K.
4 Section 10.1 in each master lease.
5 Penn Master Lease, Section 7.4(a); see Section 2.1 for definition of "Restricted Area."
6 Pinnacle Master Lease, Section 7.3(a); see Section 2.1 for definition of "Restricted Area."
7 Section 22.1 in both leases
8 Section 22.2 (iii) in both leases
9 See "BofAML REIT Primer, 4th Edition: A Peek Into the Industry," Bank of America Merrill Lynch, May 6, 2013, pp. 5, 7, 8, 14.
10 GLPI Investor Presentation, filed as exhibit 99.2 to the 8-K filed on 3/9/2015, p.9,
11 GLPI Investor Presentation, September 2015, filed as an exhibit to x filed on 9/15/2015, pp. 4-5.
12 GLPI Investor Presentation, September 2015, filed as exhibit 99.2 to the 8-K filed on 9/15/2015, p. 9.
13 Enterprise values from March 2015 GLPI Investor Presentation, p.9; GLPI largest tenants and percent of revenue from September 2015 GLPI Investor Presentation, p.9; all other info from 2014 10-Ks for each company.
14 Penn National 2014 10-K, filed 2/27/2015, p. 51.
15 Pinnacle presentation, July 21, 2015, p.13, filed as exhibit 99.2 to 8K filed 7/21/2015. See also Pinnacle Preliminary Information Statement, filed as Form 10 on 12/23/2015, p.70. (Consolidated Adjusted EBITDA for first nine months of 2015 =$473.7 million; compared to rent, which for first three quarters would be 75% of $377million, or $282.8 million. $473.7 divided by $282.8 = 59.6%.)
16 Pinnacle Preliminary Information Statement, filed as Form 10 on 12/23/2015, p. 21.
17 EBITDAR is a widely used method of measuring a REIT's free cash flow. It stands for earnings before interest, taxes, depreciation, amortization and rent.
18 "Penn National Gaming announces Intent to Pursue the Separation of Its Real Estate Assets from Its Operating Assets," Press Release dated 11/15/2012, filed as exhibit 99.1 to the 8K filed on 11/16/2012, p.8.
19 Fourth Quarter 2012 Results, Penn National Press Release, 1/31/2013, filed as exhibit 99.1 to the 8K filed on 2/1/2013.
20 As reported by Penn in a press release dated 7/23/2015 and attached as exhibit 99.1 to Penn's 8K filed 7/23/2015.
21 GLPI Investor Presentation, September 2015, filed as exhibit 99.2 to the 8-K filed on 9/15/2015, p. 16.
22 "Property level" coverage ratio excludes the effect of corporate expenses on earnings.
23 GLPI Investor Presentation, September 2015, filed as exhibit 99.2 to the 8-K filed on 9/15/2015, p. 16.
24 "Darden Restaurants Inc.: A Primer on Darden's Real Estate," Starboard Value (includes proprietary analysis by Green Street Advisors), March 31, 2014, p.24.
25 "2Q 2015 Supplemental Operating & Financial Data," Filed as exhibit 99.2 to Realty Income's 8K filed 7/29/2015, p.16.
26 "Six Month Update: On the Road to Longterm value Creation," American Realty Properties, 6/20/2014, p.3.
27 National Retail Properties, "Single Tenant Retail Property REIT with 25 Consecutive Years of Dividend Increases," Investor Update, June 2015, p.43.
28 Spirit Realty Capital Investor Presentation, September 2015, p.7.
29 "Unhealthy Prognosis for Healthcare REITs," Chilton Capital Management: REIT Outlook, May 2014, pp. 2-4.
30 According to a 2010 report by Allexian Global Healthcare Advisors, maintenance capex for long-term care facilities typically "runs at about 4% of revenues." Source: LLexiNews, Issue 1, Volume 2, January 2010.
31 "Master Lease and Security Agreement among The Parties Hereto From Time To Time As Set Forth On Exhibits A-1 Through A-4 Hereto as Lessor AND HCR III HEALTHCARE, LLC, as Lessee, Dated as of April 7, 2011," p. 16, filed as exhibit 10.1 to HCP 8-K filed 7/12/2011.

32 See Section 1.2 of both the Pinnacle and Penn Master Leases. Both leases provide in section 1.2: "This Master Lease constitutes one indivisible lease of the Leased Property and not separate leases governed by similar terms."

33 Zigmond, Jessica, "A period of adjustment: Post-acute providers feel growing pains as they shift to Medicare and Medicaid managed-care contracting," Modern Healthcare, Oct. 12, 2013. And Rau, Jordan, Medicare Seeks To Curb Spending on Post Hospital Care," Kaiser Health News, 12/1/2013.

34 "CMS to cut Medicare payments to skilled nursing facilities," Healthcare Finance News, 8/3/2011.

35 Six For-Profit Nursing Home Company Ratings Placed On Watch Negative On Medicare Payment Cut Announcement, Standard & Poors Press Release, 8/3/2011.

36 "Unhealthy Prognosis for Healthcare REITs," Chilton Capital Management: REIT Outlook, May 2014, p. 4.

37 "US Healthcare REITs and Their Skilled Nursing Tenants: Credit Implications of Rent Reductions," S&P Ratings Direct 2015, p.2; and HCP 2014 10-K, p.13.

38 HCP 10-Q, filed 11/3/2015, pp. 12-13.

39 Fixed cost coverage ratio is EBITDAR + Interest/ Rent + Interest

40 HCP 2014 10-K, p.41.

41 HCP 2014 10-K, pp. 7, 28 and 77.

42 "US Healthcare REITs and Their Skilled Nursing Tenants: Credit Implications of Rent Reductions," S&P Ratings Direct 2015.

43 "US Healthcare REITs and Their Skilled Nursing Tenants: Credit Implications of Rent Reductions," S&P Ratings Direct 2015.; and Interview with Steve Monroe, Editor of The SeniorCare Investor Newsletter and The Senior Care Acquisition Report, Healthcare Transactions Group, 4/21/2015.

44 Interview with Steve Monroe, Editor of The SeniorCare Investor Newsletter and The Senior Care Acquisition Report, Healthcare Transactions Group, 4/21/2015.

45 Vital Health Statistic, Series 3, Number 37, Long-Term Care Services in the United States: 2013 Overview, U.S. Department of Health and Human Services, pp. VIII, 12 and 88.

46 These percentages exclude the pending acquisition of Meadows, which could add another single-property operator to GLPI's stable.

47 GLPI Investor Presentation, Feb. 2014, p.15.