

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

* * * * *

IN RE: WASHINGTON TROTTING ASSOCIATION, INC., GLP
CAPITAL, LP AND GAMING AND LEISURE PROPERTIES, INC.
JOINT PETITION CONCERNING PROPOSED CHANGE OF CONTROL

* * * * *

PUBLIC HEARING

* * * * *

BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
Gregory C. Fajt, Commissioner
Keith R. McCall, Commissioner
David W. Woods, Commissioner
Anthony C. Moscato, Commissioner
Annmarie Kaiser, Commissioner
Richard G. Jewell, Commissioner
Fred R. Strathmeyer, Jr., Deputy Secretary,
Representing Russell Redding, Acting
Ex-Officio Member, State Treasurer
Robert Coyne, Representing Eileen McNulty,
Secretary of Revenue, Ex-Officio Member
Jennifer Langan, Esquire

HEARING: Wednesday, July 8, 2015
10:04 a.m.

Reporter: Derrick Ferree

Any reproduction of this transcript is prohibited
without authorization by the certifying agency.

1 LOCATION: Pennsylvania Gaming Control Board
2 Strawberry Square Complex, Second Floor
3 Harrisburg, PA 17101
4 WITNESSES: None

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

OFFICE OF ENFORCEMENT COUNSEL

CYRUS R. PITRE, ESQUIRE

Chief Enforcement Counsel

PA Gaming Control Board

303 Walnut Street, Fifth Floor

Harrisburg, PA 17106-9060

Counsel for the Pennsylvania Gaming Control Board

JAMES A. DOHERTY, III, ESQUIRE

Scanlon, Howley & Doherty, P.C.

217 Wyoming Avenue

Scranton, PA 18503

Counsel for Gaming and Leisure Properties, Inc.

BRANDON J. MOORE, ESQUIRE

825 Berkshire Boulevard

Wyomissing, PA 19610

Counsel for Gaming and Leisure Properties, Inc.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S (Cont.)

MARIE JONES, ESQUIRE

Fox Rothschild, LLP

Midtown Building, Suite 400

1301 Atlantic Avenue

Atlantic City, NJ 08401

Counsel for Washington Trotting Association

ALSO PRESENT: Guy Hillyer

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DISCUSSION AMONG PARTIES	7 - 8
PRESENTATION	
By Attorney Janice	8 - 11
By Attorney Doherty	11 - 15
By Attorney Moore	15 - 21
DISCUSSION AMONG PARTIES	21 - 33
PRESENTATION	
By Attorney Pitre	34 - 36
DISCUSSION AMONG PARTIES	36 - 39
QUESTIONS BY THE BOARD	39 - 48

E X H I B I T S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

<u>Number</u>	<u>Description</u>	<u>Page Offered</u>	<u>Page Admitted</u>
---------------	--------------------	---------------------	----------------------

NONE OFFERED

P R O C E E D I N G S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CHAIRMAN:

Today, ladies and gentlemen, we have one hearing scheduled. That hearing pertains to Washington Trotting Association, Inc., GLP Capital, LP and Gaming and Leisure Properties Inc., regarding their Joint Petition seeking approval for a proposed change of control. I would ask all those who are involved in that matter to please come forward.

Okay. I guess before we formally begin, if there are any representatives from either party who are not attorneys and plan to give testimony, I think those persons should rise and be sworn. Okay, sir. Why don't you state your name for the record, spell your last name?

MR. HILLYER:

Guy Hillyer, H-I-L-L-Y-E-R.

CHAIRMAN:

And what is your position, sir?

MR. HILLYER:

I'm an executive vice president with Cannery Casino Resorts, Winona Washington Trotting Association.

1 GUY HILLYER, HAVING FIRST BEEN DULY SWORN, TESTIFIED
2 AS FOLLOWS:

3 -----

4 CHAIRMAN:

5 You may be seated, sir. Thank you. All
6 right. And who will speak for Washington, at least to
7 start?

8 MS. JONES:

9 Good morning, Chairman and Board
10 members. Marie Jones from Fox Rothschild here on
11 behalf of Washington Trotting Association.

12 CHAIRMAN:

13 Okay. Let's begin.

14 ATTORNEY JONES:

15 I'm having PowerPoint issues.

16 OFF RECORD DISCUSSION

17 ATTORNEY JONES:

18 Good morning again. As you've heard,
19 Guy Hillyer is here with me today. He is the
20 Executive Vice President of Cannery Casino Resorts,
21 the parent company of Washington Trotting Association.
22 Also with me today is Brandon Moore, Senior Vice
23 President and General Counsel of Gaming Leisure
24 Properties, Inc. And James Doherty, Counsel for
25 Gaming Leisure Properties.

1 I'd first like to introduce into
2 evidence a June 24th, 2015 letter from the
3 Pennsylvania State Harness Racing Commission signed by
4 Executive Secretary George Crawford indicating that
5 the Harness Racing Commission has no objection to this
6 Petition moving forward for preliminary approval with
7 this Board.

8 CHAIRMAN:

9 Okay.

10 ATTORNEY PITRE:

11 No objection.

12 CHAIRMAN:

13 It will be admitted.

14 ATTORNEY JONES:

15 First, the request that we are seeking
16 today, we want to be sure that the Board understands
17 that it's for a Preliminary Approval of the
18 Transaction between Washington Trotting Association
19 and GLPI. We're only seeking preliminary approval for
20 the matter to continue with Office of Enforcement
21 Counsel (OEC) and the Bureau of Investigations and
22 Enforcement (BIE). It permits them to do their
23 investigation into the licensure and the change of
24 ownership.

25 CHAIRMAN:

1 Okay. Cyrus, do you concur in that
2 description of why exactly we're here today?

3 ATTORNEY PITRE:

4 Right. We're only here for the Board to
5 approve the concept that would allow them to move
6 forward in order for the Bureau of begin its
7 background investigation.

8 CHAIRMAN:

9 Okay.

10 ATTORNEY JONES:

11 Once they're done their investigation,
12 we would be back before this Board as well as the
13 Harness Racing Commission for final approval.
14 Actually, the proposed transaction is why we're here
15 today. On May 13th, 2014, the parties entered into a
16 Membership Interest Purchase Agreement whereby GLPI
17 would acquire the Meadows for \$465 million. In that
18 agreement, GLPI had 60 days from entering the date of
19 the agreement to identify a third-party operator.

20 If they did not identify a third-party
21 operator, they would apply for a Category 1 License.
22 And the transaction would close no later than November
23 13th, 2015 at which time though, CCR does have the
24 option to terminate the Agreement if GLPI has not been
25 licensed subject to certain other provisions of the

1 Agreement as well. GLPI did in fact apply for a
2 Category 1 License on July 16, 2014 and it was moved
3 from the Bureau of Licensing to BIE on November 15th,
4 2014. And then we were requested by OEC to file this
5 Petition to move the process along.

6 The next slide is the current
7 organizational structure of the Meadows, and this is
8 actually what GLPI would be acquiring. And then the
9 structure would take place in four --- or I'm sorry,
10 the change of ownership will take place in four steps
11 and this is the outline of the steps. These steps as
12 outlined do contemplate an operator, which the intent
13 is, at this point for GLPI initially not have an
14 operator, but an operator to come in at a future date.
15 So, it's really the mechanics of the transaction here.
16 I'm going to now turn over to GLPI to go overview.

17 ATTORNEY DOHERTY:

18 Thank you, Marie. Chairman Ryan,
19 members of the Board, good morning. As indicated
20 earlier, I am Jim Doherty from the law firm Doherty
21 Hays and I appear today on behalf of Gaming and
22 Leisure Properties, Inc., which I'll refer to as GLPI.
23 Specifically, I appear before you to respectfully
24 request this Board grant the Joint Petition for
25 Preliminary Approval of Change of Control and Relief

1 Requested therein, as described earlier by Counsel for
2 Washington Trotting Association.

3 Briefly by way of background
4 information, GLPI is a publicly traded company with 19
5 Gaming Properties under triple net leases with third-
6 party operating entities, including Hollywood Casino
7 at Penn National Racecourse in Grantville. In
8 addition, GLPI owns and operates two Gaming
9 properties; Hollywood Casino, Baton Rouge in Louisiana
10 and Hollywood Casino Perryville in Maryland.
11 GLPI and its wholly owned subsidiary, GLP Capital,
12 have been approved for licensure by this Board as
13 principal entities of Mountainview Thoroughbred Racing
14 Association, the operator of Hollywood Casino at Penn
15 National Racecourse.

16 In March of 2014, GLPI provided Board
17 staff with preliminary information regarding its
18 proposed acquisition of the Meadows and explained that
19 the potential transaction would be structured in a way
20 to accommodate GLPI's tax structure as a real estate
21 investment trust, or a REIT, including limitation that
22 a REIT cannot hold more than 25 percent of its assets
23 in a taxable REIT subsidiary. GLPI further explained
24 that as a REIT, it is not generally in the business of
25 owning and operating casinos and racing facilities,

1 aside from those facilities previously mentioned in
2 Louisiana and Maryland.

3 To be certain, it has never been GLPI's
4 intention to operate the Meadows on a long-term basis,
5 and GLPI will continue its search to identify a
6 suitable management company to operate the racing,
7 Gaming and Non-Gaming facilities at the Meadows Race
8 Track and Casino with GLP Capital remaining as the
9 owner of the real estate. GLPL remains interested in
10 requiring the real estate assets of the Meadows and
11 then leasing the real estate to a Gaming management
12 company that will separately acquire the operating
13 assets of the Meadows, of course subject to this
14 Board's approval.

15 Although there is currently litigation
16 pending between Cannery Casino and GLPI, such
17 litigation has now precluded GLPI from moving forward
18 with its contractual obligations under the terms of
19 the purchase agreement with the Meadows, and seeking
20 approval and licensure from this Board. GLPI remains
21 committed to acquiring the real estate of the Meadows
22 and operating the racing, Gaming and Non-Gaming
23 facilities of this Category 1 Licensee until such time
24 that a third-party operator is identified and licensed
25 by this Board.

1 As previously mentioned, GLP Capital
2 submitted a Category 1 License Application with the
3 Bureau of Licensing on July 16, 2014. On November
4 5th, 2014, the Bureau of Licensing had notified GLPI
5 that its application had been submitted at the BIE.
6 As you know, GLPI and its management team, including
7 Peter Carlino, Steve Snyder and Brandon Moore, have
8 extensive experience in casino operations, including
9 experience in operating under Pennsylvania's
10 regulatory structure through their involvement at
11 Hollywood Casino Penn National Racecourse.

12 Further, GLPI's management team has been
13 found suitable for licensure by this Board on multiple
14 occasions. GLPI's management team has a proven track
15 record, which this Board can look to for assurances
16 that the Meadows' racing and Gaming operations will
17 continue without interruption. This team will not
18 need to be educated on the regulatory requirements or
19 expectations of this Board or its staff. Moreover,
20 GLPI's management team has a keen understanding of the
21 Pennsylvania and Regional Gaming markets. They know
22 how to maximize returns in this competitive market.
23 In addition, Cannery Casino Resorts will provide
24 general advisory services to GLPI to assist in the
25 transaction of these operations.

1 I submit that the Board --- I submit to
2 you the Board's approval for the instant Petition to
3 allow for the continued and seamless operations of
4 racing, Gaming and Non-Gaming facilities which are
5 currently underway at the Meadows Racetrack and
6 Casino. We ask the Board to approve this Petition and
7 direct its staff to review and investigate the
8 Category 1 License Application of GLP Capital and its
9 affiliates, so that GLPI can hold a Category 1 License
10 until such time that a third-party operator is
11 identified. And with this Board's permission, I'd
12 like to turn it over now to Brandon to finish the
13 remaining slides.

14 CHAIRMAN:

15 Okay.

16 ATTORNEY MOORE:

17 Good morning. Brandon Moore, General
18 Counsel of Gaming and Leisure Properties. I'll keep
19 it brief, and I promise I won't rehash anything that
20 Jim has said. I thought it might be helpful given
21 that we were here about two years ago in a spinoff
22 transaction to give you an overview again of just
23 briefly who we are and how we'll approach this.

24 So, as you see from the slide, we are
25 --- we spun off from Penn National Gaming in November

1 of 2013 following approval for not only this Board but
2 the Racing Commission and numerous other Gaming and
3 racing agencies across the United States. The primary
4 tenant is still Penn National Gaming. We lease 18
5 properties back to Penn National Gaming today,
6 including PNRG. And this transaction has nothing to
7 with Penn. Penn's not involved in this in any way.
8 And regardless of what happens in this transaction,
9 we'll remain to be a landlord of Penn National Gaming
10 at that property. No desire to own or operate that
11 property and, as far as I know, no desire for Penn to
12 sell it to us. So, I think even if we wanted to, we
13 probably wouldn't have a willing seller.

14 We did a deal shortly after the spinoff
15 for a casino outside of St. Louis called Casino Queen.
16 It's an employee-owned casino there. We now have
17 about 7.2 million square feet of building space that
18 we own, 3,100 acres of land and 2,800 hotel rooms at
19 this point. And we do own two properties through our
20 taxable REIT subsidiary, and I'll give you an idea in
21 a moment why they're there and what that's for.

22 The next slide just shows the geographic
23 spread of our facilities. And the taxable REIT
24 subsidiary --- a taxable REIT subsidiary is a device
25 that a REIT can use to have operating assets.

1 Generally REI's aren't permitted to hold operating
2 assets because the income derived from operating
3 assets isn't what you would call good REIT income.
4 You don't get the taxable benefits of that income into
5 your REIT because you have an active ownership in that
6 property. So, the IRS regulations permits you to hold
7 a certain amount of property in a taxable REIT
8 subsidiary. It can be up to 25 percent of the assets.

9 Our transaction with Penn was a little
10 bit complicated because we did a tax free spinoff of
11 the REIT --- or of the Gaming and Leisure Properties
12 that didn't qualify as a REIT. And in order to meet
13 the qualifications for a tax free spinoff, we had to
14 take two properties with us, and those in total. So,
15 we own and operate those properties and they sit in
16 our taxable REIT subsidiaries. So, the income derived
17 from those properties doesn't receive the same tax
18 treatment as the rental income derived from the rest
19 of the portfolio.

20 If we were approved to be the Licensee
21 in this case in order to purchase the Meadows, and
22 purchase the Meadows, we would do so into our taxable
23 REIT subsidiary because it would include not only the
24 land and building but the operating assets. And since
25 we'll have the operating assets, we would have to put

1 those into our taxable REIT subsidiary. It clearly
2 isn't our model. It's not the way we're structured,
3 it's not the focus of our business. And so, even if
4 we were to do that, we would continue to try to find a
5 third party to come in and buy those operating assets,
6 to come before this Board and the Harness Racing
7 Commission to be licensed, to then take over those
8 assets to which we would then lease the land and
9 building to them. At that point, the land and
10 building will be moved out of our TRS into our REIT
11 structure, for lack of a better description.

12 As Jim pointed out, many of the
13 principals at Gaming and Leisure Properties are
14 currently licensed, have been found suitable in
15 Pennsylvania through our license --- our Principal
16 Entity License at PNR. Penn and GLPI are two
17 separate publicly traded companies. We have very
18 diverse groups of shareholders at this point. We do
19 have a couple of key shareholders in common but
20 following the spinoff, we traded quite differently
21 because investors in REITs are quite a bit different
22 than investors in Gaming properties.

23 We did have transition services with
24 Penn for a period of time following the spinoff, just
25 to get on our own two feet. At this point, we're

1 completely off those with the exception of some
2 insurance-related services, which we plan to outsource
3 in the next few weeks. At which point we'll be
4 entirely free from the services of the Penn National
5 Gaming and we'll be moving into our own headquarters
6 hopefully in September.

7 So, at this point, we are completely
8 separate from Penn. They have engaged in several
9 transactions for the spin that don't involve us. They
10 recently opened a casino outside of Massachusetts; we
11 have no interest in that. They've announced a deal
12 with Jamul Tribe outside of San Diego; we have no
13 interest in that. They recently agreed to purchase
14 the Tropicana on the Las Vegas strip; we have no
15 interest in that. So, Penn has kind of gone their
16 separate way, we've gone out separate way in
17 purchasing the Casino Queen. And we're also engaged
18 in a transaction in pursuit of Pinnacle Entertainment,
19 Inc. Again, there, it would it only be their land and
20 building, so this would be our goal as a REIT to grow
21 and to diversify our base through the purchase of
22 Pinnacle Entertainment.

23 The last slide just shows, really Jim
24 covered this, the principals at GLPI came from Penn
25 National Gaming. Obviously, for a number of years

1 operated, not only PNR, but a number of other casino
2 properties across the United States. Those
3 individuals remain with Gaming and Leisure Properties.
4 We do own and operate Louisiana Casino Cruises, which
5 goes by Hollywood Casino Baton Rouge, and we have
6 Hollywood Casino Perryville. So, we do have currently
7 two active, ongoing casino operations in our
8 portfolio, again, in the TRS subsidiaries. So, we
9 believe we're qualified to operate this facility for
10 as long as we would need to in order to find a
11 third-party operator to comport with our intended
12 structure.

13 I think that takes us to the conclusion,
14 which we're here today again just to permit
15 Preliminary Approval for the investigation on our
16 Application to proceed. And obviously, we don't
17 anticipate --- and I apologize to this Board and to
18 the Harness Racing Commission, it was never our
19 intention to bring a Petition in front of the Board
20 that was in over the head of and in any way in
21 controversy with the Racing Commission, the Harness
22 Racing Commission. The only intention we had with
23 this was to permit the investigation to continue. We
24 recognize and we'll work closely with the Harness
25 Racing Commission when they decide to review our

1 Application and understand that that's a prerequisite
2 to any approval by the Board.

3 ATTORNEY DOHERTY:

4 Thanks. That concludes our
5 presentation.

6 CHAIRMAN:

7 Okay. Cyrus, any comments from the
8 Office of Chief ---

9 ATTORNEY PITRE:

10 Yeah, we have some ---.

11 CHAIRMAN:

12 --- of Enforcement Counsel (OEC), sir?

13 ATTORNEY PITRE:

14 Yes, Chairman, we have some follow-up
15 comments --- questions. Thank you. I'd like to
16 begin, if I may, and this --- just if you can go into
17 a little more detail about the whole REIT concept.

18 CHAIRMAN:

19 Sure.

20 ATTORNEY PITRE:

21 Okay. Annually, are there certain tests
22 that REIT perform? And could you explain to the Board
23 a couple of those tests? I believe there's an asset
24 test and a revenue test.

25 ATTORNEY MOORE:

1 Cyrus is putting me on the spot. I'm
2 going to quickly get out of my role as attorney and
3 into accounting and CFO. So, I'll do my best, but if
4 I botch this, there are tests that you have to meet in
5 order to continue to qualify as a REIT. Part of it
6 is, the tests associated with what I described before
7 as a certain amount of your assets have to be, and I'm
8 going to use jargon here that will probably make the
9 IRS cringe, but good readable assets. They have to
10 essentially be land and building that you're deriving
11 your income from. And so you do have to test your
12 portfolio of assets to determine whether or not the
13 bulk of your assets, at least 75 percent, are real
14 property assets.

15 There are a number of other income and
16 asset tests that you have to meet. For example, we
17 are required as a REIT to dividend out to our
18 shareholders up to 90 percent --- I think 80 or 90
19 percent, of our net income every year. So, in order
20 to continue to qualify as a REIT, you basically have
21 to push out most of your income in the form of a
22 dividend to your shareholders. That's an ordinary
23 dividend, so that's taxed at ordinary income rates.
24 So, we have to do that, we have to measure that
25 annually.

1 And there are other tests in order to
2 continue to qualify as a REIT that you have to meet.
3 And the penalties for not doing so include loss of
4 your REIT status for a period of time, which is, in
5 most cases and certainly with us, devastating. You
6 know, you're set up as a vehicle to own and operate
7 land and building and to dividend out to your
8 shareholders, and then you get the dividend expense
9 tax break on that. If we were to lose that, it would
10 vastly change the whole model of our business.

11 So, we are keenly aware of where we
12 stand at each of those ratios and tests throughout the
13 year. We do test annually, it's reviewed by our
14 Board, it's reviewed by our outside independent
15 accountants and it's extremely important to our
16 business.

17 ATTORNEY PITRE:

18 Okay. So, one of those tests is a
19 revenue test; correct?

20 ATTORNEY MOORE:

21 Correct.

22 ATTORNEY PITRE:

23 Okay. And with the revenue test, it's
24 my understanding that 25 percent of your revenue ---
25 OR you can't exceed 25 percent of your revenue coming

1 from your taxable subsidiaries; is that correct?

2 ATTORNEY MOORE:

3 I believe that's correct, Cyrus. I
4 would have to look at the regulation. I know there's
5 an asset test and a revenue test in there, but that
6 sounds right.

7 ATTORNEY PITRE:

8 Okay. So, that would mean that the
9 other 75 percent of your revenue, and you can't I
10 guess fall below that 75 percent of your revenue,
11 would have to come from your rental revenues and other
12 revenues under the REIT status?

13 ATTORNEY MOORE:

14 That's correct. So, you're look at the
15 rental income we're receiving from tenants like Penn
16 National Gaming versus the income coming in from the
17 operations of Hollywood Baton Rouge and Hollywood
18 Perryville now. So, we have to compare the revenues
19 from those two facilities in our taxable REIT
20 subsidiary against the rental income in our REIT.

21 ATTORNEY PITRE:

22 Okay. So, based upon I think the last
23 public filing that we had was at \$10K dated
24 12/31/2014. And according to our figures, and you can
25 correct me if I'm wrong, but the revenue coming from

1 the taxable REIT subsidiaries was about at 24.24
2 percent and the revenue coming from our rental
3 revenues and other revenues was about 75.76 percent,
4 maybe give or take a couple of percentage points.

5 ATTORNEY MOORE:

6 That may be right, Cyrus. And it could
7 be that the test is not on top line revenue, it's
8 further down on income. So, I'd have to look at that
9 exact test because my understanding is that we're not
10 nearly that close in our ratio. So, I think it's got
11 to be --- the test has to be --- it's probably on
12 income rather than top line revenue.

13 ATTORNEY PITRE:

14 Okay.

15 ATTORNEY MOORE:

16 And I can clarify that, I apologize.

17 ATTORNEY PITRE:

18 Okay.

19 ATTORNEY MOORE:

20 This is not something that crosses my
21 desk every day.

22 ATTORNEY PITRE:

23 So, what I guess what I'm trying to get
24 at is that if you have Perryville and you have Baton
25 Rouge, those as your tax subsidiaries, and then you

1 throw Meadows into the mix as another tax subsidiary
2 for however long it needs to stay there, then if I'm
3 not mistaken, I think Meadows brought in somewhere in
4 the neighborhood of \$280 million last year.

5 ATTORNEY MOORE:

6 And that's why, Cyrus, I think it's an
7 income test there.

8 ATTORNEY PITRE:

9 And there's always the potential that
10 you guys have to ensure that your revenue from your
11 taxable subsidiaries don't exceed that 25 percent
12 threshold.

13 ATTORNEY MOORE:

14 Correct.

15 ATTORNEY PITRE:

16 So, you have to constantly monitor that.

17 ATTORNEY MOORE:

18 We will, yep. Yeah. I know we've done
19 that analysis, and if we took in the Meadows today, we
20 feel as though we would continue to meet the test
21 because we could try to strip out some of the real
22 property at the Meadows and move it over and keep
23 operating assets separate. So, we've looked at this
24 ---. And I apologize, we need others here to help
25 provide a more coherent explanation as to why this

1 will work. But I can tell you that presently we
2 believe we could take the Meadows into our TRS
3 subsidiary today in a manner that we could still meet
4 our tests.

5 ATTORNEY PITRE:

6 But I think I'd like to see how that
7 would be done ---

8 ATTORNEY MOORE:

9 And I can follow up on that.

10 ATTORNEY PITRE:

11 --- in order to feel comfortable with
12 that.

13 ATTORNEY MOORE:

14 Yep.

15 ATTORNEY PITRE:

16 Because the figures we have don't
17 illustrate that.

18 ATTORNEY MOORE:

19 If it's helpful, I'm happy to prepare an
20 analysis after this meeting and I can provide it to
21 you and show you on a pro forma basis how the Meadows
22 would impact that taxable REIT subsidiary and those
23 tests.

24 ATTORNEY PITRE:

25 Because my concern is that if we get

1 into a situation where you could potentially lose your
2 REIT status, which would be catastrophic for GLPI.
3 And I want to make it clear that I thought the
4 spinoff, I thought the restructuring was a great novel
5 idea and I'm still in support of it. But if you get
6 into a situation where you could potentially lose your
7 REIT status, then you're faced with, you know, the
8 determination of, okay, we're making too much revenue
9 in our taxable subsidiaries and not enough revenue
10 from our rental income. So, either you have to
11 decrease one or increase one, and I know you would be
12 looking to increase your rental revenue.

13 However, I'm also concerned for the
14 Commonwealth that you would --- that when faced with a
15 dire situation that might be some move to stifle the
16 revenue in the taxable subsidiaries. And that's my
17 concern with this, without a third-party operator
18 being there, so ---. And I know you're not going to
19 admit that things like that happen, but that's my
20 concern. Okay?

21 So, let me step away from that for a
22 second. The restructuring after Penn National, how
23 long will it be before you --- you said you're going
24 to be moving into your own building in September?

25 ATTORNEY MOORE:

1 September is the plan, yeah. It's under
2 construction, so I think its set for September, but
3 you never know coming down the stretch here.

4 ATTORNEY PITRE:

5 Okay. And Mr. Carlino, how much longer
6 will he be serving in the dual chairman roles?

7 ATTORNEY MOORE:

8 The IRS didn't --- so part of the
9 requirements for our tax free spinoff was that these
10 two companies had to be independent. And we did have
11 two overlap --- we do have two overlapping directors,
12 which we're permitted by the IRS as a minority of each
13 of those Boards. We don't have any present intention
14 for that to end. I mean, I'm not saying it won't.
15 The Penn National Board is growing. We're looking to
16 add members to our Board this year as well. And so
17 their roles on each of those Boards is becoming more
18 diluted. Could there be a point in time where they
19 step off of one of those Boards? I certainly think
20 that's possible, but there's nothing planned at the
21 moment.

22 ATTORNEY PITRE:

23 So, for the foreseeable future, he's
24 going to be the Chairman of both Boards?

25 ATTORNEY MOORE:

1 That's correct.

2 ATTORNEY PITRE:

3 Okay.

4 ATTORNEY MOORE:

5 And he may step off the of the Chairman
6 role at some point from Penn, I don't know. There's
7 no current plan in place, to my knowledge, and I don't
8 have anything to do with Penn National Gaming. So, it
9 could very well be that that Board is having
10 conversations about two different chairmen or
11 different roles, I just don't know. I know that
12 there's no present plan for him to step off as
13 chairman of our Board at GLPI.

14 ATTORNEY PITRE:

15 The lawsuit that's presently pending
16 between you and Meadows, GLPI and Meadows, what ---?
17 I mean, that can't be a comfortable thing to go
18 through and sit here before the Board and present this
19 Petition, so I'm not going to put you too much on the
20 spot with that. But what effect will that have on how
21 we move forward? I mean, you're asking the Board for
22 us to proceed with a background investigation when you
23 both are pretty much at odds on how this is going to
24 proceed. And how can we, in good faith, move forward
25 with the background investigation if there's no

1 meeting of the minds with the parties and we don't
2 have an agreement that we can rely on?

3 ATTORNEY MOORE:

4 I understand that and that's fair. I
5 appreciate that. At this point in time, currently
6 there are several issues under litigation, there's no
7 denying that. It is my hope, and Cannery can speak
8 for themselves here today, that at some point in this
9 process there can still be a resolution to those
10 issues. That resolution isn't imminent today.

11 If there is a resolution of those
12 issues, it would be our hope that the investigation
13 and the background work necessary for us to become
14 licensed and close on this transaction will have been
15 completed. But I can't sit here today and tell you
16 that I think that's next month or next week. The
17 current status of the litigation is there's a hearing
18 scheduled for July 22nd for a Motion to Dismiss to be
19 heard. And until that time, I don't expect any
20 further movement in that case.

21 ATTORNEY PITRE:

22 Marie, do you have anything?

23 ATTORNEY JONES:

24 I concur, there's several different
25 options that could occur with the matter. And at this

1 point, there is a Motion to Dismiss. We ask that the
2 Board and OEC be permitted to move forward with the
3 License Application, because one of those options
4 would be that we would resolve the issue and be able
5 to close by the November 2015 deadline.

6 ATTORNEY PITRE:

7 Have you continued --- Brandon, have you
8 continued, GLPI continue to look for third-party
9 operators?

10 ATTORNEY MOORE:

11 We have.

12 ATTORNEY PITRE:

13 And how has that --- has the lawsuit
14 affected that, your ability to do that?

15 ATTORNEY MOORE:

16 The issues underlying the lawsuit have
17 affected that.

18 ATTORNEY PITRE:

19 Okay. Have you --- and I know you
20 provided me with an ongoing list as things become
21 available, but has that list grown, has it decreased?

22 ATTORNEY MOORE:

23 The list hasn't grown. I'm hesitant to
24 get into issues that are the subject of litigation.

25 ATTORNEY PITRE:

1 I just want to know whether it's ---.

2 ATTORNEY MOORE:

3 Can I just say that the folks that were
4 interested at the end that when there were some
5 changes in the financial outlook of the property
6 described by the properties management team became
7 nervous and took a step back. Those same operators
8 are still that step back. I think they're waiting to
9 figure out where this property is going, and I think
10 that those folks would still be interested in being an
11 owner and operator of the Meadows once they are
12 comfortable that they understand the financial outlook
13 of the business.

14 ATTORNEY PITRE:

15 Okay. Mr. Chairman, ---

16 ATTORNEY MOORE:

17 It has not grown.

18 ATTORNEY PITRE:

19 --- I have no further questions. If the
20 court would like to hear comments from my office right
21 now, I'd be happy to present those, or if the Board
22 would like to move into questioning.

23 CHAIRMAN:

24 Yeah. Why don't we hear from you on
25 this? We may as well get all of this out of the way

1 and then the Board can ask questions.

2 ATTORNEY PITRE:

3 Well, as the Board knows from our
4 filings, that we object to this concept moving forward
5 the way it's presently being presented. When the
6 concept of a REIT was approved, we always maintained
7 and we continue to maintain that GLPI should only be
8 allowed to operate as a landlord with a third-party
9 operator. We think that GLPI's potential of being
10 licensed as a Category 1 Licensee is counterintuitive
11 to the ownership restrictions under the Act. And we
12 also think that its licensed status with Penn National
13 should be revisited to determine whether or not they
14 are truly a principal entity or a principal affiliate.
15 Most importantly, the potential for this transaction
16 to stifle the revenue at Meadows in order for GLPI to
17 maintain its REIT status in the future would be
18 catastrophic to the integrity of the Gaming Industry
19 in Pennsylvania.

20 If GLPI were to locate a suitable third-
21 party operator, or if Cannery remained as a licensed
22 third-party operator and GLPI's role was strictly as
23 landlord, we'd probably be completely on board with
24 this. Be that as it may, we would request that the
25 Board not allow this concept to move forward as

1 presently presented, but allow the door to remain open
2 for GLPI and Meadows to, I guess get their ducks in a
3 row, find a suitable or a potential third-party
4 operator and come back before the Board with a change
5 of ownership, be that third-party operator remains
6 Meadows Cannery or another suitable third-party.
7 We're just uncomfortable with GLPI pursuing a Category
8 1 License. It's a slippery slope. I think we if we
9 get on it, the potential is there for future problems.

10 And I have a lot of faith in the
11 individuals at GLPI and at Meadows, and I'm sure if
12 they put their heads together, they could work
13 something out. But the way this is being proposed
14 today for the Board, I can't in good faith say that
15 I'm comfortable with it moving forward as presented
16 today. I think that the people at GLPI are more than
17 capable of running a business. I think the people at
18 GLPI are more than capable of finding ways to increase
19 revenue on both sides.

20 My problem is that once annually you
21 have those tests, and those tests --- you have to meet
22 those tests annually in order to maintain that REIT
23 status, and that's my concern with this whole concept.
24 And I'm sure they want to respond.

25 CHAIRMAN:

1 Both parties on the other side,
2 response?

3 ATTORNEY MOORE:

4 We would never enter into a transaction
5 that would cause us to lose our REIT status. And I
6 know I've failed to provide this Board adequate
7 responses to Cyrus' good questions on the asset and
8 income tests associated with our REIT status. I can
9 assure you that we wouldn't be closing on a
10 transaction that could destroy our REIT status. And
11 there are provisions in the Agreement that address
12 those issues as well. And I'm happy to provide a pro
13 forma outlook that shows that we'll be comfortably in
14 compliance should we close with the Meadows into a
15 TRS.

16 CHAIRMAN:

17 Excuse me, Cyrus, did you request such
18 an assurance before today?

19 ATTORNEY PITRE:

20 Well, the agreement that we have is ---
21 it's kind of hard to go on that agreement because the
22 agreement is basically changed, and we don't have an
23 updated agreement from the parties since the lawsuit
24 was initiated. So, it's a bit difficult. I mean, we
25 went on the information from their 10K. If there's

1 other information out there, we'd be happy to receive
2 it. But we when from the information that we received
3 from the public filings.

4 CHAIRMAN:

5 I think --- was it fair to say, that
6 from your knowledge of GLPI, as you indicated, your
7 confidence in them as a going concern that their
8 statements that --- or Mr. Moore's statements that
9 hey, we wouldn't do this if we didn't know we could do
10 it and protect our status? Does that make sense to
11 you?

12 ATTORNEY PITRE:

13 Well, it make sense coming from him.

14 CHAIRMAN:

15 Okay.

16 ATTORNEY PITRE:

17 I would not stake the future of Gaming
18 in the Commonwealth on it.

19 CHAIRMAN:

20 Okay.

21 ATTORNEY PITRE:

22 But I mean, obviously GLPI is very
23 confident in their abilities. However, my job is it
24 ensure that the Commonwealth is protected, and that's
25 my concern.

1 CHAIRMAN:

2 I understand. Mr. Doherty, do you have
3 any response?

4 ATTORNEY DOHERTY:

5 Nothing other than we don't have any new
6 Operating Agreements or Purchase Agreements. But to
7 help ease this consideration of this Petition, we'd be
8 happy to provide those updated information. If that
9 would give any --- help the process along in any way.

10 CHAIRMAN:

11 Okay.

12 ATTORNEY JONES:

13 And I just want to add to that,
14 notwithstanding the litigation, and for clarity, the
15 Membership Purchase Agreement is still in effect and
16 we're still working under that Agreement for the time
17 periods and for closing.

18 CHAIRMAN:

19 Okay. Is there a penalty attached to
20 that?

21 ATTORNEY JONES:

22 Yes, there is.

23 CHAIRMAN:

24 Any questions from the Board?

25 MR. MCCALL:

1 Just one question.

2 CHAIRMAN:

3 Keith.

4 MR. MCCALL:

5 The filings that you make to the IRS,
6 are they quarterly or annually?

7 ATTORNEY MOORE:

8 Well, we are required to --- when we
9 file our tax return, you file a tax return as a REIT.
10 And so we do those tests, the IRS could come in an
11 audit us at any point. So, we do those tests
12 periodically to ensure we're in compliance because
13 should the IRS come in and audit, find we're not, I'm
14 not aware of ---. And I will be happy to come back to
15 this Board with specific information on what is filed
16 and what is done and when it is done.

17 I'm not aware of any specific annual
18 compliance covenants or anything we provide to the
19 IRS. I think it is one of those things where you want
20 to be very, very sure that you're meeting all of the
21 requirements to be a REIT so that if the IRS knocks on
22 your door, and inevitably they will, you've been a
23 REIT for all those periods that you've checked that
24 box on your tax returns.

25 MR. MCCALL:

1 So, it's an annual --- it's then an
2 annual test that you provide to the IRS? You're not
3 filing quarterlies with them, it's on an annual basis.
4 And then do we get a copy of that, or does OEC get a
5 copy of that to review, or our auditors get a copy of
6 that to review as well? Is that part of the ---?

7 ATTORNEY PITRE:

8 The 10K filings are public record.

9 MR. MCCALL:

10 Okay.

11 ATTORNEY PITRE:

12 And they do provide the 10K filings to
13 us. So, they haven't neglected to provide anything
14 that we haven't requested.

15 MR. MCCALL:

16 Now, is the SEC involved in this as
17 well?

18 ATTORNEY MOORE:

19 From a REIT perspective, no. I mean,
20 we're a publicly traded company on NASDAQ, but we
21 don't provide the SEC with any REIT compliance ---

22 MR. MCCALL:

23 I see.

24 ATTORNEY MOORE:

25 --- information. And the information

1 you're looking for would really be part of our annual
2 tax return.

3 MR. MCCALL:

4 Right.

5 ATTORNEY MOORE:

6 And I'm not sure sitting here that we
7 provide annual tax returns. If we don't, we certainly
8 could, it's ---.

9 MR. MCCALL:

10 I mean, that's something that we could
11 request as part of ---. Yeah, okay. Thank you.

12 ATTORNEY MOORE:

13 Not to mention, we'd be happy to show
14 --- I'm happy to provide to the Board and to Cyrus,
15 not only the pro forma analysis on the REIT, but I can
16 give you a breakdown of all the tests that we do and
17 when we do them throughout the year, if that's
18 helpful.

19 MR. MCCALL:

20 I mean, it is a great concept. But when
21 you start throwing around all this jargon, it gets
22 confusing as to who's who and what's being paid or
23 what, you know, fund we should be looking at. So, I
24 think it would help --- any information would be
25 helpful.

1 ATTORNEY PITRE:

2 I think their first tax filing was this
3 year; right?

4 ATTORNEY MOORE:

5 Yes. We met all the tests necessary to
6 be a REIT for the 2014 calendar year. So, the tax
7 filing we file in 2015 would have been the first time
8 that we have checked that box, so to speak. So, you
9 hold --- REITs hold themselves out to be REITs; the
10 question is are they meeting all the tests. And so
11 there was nothing we had to do prior to checking that
12 box and filing our return as a REIT with the IRS to
13 say, you know, here we are.

14 MR. MCCALL:

15 Right.

16 ATTORNEY MOORE:

17 And I will say that the subsidiaries
18 that are --- that I described as taxable REIT
19 subsidiaries do make a separate filing to indicate
20 that they're filing as a taxable subsidiary of a REIT
21 entity.

22 MR. MCCALL:

23 Right. Very good.

24 CHAIRMAN:

25 David.

1 MR. WOODS:

2 Mr. Moore, you had mentioned in your
3 testimony that about two years ago, you appeared
4 before us and talked specifically about a third-party
5 operator in any transaction that you would incur. Is
6 it your belief that you did leave the door open in
7 your testimony that GLPI could operate within
8 Pennsylvania?

9 ATTORNEY MOORE:

10 It's a little bit difficult for me. The
11 folks that testified on behalf of Penn National Gaming
12 obviously aren't here today, but I was a part of that
13 --- integral in that process of the spinoff, and I can
14 tell you that they and we always believed that we
15 would be a landlord of land and building, particularly
16 PNRC, and nothing has changed. We have no desire to
17 own the operating assets at PNRC. And as I said
18 earlier, I don't think Penn has any desire to sell
19 them to us.

20 But I don't think we ever thought we
21 would have to be a Category 1 Licensee in the state.
22 It's not part of our model, it financially doesn't
23 make sense for us to do that. In this instance, we'd
24 be doing so only to facilitate a transaction at a
25 point in time where we could get a third-party

1 operator in. Some things that we could not have
2 predicted when we entered into the agreement occurred
3 and we had those third-party operators there and
4 they've taken a step back. But I think --- I do very
5 much believe that if we were to close on this
6 transaction, we would have a third-party operator in
7 the not so distant future.

8 MR. WOODS:

9 So, that is your intent to move towards
10 that direction?

11 ATTORNEY MOORE:

12 Absolutely.

13 MR. WOODS:

14 Cyrus, do you believe anything in the
15 testimony give two years ago would restrict their
16 ability to move in the direct of operating?

17 ATTORNEY PITRE:

18 I'm just going to say, from the Board's
19 --- from the staff's standpoint that when we went
20 forward with this restructuring, there was never any
21 intent for them ever to be a Category 1, 2 or 3
22 Licensee. I've make that clear to them. I've made it
23 clear to them that I would object if they ever moved
24 in that direction. I just do not feel comfortable
25 with a REIT being a licensee.

1 I think it's a great concept to help the
2 casinos free up some cash and free up --- and help
3 them with their operating expenses. But I think from
4 the standpoint of putting a REIT as an actual
5 licensee, like I said before, I think it's a slippery
6 slope. I didn't leave that door open. I've always
7 been firm that they should not be --- have the ability
8 to be a Category 1, 2 or 3 Licensee.

9 MR. WOODS:

10 Thank you. No other questions.

11 CHAIRMAN:

12 Tony.

13 MR. MOSCATO:

14 Thank you, Mr. Chairman. Approximately
15 when did GLPI being negotiating to purchase Cannery?

16 ATTORNEY MOORE:

17 I believe it was --- well, I believe
18 that --- I wasn't a part of the initial discussions,
19 that's why I'm stalling here. I believe that started
20 to take place in January of 2014. It could have been
21 December of '13, I just don't know. But it was around
22 that time frame.

23 MR. MOSCATO:

24 Okay. And are you negotiating with any
25 other casinos in Pennsylvania?

1 ATTORNEY MOORE:

2 Not presently.

3 MR. MOSCATO:

4 Okay. And you mentioned Pinnacle
5 Entertainment.

6 ATTORNEY MOORE:

7 Yep.

8 MR. MOSCATO:

9 Is that all of Pinnacle Entertainment or
10 certain ---?

11 ATTORNEY MOORE:

12 Just their land and building, so the ---

13 MR. MOSCATO:

14 All of their land and building?

15 ATTORNEY MOORE:

16 --- offer we have out there publicly,
17 and I'll only --- I apologize, but I'll only speak to
18 those things that are public, otherwise I'll be
19 running to the SEC after I leave here.

20 CHAIRMAN:

21 Well, you've already made the IRS smirk,
22 so ---.

23 ATTORNEY MOORE:

24 Yeah. I'm headed to Washington anyway.
25 We have offered to purchase all of ---. Pinnacle

1 announced publicly at the end of last year that they
2 were going to pursue their own REIT spinoff, very
3 similar to the Penn model. Since we're already a
4 REIT, we said to them, hey, we can facilitate this for
5 you. We know the headaches you're about to encounter
6 and we know we can streamline this process for you and
7 we can avoid your trip to the IRS. So, there was a
8 lot of back and forth with them over a period of time.

9 Ultimately, they declined our overture
10 to buy their land and building, and we took our offer
11 public in March of 2015, March of this year, to their
12 shareholders. We had a very favorable response. The
13 management team of Pinnacle then began to negotiate
14 with us a little bit. Unfortunately, we recently
15 reached a bit of a stalemate with them, and so
16 yesterday, we followed on with a subsequent offer that
17 we released to their shareholders. Again, that's just
18 for their land and building.

19 So, in that instance, unlike in the Penn
20 instance, they would spinout their operating assets
21 and then we would merge into the current Pinnacle, at
22 which point it would only have land and building.
23 That would be brought directly into our REIT, so there
24 would be no operations in that transaction. In fact,
25 we would leave not only all their operations but a

1 couple of their properties with them.

2 MR. MOSCATO:

3 Okay. And you answered the second part
4 of my question, so very good. Thank you. That's all
5 I have, Mr. Chairman.

6 CHAIRMAN:

7 Okay. Any other questions? All right.
8 Anything else? Okay. Thank you all. Appreciate it.

9 ATTORNEY JONES:

10 Thank you.

11 ATTORNEY DOHERTY:

12 Do you guys want to move the PowerPoint
13 into the record?

14 ATTORNEY JONES:

15 Oh, I'm sorry. I'd like to move the
16 PowerPoint into the record as well.

17 ATTORNEY PITRE:

18 No objection.

19 CHAIRMAN:

20 No objection? It will be admitted. And
21 at this time, the Board will take a ten minute recess
22 so we can deliberate on this matter. We will return
23 hopefully at 11:00 a.m. Thank you all.

24 * * * * *

25 HEARING CONCLUDED AT 10:50 A.M.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before Chairman Ryan was reported by me on 7/8/15 and that, I Derrick Ferree, read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.



Court Reporter

Derrick Ferree