EPR PROPERTIES
Form 10-K
February 28, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 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: 001-13561

EPR PROPERTIES
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	43-1790877 (I.R.S. Employer Identification No.)
909 Walnut Street, Suite 200 Kansas City, Missouri	64106
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (816) 472-1700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common shares of beneficial interest, par value $.01 per share	New York Stock Exchange
5.75% Series C cumulative convertible redeemable preferred shares of beneficial interest, par value $.01 per share	New York Stock Exchange
9.00% Series E cumulative convertible preferred shares of beneficial interest, par value $.01 per share	New York Stock Exchange
6.625% Series F cumulative redeemable preferred shares of beneficial interest, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes ¨ No ý

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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	ý	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ¨ No ý

The aggregate market value of the common shares of beneficial interest ("common shares") of the registrant held by non-affiliates, based on the closing price on the last business day of the registrant's most recently completed second fiscal quarter, as reported on the New York Stock Exchange, was $2,660,651,550.

At February 27, 2014, there were 52,927,224 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement for the 2014 Annual Meeting of Shareholders to be filed with the Commission pursuant to Regulation 14A are incorporated by reference in Part III of this Annual Report on Form 10-K.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

With the exception of historical information, certain statements contained or incorporated by reference herein may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), such as those pertaining to our acquisition or disposition of properties, our capital resources, future expenditures for development projects, and our results of operations and financial condition. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of actual events. There is no assurance the events or circumstances reflected in the forward-looking statements will occur. You can identify forward-looking statements by use of words such as “will be,” “intend,” “continue,” “believe,” “may,” “expect,” “hope,” “antic
“goal,” “forecast,” “pipeline,” “anticipates,” “estimates,” “offers,” “plans” “would,” or other similar expressions or other comp
terms or discussions of strategy, plans or intentions in this Annual Report on Form 10-K. In addition, references to our budgeted amounts and guidance are forward-looking statements.

Factors that could materially and adversely affect us include, but are not limited to, the factors listed below:

- General international, national, regional and local business and economic conditions;
- Volatility in the financial markets;
- Adverse changes in our credit ratings;
- The downgrade of the U.S. Government's credit rating and any future downgrade of the U.S. Government's credit rating;
- Fluctuations in interest rates;
- The duration or outcome of litigation, or other factors outside of litigation such as casino licensing, relating to our significant investment in a planned casino and resort development which may cause the development to be indefinitely delayed or cancelled;
- Defaults in the performance of lease terms by our tenants;
- Defaults by our customers and counterparties on their obligations owed to us;
- A borrower's bankruptcy or default;
- The obsolescence of older multiplex theatres owned by some of our tenants or by any overbuilding of megaplex theatres in their markets;
- Our ability to renew maturing leases with theatre tenants on terms comparable to prior leases and/or our ability to lease any re-claimed space from some of our larger theatres at economically favorable terms;
- Risks of operating in the entertainment industry;
- Our ability to compete effectively;
- A single tenant represents a substantial portion of our lease revenues;
- A single tenant leases or is the mortgagor of a substantial portion of our investments related to metropolitan ski areas and a single tenant leases a significant number of our public charter school properties;
- The ability of our public charter school tenants to comply with their charters and continue to receive funding from local, state and federal governments, the approval by applicable governing authorities of substitute operators to assume control of any failed public charter schools and our ability to negotiate the terms of new leases with such substitute tenants on acceptable terms, and our ability to complete collateral substitutions as applicable;
- Risks associated with use of leverage to acquire properties;
- Financing arrangements that require lump-sum payments;
- Our ability to raise capital;
- Covenants in our debt instruments that limit our ability to take certain actions;
- The concentration and lack of diversification of our investment portfolio;
- Our continued qualification as a real estate investment trust for U.S. federal income tax purposes;
- The ability of our subsidiaries to satisfy their obligations;
- Financing arrangements that expose us to funding or purchase risks;
- Risks associated with security breaches and other disruptions;
- We have a limited number of employees and the loss of personnel could harm operations;
- Fluctuations in the value of real estate income and investments;

- Risks relating to real estate ownership, leasing and development, including local conditions such as an oversupply of space or a reduction in demand for real estate in the area, competition from other available space, whether tenants and users such as customers of our tenants consider a property attractive, changes in real estate taxes and other expenses, changes in market rental rates, the timing and costs associated with property improvements and rentals, changes in taxation or zoning laws or other governmental regulation, whether we are able to pass some or all of any increased operating costs through to tenants, and how well we manage our properties;
- Our ability to secure adequate insurance and risk of potential uninsured losses, including from natural disasters;
- Risks involved in joint ventures;
- Risks in leasing multi-tenant properties;
- A failure to comply with the Americans with Disabilities Act or other laws;
- Risks of environmental liability;
- Our real estate investments are relatively illiquid;
- Risks with owning assets in foreign countries;
- Risks associated with owning, operating or financing properties for which the tenants', mortgagors' or our operations may be impacted by weather conditions and climate change;
- Risks associated with the development, redevelopment and expansion of properties and the acquisition of other real estate related companies.
- Our ability to pay dividends in cash or at current rates;
- Fluctuations in the market prices for our shares;
- Certain limits on changes in control imposed under law and by our Declaration of Trust and Bylaws;
- Policy changes obtained without the approval of our shareholders;
- Equity issuances could dilute the value of our shares;
- Future offerings of debt or equity securities, which may rank senior to our common shares;
- Risks associated with changes in the Canadian exchange rate; and
- Changes in laws and regulations, including tax laws and regulations.

Our forward-looking statements represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. For further discussion of these factors see Item 1A - "Risk Factors" in this Annual Report on Form 10-K.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or the date of any document incorporated by reference herein. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Annual Report on Form 10-K.

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PART I

Item 1. Business

General

EPR Properties (“we,” “us,” “our,” “EPR” or the “Company”) was formed on August 22, 1997 as a Maryland real estate investment trust (“REIT”), and an initial public offering of our common shares of beneficial interest (“common shares”) was completed on November 18, 1997. Since that time, the Company has grown into a leading specialty REIT with an investment portfolio that includes primarily entertainment, education and recreation properties. The underwriting of our investments is centered on key industry and property cash flow criteria. As further explained under “Growth Strategies” below, our investments are also guided by a focus on inflection opportunities that are associated with or support enduring uses, excellent executions, attractive economics and an advantageous market position.

We are a self-administered REIT. As of December 31, 2013, our total assets exceeded $3.2 billion (before accumulated depreciation of approximately $0.4 billion). Our investments are generally structured as long-term triple-net leases that require the tenants to pay substantially all expenses associated with the operation and maintenance of the property, or as long-term mortgages with economics similar to our triple-net lease structure.

Our total investments were approximately $3.6 billion at December 31, 2013. Total investments is defined herein as the sum of the carrying values of rental properties (before accumulated depreciation), land held for development, property under development, mortgage notes receivable (including related accrued interest receivable), net, investment in a direct financing lease, net, investment in joint ventures, intangible assets (before accumulated amortization) and notes receivable and related accrued interest receivable, net. Below is a reconciliation of the carrying value of total investments to the constituent items in the consolidated balance sheet at December 31, 2013 (in thousands):

Rental properties, net of accumulated depreciation	$2,104,151
Add back accumulated depreciation on rental properties	409,643
Land held for development	201,342
Property under development	89,473
Mortgage notes and related accrued interest receivable, net	486,337
Investment in a direct financing lease, net	242,212
Investment in joint ventures	5,275
Intangible assets, gross[1]	18,444
Notes receivable and related accrued interest receivable, net[1]	4,992
Total investments	$3,561,869

[1] Included in other assets in the accompanying consolidated balance sheet. Other assets includes the following:

Intangible assets, gross	$18,444	
Less: accumulated amortization on intangible assets	(11,633	)
Notes receivable and related accrued interest receivable, net	4,992	
Prepaid expenses and other current assets	48,129	
Total other assets	$59,932	

Management believes that total investments is a useful measure for management and investors as it illustrates across which asset categories the Company’s funds have been invested. Total investments is a non-GAAP financial measure and is not a substitute for total assets under GAAP. It is most directly comparable to the GAAP measure, “Total assets”. Furthermore, total investments may not be comparable to similarly titled financial measures reported by other companies due to differences in the way the Company calculates this measure. Below is a reconciliation of total investments to “Total assets” in the consolidated balance sheet at December 31, 2013 (in thousands):

1

Total investments	$3,561,869
Cash and cash equivalents	7,958
Restricted cash	9,714
Deferred financing costs, net	23,344
Account receivable, net	42,538
Less: accumulated depreciation on rental properties	(409,643)
Less: accumulated amortization on intangible assets	(11,633)
Prepaid expenses and other current assets	48,129
Total assets	$3,272,276

For financial reporting purposes, we group our investments into four reportable operating segments: Entertainment, Education, Recreation and Other. Our total investments of approximately $3.6 billion at December 31, 2013 consisted of interests in the following:

- $2.3 billion or 64% related to entertainment properties which includes megaplex theatres, entertainment retail centers (centers typically anchored by an entertainment component such as a megaplex theatre or live performance venue and containing other entertainment-related or retail properties), family entertainment centers and other retail parcels;

- $537.9 million or 15% related to education properties which consists of investments in public charter schools, early education centers and K-12 private schools;

- $549.7 million or 15% related to recreation properties which includes metro ski parks, water-parks and golf entertainment complexes; and

- $212.0 million or 6% related to other properties, consisting primarily of $196.9 million related to the land held for development in Sullivan County, New York.

As further described in Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K, during the year ended December 31, 2013, $42.3 million, or approximately 12% of our total revenue was derived from our four entertainment retail centers in Ontario, Canada. The Company’s wholly owned subsidiaries that hold the Canadian entertainment retail centers represent approximately $227.2 million or 13% of the Company’s equity as of December 31, 2013.

We believe destination entertainment, education and recreation are highly enduring sectors of the real estate industry and that, as a result of our focus on properties in these sectors, industry knowledge and the industry relationships of our management, we have a competitive advantage in providing capital to operators of these types of properties. We believe this focused niche approach offers the potential for higher growth and better yields.

We believe our management’s knowledge and industry relationships have facilitated favorable opportunities for us to acquire, finance and lease properties. Historically, our primary challenges have been locating suitable properties, negotiating favorable lease or financing terms, and managing our real estate portfolio as we have continued to grow. We are particularly focused on property categories which allow us to use our experience to mitigate some of the risks inherent in the current economic environment. We cannot provide any assurance that any such potential investment or acquisition opportunities will arise in the near future, or that we will actively pursue any such opportunities.

Although we are primarily a long-term investor, we may also sell assets if we believe that it is in the best interest of our shareholders.

Entertainment

As of December 31, 2013, our Entertainment segment consisted of investments in megaplex theatres, entertainment retail centers, family entertainment centers and other retail parcels totaling approximately $2.3 billion with interests in:

- 121 megaplex theatre properties located in 33 states and Ontario, Canada;
- eight entertainment retail centers located in Westminster, Colorado; New Rochelle, New York; Burbank, California; Suffolk, Virginia; and Ontario, Canada;
- five family entertainment centers located in Illinois, Indiana, Florida and Texas;
- land parcels leased to restaurant and retail operators adjacent to several of our theatre properties;
- $58.2 million in mortgage notes receivable (including accrued interest) secured by two completed entertainment properties in Illinois and North Carolina;
- $23.7 million in construction in progress for real estate development for six megaplex theatres and two other retail development projects; and
- $4.5 million in undeveloped land inventory.

As of December 31, 2013, our owned real estate portfolio of megaplex theatre properties consisted of approximately 9.3 million square feet and was 100% leased and our remaining owned entertainment real estate portfolio consisted of 1.8 million square feet and was 92% leased. The combined owned entertainment real estate portfolio consisted of 11.1 million square feet and was 99% leased. Our owned theatre properties are leased to 16 different leading theatre operators. For the year ended December 31, 2013, approximately 25% of our total revenue was derived from rental payments by American Multi-Cinema, Inc. ("AMC").

A significant portion of our assets consist of megaplex theatres. Megaplex theatres typically are multi-screen with stadium-style seating (seating with elevation between rows to provide unobstructed viewing) and are equipped with amenities that significantly enhance the audio and visual experience of the patron. We believe the development of new generation megaplex theatres, including the introduction of new digital cinema and 3-D technology, has accelerated the obsolescence of many of the previous generation of multiplex theatres by setting new standards for moviegoers, who, in our experience, have demonstrated their preference for the more attractive surroundings, wider variety of films, enhanced quality of visual presentation and superior customer service typical of megaplex theatres.

We expect the development of megaplex theatres to continue in the United States and abroad over the long-term. With the development of the stadium style megaplex theatre as the preeminent format for cinema exhibition, the older generation of smaller sloped theatres has generally experienced a significant downturn in attendance and performance. As a result of the significant capital commitment involved in building megaplex theatres and the experience and industry relationships of our management, we believe we will continue to have opportunities to provide capital to exhibition businesses for development of new megaplex theatres.

The success of several of our larger 24 and 30 screen properties has resulted in other exhibitors building properties that have reduced the 20 to 25 mile customer drawing range that these properties previously enjoyed. As a result of this and other competitive pressures, in some cases we have, at the expiration of the primary term of a lease, reduced the rental rate per square foot and/or reduced the number of screens at a property to better reflect the existing market demands. Such screen reductions may occur in the future as well but these reductions do create an opportunity to reclaim a portion of the former theatre for conversion to another use, while retaining the majority of the building for the newly re-configured theatre. In addition to positioning expiring theatre assets for continued success, the redevelopment of these assets creates an opportunity to diversify the Company's tenant base.

The theatre box office continues to reflect solid performance. Box office revenues reached a record high during 2013, according to Box Office Analyst. Many theatre operators are expanding their food and beverage offerings, including the introduction of in-theatre dining options and alcohol availability. In addition, as exhibitors further increase their focus on enhancing the customer experience, new seating formats continue to be introduced. Select exhibitors are introducing more spacious and comfortable seating options, including fully reclining seats. The introduction of these seating options has required theatre operators to make physical changes to the existing seating arrangements that can result in a significant loss of existing seats. Despite the seat loss, early customer response to this format indicates that increased ticket sales are overcoming the loss of seats, creating a net positive for the theatre operator.

We believe the introduction of enhanced food and beverage offerings as well as premium seating, along with the technological improvements of digital projection, large-format and 3-D presentation, should continue to drive future growth and create opportunities to deploy capital both in the U.S. and abroad.

We also continue to seek opportunities for the development of additional restaurant, retail and other entertainment venues around our existing portfolio. The opportunity to capitalize on the traffic generation of our market-dominant theatres to create entertainment retail centers (“ERCs”) not only strengthens the execution of the megaplex theatre but adds diversity to our tenant and asset base. We have and will continue to evaluate our existing portfolio for additional development of retail and entertainment density, and we will also continue to evaluate the purchase or financing of existing ERCs that have demonstrated strong financial performance and meet our quality standards. The leasing and property management requirements of our ERCs are generally met through the use of third-party professional service providers.

Our family entertainment center operators offer a variety of entertainment options including live performance, bowling and bocce ball as well as an observation deck on the 94th floor of the John Hancock building in downtown Chicago, Illinois. We will continue to evaluate the development, purchase or financing of family entertainment centers.

Education

As of December 31, 2013, our Education segment consisted of investments in public charter schools, early education centers and K-12 private schools totaling approximately $537.9 million with interests in:

- 21 public charter school properties located in 10 states;
- $242.2 million in investments in a direct financing lease, net of initial direct costs of $1.7 million, relating to 27 public charter school properties leased under a master lease to Imagine Schools, Inc. ("Imagine"). We own the fee interest in these properties; however, due to the terms of this lease it is accounted for as a direct financing lease;
- $56.5 million in mortgage financing secured by seven public charter school properties;
- one early education center located in Arizona; and
- $40.8 million in construction in progress for real estate development of four public charter schools, five early education centers and two K-12 private schools.

As of December 31, 2013, our owned education real estate portfolio consisted of approximately 2.9 million square feet and was 100% leased. We have 26 different operators for our owned public charter schools. For the year ended December 31, 2013, approximately 8% of our total revenue was derived from rental payments by Imagine.

Public charter schools are tuition-free, independent schools that are publicly funded by local, state and federal tax dollars based on enrollment. Driven by the need to improve the quality of public education and provide more school choice in the U.S., public charter schools are one of the fastest growing segments of the multi-billion dollar educational facilities sector, and we believe a critical need exists for the financing of new and refurbished educational facilities. To meet this need, we have established relationships with public charter school operators and developers across the country and expect to continue to develop our leadership position in providing real estate financing in this area. Public charter schools are operated pursuant to charters granted by various state or other regulatory authorities and are dependent upon funding from local, state and federal tax dollars. Like public schools, public charter schools are required to meet both state and federal academic standards.

Due to revenue shortfalls and other factors, various government bodies that provide educational funding have pressure to reduce their spending budgets and, as a result, have reduced educational funding in some cases and may continue to reduce educational funding in the future. This can impact our tenants' operations and potentially their ability to pay our scheduled rent. However, these reductions differ state by state and have historically been more significant at the post-secondary education level than at the K-12 level that our tenants serve. Furthermore, while there can be no assurance as to the level of these cuts, we analyze each state's fiscal situation and commitment to the charter school movement before providing financing in a new state, and also factor in anticipated reductions (as applicable) in the states in which we do decide to do business.

As with public charter schools, the Company's expansion into both early childhood education centers and private schools is supported by strong unmet demand, and we expect to increase our investment in both of these areas.

We believe early childhood education centers continue to see demand due to the proliferation of dual income families and the increasing emphasis on early childhood education, beyond traditional daycare. Within this property type, larger centers with more amenities are emerging and enjoying enhanced economies of scale.

Within private schools, we believe K-12 private education has significant growth potential for schools that have differentiated, high quality offerings. Many private schools in large urban and suburban areas have constrained access with large waiting lists.

Recreation

As of December 31, 2013, our Recreation segment consisted of investments in metro ski parks, water-parks and golf entertainment complexes totaling approximately $549.7 million with interests in:

- $366.6 million in mortgage financing secured by recreation properties including a water-park anchored entertainment village in Kansas as well as two other water-parks in Texas, and 11 metro ski parks, one golf entertainment complex located in Texas and development land located in New Hampshire, Vermont, Missouri, Indiana, Ohio and Pennsylvania;
- three metro ski parks in Ohio, Maryland and Pennsylvania;
- four golf entertainment complexes in Texas; and
- $25.0 million in construction in progress for real estate development.

As of December 31, 2013, our owned recreation real estate portfolio was 100% leased.

Our metro ski parks are leased to or we have mortgages receivable from three different operators, the largest operator of which is Peak Resorts, Inc. ("Peak"). For the year ended December 31, 2013, approximately 5% of our total revenue related to Peak. During 2013, we acquired the Camelback Mountain Ski Resort ("Camelback") which consists of 160 acres of skiable terrain and includes an outdoor waterpark, an outdoor adventure park, a 40 lane tubing facility and a base lodge. In addition, we have agreed to finance an additional $110.7 million to construct a water-park hotel on the property.

Our daily attendance ski park model provides a sustainable advantage for the value conscious consumer, providing outdoor entertainment during the winter. All of the ski parks that serve as collateral for our mortgage notes in this area, as well as our three owned properties, offer snowmaking capabilities and provide a variety of terrains and vertical drop options. We believe that the primary appeal of our ski parks lies in the convenient, low cost and reliable experience consumers can expect. Given that all of our ski parks are located near major metropolitan areas, they offer skiing and snowboarding without the expense, travel, or lengthy preparations of remote ski resorts. Furthermore, advanced snowmaking capabilities increase the reliability of the experience versus other ski areas that do not have such capabilities. We expect to continue to pursue opportunities in this area.

The three water-parks in Kansas and Texas offer innovative attractions that attract a diverse segment of customers. All of these water-parks serve as collateral for our mortgage notes and are operated by Schlitterbahn Waterparks and Resorts, an industry leader. Four of our golf entertainment complexes are leased to, and one is under mortgage, with

TopGolf, which combines golf with entertainment, competition and food and beverage service. By combining an interactive entertainment and food and beverage experience with a long-lived recreational activity, we believe TopGolf provides an innovative, enjoyable and repeatable customer experience. We expect to continue to pursue opportunities with TopGolf.

Other

As of December 31, 2013, our Other segment consisted of investments in land held for development and vineyards and wineries (before accumulated depreciation) totaling approximately $212.0 million with interests in:

- $196.8 million related to the land held for development in Sullivan County, New York;
- one winery located in Washington and one vineyard located in California; and
- $5.0 million in mortgage financing related to two sold winery properties.

We continue to progress with the development of our planned casino and resort property in Sullivan County, New York. In early 2013, we received approval from the Town of Thompson Board on a comprehensive development plan allowing us to move forward with the submission of individual site plan applications, thus initiating the commencement of the build-out of the site. As submitted, the comprehensive development plan provides for the creation of a four-season destination resort. The initial phase of the development and construction includes a casino resort comprising an approximate 117-acre development area.

On November 5, 2013, New York State voters approved Proposition One, a constitutional amendment authorizing a limited number of full scale casino gaming licenses at certain locations to be determined by a commission jointly appointed by the governor and the legislature. The proposed ground lease tenant for a portion of our Sullivan County, New York property, Empire Resorts, has stated that it intends to apply for and actively pursue a license from the New York Gaming Commission to operate a full-scale casino on the proposed gaming parcel. In conjunction with their application, Empire Resorts has stated its intent to secure financing for all improvements to be located on the proposed gaming parcel.

We are in the process of liquidating our remaining vineyard and winery properties. During 2013, we completed the sale of five such investments for $49.8 million and recognized a net gain of $4.3 million. At December 31, 2013, we had approximately $7.6 million of net book value remaining in vineyard and winery assets and we expect to pursue sales of these assets in 2014.

Business Objectives and Strategies

Our long-term primary business objective is to enhance shareholder value by achieving predictable and increasing Funds From Operations (“FFO”) and dividends per share (See Item 7 – “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Funds From Operations” for a discussion of FFO, which is a non-GAAP measure). Our prevailing strategy is to focus on long-term investments in a limited number of categories in which we maintain a depth of knowledge and relationships, and which we believe offer sustained performance throughout all economic cycles. We intend to achieve this objective by continuing to execute the Growth Strategies, Operating Strategies and Capitalization Strategies described below.

Growth Strategies

As a part of our growth strategy, we will consider acquiring or developing additional entertainment, education, recreation or other specialty properties. We may also pursue opportunities to provide mortgage financing for these same property types in certain situations where this structure is more advantageous than owning the underlying real estate.

Our investing strategy centers on five guiding principles which we call our Five Star Investment Strategy:

Inflection Opportunity

We look for a new generation of facilities emerging as a result of age, technology, or change in the lifestyle of consumers which create development, renewal or restructuring opportunities requiring significant capital.

Enduring Value

We look for real estate that supports activities that are commercially successful and have a reasonable basis for continued and sustainable customer demand in the future. Further, we seek circumstances where the magnitude of change in the new generation of facilities adds substantially to the customer experience.

Excellent Execution

We seek attractive locations and best-of-class executions that create market-dominant properties, which we believe create a competitive advantage and enhance sustainable customer demand within the category despite a potential change in tenant. We minimize the potential for turnover by seeking tenants with a reliable track record of customer service and satisfaction.

Attractive Economics

We seek investments that provide accretive returns initially and increasing returns over time with rent escalators and percentage rent features that allow participation in the financial performance of the property. Further, we are interested in investments that provide a depth of opportunity to invest sufficient capital to be meaningful to our total financial results and also provide diversity by market, geography or tenant operator.

Advantageous Position

In combination with the preceding principles, when investing we look for a competitive advantage such as unique knowledge of the category, access to industry information, a preferred tenant relationship or other relationships that provide access to sites and development projects.

Operating Strategies

Lease Risk Minimization

To avoid initial lease-up risks and produce a predictable income stream, we typically acquire or develop single-tenant properties that are leased under long-term leases. We believe our willingness to make long-term investments in properties offers our tenants financial flexibility and allows tenants to allocate capital to their core businesses. Although we will continue to emphasize single-tenant properties, we have acquired or developed, and may continue to acquire or develop, multi-tenant properties we believe add shareholder value.

Lease Structure

We have structured our leasing arrangements to achieve a positive spread between our cost of capital and the rentals paid by our tenants. We typically structure leases on a triple-net basis under which the tenants bear the principal portion of the financial and operational responsibility for the properties. During each lease term and any renewal periods, the leases typically provide for periodic increases in rent and/or percentage rent based upon a percentage of the tenant’s gross sales over a pre-determined level. In our multi-tenant property leases and some of our theatre leases, we generally require the tenant to pay a common area maintenance (“CAM”) charge to defray its pro rata share of insurance, taxes and maintenance costs.

Mortgage Structure

We have structured our mortgages to achieve economics similar to our triple-net lease structure with a positive spread between our cost of capital and the interest paid by our tenants. During each mortgage term and any renewal periods, the notes typically provide for periodic increases in interest and/or participating features based upon a percentage of the tenant’s gross sales over a pre-determined level.

Development

We intend to continue developing properties that meet our guiding principles. We generally do not begin development of a single-tenant property without a signed lease providing for rental payments during the development period that are commensurate with our level of capital investment. In the case of a multi-tenant development, we generally require a significant amount of the development to be pre-leased prior to construction to minimize lease-up risks. In addition, to minimize overhead costs and to provide the greatest amount of flexibility, we generally outsource construction management to third-party firms.

We believe our build-to-suit development program is a competitive advantage. First, we believe our strong relationships with our tenants and developers drive new investment opportunities that are often exclusive to us, rather than bid broadly, and with our deep knowledge of their businesses, we believe we are a value-added partner in the underwriting of each new investment. Second, we offer financing from start to finish for a build-to-suit project such that there is no need for a tenant to seek separate construction and permanent financing, which we believe makes us a more attractive partner. Third, we are actively developing strong relationships with tenants in our select segments leading to multiple investments without strict investment portfolio allocations. Finally, multiple investments with the same tenant allows us in most cases to include cross-default provisions in our lease or financing contracts, meaning a default in an obligation to us at one location is a default under all obligations with that tenant.

Tenant and Customer Relationships

We intend to continue developing and maintaining long-term working relationships with entertainment, education, recreation and other specialty business operators and developers by providing capital for multiple properties on an international, national or regional basis, thereby creating efficiency and value for both the operators and the Company.

Portfolio Diversification

We will endeavor to further diversify our asset base by property type, geographic location and tenant or customer. In pursuing this diversification strategy, we will target entertainment, education, recreation and other specialty business operators that we view as leaders in their market segments and have the ability to compete effectively and perform under their agreements with the Company.

Capitalization Strategies

Debt and Equity Financing

Our debt to gross assets ratio (i.e. debt of the Company as a percentage of total assets plus accumulated depreciation) was 40% at December 31, 2013. We expect to maintain a debt to gross assets ratio of between 35% and 45% going forward. While maintaining lower leverage mitigates the growth in per share results, we believe lower leverage and an emphasis on liquidity are prudent during the current economic environment.

Prior to 2010, we relied primarily on secured debt financings. Since that time we have moved our revolving credit line from secured to unsecured, completed three public senior unsecured note offerings as well as an unsecured term loan, and paid off significant secured debt. These steps are consistent with the implementation of our strategy to migrate to an unsecured debt structure. In the future, while we may obtain secured debt from time to time or assume secured debt financing obligations in acquisitions, we intend to issue primarily unsecured debt securities to satisfy our debt financing needs. We believe this strategy will increase our access to capital and permit us to more efficiently match available debt and equity financing to our ongoing capital requirements.

Our sources of equity financing consist of the issuance of common shares as well as the issuance of preferred shares (including convertible preferred shares). In addition to larger underwritten registered public offerings of both common and preferred shares, we have also offered shares pursuant to registered public offerings through the direct share purchase component of our Dividend Reinvestment and Direct Share Purchase Plan (“DSP Plan”). While such offerings are generally smaller than a typical underwritten public offering, issuing common shares under the direct share purchase component of our DSP Plan allows us to access capital on a more frequent basis in a cost-effective manner. We expect to opportunistically access the equity markets in the future and, depending primarily on the size and timing of our equity capital needs, may continue to issue shares under the direct share purchase component of our DSP Plan. Furthermore, we may issue shares in connection with acquisitions in the future.

Joint Ventures

We will examine and may pursue potential additional joint venture opportunities with institutional investors or developers if the investments to which they relate meet our guiding principles discussed above. We may employ higher leverage in joint ventures.

Payment of Regular Dividends

We have historically paid quarterly dividend distributions to our common and preferred shareholders. We began to pay dividend distributions to our common shareholders on a monthly basis beginning in the second quarter of 2013 and expect to continue to do so in the future. We expect to continue to pay dividend distributions to our preferred shareholders on a quarterly basis. Our Series C cumulative convertible preferred shares (“Series C preferred shares”) have a dividend rate of 5.75%, our Series E cumulative convertible preferred shares (“Series E preferred shares”) have a dividend rate of 9.00% and our Series F cumulative redeemable preferred shares ("Series F preferred shares") have a dividend rate of 6.625%. Among the factors the Company’s board of trustees (“Board of Trustees”) considers in setting the common share dividend rate are the applicable REIT tax rules and regulations that apply to dividends, the Company’s results of operations, including FFO per share, and the Company’s Cash Available for Distribution (defined as net cash flow available for distribution after payment of operating expenses, debt service, preferred dividends and other obligations).

Competition

We compete for real estate financing opportunities with other companies that invest in real estate, as well as traditional financial sources such as banks and insurance companies. REITs have financed and may continue to seek to finance entertainment, education, recreation and other specialty properties as new properties are developed or become available for acquisition.

Employees

As of December 31, 2013, we had 38 full time employees.

Principal Executive Offices

The Company’s principal executive offices are located at 909 Walnut Street, Suite 200, Kansas City, Missouri 64106; telephone (816) 472-1700.

Materials Available on Our Website

Our internet website address is www.eprkc.com. We make available, free of charge, through our website copies of our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to the Securities and Exchange Commission (the “Commission” or “SEC”). You may also view our Code of Business Conduct and Ethics, Company Governance Guidelines, Independence Standards for Trustees and the charters of our audit, nominating/company governance, finance and compensation committees on our website. Copies of these documents are also available in print to any person who requests them. We do not intend for information contained in our website to be part of this Annual Report on Form 10-K.

Item 1A. Risk Factors

There are many risks and uncertainties that can affect our current or future business, operating results, financial performance or share price. The following discussion describes important factors which could adversely affect our current or future business, operating results, financial condition or share price. This discussion includes a number of forward-looking statements. See “Cautionary Statement Concerning Forward-Looking Statements.”

Risks That May Impact Our Financial Condition or Performance

Continued global economic uncertainty and disruptions in the financial markets may impair our ability to refinance existing obligations or obtain new financing for acquisition or development of properties.

There continues to be global economic uncertainty, lower participation rates in the job market, reduced levels of economic activity, and it is uncertain as to when economic conditions will improve. These negative economic conditions in the markets in which we operate or own properties, and other events or factors that adversely affect demand for our properties, could adversely affect our business. We have also relied in part on debt financing to finance our investments and development. To the extent that turmoil in the financial markets returns or intensifies, it has the potential to adversely affect our ability to refinance our existing obligations as they mature or obtain new financing for acquisition or development of properties and adversely affect the value of our investments. If we are not able to refinance existing indebtedness on attractive terms at its maturity, we may be forced to dispose of some of our assets. Continued uncertain economic conditions and further disruptions in the financial markets could also result in a substantial decrease in the value of our investments, which could also make it more difficult to refinance existing obligations or obtain new financing.

Adverse changes in our credit ratings could impair our ability to obtain additional debt and equity financing on favorable terms, if at all, and negatively impact the market price of our securities, including our common shares.

The credit ratings of our senior unsecured debt and preferred equity securities are based on our operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the credit rating agencies in their rating analyses of us. Our credit ratings can affect the amount and type of capital we can access, as well as the terms of any financings we may obtain. There can be no assurance that we will be able to maintain our current credit ratings and in the event that our current credit ratings deteriorate, we would likely incur a higher cost of capital and it may be more difficult or expensive to obtain additional financing or refinance existing obligations and commitments. Also, a downgrade in our credit ratings would trigger additional costs or other potentially negative consequences under our current and future credit facilities and debt instruments.

The downgrade of the U.S. Government's credit rating and any future downgrade of the U.S. Government's credit rating may result in economic uncertainty and a significant rise in interest rates, either of which could have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make dividend payments to our shareholders.

In 2011, Standard and Poor's Ratings Services (or Standard & Poor's) downgraded the long-term debt rating of the United States from AAA to AA+ for the first time in history due to its belief that legislative solutions have been inadequate to address the country's growing debt burden. Standard & Poor's decision to further downgrade the U.S. Government's credit rating could create broader financial and global banking turmoil and uncertainty and could lead to a significant rise in interest rates. Moreover, these events could cause us to have a higher cost of capital. These consequences could be exacerbated if other statistical rating agencies decide to downgrade the U.S. Government's credit rating in the future. Each of Moody's Investors Service, Inc. (or Moody's) and Fitch, Inc. (or Fitch) has maintained its rating of U.S. debt at AAA, but has warned of potential future downgrades if legislative solutions to address the rising levels of U.S. Government debt are not found. Any of these outcomes could have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make dividend payments to our shareholders.

An increase in interest rates could increase interest cost on new debt, and could materially adversely impact our ability to refinance existing debt, sell assets and limit our acquisition and development activities.

If interest rates increase, so could our interest costs for any new debt. This increased cost could make the financing of any acquisition and development activity more costly. Rising interest rates could limit our ability to refinance existing debt when it matures, or cause us to pay higher interest rates upon refinancing and increase interest expense on refinanced indebtedness. In addition, an increase in interest rates could decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to reposition our portfolio promptly in response to changes in economic or other conditions.

We previously made a significant investment in a planned casino and resort development, which is now the subject of ongoing litigation. We cannot predict the duration or outcome of this litigation. In the event of prolonged litigation or an unfavorable outcome, or other factors outside of the litigation, the casino project and resort development may be indefinitely delayed or canceled, which, individually or together with an unfavorable outcome in the litigation, could have a material adverse effect on the casino project and resort development and/or our financial condition and results of operations.

In 2010, we reached a settlement agreement with the developer of the planned casino and resort project in Sullivan County, New York and certain related affiliates, pursuant to which we acquired certain land at the project. Entities affiliated with the developer of the casino property subsequently commenced litigation against us and certain of our subsidiaries regarding matters addressed by the settlement agreement. In addition, entities affiliated with the developer commenced additional litigation against us and certain of our subsidiaries relating to our potential relationship with certain parties, including Empire Resorts, Inc. and one of its subsidiaries. The plaintiffs in each of the foregoing cases are seeking significant monetary damages. In September 2013, a federal district court dismissed the complaint relating to some of this litigation. However, the court's dismissal of the related state claims was without prejudice, meaning the plaintiffs could further pursue such claims in state court, and the plaintiffs filed a motion for reconsideration of the dismissal as well as a notice of appeal. We believe we have meritorious defenses to this litigation and intend to defend it vigorously. There can be no assurances, however, as to the duration or ultimate outcome of this litigation, nor can there be any assurances as to the costs we may incur in defending against and/or resolving this litigation. In the event of prolonged litigation or an unfavorable outcome, or simply as a result of economic, regulatory or other conditions, the planned casino and resort development may be indefinitely delayed or canceled. There can be no assurance that such an indefinite delay or cancellation would not have a material adverse effect on our investment, which could cause us to record an impairment charge with respect to our interest in such property, and which could result in a material adverse effect on our financial condition and results of operations. In addition, if the outcome of the litigation is unfavorable to us, it could result in a material adverse effect on our financial condition and results of operations.

We previously made a significant investment in a planned casino and resort development, which is dependent upon the award of a gaming license by the New York Gaming Commission. In the event of a prolonged regulatory process or an unfavorable outcome, or other factors outside of the regulatory process, including the financing of the gaming operator, the casino project and resort development may be indefinitely delayed or canceled, and if we are unable to identify suitable alternative uses for the property, this could leave to a material adverse effect on our financial condition and results of operations.

On November 5, 2013, New York State approved Proposition One, a constitutional amendment authorizing a limited number of full scale casino gaming licenses at certain locations to be determined by a commission jointly appointed by the governor and the legislature. The proposed tenant for a portion of our Sullivan County, New York property, Empire Resorts, which currently has a license to operate slot machines, electronic table games and a harness racing facility at a nearby location, has stated that it intends to apply for and actively pursue a license from the New York Gaming Commission to operate a full-scale casino on the site. There can be no assurance, however, that Empire Resorts or any other gaming operator will be successful in obtaining a license to operate a full-scale casino or, alternatively, relocating an existing license, or that either process will not be prolonged. Furthermore, there is no assurance that a suitable alternate use for the property, whether involving gaming or otherwise, will be identified which could result in a material adverse effect on our investment and on our financial condition and results of operations.

We depend on leasing space to tenants on economically favorable terms and collecting rent from our tenants, who may not be able to pay.

At any time, a tenant may experience a downturn in its business that may weaken its financial condition. Similarly, a general decline in the economy may result in a decline in demand for space at our commercial properties. Our financial results depend significantly on leasing space at our properties to tenants on economically favorable terms. In addition, because a majority of our income comes from leasing real property, our income, funds available to pay indebtedness and funds available for distribution to our shareholders will decrease if a significant number of our tenants cannot pay their rent or if we are not able to maintain our levels of occupancy on favorable terms. If our tenants cannot pay their rent or we are not able to maintain our levels of occupancy on favorable terms, there is also a risk that the fair value of the underlying property will be considered less than its carrying value and we may have to take a charge against earnings. In addition, if a tenant does not pay its rent, we might not be able to enforce our rights as landlord without delays and might incur substantial legal costs.

If a tenant becomes bankrupt or insolvent, that could diminish or eliminate the income we expect from that tenant's leases. If a tenant becomes insolvent or bankrupt, we cannot be sure that we could recover the premises from the tenant promptly or from a trustee or debtor-in-possession in a bankruptcy proceeding relating to the tenant. On the other hand, a bankruptcy court might authorize the tenant to terminate its leases with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be subject to statutory limitations that might be substantially less than the remaining rent owed under the leases. In addition, any claim we have for unpaid past rent would likely not be paid in full and we would also have to take a charge against earnings for any accrued straight-line rent receivable related to the leases.

We are exposed to the credit risk of our customers and counterparties and their failure to meet their financial obligations could adversely affect our business.

Our business is subject to credit risk. There is a risk that a customer or counterparty will fail to meet its obligations when due, particularly given the current state of the economy. Customers and counterparties that owe us money may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Although we have procedures for reviewing credit exposures to specific customers and counterparties to address present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee. Some of our risk management methods depend upon the evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by us. That information may not, in all cases, be accurate, complete, up-to-date or properly evaluated. In addition, concerns about, or a default by, one customer or counterparty could lead to significant liquidity problems, losses or defaults by other customers or counterparties, which in turn could adversely affect us. We may be materially and adversely affected in the event of a significant default by our customers and counterparties.

We could be adversely affected by a borrower's bankruptcy or default.

If a borrower becomes bankrupt or insolvent or defaults under its loan, that could force us to declare a default and foreclose on any available collateral. As a result, future interest income recognition related to the applicable note receivable could be significantly reduced or eliminated. There is also a risk that the fair value of the collateral, if any, will be less than the carrying value of the note and accrued interest receivable at the time of a foreclosure and we may have to take a charge against earnings. If a property serves as collateral for a note, we may experience costs and delays in recovering the property in foreclosure or finding a substitute operator for the property. If a mortgage we hold is subordinated to senior financing secured by the property, our recovery would be limited to any amount remaining after satisfaction of all amounts due to the holder of the senior financing. In addition, to protect our subordinated investment, we may desire to refinance any senior financing. However, there is no assurance that such refinancing would be available or, if it were to be available, that the terms would be attractive.

Our theatre tenants may be adversely affected by the obsolescence of any older multiplex theatres they own or by any overbuilding of megaplex theatres in their markets.

The development of megaplex theatres has rendered many older multiplex theatres obsolete. To the extent our tenants own a substantial number of multiplexes, they have been, or may in the future be, required to take significant charges against their earnings resulting from the impairment of these assets. Megaplex theatre operators have also been and could in the future be adversely affected by any overbuilding of megaplex theatres in their markets and the cost of financing, building and leasing megaplex theatres.

The base term of some of our original theatre leases are expiring and there is no assurance that such leases will be renewed at existing lease terms or that we can lease any re-claimed space from some of our larger theatres at economically favorable terms.

The base term of some of our original theatre leases are expiring. For theatres that are not performing as well as they did in the past, the tenants have and may continue to seek rent or other concessions or not renew at all. Furthermore, some tenants of our larger megaplex theatres desire to down-size the theatres they lease to respond to market trends. As a result, these tenants have and may continue to seek rent or other concessions from us, including requiring us to down-size the theatres or otherwise modify the properties in order to renew their leases. Furthermore, while any such screen reductions would likely create opportunities to reclaim a portion of the former theatres for conversion to other uses, there is no guarantee that we can re-lease such space or that such leases would be at economically favorable terms.

Operating risks in the entertainment industry may affect the ability of our tenants to perform under their leases.

The ability of our tenants to operate successfully in the entertainment industry and remain current on their lease obligations depends on a number of factors, including the availability and popularity of motion pictures, the performance of those pictures in tenants' markets, the allocation of popular pictures to tenants, the release window (represents the time that elapses from the date of a picture's theatrical release to the date it is available on other mediums) and the terms on which the pictures are licensed. Neither we nor our tenants control the operations of motion picture distributors. The success of "out-of-home" entertainment venues such as megaplex theatres, entertainment retail centers and recreational properties also depends on general economic conditions and the willingness of consumers to spend time and money on out-of-home entertainment.

Real estate is a competitive business.

Our business operates in highly competitive environments. We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rent or interest charged, attractiveness of location, the quality of the property and breadth and quality of services provided. If our competitors offer space at rental rates below the rental rates we are currently charging our tenants, we may lose potential tenants, and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire. Our success depends upon, among other factors, trends of the national and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends.

A single tenant represents a substantial portion of our lease revenues.

For the year ended December 31, 2013, approximately 25% of our total revenue was derived from rental payments by AMC, one of the nation's largest movie exhibition companies, under leases for megaplex theatre properties. AMCE Entertainment, Inc. ("AMCE") has guaranteed AMC's performance under substantially all of their leases. We have diversified and expect to continue to diversify our real estate portfolio by entering into lease transactions with a number of other leading operators. Nevertheless, our revenues and our continuing ability to service our debt and pay shareholder dividends are currently substantially dependent on AMC's performance under its leases and AMCE's performance under its guarantee.

We believe AMC occupies a strong position in the industry and we intend to continue acquiring and leasing back or developing new AMC theatres. However, AMC and AMCE are susceptible to the same risks as our other tenants described herein. If for any reason AMC failed to perform under its lease obligations and AMCE did not perform under its guarantee, we could be required to reduce or suspend our shareholder dividends and may not have sufficient funds to support operations or service our debt until substitute tenants are obtained. If that happened, we cannot predict when or whether we could obtain substitute quality tenants on acceptable terms.

A single tenant leases or is the mortgagor of a substantial portion of our investments related to metropolitan ski areas and a single tenant leases a significant number of our public charter school properties.

Peak is the lessee of our metropolitan ski area in Ohio and is the mortgagor on six notes receivable secured by 11 metropolitan ski areas and related development land. Similarly, Imagine is the lessee of a significant number of our public charter school properties. If Peak failed to perform under its lease and mortgage loan obligations, and/or Imagine failed to perform under its master lease, we may need to reduce our shareholder dividends and may not have sufficient funds to support operations or service our debt until substitute operators are obtained. If that happened, we cannot predict when or whether we could obtain quality substitute tenants or mortgagors on acceptable terms.

Public charter schools are operated pursuant to charters granted by various state or other regulatory authorities and are dependent upon compliance with the terms of such charters in order to obtain funding from local, state and federal governments. We could be adversely affected by a public charter school's failure to comply with its charter, non-renewal of a charter upon expiration or by its reduction or loss of funding.

Our public charter school properties operate pursuant to charters granted by various state or other regulatory authorities, which are generally shorter than our lease terms, and most of the schools have undergone or expect to undergo compliance audits or reviews by such regulatory authorities. Such audits and reviews examine the financial as well as the academic

performance of the school. Adverse audit or review findings could result in non-renewal or revocation of a public charter school's charter, or in some cases, a reduction in the amount of state funding, repayment of previously received state funding or other economic sanctions. Our public charter school tenants are also dependent upon funding from local, state and federal governments, which are currently experiencing budgetary constraints, and any reduction or loss of such funding could adversely affect a public charter school's ability to comply with its charter and/or pay its obligations.

Imagine, an operator of public charter schools, is a lessee of a substantial number of our public charter school properties. In the past, some of the Company's public charter school properties operated by Imagine have been subject to compliance audits or reviews that resulted in probationary actions and, in some cases, charter revocation. As of December 31, 2013, 12 of the Company's public charter school properties operated by Imagine have had their charters revoked. We are currently in the process of resolving these issues with Imagine; however, there can be no assurances that any such solutions will satisfy either the respective regulatory body or the Company, and could result in the Company pursuing its remedies under the lease.

Our master lease agreement with Imagine provides certain contractual protections designed to mitigate risk, such as risk arising from the revocation of a charter of one or more Imagine schools. For instance, Imagine is required to maintain irrevocable letters of credit to secure a portion of their annual lease payment owed to us under the master lease agreement. Subject to our approval and certain other terms and conditions, the master lease agreement also allows Imagine to repurchase from us the public charter school properties that are causing technical defaults and, in substitution for such properties, sell to us public charter school properties that would otherwise comply with the lease agreement. As of December 31, 2013, Imagine has exercised this right with respect to six of the properties that suffered a charter revocation and such repurchases have been completed. In addition, three schools have been sub-leased by Imagine. However, with respect to other schools without charters for which Imagine is still paying rent, there is no guarantee that acceptable schools will be available for substitutions or that such substitutions will be completed. In addition, while governing authorities may approve substitute operators for failed public charter schools to ensure continuity for students, we cannot predict when or whether applicable governing authorities would approve such substitute operators, nor can we predict whether we could reach lease agreements with such substitute tenants on acceptable terms. If Imagine or any other operator is unable to provide adequate substitute collateral under its lease with us, and/or is unable to pay its obligations, we may be required to record an impairment loss or sell schools for less than their net book value.

There are risks inherent in having indebtedness and the use of such indebtedness to fund acquisitions.

We currently use debt to fund portions of our operations and acquisitions. In a rising interest rate environment, the cost of our variable rate debt and any new variable rate debt will increase. We have used leverage to acquire properties and expect to continue to do so in the future. Although the use of leverage is common in the real estate industry, our use of debt exposes us to some risks. If a significant number of our tenants fail to make their lease payments and we don't have sufficient cash to pay principal and interest on the debt, we could default on our debt obligations. A substantial amount of our debt financing is secured by mortgages on our properties. If we fail to meet our mortgage payments, the lenders could declare a default and foreclose on those properties.

Most of our debt instruments contain balloon payments which may adversely impact our financial performance and our ability to pay dividends.

Most of our financing arrangements require us to make a lump-sum or "balloon" payment at maturity. There can be no assurance that we will be able to refinance such debt on favorable terms or at all. To the extent we cannot refinance such debt on favorable terms or at all, we may be forced to dispose of properties on disadvantageous terms or pay higher interest rates, either of which would have an adverse impact on our financial performance and ability to pay dividends to our shareholders.

We must obtain new financing in order to grow.

As a REIT, we are required to distribute at least 90% of our taxable net income to shareholders in the form of dividends. Other than deciding to make these dividends in our common shares, we are limited in our ability to use internal capital to acquire properties and must continually raise new capital in order to continue to grow and diversify our investment portfolio. Our ability to raise new capital depends in part on factors beyond our control, including conditions in equity

and credit markets, conditions in the industries in which our tenants are engaged and the performance of real estate investment trusts generally. We continually consider and evaluate a variety of potential transactions to raise additional capital, but we cannot assure that attractive alternatives will always be available to us, nor that our share price will increase or remain at a level that will permit us to continue to raise equity capital publicly or privately.

Covenants in our debt instruments could adversely affect our financial condition and our acquisitions and development activities.

The mortgages on our properties contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. Our unsecured revolving credit facility, term loan facility, senior notes and other loans that we may obtain in the future contain certain cross-default provisions as well as customary restrictions, requirements and other limitations on our ability to incur indebtedness, including covenants that limit our ability to incur debt based upon the level of our ratio of total debt to total assets, our ratio of secured debt to total assets, our ratio of EBITDA to interest expense and fixed charges. Our ability to borrow under both our unsecured revolving credit facility and our term loan facility is also subject to compliance with certain other covenants. In addition, failure to comply with our covenants could cause a default under the applicable debt instrument, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us, or be available only on unattractive terms. Additionally, our ability to satisfy current or prospective lenders' insurance requirements may be adversely affected if lenders generally insist upon greater insurance coverage against acts of terrorism than is available to us in the marketplace or on commercially reasonable terms.

We rely on debt financing, including borrowings under our unsecured revolving credit facility, term loan facility, issuances of debt securities and debt secured by individual properties, to finance our acquisition and development activities and for working capital. If we are unable to obtain financing from these or other sources, or to refinance existing indebtedness upon maturity, our financial condition and results of operations would likely be adversely affected.

Our real estate investments are concentrated in entertainment, education and recreation properties and a significant portion of those investments are in megaplex theatre properties, making us more vulnerable economically than if our investments were more diversified.

We acquire, develop or finance entertainment, education and recreation properties. A significant portion of our investments are in megaplex theatre properties. Although we are subject to the general risks inherent in concentrating investments in real estate, the risks resulting from a lack of diversification become even greater as a result of investing primarily in entertainment, education and recreation properties. These risks are further heightened by the fact that a significant portion of our investments are in megaplex theatre properties. Although a downturn in the real estate industry could significantly adversely affect the value of our properties, a downturn in the entertainment, education and recreation industries could compound this adverse effect. These adverse effects could be more pronounced than if we diversified our investments to a greater degree outside of entertainment, education and recreation properties or, more particularly, outside of megaplex theatre properties.

If we fail to qualify as a REIT, we would be taxed as a corporation, which would substantially reduce funds available for payment of dividends to our shareholders.

If we fail to qualify as a REIT for federal income tax purposes, we will be taxed as a corporation. We are organized and believe we qualify as a REIT, and intend to operate in a manner that will allow us to continue to qualify as a REIT. However, we cannot provide any assurance that we have always qualified and will remain qualified in the future. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, as amended, on which there are only limited judicial and administrative interpretations, and depends on facts and circumstances not entirely within our control. In addition, future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws, the application of the tax laws to our qualification as a REIT or the federal income tax consequences of that qualification.

If we were to fail to qualify as a REIT in any taxable year (including any prior taxable year for which the statute of limitations remains open) we would face tax consequences that could substantially reduce the funds available for the service of our debt and payment of dividends:

- we would not be allowed a deduction for dividends paid to shareholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we could be subject to the federal alternative minimum tax and possibly increased state and local taxes;
- unless we are entitled to relief under statutory provisions, we could not elect to be treated as a REIT for four taxable years following the year in which we were disqualified; and
- we could be subject to tax penalties and interest.

In addition, if we fail to qualify as a REIT, we will no longer be required to pay dividends. As a result of these factors, our failure to qualify as a REIT could adversely affect the market price for our shares.

We will depend on distributions from our direct and indirect subsidiaries to service our debt and pay dividends to our shareholders. The creditors of these subsidiaries, and our direct creditors, are entitled to amounts payable to them before we pay any dividends to our shareholders.

Substantially all of our assets are held through our subsidiaries. We depend on these subsidiaries for substantially all of our cash flow. The creditors of each of our direct and indirect subsidiaries are entitled to payment of that subsidiary's obligations to them, when due and payable, before distributions may be made by that subsidiary to us. In addition, our creditors, whether secured or unsecured, are entitled to amounts payable to them before we may pay any dividends to our shareholders. Thus, our ability to service our debt obligations and pay dividends to holders of our common and preferred shares depends on our subsidiaries' ability first to satisfy their obligations to their creditors and then to pay distributions to us and our ability to satisfy our obligations to our direct creditors. Our subsidiaries are separate and distinct legal entities and have no obligations, other than guaranties of our debt, to make funds available to us.

Our development financing arrangements expose us to funding and purchase risks.

Our ability to meet our construction financing obligations which we have undertaken or may enter into in the future depends on our ability to obtain equity or debt financing in the required amounts. There is no assurance we can obtain this financing or that the financing rates available will ensure a spread between our cost of capital and the rent or interest payable to us under the related leases or mortgage notes receivable. As a result, we could fail to meet our construction financing obligations which, in turn, could result in failed projects and related foreclosures and penalties, each of which could have a material adverse impact on our results of operations and business.

We have a limited number of employees and loss of personnel could harm our operations and adversely affect the value of our common shares.

We had 38 full-time employees as of December 31, 2013 and, therefore, the impact we may feel from the loss of an employee may be greater than the impact such a loss would have on a larger organization. We are dependent on the efforts of the following individuals: David M. Brain, our President and Chief Executive Officer; Gregory K. Silvers, our Executive Vice President and Chief Operating Officer; Mark A. Peterson, our Senior Vice President and Chief Financial Officer; Morgan G. Earnest, our Senior Vice President and Chief Investment Officer; Neil E. Sprague, our Senior Vice President and General Counsel; and Michael L. Hirons, our Vice President - Strategic Planning. While we believe that we could find replacements for our personnel, the loss of their services could harm our operations and adversely affect the value of our common shares.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and that of our tenants and clients and personally identifiable information of our employees, in our facility and on our network. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our network and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, disrupt our operations, damage our reputation, and cause a loss of confidence, which could adversely affect our business.

Risks That Apply to our Real Estate Business

Real estate income and the value of real estate investments fluctuate due to various factors.

The value of real estate fluctuates depending on conditions in the general economy and the real estate business. These conditions may also limit our revenues and available cash.

The factors that affect the value of our real estate include, among other things:

- international, national, regional and local economic conditions;
- consequences of any armed conflict involving, or terrorist attack against, the United States or Canada;
- the threat of domestic terrorism, which could cause customers of our tenants to avoid public places where large crowds are in attendance, such as megaplex theatres or recreational properties operated by our tenants;
- our ability to secure adequate insurance;
- natural disasters, such as earthquakes, hurricanes and floods, which could exceed the aggregate limits of insurance coverage;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- competition from other available space;
- whether tenants and users such as customers of our tenants consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- whether we are able to pass some or all of any increased operating costs through to tenants;
- how well we manage our properties;
- fluctuations in interest rates;
- changes in real estate taxes and other expenses;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- changes in taxation or zoning laws;
- government regulation;
- our failure to continue to qualify as a REIT for federal income tax purposes;
- availability of financing on acceptable terms or at all;
- potential liability under environmental or other laws or regulations; and
- general competitive factors.

The rents and interest we receive and the occupancy levels at our properties may decline as a result of adverse changes in any of these factors. If our revenues decline, we generally would expect to have less cash available to pay our indebtedness and distribute to our shareholders. In addition, some of our unreimbursed costs of owning real estate may not decline when the related rents decline.

There are risks associated with owning and leasing real estate.

Although our lease terms obligate the tenants to bear substantially all of the costs of operating the properties, investing in real estate involves a number of risks, including:

- the risk that tenants will not perform under their leases, reducing our income from the leases or requiring us to assume the cost of performing obligations (such as taxes, insurance and maintenance) that are the tenant's responsibility under the lease;
- the risk that changes in economic conditions or real estate markets may adversely affect the value of our properties;
- the risk that local conditions could adversely affect the value of our properties;
- we may not always be able to lease properties at favorable rates or certain tenants may require significant capital expenditures by us to conform existing properties to their requirements;
- we may not always be able to sell a property when we desire to do so at a favorable price; and
- changes in tax, zoning or other laws could make properties less attractive or less profitable.

If a tenant fails to perform on its lease covenants, that would not excuse us from meeting any debt obligation secured by the property and could require us to fund reserves in favor of our lenders, thereby reducing funds available for payment of dividends. We cannot be assured that tenants will elect to renew their leases when the terms expire. If a tenant does not renew its lease or if a tenant defaults on its lease obligations, there is no assurance we could obtain a substitute tenant on acceptable terms. If we cannot obtain another quality tenant, we may be required to modify the property for a different use, which may involve a significant capital expenditure and a delay in re-leasing the property.

Some potential losses are not covered by insurance.

Our leases require the tenants to carry comprehensive liability, casualty, workers' compensation, extended coverage and rental loss insurance on our properties. We believe the required coverage is of the type, and amount, customarily obtained by an owner of similar properties. We believe all of our properties are adequately insured. However, there are some types of losses, such as catastrophic acts of nature, acts of war or riots, for which we or our tenants cannot obtain insurance at an acceptable cost. If there is an uninsured loss or a loss in excess of insurance limits, we could lose both the revenues generated by the affected property and the capital we have invested in the property. We would, however, remain obligated to repay any mortgage indebtedness or other obligations related to the property. Since September 11, 2001, the cost of insurance protection against terrorist acts has risen dramatically. There can be no assurance our tenants will be able to obtain terrorism insurance coverage, or that any coverage they do obtain will adequately protect our properties against loss from terrorist attack.

Joint ventures may limit flexibility with jointly owned investments.

We may continue to acquire or develop properties in joint ventures with third parties when those transactions appear desirable. We would not own the entire interest in any property acquired by a joint venture. Major decisions regarding a joint venture property may require the consent of our partner. If we have a dispute with a joint venture partner, we may feel it necessary or become obligated to acquire the partner's interest in the venture. However, we cannot ensure that the price we would have to pay or the timing of the acquisition would be favorable to us. If we own less than a 50% interest in any joint venture, or if the venture is jointly controlled, the assets and financial results of the joint venture may not be reportable by us on a consolidated basis. To the extent we have commitments to, or on behalf of, or are dependent on, any such “off-balance sheet” arrangements, or if those arrangements or their properties or leases are subject to material contingencies, our liquidity, financial condition and operating results could be adversely affected by those commitments or off-balance sheet arrangements.

Our multi-tenant properties expose us to additional risks.

Our entertainment retail centers in Westminster, Colorado, New Rochelle, New York, Burbank, California, Suffolk, Virginia and Ontario, Canada, and similar properties we may seek to acquire or develop in the future, involve risks not typically encountered in the purchase and lease-back of real estate properties which are operated by a single tenant. The ownership or development of multi-tenant retail centers could expose us to the risk that a sufficient number of suitable tenants may not be found to enable the centers to operate profitably and provide a return to us. This risk may be compounded by the failure of existing tenants to satisfy their obligations due to various factors, including the current economic crisis. These risks, in turn, could cause a material adverse impact to our results of operations and business.

Retail centers are also subject to tenant turnover and fluctuations in occupancy rates, which could affect our operating results. Multi-tenant retail centers also expose us to the risk of potential “CAM slippage,” which may occur when the actual cost of taxes, insurance and maintenance at the property exceeds the CAM fees paid by tenants.

Failure to comply with the Americans with Disabilities Act and other laws could result in substantial costs.

Most of our properties must comply with the Americans with Disabilities Act (“ADA”). The ADA requires that public accommodations reasonably accommodate individuals with disabilities and that new construction or alterations be made to commercial facilities to conform to accessibility guidelines. Failure to comply with the ADA can result in injunctions, fines, damage awards to private parties and additional capital expenditures to remedy noncompliance. Our leases require the tenants to comply with the ADA.

Our properties are also subject to various other federal, state and local regulatory requirements. We do not know whether existing requirements will change or whether compliance with future requirements will involve significant unanticipated expenditures. Although these expenditures would be the responsibility of our tenants, if tenants fail to perform these obligations, we may be required to do so.

Potential liability for environmental contamination could result in substantial costs.

Under federal, state and local environmental laws, we may be required to investigate and clean up any release of hazardous or toxic substances or petroleum products at our properties, regardless of our knowledge or actual responsibility, simply because of our current or past ownership of the real estate. If unidentified environmental problems arise, we may have to make substantial payments, which could adversely affect our cash flow and our ability to service our debt and pay dividends to our shareholders. This is because:

- as owner we may have to pay for property damage and for investigation and clean-up costs incurred in connection with the contamination;
- the law may impose clean-up responsibility and liability regardless of whether the owner or operator knew of or caused the contamination;
- even if more than one person is responsible for the contamination, each person who shares legal liability under environmental laws may be held responsible for all of the clean-up costs; and
- governmental entities and third parties may sue the owner or operator of a contaminated site for damages and costs.

These costs could be substantial and in extreme cases could exceed the value of the contaminated property. The presence of hazardous substances or petroleum products or the failure to properly remediate contamination may adversely affect our ability to borrow against, sell or lease an affected property. In addition, some environmental laws create liens on contaminated sites in favor of the government for damages and costs it incurs in connection with a contamination. Most of our loan agreements require the Company or a subsidiary to indemnify the lender against environmental liabilities. Our leases require the tenants to operate the properties in compliance with environmental laws and to indemnify us against environmental liability arising from the operation of the properties. We believe all of our properties are in material compliance with environmental laws. However, we could be subject to strict liability under environmental laws because we own the properties. There is also a risk that tenants may not satisfy their environmental compliance and indemnification obligations under the leases. Any of these events could substantially increase our cost of operations, require us to fund environmental indemnities in favor of our lenders, limit the amount we could borrow under our unsecured revolving credit facility and term loan facility and reduce our ability to service our debt and pay dividends to shareholders.

Real estate investments are relatively illiquid.

We may desire to sell a property in the future because of changes in market conditions, poor tenant performance or default of any mortgage we hold, or to avail ourselves of other opportunities. We may also be required to sell a property in the future to meet debt obligations or avoid a default. Specialty real estate projects such as megaplex theatres cannot always be sold quickly, and we cannot assure you that we could always obtain a favorable price. In addition, the Internal Revenue Code limits our ability to sell our properties. We may be required to invest in the restoration or modification of a property before we can sell it. The inability to respond promptly to changes in the performance of our property portfolio could adversely affect our financial condition and ability to service our debt and pay dividends to our shareholders.

There are risks in owning assets outside the United States.

Our properties in Canada are subject to the risks normally associated with international operations. The rentals under our Canadian leases and the debt service on our Canadian mortgage financing are payable or collectible (as applicable) in Canadian dollars, which could expose us to losses resulting from fluctuations in exchange rates to the extent we have not hedged our position. Canadian real estate and tax laws are complex and subject to change, and we cannot assure you we will always be in compliance with those laws or that compliance will not expose us to additional expense. We may also be subject to fluctuations in Canadian real estate values or markets or the Canadian economy as a whole, which may adversely affect our Canadian investments.

Additionally, we have made initial investments in projects located in China and may enter other international markets, which may have similar risks as described above as well as unique risks associated with a specific country.

There are risks in owning or financing properties for which the tenant's, mortgagor's or our operations may be impacted by weather conditions and climate change.

We have acquired and financed metropolitan ski areas and may continue to do so in the future. The operators of these properties, our tenants or mortgagors, are dependent upon the operations of the properties to pay their rents and service their loans. The ski area operator's ability to attract visitors is influenced by weather conditions and climate change in general, each of which may impact the amount of snowfall during the ski season. Adverse weather conditions may discourage visitors from participating in outdoor activities. In addition, unseasonably warm weather may result in inadequate natural snowfall, which increases the cost of snowmaking, and could render snowmaking wholly or partially ineffective in maintaining quality skiing conditions. Excessive natural snowfall may materially increase the costs incurred for grooming trails and may also make it difficult for visitors to obtain access to the ski resorts. Prolonged periods of adverse weather conditions, or the occurrence of such conditions during peak visitation periods, could have a material adverse effect on the operator's financial results and could impair the ability of the operator to make rental payments or service our loans.

We face risks associated with the development, redevelopment and expansion of properties and the acquisition of other real estate related companies.

We may develop, redevelop or expand new or existing properties or acquire other real estate related companies, and these activities are subject to various risks. We may not be successful in pursuing such development or acquisition opportunities. In addition, newly developed or redeveloped/expanded properties or newly acquired companies may not perform as well as expected. We are subject to other risks in connection with any such development or acquisition activities, including the following:

- we may not succeed in in completing developments or consummating desired acquisitions on time;
- we may face competition in pursuing development or acquisition opportunities, which could increase our costs;

- we may face difficulties in integrating acquisitions, which may prove costly or time-consuming and could divert management's attention;
- we may undertake developments or acquisitions in new markets or industries where we do not have the same level of market knowledge, which may expose us to unanticipated risks in those markets and industries to which we are unable to effectively respond;
- we may incur construction costs in connection with developments, which may be higher than projected, potentially making the project unfeasible or unprofitable;
- we may be unable to obtain zoning, occupancy or other governmental approvals;
- we may experience delays in receiving rental payments for developments that are not completed on time;
- our developments or acquisitions may not be profitable; and
- we may need the consent of third parties such as anchor tenants, mortgage lenders and joint venture partners, and those consents may be withheld.

In addition, there is no assurance that planned third party financing related to development and acquisition opportunities will be provided on a timely basis or at all, thus increasing the risk that such opportunities are delayed or fail to be completed as originally contemplated. We may also abandon development or acquisition opportunities that we have begun pursuing and consequently fail to recover expenses already incurred and have devoted management time to a matter not consummated. In some cases, we may agree to lease or other financing terms for a development project in advance of completing and funding the project, in which case we are exposed to the risk of an increase in our cost of capital during the interim period leading up to the funding, which can reduce, eliminate or result in a negative spread between our cost of capital and the payments we expect to receive from the project. Furthermore, our acquisitions of new properties or companies will expose us to the liabilities of those properties or companies, some of which we may not be aware at the time of acquisition. In addition, development of our existing properties presents similar risks. If a development or acquisition is unsuccessful, either because it is not meeting our expectations or was not completed according to our plans, we could lose our investment in the development or acquisition.

Risks That May Affect the Market Price of our Shares

We cannot assure you we will continue paying cash dividends at current rates.

Our dividend policy is determined by our Board of Trustees. Our ability to continue paying dividends on our common shares, to pay dividends on our preferred shares at their stated rates or to increase our common share dividend rate will depend on a number of factors, including our liquidity, our financial condition and results of future operations, the performance of lease and mortgage terms by our tenants and customers, our ability to acquire, finance and lease additional properties at attractive rates, and provisions in our loan covenants. If we do not maintain or increase our common share dividend rate, that could have an adverse effect on the market price of our common shares and possibly our preferred shares. Furthermore, if the Board of Trustees decides to pay dividends on our common shares partially or substantially all in common shares, that could have an adverse effect on the market price of our common shares and possibly our preferred shares.

Market interest rates may have an effect on the value of our shares.

One of the factors that investors may consider in deciding whether to buy or sell our common shares or preferred shares is our dividend rate as a percentage of our share price, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher dividend rate on our common shares or seek securities paying higher dividends or interest.

Market prices for our shares may be affected by perceptions about the financial health or share value of our tenants and mortgagors or the performance of REIT stocks generally.

To the extent any of our tenants or customers, or their competition, report losses or slower earnings growth, take charges against earnings or enter bankruptcy proceedings, the market price for our shares could be adversely affected. The market price for our shares could also be affected by any weakness in the performance of REIT stocks generally or weakness in any of the sectors in which our tenants and customers operate.

Limits on changes in control may discourage takeover attempts which may be beneficial to our shareholders.

There are a number of provisions in our Declaration of Trust, Bylaws, Maryland law and agreements we have with others which could make it more difficult for a party to make a tender offer for our shares or complete a takeover of the Company which is not approved by our Board of Trustees. These include:

- a staggered Board of Trustees that can be increased in number without shareholder approval;
- a limit on beneficial ownership of our shares, which acts as a defense against a hostile takeover or acquisition of a significant or controlling interest, in addition to preserving our REIT status;
- the ability of the Board of Trustees to issue preferred or common shares, to reclassify preferred or common shares, and to increase the amount of our authorized preferred or common shares, without shareholder approval;
- limits on the ability of shareholders to remove trustees without cause;
- requirements for advance notice of shareholder proposals at shareholder meetings;
- provisions of Maryland law restricting business combinations and control share acquisitions not approved by the Board of Trustees;
- provisions of Maryland law protecting corporations (and by extension REITs) against unsolicited takeovers by limiting the duties of the trustees in unsolicited takeover situations;
- provisions in Maryland law providing that the trustees are not subject to any higher duty or greater scrutiny than that applied to any other director under Maryland law in transactions relating to the acquisition or potential acquisition of control;
- provisions of Maryland law creating a statutory presumption that an act of the trustees satisfies the applicable standards of conduct for trustees under Maryland law;
- provisions in loan or joint venture agreements putting the Company in default upon a change in control; and
- provisions of employment agreements and other compensation arrangements with our officers calling for severance compensation and vesting of equity compensation upon a change in control.

Any or all of these provisions could delay or prevent a change in control of the Company, even if the change was in our shareholders' interest or offered a greater return to our shareholders.

We may change our policies without obtaining the approval of our shareholders.

Our operating and financial policies, including our policies with respect to acquiring or financing real estate or other companies, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by our Board of Trustees. Accordingly, our shareholders do not control these policies.

Dilution could affect the value of our shares.

Our future growth will depend in part on our ability to raise additional capital. If we raise additional capital through the issuance of equity securities, the interests of holders of our common shares could be diluted. Likewise, our Board of Trustees is authorized to cause us to issue preferred shares in one or more series, the holders of which would be entitled to dividends and voting and other rights as our Board of Trustees determines, and which could be senior to or convertible into our common shares. Accordingly, an issuance by us of preferred shares could be dilutive to or otherwise adversely affect the interests of holders of our common shares. As of December 31, 2013, our Series C preferred shares are convertible, at each of the holder's option, into our common shares at a conversion rate of 0.3655 common shares per $25.00 liquidation preference, which is equivalent to a conversion price of approximately $68.40 per common share (subject to adjustment in certain events). Additionally, as of December 31, 2013, our Series E preferred shares are convertible, at each of the holder's option, into our common shares at a conversion rate of 0.4546 common shares per $25.00 liquidation preference, which is equivalent to a conversion price of approximately $54.99 per common share (subject to adjustment in certain events). Under certain circumstances in connection with a change in control of our Company, holders of our Series F preferred shares may elect to convert some or all of their Series F preferred shares into a number of our common shares per Series F preferred share equal to the lesser of (a) the $25.00 per share liquidation preference, plus accrued and unpaid dividends divided by the market value of our common shares or (b) 1.1008 shares. Depending upon the number of Series C, Series E and Series F preferred shares being converted at one time, a conversion of Series C, Series E and Series F preferred shares could be dilutive to or otherwise adversely affect the interests of holders of our common shares.

Future offerings of debt or equity securities, which may rank senior to our common shares, may adversely affect the market price of our common shares.

If we decide to issue debt securities in the future, which would rank senior to our common shares, it is likely that they will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any equity securities or convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common shares and may result in dilution to owners of our common shares. We and, indirectly, our shareholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common shares will bear the risk of our future offerings reducing the market price of our common shares and diluting the value of their share holdings in us.

Changes in foreign currency exchange rates may have an impact on the value of our shares.

The functional currency for our Canadian operations is the Canadian dollar. As a result, our future operating results could be affected by fluctuations in the exchange rate between U.S. and Canadian dollars, which in turn could affect our share price. We have attempted to mitigate our exposure to Canadian currency exchange risk by entering into foreign currency exchange contracts to hedge in part our exposure to exchange rate fluctuations. Foreign currency derivatives are subject to future risk of loss. We do not engage in purchasing foreign exchange contracts for speculative purposes.

Additionally, we have made investments in China and may enter other international markets which pose similar currency fluctuation risks as described above.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our shares.

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be changed, possibly with retroactive effect. We cannot predict if or when any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective or whether any such law, regulation or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

Tax reform could adversely affect the value of our shares.

There have been a number of proposals in Congress for major revision of the federal income tax laws, including proposals to adopt a flat tax or replace the income tax system with a national sales tax or value-added tax. Any of these proposals, if enacted, could change the federal income tax laws applicable to REITs, subject us to federal tax or reduce or eliminate the current deduction for dividends paid to our shareholders, any of which could negatively affect the market for our shares.

Item 1B. Unresolved Staff Comments

There are no unresolved comments from the staff of the SEC required to be disclosed herein as of the date of this Annual Report on Form 10-K.

Item 2. Properties

As of December 31, 2013, our real estate portfolio consisted of 121 megaplex theatre properties and various restaurant, retail and other properties including 48 public charter schools and one early education center and certain properties under construction located in 37 states, the District of Columbia and Ontario, Canada. Except as otherwise noted, all of the real estate investments listed below are owned or ground leased directly by us. The following table lists our owned properties (excluding properties under development) listed by segment, their locations, acquisition dates, number of theatre screens (if applicable), number of seats (if applicable), gross square footage, and the tenant.

Property	Location	Acquisition date	Screens	Seats	Building (gross sq. ft)	Tenant
Entertainment Properties:						
Huebner Oaks 14	San Antonio, TX	11/97	24	4,400	53,583	Regal
Studio Movie Grill	Dallas, TX	11/97	14	2,962	56,430	Studio Movie Grill
First Colony 24 (1)(22)	Sugar Land, TX	11/97	24	5,098	107,690	AMC
Leawood Town Center 20 (23)	Leawood, KS	11/97	20	2,995	75,224	AMC
Oakview Plaza 24	Omaha, NE	11/97	24	5,098	107,402	AMC
Lennox Town Center 24 (1)	Columbus, OH	11/97	24	4,412	98,261	AMC
Mission Valley 20 (1)	San Diego, CA	11/97	20	4,361	84,352	AMC
Ontario Mills 30	Ontario, CA	11/97	30	5,469	131,534	AMC
Promenade 16	Los Angeles, CA	11/97	16	2,860	129,822	AMC
Studio 30	Houston, TX	11/97	30	6,032	136,154	AMC
West Olive 16	Creve Coeur, MO	11/97	16	2,817	60,418	AMC
Huebner Oaks Adjacent Retail	San Antonio, TX	11/97	—	—	27,485	Vacant
Gulf Pointe 30 (2)	Houston, TX	2/98	30	6,008	130,891	AMC
South Barrington 30	South Barrington, IL	3/98	30	6,210	130,757	AMC
Mesquite 30 (2)	Mesquite, TX	4/98	30	6,008	130,891	AMC
Hampton Town Center 24	Hampton, VA	6/98	24	5,098	107,396	AMC
Raleigh Grande 16 (3)	Raleigh, NC	8/98	16	2,596	51,450	Carolina Cinemas
Paradise 24 and XD (16)	Davie, FL	11/98	24	4,180	96,497	Cinemark
Broward 18 (3)	Pompano Beach, FL	11/98	18	3,424	73,637	Carmike Cinemas, Inc.
Aliso Viejo Stadium 20 (15)	Aliso Viejo, CA	12/98	20	4,352	98,557	Regal
Boise Stadium 22 (1)(3)	Boise, ID	12/98	22	4,928	140,300	Regal
Mesquite Retail Center	Mesquite, TX	1/99	—	—	27,201	Various
Woodridge 18 (2)	Woodridge, IL	6/99	18	4,384	82,000	AMC
Starlight 20	Tampa, FL	6/99	20	3,928	84,000	Carmike Cinemas, Inc.
Westminster Promenade 24 (5)	Westminster, CO	6/99	24	4,812	89,260	AMC
Cary Crossroads Stadium 20	Cary, NC	12/99	20	3,936	77,475	Regal
Palm Promenade 24	San Diego, CA	2/00	24	4,586	88,610	AMC
Gulf Pointe Retail Center	Houston, TX	5/00	—	—	24,008	Various
Westminster Promenade	Westminster, CO	12/01	—	—	134,226	Various
Clearview Palace 12 (1)	Metairie, LA	3/02	12	2,495	70,000	AMC
Elmwood Palace 20	Harahan, LA	3/02	20	4,357	90,391	AMC
Hammond Palace 10	Hammond, LA	3/02	10	1,531	39,850	AMC
Houma Palace 10	Houma, LA	3/02	10	1,871	44,450	AMC
Westbank Palace 16	Harvey, LA	3/02	16	3,176	71,607	AMC
Cherrydale Stadium 16	Greenville, SC	6/02	16	2,744	52,800	Regal
Forum 30	Sterling Heights, MI	6/02	30	5,041	107,712	AMC
Olathe Studio 30	Olathe, KS	6/02	28	4,191	100,251	AMC
Cherrydale Shops	Greenville, SC	6/02	—	—	10,000	Various
Livonia 20	Livonia, MI	8/02	20	3,808	75,106	AMC
Hoffman Center 22 (1)	Alexandria, VA	10/02	22	4,150	132,903	AMC
Colonel Glenn 18 (3)	Little Rock, AR	12/02	18	4,122	79,330	Cinemark
AmStar 16-Macon (10)	Macon, GA	3/03	16	2,950	66,400	Southern

Star Southfield 20	Southfield, MI	5/03	20	7,000	112,119	AMC
Star Southfield Center	Southfield, MI	5/03	—	—	48,028	Various
South Wind 12 (21)	Lawrence, KS	6/03	12	2,481	42,497	Regal
New Roc Stadium 18	New Rochelle, NY	10/03	18	3,400	102,267	Regal
New Roc City	New Rochelle, NY	10/03	—	—	343,809	Various
Columbiana Grande Stadium 14 (7)	Columbia, SC	11/03	14	3,000	56,705	Regal
Harbour View Grande 16	Suffolk, VA	11/03	16	3,036	61,500	Regal
Harbour View Marketplace	Suffolk, VA	11/03	—	—	96,624	Various
Cobb Grand 18	Hialeah, FL	12/03	18	4,900	77,400	Cobb
Deer Valley 30 (3)	Phoenix, AZ	3/04	30	5,877	113,768	AMC
Mesa Grand 14 (14)	Mesa, AZ	3/04	14	2,956	94,774	AMC
Hamilton 24 (3)	Hamilton, NJ	3/04	24	4,268	95,466	AMC
Courtney Park 16 (33)	Mississagua, ON	3/04	16	3,856	92,971	Cineplex
Kanata 24 (33)	Kanata, ON	3/04	24	4,764	89,290	Landmark Cinemas
Whitby 24 (33)	Whitby, ON	3/04	24	4,688	89,290	Landmark Cinemas
Winston Churchill 24 (33)	Oakville, ON	3/04	24	4,772	89,290	Cineplex
Subtotal Entertainment Properties, carried over to next page			1,034	206,388	5,182,109	

Property	Location	Acquisition date	Screens	Seats	Building (gross sq. ft)	Tenant
Entertainment Properties:						
Subtotal from previous page	n/a	n/a	1,034	206,388	5,182,109	
Mississauga Entertainment Centrum (33)	Mississagua, ON	3/04	—	—	115,934	Various
Kanata Entertainment Centrum (33)	Kanata, ON	3/04	—	—	390,067	Various
Whitby Entertainment Centrum (33)	Whitby, ON	3/04	—	—	145,048	Various
Oakville Entertainment Centrum (33)	Oakville, ON	3/04	—	—	134,222	Various
The Grand 16-Layafette (1)(11)	Lafayette, LA	7/04	16	2,744	61,579	Southern
Grand Prairie 18	Peoria, IL	7/04	18	4,063	82,330	Carmike Cinemas, Inc.
Cantera Retail Shops	Warrenville, IL	7/04	—	—	19,255	Various
North East Mall 18 (13)	Hurst, TX	11/04	18	3,886	94,000	Cinemark
The Grand 18-D'lberville (17)	D'Iberville, MS	12/04	18	2,844	59,533	Southern
Avenue 16	Melbourne, FL	12/04	16	3,600	75,850	Carmike Cinemas, Inc.
Mayfaire Stadium 16 (8)	Wilmington, NC	2/05	16	3,050	57,338	Regal
East Ridge 18 (24)	Chattanooga, TN	3/05	18	4,133	82,330	Carmike Cinemas, Inc.
Burbank 16 (6)	Burbank, CA	3/05	16	4,232	86,551	AMC
Burbank Village (6)	Burbank, CA	3/05	—	—	34,818	Various
The Grand 14-Conroe	Conroe, TX	6/05	14	2,400	45,000	Southern
Washington Square 12 (19)	Indianapolis, IN	6/05	12	2,200	45,700	AMC
The Grand 18-Hattiesburg (20)	Hattiesurg, MS	9/05	18	2,675	57,367	Southern
Arroyo Grand Staduim 10 (12)	Arroyo Grande, CA	12/05	10	1,714	34,500	Regal
Auburn Stadium 10 (4)	Auburn, CA	12/05	10	1,573	32,185	Regal
Manchester Stadium 16 (18)	Fresno, CA	12/05	16	3,860	80,600	Regal
Modesto Stadium 10 (9)	Modesto, CA	12/05	10	1,885	38,873	Regal
Columbia 14 (1)	Columbia, MD	3/06	14	2,512	77,731	AMC
Firewheel 18 (25)	Garland, TX	3/06	18	3,156	75,252	AMC
White Oak Stadium 14	Garner, NC	4/06	14	2,626	50,810	Regal
The Grand 18 - Winston Salem (1)	Winston Salem, NC	7/06	18	3,496	75,605	Southern
Valley Bend 18	Huntsville, AL	8/06	18	4,150	90,200	Carmike Cinemas, Inc.
Cityplace 14	Kalamazoo, MI	11/06	14	2,770	63,942	Alamo Draft House Cinemas
The Grand 16-Slidell (1)(26)	Slidell, LA	12/06	16	2,750	62,300	Southern
Pensacola Bayou 15	Pensacola, FL	12/06	15	3,361	74,400	Carmike Cinemas, Inc.
The Grand 16 - Pier Park		5/07	16	3,496	75,605	Southern

	Panama City Beach, FL					
Austell Promenade	Austell, GA	7/07	—	—	18,410	Various
Stadium 14 Cinema	Kalispell, MT	8/07	14	2,000	44,650	Cinemark
The Grand 18 - Four Seasons Stations (1)	Greensboro, NC	11/07	18	3,343	74,517	Southern
Glendora 12 (1)	Glendora, CA	10/08	12	2,264	50,710	AMC
Harbour View Station	Suffolk, VA	6/09	—	—	21,416	Various
Ann Arbor 20	Ypsilanti, MI	12/09	20	5,602	131,098	Cinemark
Buckland Hills 18	Manchester, CT	12/09	18	4,317	87,700	Cinemark
Centreville 12	Centreville, VA	12/09	12	3,094	73,500	Cinemark
Davenport 18	Davenport, IA	12/09	18	3,772	93,755	Cinemark
Fairfax Corner 14	Fairfax, VA	12/09	14	3,544	74,689	Cinemark
Flint West 14	Flint, MI	12/09	14	3,493	85,911	Cinemark
Hazlet 12	Hazlet, NJ	12/09	12	3,000	58,300	Cinemark
Huber Heights 16	Huber Heights, OH	12/09	16	3,511	95,830	Cinemark
North Haven 12	North Haven, CT	12/09	12	2,704	70,195	Cinemark
Preston Crossing 16	Okolona, KY	12/09	16	3,264	79,453	Cinemark
Ritz Center 16	Voorhees, NJ	12/09	16	3,098	62,658	Carmike Cinemas, Inc.
Stonybrook 20	Louisville, KY	12/09	20	3,194	84,202	Carmike Cinemas, Inc.
The Greene 14	Beaver Creek, OH	12/09	14	3,211	73,634	Cinemark
West Springfield 15	West Springfield, MA	12/09	15	3,775	111,166	Cinemark
Western Hills 14	Cincinnati, OH	12/09	14	3,152	63,829	Cinemark
Tinseltown 15	Beaumont, TX	6/10	15	2,874	63,352	Cinemark
Tinseltown USA and XD	Colorado Springs, CO	6/10	20	4,613	109,986	Cinemark
Tinseltown USA 20	El Paso, TX	6/10	20	4,760	109,030	Cinemark
Movies 16	Grand Prairie, TX	6/10	15	2,717	53,880	Cinemark
Subtotal Entertainment Properties, carried over to next page			1,748	354,866	9,392,905	

Property	Location	Acquisition date	Screens	Seats	Building (gross sq. ft)	Tenant
Entertainment Properties:						
Subtotal from previous page	n/a	n/a	1,748	354,866	9,392,905	
Tinseltown 290	Houston, TX	6/10	16	4,332	100,656	Cinemark
Movies 14	McKinney, TX	6/10	14	2,704	56,088	Cinemark
Movies 14-Mishawaka	Mishawaka, IN	6/10	14	2,999	62,088	Cinemark
Hollywood Movies 20	Pasadena, TX	6/10	20	3,156	77,324	Cinemark
Tinseltown 20	Pflugerville, TX	6/10	20	4,896	103,250	Cinemark
Movies 10	Plano, TX	6/10	10	1,612	34,046	Cinemark
Tinseltown	Pueblo, CO	6/10	14	2,649	55,231	Cinemark
Redding 14	Redding, CA	6/10	14	2,101	46,793	Cinemark
Beach Movie Bistro	Virginia Beach, VA	12/10	7	640	20,745	Beach Cinema Bistro Group, Inc.
Studio Movie Grill Adjacent Retail	Dallas, TX	12/10	—	—	33,250	Toby Keith's I Love This Bar & Grill
Cinemagic in Merrimack (29)	Merrimack, NH	3/11	12	1,810	42,400	Cinemagic
Cinemagic & IMAX in Hooksett NH	Hooksett, NH	3/11	15	2,248	55,000	Cinemagic
Cinemagic & IMAX in Saco	Saco, ME	3/11	13	2,256	54,000	Cinemagic
Cinemagic in Westbrook	Westbrook, ME	3/11	16	2,292	53,000	Cinemagic
Magic Valley Mall Theatre (1)	Twin Falls, ID	4/11	13	2,100	38,736	Cinema West
Pinstripes - Northbrook (1)	Northbrook, IL	7/11	—	—	39,289	Pinstripes
Latitude 30	Jacksonville, FL	2/12	—	—	46,000	Latitude Global, Inc.
Latitude 39	Indianapolis, IN	2/12	—	—	67,000	Latitude Global, Inc.
Look Cinemas-Prestonwood (1)	Dallas, TX	3/12	11	1,672	58,684	LOOK Cinemas
Pinstripes - Oakbrook (1)	Oakbrook, IL	3/12	—	—	66,442	Pinstripes
Sandhills 10	Southern Pines, NC	6/12	10	1,696	36,180	Frank Theatres, LLC
Regal Winrock (1)	Albuquerque, NM	6/12	16	3,000	71,156	Regal
Alamo Draft House-Austin	Austin, TX	9/12	10	946	35,900	Alamo Draft House Cinemas
Carmike Champaign (1)	Champaign, IL	9/12	13	2,896	55,063	Carmike Cinemas, Inc.
Regal Virginia Gateway (1)	Gainesville, VA	2/13	10	2,965	57,213	Regal
The Ambassador Theatre (1)(27)	Lafayette, LA	8/13	14	2,161	52,957	Southern
New Iberia Theatre (1)(27)	New Iberia, LA	8/13	10	1,469	32,760	Southern
Hollywood 16 Theatre (1)(28)	Tuscaloosa, AL	9/13	16	2,912	65,442	Cobb
Cantera Stadium 17 (2)	Warrenville, IL	10/13	17	3,943	95,757	Regal
Tampa Veterans 24	Tampa, FL	10/13	24	4,344	94,774	AMC
Subtotal Entertainment Properties			2,097	418,665	11,100,129	

Education Properties:

Academy of Columbus	Columbus, OH	9/07	—	—	71,949	Imagine Schools, Inc.
East Mesa Charter Elementary	Mesa, AZ	9/07	—	—	45,214	Imagine Schools, Inc.
Imagine Rosefield	Surprise, AZ	9/07	—	—	45,578	Imagine Schools, Inc.
South Lake Charter Elementary	Clermont, FL	9/07	—	—	62,473	Imagine Schools, Inc.
100 Academy of Excellence	Las Vegas, NV	10/07	—	—	59,060	Imagine Schools, Inc.
Groveport Community School	Groveport, OH	10/07	—	—	66,420	Imagine Schools, Inc.
Harvard Avenue Charter School	Cleveland, OH	10/07	—	—	57,652	Imagine Schools, Inc.
Hope Community Charter School	Washington, DC	10/07	—	—	34,962	Imagine Schools, Inc.
Imagine Charter Elementary	Phoenix, AZ	10/07	—	—	47,186	Imagine Schools, Inc.
Marietta Charter School	Marietta, GA	10/07	—	—	24,503	Imagine Schools, Inc.
Academy of Environmental Science and Math	St. Louis, MO	6/08	—	—	153,000	Imagine Schools, Inc.
Int'l Academy of Mableton	Mableton, GA	6/08	—	—	43,188	Imagine Schools, Inc.
Master Academy	Fort Wayne, IN	6/08	—	—	161,500	Imagine Schools, Inc.
Romig Road Community School	Akron, OH	6/08	—	—	40,400	Imagine Schools, Inc.
Wesley International Academy	Atlanta, GA	6/08	—	—	40,358	Imagine Schools, Inc.
Imagine Groveport Prep	Groveport, OH	1/10	—	—	72,346	Imagine Schools, Inc.
Imagine Indiana Life Sciences Academy East	Indianapolis, IN	1/10	—	—	121,933	Imagine Schools, Inc.
Imagine Indiana Life Sciences Academy West	Indianapolis, IN	1/10	—	—	84,454	Imagine Schools, Inc.
Imagine Schools at South Vero	Vero Beach, FL	1/10	—	—	79,091	Imagine Schools, Inc.
Imagine Schools at West Melbourne	W. Melbourne, FL	1/10	—	—	62,427	Imagine Schools, Inc.
Mentorship Academy of Digital Arts and Science	Baton Rouge, LA	3/11	—	—	54,975	CSDC
Subtotal Education Properties, carried over to next page			—	—	1,428,669	

Property	Location	Acquisition date	Screens	Seats	Building (gross sq. ft)	Tenant
Education Properties:						
Subtotal from previous page	n/a	n/a	—	—	1,428,669	
Ben Franklin Academy (1)	Highlands Ranch, CO	4/11	—	—	64,779	Benjamin Franklin Acad Project Development
Bradley Academy of Excellence	Goodyear, AZ	4/11	—	—	37,502	Bradley Project Development
American Leadership Academy	Gilbert, AZ	6/11	—	—	43,807	PCI ALA Gilbert LLC
Champions School	Phoenix, AZ	6/11	—	—	24,582	Phoenix Charter Properties
Loveland Classical	Loveland, CO	6/11	—	—	44,600	Loveland Classical School Project Development
Prospect Ridge Academy	Broomfield, CO	8/11	—	—	60,818	Prospect Ridge Acad Project Development
South Phoenix Academy	Phoenix, AZ	11/11	—	—	56,724	Skyline Schools Project Development
Pacific Heritage	Salt Lake City, UT	3/12	—	—	45,125	Pacific Heritage Acad Project Development
Valley Academy	Hurricane, UT	3/12	—	—	25,324	Valley Acad Project Development
Odyssey Institute for International & Advanced Studies	Buckeye, AZ	4/12	—	—	85,154	Schoolhouse Buckeye LLC
American Leadership Academy-Queen Creek Campus	Gilbert, AZ	5/12	—	—	168,192	Schoolhouse Queen Creek LLC
The Environmental Charter School at Frick Park	Pittsburg, PA	7/12	—	—	34,530	Imagine Schools, Inc.
Imagine School at Land O'Lakes	Land O'Lakes, FL	7/12	—	—	40,037	Imagine Schools, Inc.
North East Carolina Prep Academy	Tarboro, NC	7/12	—	—	94,429	NE Carolina Prep Acad Project Development
Chester Community Charter School	Chester Upland, PA	3/13	—	—	25,200	CSMI
Lowcountry Leadership	Hollywood, SC	3/13	—	—	44,181	Lowcountry Leadership Project Development
Children's Learning Adventure	Lake Pleasant, AZ	3/13	—	—	15,309	CLA Properties
Camden Community Charter School	Camden, NJ	4/13	—	—	32,762	CSMI

Bella Mente Academy	Vista, CA	5/13	—	—	26,454	Bella Mente Project Development
Imagine Academy at Sullivant	Columbus, OH	5/13	—	—	41,575	Imagine Schools, Inc.
Imagine Klepinger Community School	Dayton, OH	5/13	—	—	52,112	Imagine Schools, Inc.
Imagine Madison Avenue	Toledo, OH	05/13	—	—	48,375	Imagine Schools, Inc.
Imagine Columbia Leadership	Columbia, SC	05/13	—	—	21,690	Imagine Schools, Inc.
Learning Foundation & Performing Arts Academy	Gilbert, AZ	05/13	—	—	52,723	CAFA Gilbert Investments
McKinley Academy	Chicago, IL	05/13	—	—	34,900	Concept Schools
Global Village Academy-Colorado Springs	Colorado Springs, CO	06/13	—	—	110,000	GVA CS Project Development
Skyline Chandler	Chandler, AZ	07/13	—	—	70,000	Skyline Chandler Project Development
Harrisburg Pike Community	Columbus, OH	11/13	—	—	67,043	Imagine Schools, Inc.
Subtotal Education Properties			—	—	2,896,596	
Recreation Properties:						
Mad River Mountain (30)	Bellfontaine, OH	11/05	—	—	48,427	Peak Resorts, Inc.
Crotched Mountain (34)	Bennington, NH	02/08	—	—	34,100	Peak Resorts, Inc.
Top Golf-Allen (1)	Allen, TX	02/12	—	—	63,242	Top Golf USA
Top Golf-Dallas (1)	Dallas, TX	02/12	—	—	46,400	Top Golf USA
Top Golf-Houston (1)	Houston, TX	09/12	—	—	65,000	Top Golf USA
WISP Resort (35)	McHenry, MD	12/12	—	—	113,135	Everbright Pacific, LLC
Top Golf-Colony	Colony, TX	12/12	—	—	64,100	Top Golf USA
Camelback Mountain Resort (36)	Tannersville, PA	09/13	—	—	155,669	CBK
Subtotal Recreation Properties			—	—	590,073	

Property	Location	Acquisition date	Screens	Seats	Building (gross sq. ft)	Tenant
Other Properties:						
Columbia Winery (31)	Sunnyside, WA	06/08	—	—	38,090	E&J Gallo Winery
Geyser Peak Vineyard and House (32)	Geyserville, CA	06/08	—	—	4,914	Accolade Wines
Subtotal Other Properties			—	—	43,004	
Total			2,097	418,665	14,629,802	

(1) Third party ground leased property. Although we are the tenant under a ground lease and have assumed responsibility for performing the obligations thereunder, pursuant to the lease, the tenant is responsible for performing our obligations under the ground lease.

(2) In addition to the theatre property itself, we have acquired land parcels adjacent to the theatre property, which we have or intend to lease or sell to restaurant or other entertainment themed operators.

(3) Property is included as security for $65.1 million in mortgage notes payable.

(4) Property is included as security for a $5.6 million mortgage notes payable.

(5) Property is included as security for a $7.5 million mortgage note payable.

(6) Property is included as security for a $31.2 million mortgage note payable.

(7) Property is included as security for a $7.1 million mortgage note payable.

(8) Property is included as security for a $6.7 million mortgage note payable.

(9) Property is included as security for a $4.2 million mortgage note payable.

(10) Property is included as security for a $5.6 million mortgage note payable.

(11) Property is included as security for a $7.9 million mortgage note payable.

(12) Property is included as security for a $4.4 million mortgage note payable.

(13) Property is included as security for a $12.8 million mortgage note payable.

(14) Property is included as security for a $13.6 million mortgage note payable.

(15) Property is included as security for a $18.4 million mortgage note payable.

(16) Property is included as security for a $18.4 million mortgage note payable.

(17) Property is included as security for a $10.0 million mortgage note payable.

(18) Property is included as security for a $10.3 million mortgage note payable.

(19) Property is included as security for a $4.4 million mortgage note payable.

(20) Property is included as security for a $9.0 million mortgage note payable.

(21) Property is included as security for a $4.2 million mortgage note payable

(22) Property is included as security for a $16.0 million mortgage note payable.

(23) Property is included as security for a $13.4 million mortgage note payable.

(24) Property is included as security for a $11.0 million mortgage note payable.

(25) Property is included as security for a $14.5 million mortgage note payable

(26) Property is included as security for $10.6 million bond payable.

(27) Property is included as security for a $14.4 million bond payable

(28) Property is included as security for a $5.3 million mortgage note payable

(29) Property in included as security for a $3.7 million mortgage note payable.

(30) Property includes approximately 324 acres of land.

(31) Property includes approximately 17 acres of land.

(32) Property includes approximately 207 acres of land.

(33) Property is located in Ontario, Canada.

(34) Property includes approximately 308 acres of land.

(35) Property includes 406 acres of owned land and 284 acres of land under ground lease.

(36) Property includes 354 acres of owned land and 185 acres of land under ground lease.

As of December 31, 2013, our owned portfolio of entertainment properties consisted of 11.1 million square feet and was 99% leased, including 9.3 million square feet of owned megaplex theatre properties that were 100% leased. Our owned portfolio of education properties consisted of 2.9 million square feet and was 100% leased. Our owned portfolio of recreation properties consisted of approximately 590 thousand square feet of buildings and 1,392 acres of land, and was 100% leased. The combined owned portfolio consisted of 14.6 million square feet and was 99% leased.
The following table sets forth lease expirations regarding EPR's owned megaplex theatre portfolio and owned education portfolio as of December 31, 2013 (dollars in thousands).

	Megaplex Theatre Portfolio				Education Portfolio			
Year	Number of Properties	Square Footage	Revenue for the Year Ended December 31, 2013 (1)	% of Company's Total Revenue	Number of Properties	Square Footage	Revenue for the Year Ended December 31, 2013 (2)	% of Company's Total Revenue
2014	—	—	—	— %	—	—	—	— %
2015	3	345,708	9,627	2.8 %	—	—	—	— %
2016	4	423,934	9,412	2.7 %	—	—	—	— %
2017	4	332,438	7,336	2.1 %	1	32,762	445	0.1 %
2018	18	1,493,659	30,469	8.9 %	—	—	—	— %
2019	8	741,305	22,628	6.6 %	—	—	—	— %
2020	7	416,183	9,206	2.7 %	—	—	—	— %
2021	6	397,943	9,174	2.7 %	—	—	—	— %
2022	12	872,031	22,199	6.5 %	—	—	—	— %
2023	6	562,167	12,178	3.5 %	—	—	—	— %
2024	10	822,244	16,556	4.8 %	—	—	—	— %
2025	6	381,394	12,504	3.6 %	—	—	—	— %
2026	4	277,710	5,671	1.7 %	—	—	—	— %
2027	2	150,122	3,384	1.0 %	—	—	—	— %
2028	2	105,773	1,272	0.4 %	—	—	—	— %
2029	15 (3)	1,245,920	14,125	4.1 %	—	—	—	— %
2030	—	—	—	— %	—	—	—	— %
2031	4	204,400	3,772	1.1 %	11 (5)	547,571	10,362	3.0 %
2032	3 (4)	119,566	2,039	0.6 %	13 (6)	825,549	13,809	4.0 %
2033	6	308,670	1,617	0.5 %	18 (7)	1,045,263	13,015	3.8 %
There-after	1	56,430	146	— %	6	445,451	6,687	1.9 %
	121	9,257,597	$ 193,315	56.3 %	49	2,896,596	$ 44,318	12.8 %

(1) Consists of rental revenue and tenant reimbursements.
(2) Consists of rental revenue and financing income related to the public charter schools recorded as a direct financing lease.
(3) All of these theatre properties are leased under a master lease.
(4) All of these threatre properties are leased under a master lease.
(5) Five of these public charter school properties are leased under a master lease to Imagine.
(6) Six of these public charter school properties are leased under a master lease to Imagine.
(7) Sixteen of these public charter school properties are leased under a master lease to Imagine.

Our properties are located in 37 states, the District of Columbia and in the Canadian province of Ontario. The following table sets forth certain state-by-state and Ontario, Canada information regarding our owned real estate portfolio as of December 31, 2013 (dollars in thousands). This data does not include the public charter schools recorded as a direct financing lease.

Location	Building (gross sq. ft)	Rental revenue for the year ended December 31, 2013 (1)	% of Rental Revenue	
Texas	1,872,787	$36,737	13.8	%
Ontario, Canada	1,146,112	42,260	15.8	%
California	969,273	29,944	11.2	%
Arizona	762,535	12,523	4.7	%
Florida	698,163	14,756	5.5	%
Colorado	668,900	11,860	4.4	%
Virginia	645,986	12,357	4.6	%
Illinois	605,793	9,575	3.6	%
Michigan	623,916	10,725	4.0	%
Louisiana	580,869	11,216	4.2	%
North Carolina	517,804	9,983	3.7	%
New York	446,076	10,798	4.0	%
Ohio	379,981	4,975	1.9	%
New Jersey	249,186	5,088	1.9	%
Kansas	217,972	4,745	1.8	%
Maryland	190,866	3,986	1.5	%
Pennsylvania	180,869	1,848	0.7	%
Idaho	179,036	2,568	1.0	%
Indiana	174,788	2,739	1.0	%
South Carolina	163,686	2,384	0.9	%
Kentucky	163,655	2,414	0.9	%
Connecticut	157,895	2,502	0.9	%
Alabama	155,642	2,441	0.9	%
New Hampshire	131,500	2,112	0.8	%
Mississippi	116,900	2,838	1.1	%
Massachusetts	111,166	729	0.3	%
Nebraska	107,402	1,836	0.7	%
Maine	107,000	1,700	0.6	%
Iowa	93,755	1,099	0.4	%
Georgia	84,810	1,197	0.4	%
Tennessee	82,330	1,796	0.8	%
Arkansas	79,330	1,586	0.6	%
New Mexico	71,156	157	0.1	%
Utah	70,449	1,149	0.4	%
Missouri	60,418	1,101	0.4	%
Montana	44,650	903	0.3	%
Washington	38,090	483	0.2	%
	12,950,746	$267,110	100.0	%

(1) Consists of rental revenue and tenant reimbursements.

Office Location

Our executive office is located in Kansas City, Missouri and is leased from a third-party landlord. The office occupies approximately 39 thousand square feet with projected 2014 annual rental of approximately $459 thousand. The lease is scheduled to expire on September 30, 2016, with two separate five year extension options available.

Tenants and Leases

Our existing leases on rental property (on a consolidated basis - excluding unconsolidated joint venture properties) provide for aggregate annual rentals of approximately $262.5 million (not including periodic rent escalations, percentage rent or straight-line rent). Our entertainment portfolio has an average remaining base term life of approximately ten years, our education portfolio has an average remaining base term life of approximately 19 years and our recreation portfolio has an average remaining base term life of approximately 18 years. These leases may be extended for predetermined extension terms at the option of the tenant. Our leases are typically triple-net leases that require the tenant to pay substantially all expenses associated with the operation of the properties, including taxes, other governmental charges, insurance, utilities, service, maintenance and any ground lease payments.

Property Acquisitions and Developments in 2013

Our property acquisitions and developments in 2013 consisted primarily of spending in each of our primary segments of Entertainment, Education and Recreation. The percentage of total investment spending related to build to suit projects, including investment spending for mortgage notes, increased to approximately 60% in 2013 from approximately 45% in 2012 and we expect this trend toward more build to suit projects to continue in 2014. Many of our build to suit opportunities come to us from our existing strong relationships with property operators and developers.

Item 3. Legal Proceedings

On June 7, 2011, affiliates of Louis Cappelli, Concord Associates, L.P., Concord Resort, LLC and Concord Kiamesha LLC ("the Cappelli Group"), filed a complaint with the Supreme Court of the State of New York, County of Sullivan, against a subsidiary of the Company seeking (i) a declaratory judgment on certain of the subsidiary's obligations under a previously disclosed settlement agreement involving these entities, (ii) an order that the Company subsidiary execute the golf course lease and the “Racino Parcel” lease subject to the settlement agreement, and (iii) an extension of the restrictive covenant against ownership or operation of a casino on the Concord resort property under the settlement agreement, which covenant was set to expire on December 31, 2011. The Company subsidiaries filed counterclaims seeking related relief. The Cappelli Group subsequently obtained leave to discontinue its claims, but the counterclaims remain pending. On October 20, 2011, the Cappelli Group filed a complaint with the Supreme Court of the State of New York, County of Westchester against the Company and certain of its subsidiaries alleging breach of contract and breach of the duty of good faith and fair dealing with respect to a casino development agreement relating to a planned casino and resort development in Sullivan County, New York. Plaintiffs are seeking specific performance with respect to such agreement and money damages of $800.0 million, plus interest and attorneys' fees.

On March 7, 2012, Concord Associates, L.P. and seven other companies affiliated with Mr. Cappelli and Concord Associates, L.P. filed a new complaint against the Company and certain of its subsidiaries, as well as Empire Resorts, Inc. and its subsidiary Monticiello Raceway Management, Inc. (collectively, "Empire"), in the United States District Court for the Southern District of New York (the "District Court"). On June 25, 2012, an amended complaint was served against the same parties as well as Kien Huat Realty III Limited and Genting New York, LLC (collectively, "Genting"). The amended complaint alleged unlawful restraint of trade, conspiracy to monopolize and unlawful monopolization, against the Company, Empire and Genting as well as tortious interference against Empire and Genting, in relation to a proposed development transaction on the same Sullivan County, New York resort property. Plaintiffs sought damages of $1.5 billion, plus interest and attorneys' fees.

On September 18, 2013, the District Court dismissed plaintiffs' federal antitrust claims against all defendants with prejudice, and dismissed the pendent state law claims against Empire and Genting without prejudice, meaning they could be further pursued in state court. The plaintiffs have filed a motion for reconsideration with the District Court, seeking permission to file a Second Amended Complaint, and also have filed a Notice of Appeal.

The Company has not determined that losses related to these matters are probable. Because of the favorable ruling from the District Court and the pending appeal, together with the inherent difficulty of predicting the outcome of litigation generally, the Company does not have sufficient information to determine the amount or range of reasonably possible loss with respect to these matters. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management, but that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause the Company to change those estimates and assumptions. The Company intends to vigorously defend the claims asserted against the Company and certain of its subsidiaries by the Cappelli Group and its affiliates, for which the Company believes it has meritorious defenses, but there can be no assurances as to its outcome.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Dividends

The following table sets forth, for the quarterly periods indicated, the high and low sales prices per share for our common shares on the New York Stock Exchange (“NYSE”) under the trading symbol “EPR” and the dividends declared.

	High	Low	Dividend
2013:			
Fourth quarter	$52.87	$47.39	$0.79
Third quarter	53.05	47.60	0.79
Second quarter	61.18	46.69	0.79
First quarter	52.55	45.70	0.79
2012:			
Fourth quarter	$46.75	$42.44	$0.75
Third quarter	48.92	41.13	0.75
Second quarter	48.49	40.04	0.75
First quarter	47.40	41.25	0.75

The closing price for our common shares on the NYSE on February 27, 2014 was $52.12 per share.

We declared dividends to common shareholders aggregating $3.16 and $3.00 per common share in 2013 and 2012, respectively.

While we intend to continue paying regular dividends, future dividend declarations will be at the discretion of the Board of Trustees and will depend on our actual cash flow, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code, debt covenants and other factors the Board of Trustees deems relevant. We began paying dividends to our common shareholders on a monthly rather than quarterly basis beginning in May 2013 and expect to continue to pay such dividends monthly. We expect to continue to pay dividends to our preferred shareholders on a quarterly basis. The actual cash flow available to pay dividends may be affected by a number of factors, including the revenues received from rental properties and mortgage notes, our operating expenses, debt service on our borrowings, the ability of tenants and customers to meet their obligations to us and any unanticipated capital expenditures. Our Series C preferred shares have a fixed dividend rate of 5.75%, our Series E preferred shares have a fixed dividend rate of 9.00% and our Series F preferred shares have a fixed dividend rate of 6.625%.

During the year ended December 31, 2013, the Company did not sell any unregistered equity securities.

On February 27, 2014, there were approximately 730 holders of record of our outstanding common shares.

Issuer Purchases of Equity Securities

During the quarter ended December 31, 2013, the Company did not purchase any unregistered equity securities.

Share Performance Graph

The following graph compares the cumulative return on our common shares during the five year period ended December 31, 2013, to the cumulative return on the MSCI U.S. REIT Index and the Russell 2000 Index for the same period. The comparisons assume an initial investment of $100 and the reinvestment of all dividends during the comparison period. Performance during the comparison period is not necessarily indicative of future performance.

Total Return Analysis

	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
EPR Properties	$100.00	$131.85	$183.72	$185.12	$208.86	$236.78
MSCI US REIT Index	$100.00	$128.61	$165.23	$179.60	$211.50	$216.73
Russell 2000 Index	$100.00	$127.17	$161.32	$154.59	$179.86	$249.69

Source: SNL Financial

The performance graph and related text are being furnished to and not filed with the SEC, and will not be deemed "soliciting material" or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent we specifically incorporate such information by reference into such a filing.

Item 6. Selected Financial Data
Operating statement data
(Dollars in thousands except per share data)

The operating data below reflects the reclassification of discontinued operations for properties sold or held for sale.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Rental revenue	$248,709	$234,517	$219,733	$208,044	$181,249
Tenant reimbursements	18,401	18,575	17,965	17,100	15,438
Other income	1,682	738	374	536	2,833
Mortgage and other financing income	74,272	63,977	55,564	52,044	44,999
Total revenue	343,064	317,807	293,636	277,724	244,519
Property operating expense	26,016	24,915	24,204	22,253	21,932
Other expense	658	1,382	1,613	864	1,820
General and administrative expense	25,613	23,170	20,173	18,225	15,116
Costs associated with loan refinancing or payoff, net	6,166	627	1,877	11,383	117
Gain on early extinguishment of debt	(4,539)	—	—	—	—
Interest expense, net	81,056	76,656	71,295	68,462	61,579
Transaction costs	1,955	404	1,727	517	3,321
Provision for loan losses	—	—	—	700	70,954
Impairment charges	—	3,074	2,531	463	—
Depreciation and amortization	53,946	46,698	42,975	40,064	36,779
Income before equity in income from joint ventures and other items	152,193	140,881	127,241	114,793	32,901
Equity in income from joint ventures	1,398	1,025	2,847	2,138	895
Gain on sale or acquisition, net	3,017	—	—	—	—
Gain on previously held equity interests	4,853	—	—	—	—
Income before income taxes	161,461	141,906	130,088	116,931	33,796
Income tax benefit	14,176	—	—	—	—
Income from continuing operations	$175,637	$141,906	$130,088	$116,931	$33,796
Discontinued operations:					
Income (loss) from discontinued operations	333	(20,215)	(34,367)	(12,163)	(45,702)
Gain (loss) on sale or acquisition of real estate	4,256	(27)	19,545	8,287	—
Net income (loss)	180,226	121,664	115,266	113,055	(11,906)
Add: Net loss (income) attributable to noncontrolling interests	—	(108)	(38)	1,819	19,913
Net income attributable to EPR Properties	180,226	121,556	115,228	114,874	8,007
Preferred dividend requirements	(23,806)	(24,508)	(28,140)	(30,206)	(30,206)
Preferred share redemption costs	—	(3,888)	(2,769)	—	—
Net income (loss) available to common shareholders of EPR Properties	$156,420	$93,160	$84,319	$84,668	$(22,199)
Per share data attributable to EPR Properties shareholders:					
Basic earnings per share data:					
Income from continuing operations	$3.16	$2.42	$2.13	$1.92	$0.10
Income (loss) from discontinued operations	0.10	(0.43)	(0.32)	(0.05)	(0.71)
Net income (loss) available to common shareholders	$3.26	$1.99	$1.81	$1.87	$(0.61)
Diluted earnings per share data:					
Income from continuing operations	$3.15	$2.41	$2.12	$1.91	$0.10
Income (loss) from discontinued operations	0.09	(0.43)	(0.32)	(0.05)	(0.71)

Net income (loss) available to common shareholders	$3.24	$1.98	$1.80	$1.86	$(0.61)
Shares used for computation (in thousands):					
Basic	48,028	46,798	46,640	45,206	36,122
Diluted	48,214	47,049	46,901	45,555	36,235
Cash dividends declared per common share	$3.16	$3.00	$2.80	$2.60	$2.60

Balance sheet data
(Dollars in thousands)

	December 31,				
	2013	2012	2011	2010	2009
Net real estate investments	$2,394,966	$2,113,434	$2,031,090	$2,217,047	$1,867,358
Mortgage notes and related accrued interest receivable, net	486,337	455,752	325,097	305,404	522,880
Investment in a direct financing lease, net	242,212	234,089	233,619	226,433	169,850
Total assets	3,272,276	2,946,730	2,733,995	2,923,420	2,680,732
Dividends payable	19,552	41,186	38,711	37,804	35,432
Debt	1,475,336	1,368,832	1,154,295	1,191,179	1,141,423
Total liabilities	1,584,262	1,486,832	1,235,892	1,292,162	1,212,775
Equity	1,688,014	1,459,898	1,498,103	1,631,258	1,467,957

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in this Annual Report on Form 10-K. The forward-looking statements included in this discussion and elsewhere in this Annual Report on Form 10-K involve risks and uncertainties, including anticipated financial performance, business prospects, industry trends, shareholder returns, performance of leases by tenants, performance on loans to customers and other matters, which reflect management’s best judgment based on factors currently known. See “Cautionary Statement Concerning Forward-Looking Statements.” Actual results and experience could differ materially from the anticipated results and other expectations expressed in our forward-looking statements as a result of a number of factors, including but not limited to those discussed in this Item and in Item 1A - “Risk Factors.”

Overview

Business

Our principal business objective is to enhance shareholder value by achieving predictable and increasing FFO and dividends per share. Our prevailing strategy is to focus on long-term investments in a limited number of categories in which we maintain a depth of knowledge and relationships, and which we believe offer sustained performance throughout all economic cycles. Our investment portfolio includes ownership of and long-term mortgages on entertainment, education and recreation properties. Substantially all of our owned single-tenant properties are leased pursuant to long-term, triple-net leases, under which the tenants typically pay all operating expenses of the property. Tenants at our owned multi-tenant properties are typically required to pay common area maintenance charges to reimburse us for their pro-rata portion of these costs.

It has been our strategy to structure leases and financings to ensure a positive spread between our cost of capital and the rentals or interest paid by our tenants. We have primarily acquired or developed new properties that are pre-leased to a single tenant or multi-tenant properties that have a high occupancy rate. We have also entered into certain joint ventures and we have provided mortgage note financing. We intend to continue entering into some or all of these types of arrangements in the foreseeable future.

Historically, our primary challenges have been locating suitable properties, negotiating favorable lease or financing terms (on new or existing properties), and managing our portfolio as we have continued to grow. We believe our management’s knowledge and industry relationships have facilitated opportunities for us to acquire, finance and lease properties. Our business is subject to a number of risks and uncertainties, including those described in “Risk Factors” in Item 1A of this report.

As of December 31, 2013, our total assets exceeded $3.2 billion (after accumulated depreciation of approximately $0.4 billion) which included investments in 121 megaplex theatre properties , 48 public charter school properties, one early education center and various other entertainment and recreation properties located in 37 states, the District of Columbia and Ontario, Canada. The combined owned portfolio consisted of 14.6 million square feet and was 99% leased. As of December 31, 2013, we had invested approximately $290.8 million in development land and property under development and approximately $486.3 million in mortgage financing for entertainment, education and recreation properties.

Operating Results

Our total revenue, net income available to common shareholders and Funds From Operations As Adjusted ("FFOAA") are detailed below for the years ended December 31, 2013 and 2012 (in millions, except per share information):

	Year ended December 31,			
	2013	2012	Increase	
Total revenue	$343.1	$317.8	8	%
Net income available to common shareholders of EPR Properties	156.4	93.2	68	%
FFOAA per diluted share	3.90	3.69	6	%

Our total revenue, net income available to common shareholders of EPR Properties and FFOAA per diluted share increased year over year primarily due to investment spending in 2012 and 2013 (discussed below), lower financing rates and favorable percentage revenue related to our interests in golf entertainment complexes. Additionally, we recognized $1.2 million in other income for the year ended December 31, 2013 related to option payments received in connection with a planned casino and resort development in Sullivan County, New York. Our net income available to common shareholders of EPR Properties and per share results for the year ended December 31, 2013 were also favorably impacted by a $4.5 million gain on early extinguishment of debt, a combined gain of $7.9 million related to the purchase and consolidation of our previously held equity interests in two joint ventures, the recognition of a net $14.2 million income tax benefit (primarily triggered by tax law changes related to our real estate assets in Canada), and gain on sale of vineyard and winery properties as we exit that business. Our net income available to common shareholders of EPR Properties and per share results for the year ended December 31, 2013 and 2012 were negatively impacted by $6.2 million and $0.6 million, respectively, in costs associated with loan refinancing or payoff as a result of the repayment of secured debt and amendments to our unsecured revolving credit facility and both measures in 2012 were negatively impacted by impairment charges related to our vineyard and winery properties. FFOAA is a non-GAAP financial measure. For the definitions and further details on the calculations of FFOAA and certain other non-GAAP financial measures, see section below titled "Funds From Operations (FFO), Funds From Operations As Adjusted (FFOAA) and Adjusted Funds from Operations (AFFO)."

Investment Spending Overview

During 2013, our total investment spending of $403.7 million was an increase of 35% over our investment spending in 2012 with increases coming in each of our primary segments of Entertainment, Education and Recreation.

During 2013, our investment spending in our Entertainment segment was $115.7 million compared to $121.4 million in the prior year. As box office performance was strong once again in 2013, we continued to have build-to-suit opportunities available for megaplex theatres at attractive terms with both existing and new tenants. Additionally, many megaplex theatre operators are expanding their food and beverage options and are now including in-theatre dining options, luxury seating and alcohol availability. This trend is expected to continue to provide build-to-suit opportunities for us in the future as well.

During 2013, our investment spending in our Education segment was $155.5 million compared to $81.4 million in the prior year, and included build-to-suit public charter schools and, to a lesser extent, build-to-suit early childhood education centers and private schools. We continued to establish our position as a leading owner of public charter school real estate and expect this momentum to continue into 2014. We continued to diversify our tenant base, and as of year-end we have 26 different public charter school operators and we expect to continue to expand this number in 2014. We also expect to increase our investments in early childhood education centers and private schools as we move forward.

During 2013, our investment spending in our Recreation segment was $127.3 million compared to $83.6 million in the prior year, and related to metro ski areas and golf entertainment complexes as well as the purchase of the Camelback Mountain Ski Resort (”Camelback”). As a part of the acquisition of Camelback, we have agreed to finance an additional

$110.7 million to construct a water-park hotel on the property, which we expect to begin in 2014. We plan to continue to seek attractive investments in this segment in 2014.

During 2013, our investment spending in our Other segment was $5.2 million and related to our land held for development in Sullivan County, New York. This project is further discussed below under “Recent Developments".

Capitalization Strategies

Our property acquisitions and financing commitments are financed by cash from operations, borrowings under our unsecured revolving credit facility and unsecured term loan facility, long-term mortgage debt, and the sale of debt and equity securities. During the past several years, we have taken significant steps to implement our strategy of migrating to an unsecured debt structure and maintaining significant liquidity by issuing $875.0 million of unsecured notes and paying off secured debt. In 2013, we also reduced our cost of debt by amending and restating our unsecured revolving credit facility, allowing for reductions in interest rate spread and facility fee pricing while at the same time increasing its capacity to $475.0 million. Additionally, we amended and restated our unsecured term loan facility increasing the initial amount to $265.0 million and lowering the interest rate. We also increased the accordion feature under both of our unsecured revolving credit facility and unsecured term loan facility increasing the maximum amount available under the facilities to $600.0 million and $400.0 million, respectively. Having enhanced our liquidity position, strengthened our balance sheet and continued our access to the unsecured debt markets, we believe we are better positioned to aggressively pursue investments, acquisitions and financing opportunities that may become available to us from time to time.

Throughout the remainder of 2014, we expect to maintain our debt to total gross assets ratio between 35% and 45%. Depending on our capital needs, we will seek both debt and equity capital and will consider issuing additional shares under the direct share purchase component of our DSP Plan. While equity issuances and maintaining lower leverage mitigate the growth in per share results, we believe lower leverage and an emphasis on liquidity are prudent during the current economic environment.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related notes. In preparing these financial statements, management has made its best estimates and assumptions that affect the reported assets and liabilities. The most significant assumptions and estimates relate to consolidation, revenue recognition, depreciable lives of the real estate, the valuation of real estate, accounting for real estate acquisitions, estimating reserves for uncollectible receivables and the accounting for mortgage and other notes receivable. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

Consolidation

We consolidate certain entities if we are deemed to be the primary beneficiary in a variable interest entity ("VIE"), as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic on Consolidation. The Topic on Consolidation requires the consolidation of VIEs in which an enterprise has a controlling financial interest. A controlling financial interest will have both of the following characteristics: the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This topic requires an ongoing reassessment. The equity method of accounting is applied to entities in which we are not the primary beneficiary as defined in the Consolidation Topic of the FASB ASC, or do not have effective control, but can exercise influence over the entity with respect to its operations and major decisions.

Revenue Recognition

Rents that are fixed and determinable are recognized on a straight-line basis over the minimum terms of the leases. Base rent escalation in other leases is dependent upon increases in the Consumer Price Index (“CPI”) and accordingly, management does not include any future base rent escalation amounts on these leases in current revenue. Most of our leases provide for percentage rents based upon the level of sales achieved by the tenant. These percentage rents are recognized once the required sales level is achieved. Lease termination fees are recognized when the related leases are canceled and we have no continuing obligation to provide services to such former tenants.

Direct financing lease income is recognized on the effective interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values at the date of lease inception represent management's initial estimates of fair value of the leased assets at the expiration of the lease, not to exceed original cost. Significant assumptions used in estimating residual values include estimated net cash flows over the remaining lease term and expected future real estate values. The estimated unguaranteed residual value is reviewed on an annual basis or more frequently if necessary. We evaluate the collectibility of our direct financing lease receivable to determine whether it is impaired. A direct financing lease receivable is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a direct financing lease receivable is considered to be impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the direct financing lease receivable's effective interest rate or to the value of the underlying collateral, less costs to sell, if such receivable is collateralized.

Real Estate Useful Lives

We are required to make subjective assessments as to the useful lives of our properties for the purpose of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on our net income. Depreciation and amortization are provided on the straight-line method over the useful lives of the assets, as follows:

Buildings	40 years
Tenant improvements	Base term of lease or useful life, whichever is shorter
Furniture, fixtures and equipment	3 to 25 years

Impairment of Real Estate Values

We are required to make subjective assessments as to whether there are impairments in the value of our rental properties. These estimates of impairment may have a direct impact on our consolidated financial statements.

We assess the carrying value of our rental properties whenever events or changes in circumstances indicate that the carrying amount of a property may not be recoverable. Certain factors that may occur and indicate that impairments may exist include, but are not limited to: underperformance relative to projected future operating results, tenant difficulties and significant adverse industry or market economic trends. If an indicator of possible impairment exists, a property that is held and used by the Company is evaluated for impairment by comparing the carrying amount of the property to the estimated undiscounted future cash flows expected to be generated by the property. If the carrying amount of a property exceeds its estimated future cash flows on an undiscounted basis, an impairment charge is recognized in the amount by which the carrying amount of the property exceeds the fair value of the property. For assets and asset groups that are held for sale, an impairment loss is measured by comparing the fair value of the property, less costs to sell, to the asset (group) carrying value. Management estimates fair value of our rental properties utilizing independent appraisals and/or based on projected discounted cash flows using a discount rate determined by management to be commensurate with the risk inherent in the Company.

Real Estate Acquisitions

Upon acquisition of real estate properties, we determine if the acquisition meets the criteria to be accounted for as a business combination. Accordingly, we account for (1) acquired vacant properties, (2) acquired single tenant properties when a new lease or leases are signed at the time of acquisition, and (3) acquired single tenant properties that have an existing long-term triple-net lease or leases (greater than 7 years) as asset acquisitions. Acquisitions of properties with shorter-term leases or properties with multiple tenants that require business related activities to manage and maintain the properties (i.e. those properties that involve a process) are treated as business combinations.

Costs incurred for asset acquisitions and development properties, including transaction costs, are capitalized. For asset acquisitions, we allocate the purchase price and other related costs incurred to the real estate assets acquired based on recent independent appraisals and management judgment.

If the acquisition is determined to be a business combination, we record the fair value of acquired tangible assets (consisting of land, building, tenant improvements, and furniture, fixtures and equipment) and identified intangible assets and liabilities (consisting of above and below market leases, in-place leases, tenant relationships and assumed financing that is determined to be above or below market terms) as well as any noncontrolling interest. In addition, acquisition-related costs in connection with business combinations are expensed as incurred.

Allowance for Doubtful Accounts

Management makes quarterly estimates of the collectibility of its accounts receivable related to base rents, tenant escalations (straight-line rents), reimbursements and other revenue or income. Management specifically analyzes trends in accounts receivable, historical bad debts, customer credit worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of its allowance for doubtful accounts. In addition, when customers are in bankruptcy, management makes estimates of the expected recovery of pre-petition administrative and damage claims. These estimates have a direct impact on our net income.

Mortgage Notes and Other Notes Receivable

Mortgage notes and other notes receivable, including related accrued interest receivable, consist of loans that we originated and the related accrued and unpaid interest income as of the balance sheet date. Mortgage notes and other notes receivable are initially recorded at the amount advanced to the borrower and we defer certain loan origination and commitment fees, net of certain origination costs, and amortize them over the term of the related loan. Interest income on performing loans is accrued as earned. We evaluate the collectibility of both interest and principal for each loan to determine whether it is impaired. A loan is considered to be impaired when, based on current information and events, we determine it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan’s effective interest rate or to the fair value of the underlying collateral, less costs to sell, if the loan is collateral dependent. For impaired loans, interest income is recognized on a cash basis, unless we determine based on the loan to estimated fair value ratio the loan should be on the cost recovery method, and any cash payments received would then be reflected as a reduction of principal. Interest income recognition is recommenced if and when the impaired loan becomes contractually current and performance is demonstrated to be resumed.

Recent Developments

Debt Financing

On March 4, 2013, we entered into a Discounted Payoff and Settlement Agreement (the "Agreement") regarding one of our loan agreements secured by a theatre property located in Omaha, Nebraska. Pursuant to the Agreement, we made a cash payment of $9.7 million that included a forfeited restricted cash account with a balance of $1.2 million in full satisfaction of the loan. Accordingly, we recorded a gain on early extinguishment of debt of $4.5 million during the year ended December 31, 2013.

On June 18, 2013, we issued $275.0 million in unsecured senior notes due on July 15, 2023. The notes bear interest at 5.25%. The notes were issued at 99.546% of their face value and are guaranteed by certain of our subsidiaries. We used the proceeds from the note offering to (i) repay $89.5 million CAD ($87.9 million US) of outstanding fixed rate mortgage debt secured by four entertainment retail centers located in Ontario, Canada, (ii) repay $56.4 million of outstanding fixed rate mortgage debt secured by one entertainment retail center located in New Rochelle, New York and (iii) partially pay down our unsecured revolving credit facility. In connection with the repayment in full of the mortgage notes, $239 thousand of deferred financing costs (net of accumulated amortization) were written off and

$5.7 million of additional costs associated with loan payoff were incurred.

As further discussed below, during the year ended December 31, 2013, we amended both our unsecured revolving credit facility as well as our unsecured term loan facility.

The amendments to the unsecured revolving credit facility (i) increase the initial amount from $400.0 million to $440.0 million and increase the accordion such that the maximum borrowing amount available under the facility increased from $500.0 million to $600.0 million, (ii) extend the maturity date from October 13, 2015, to July 23, 2017 (with us having the same right as before to extend the loan for one additional year, subject to certain terms and conditions), (iii) lower the interest rate and facility fee pricing based on a grid related to our senior unsecured credit ratings which was LIBOR plus 1.40% and 0.30%, respectively, at closing, (iv) revise certain definitions to broaden the types of properties eligible for consideration in the borrowing base, (v) increase borrowing base availability by increasing the values assigned to our properties and (vi) add four new subsidiary borrowers. We subsequently exercised a portion of the accordion under our new unsecured revolving credit facility to increase the initial borrowing amount available under the facility from $440.0 million to $475.0 million.

The amendments to the unsecured term loan facility (i) increase the initial amount from $240.0 million to $265.0 million and increase the accordion such that the maximum amount available under the facility increased from $350.0 million to $400.0 million, (ii) extend the maturity date from January 5, 2017, to July 23, 2018, (iii) lower the interest rate in all but the lowest rating agencies' ratings categories which was LIBOR plus 1.60% at closing and (iv) add four new subsidiary borrowers.

On August 20, 2013, we assumed $14.4 million in economic development revenue bonds in conjunction with the acquisition of two theatre properties. The bonds have a stated maturity date of October 1, 2037 and bear interest at a variable rate which resets on a weekly basis and was 0.06% at December 31, 2013. The bonds require monthly interest only payments with principal due at maturity.

On September 25, 2013, we assumed a mortgage note payable of $5.4 million in conjunction with the acquisition of a theatre property. The note bears interest at a fixed rate of 5.39% and matures on November 1, 2015. The note requires monthly principal and interest payments of approximately $50 thousand with a final principal payment at maturity of $4.7 million. Upon acquisition, the carrying value of the note approximated fair value.

Issuance of Common Shares

During the year ended December 31, 2013, we issued pursuant to a registered public offering 937,652 common shares under the direct share purchase component of the Dividend Reinvestment and Direct Share Purchase Plan ("DSP Plan") for total net proceeds after expenses of $46.3 million. In addition, subsequent to December 31, 2013, we issued an aggregate of 1,280,465 common shares under the DSP Plan for total net proceeds of $64.5 million.

Additionally, on October 23, 2013, we issued 3.6 million common shares in a registered public offering for total net proceeds, after the underwriting discount and offering expenses, of approximately $174.0 million.

Investment Spending

Our investment spending during the year ended December 31, 2013 totaled $403.7 million, and included investments in each of our four operating segments.

Entertainment investment spending during the year ended December 31, 2013 totaled $115.7 million, and was related primarily to investments in build-to-suit construction of nine megaplex theatres and two family entertainment centers that are subject to long-term triple net leases or long-term mortgage agreements. In addition, our $115.7 million investment spending included the acquisition of three megaplex theatres located in Louisiana and Alabama, which are leased under long-term triple net lease agreements as well as the acquisition of our partners' interest in the Atlantic-EPR I and Atlantic-EPR II joint ventures.

Education investment spending during the year ended December 31, 2013 totaled $155.5 million, and was related to investments in build-to-suit construction of 19 public charter schools, two private schools and five early childhood education centers, as well as the acquisition of an early childhood education center located in Peoria, Arizona, each of which is subject to a long-term triple net lease or long-term mortgage agreement. In addition, our $155.5 million investment spending included the acquisition of a public charter school in Columbia, South Carolina for $3.3 million that is leased under the master lease to Imagine Schools, Inc. ("Imagine").

Recreation investment spending during the year ended December 31, 2013 totaled $127.3 million, and was related to fundings under our mortgage notes for improvements at existing ski and water-park properties as well as the acquisition of Camelback located in Tannersville, Pennsylvania. In addition, our $127.3 million recreation investment spending related to build-to-suit construction of eight TopGolf golf entertainment facilities, as well as funding improvements at our ski property located in Maryland.

Other investment spending during the year ended December 31, 2013 totaled $5.2 million and was related to the land held for development in Sullivan County, New York.

Additionally, during the year ended December 31, 2013, we extended the maturity of our mortgage loan agreement with Peak Resorts, Inc. from April 1, 2013 to April 1, 2016. The loan is secured by 696 acres of development land at Mt. Snow.

The following details our investment spending during the years ended December 31, 2013 and 2012 (in thousands):
For the Year Ended December 31, 2013

Operating Segment	Total Investment Spending	New Development	Re-development	Asset Acquisition	Investment in Mortgage Notes	Investment in Joint Ventures or Direct Financing Lease
Entertainment	$115,666	$50,127	$ 6,908	$43,964	$13,061	$1,606
Education	155,508	108,000	—	14,052	30,194	3,262
Recreation	127,310	38,050	—	70,668	18,592	—
Other	5,167	5,167	—	—	—	—
Total Investment Spending	$403,651	$201,344	$ 6,908	$128,684	$61,847	$4,868

For the Year Ended December 31, 2012

Operating Segment	Total Investment Spending	New Development	Re-development	Asset Acquisition	Investment in Mortgage Notes	Investment in Joint Ventures
Entertainment	$121,437	$34,350	$ 10,288	$16,999	$58,000	$1,800
Education	81,397	54,327	—	—	27,070	—
Recreation	83,643	3,842	—	55,503	24,298	—
Other	11,605	11,605	—	—	—	—
Total Investment Spending	$298,082	$104,124	$ 10,288	$72,502	$109,368	$1,800

The above amounts include $128 thousand and $105 thousand in capitalized payroll, $2.8 million and $802 thousand in capitalized interest and $2.0 million and $1.4 million in capitalized other general and administrative direct project costs for the years ended December 31, 2013 and 2012, respectively. In addition, we had $3.5 million and $4.3 million of maintenance capital expenditures for the years ended December 31, 2013 and 2012, respectively.

Imagine Schools Update

During 2013, per the terms of the master lease with Imagine, we exchanged four St. Louis, Missouri schools that had been non-operational for four operating schools located in Ohio. Also, during 2013, Imagine was notified that two schools it operates in Indiana (and owned by us) would not have their charters renewed for the 2013/2014 academic year (one school has subsequently been sublet). In addition, Imagine lost a subtenant for another property we own in

Georgia.

Accordingly, as of December 31, 2013, we have 21 schools that are occupied and operated by Imagine, three schools that have been subleased by Imagine, and three schools that remain non-operational. For these remaining non-operational schools, Imagine continues to seek further opportunities for sale or sublease. Imagine remains responsible for payments on all 27 properties under the master lease and was current as of December 31, 2013. We do not anticipate any delay in future payments under the master lease, and as additional credit support we continue to hold a $16.4 million letter of credit from Imagine.

Planned Casino and Resort Development in Sullivan County, New York

During the year ended December 31, 2013, we expended approximately $5.2 million in pursuit of the necessary environmental and land use approvals and permits for the proposed casino anchored development in Sullivan County, New York and received approval from the Town of Thompson Board on a comprehensive development plan. We have also moved forward with the submission of individual site plan applications. In addition, on November 5, 2013, New York State voters approved Proposition One, a constitutional amendment authorizing a limited number of full scale casino gaming licenses at certain locations to be determined by the commission jointly appointed by the governor and the legislature. The proposed ground lease tenant for a portion of our Sullivan County, New York property, Empire Resorts, has stated that it intends to apply for and actively pursue a license from the New York Gaming Commission to operate a full-scale casino on the proposed gaming parcel. In conjunction with their application, Empire Resorts has stated that its intent to secure financing for all improvements to be located on the proposed gaming parcel.

Upon finalizing a master development agreement with Empire Resorts and waiving our right to terminate it in September 2013, $1.2 million in previous payments received from Empire Resorts under an existing option to lease agreement became non-refundable and was recognized in income. In addition, beginning in November 2013, we began receiving non-refundable monthly payments of $250 thousand from Empire Resorts under the option agreement. Unlike the option payments recognized in income previously, these payments are creditable against future rent payments. Thus, these payments are not being recognized in income when received but rather are being deferred and will be recognized as income as part of lease accounting should Empire Resorts sign a definitive lease agreement in the future or, alternatively, would be recognized as income upon a decision by Empire Resorts to abandon the project.

As further described in Note 20 to the consolidated financial statements in this Annual Report on Form 10-K, this planned casino and resort development is the subject of ongoing litigation for which we believe we have meritorious defenses.

Vineyards and Wineries

We continue to make progress in selling our remaining vineyard and winery properties and during 2013, we completed the sale of five such investments for $49.8 million and a net gain of $4.3 million was recognized. At December 31, 2013, we had approximately $7.6 million remaining net book value in vineyard and winery assets and expect to pursue additional sales in 2014.

Results of Operations

Year ended December 31, 2013 compared to year ended December 31, 2012

Rental revenue was $248.7 million for the year ended December 31, 2013 compared to $234.5 million for the year ended December 31, 2012. Rental revenue increased $14.2 million from the prior period, of which $17.9 million was related to acquisitions completed in 2013 and 2012, and was partially offset by a net decrease of $3.7 million in rental revenue on existing properties. Percentage rents of $2.6 million and $1.8 million were recognized during the years ended December 31, 2013 and 2012, respectively. Straight-line rents of $4.8 million and $4.6 million were recognized during the years ended December 31, 2013 and 2012, respectively.

During the year ended December 31, 2013, we experienced a decrease of approximately 30.0% in rental rates on approximately 692,000 square feet with respect to five lease renewals and two new leases on existing properties. Additionally, we have funded or have agreed to fund a weighted average of $28.60 per square foot in tenant improvements. There were no leasing commissions related to these renewals.

Other income was $1.7 million for the year ended December 31, 2013 compared to $0.7 million for the year ended December 31, 2012. The $1.0 million increase is primarily due to to option payments earned related to the planned casino and resort development in Sullivan County, New York.

Mortgage and other financing income for the year ended December 31, 2013 was $74.3 million compared to $64.0 million for the year ended year ended December 31, 2012. The $10.3 million increase is primarily due to increased real estate lending activities related to our mortgage loan agreements. We also recognized participating interest income of $0.9 million from SVVI related to our water-park interests for both of the years ended December 31, 2013 and 2012.

Our property operating expense totaled $26.0 million for the year ended December 31, 2013 compared to $24.9 million for the year ended December 31, 2012. These property operating expenses arise from the operations of our retail centers and other specialty properties. The $1.1 million increase resulted primarily from increases in property tax and vacant space expenses at these properties.

Other expense was $0.7 million for the year ended December 31, 2013 compared to $1.4 million for the year ended December 31, 2012. The decrease of $0.7 million is primarily due to more favorable net settlement of foreign currency forward and swap contracts.

Our general and administrative expense totaled $25.6 million for the year ended December 31, 2013 compared to $23.2 million for the year ended December 31, 2012. The increase of $2.4 million is primarily due to an increase in payroll related expenses and professional fees.

Costs associated with loan refinancing or payoff, net for the year ended December 31, 2013 were $6.2 million and were related to our repayment of secured fixed rate mortgage debt as well as the amendments to our unsecured revolving credit facility. Costs associated with loan refinancing or payoff, net were $0.6 million for the year ended December 31, 2012 and related to the prepayment of secured fixed rate mortgage debt.

Gain on early extinguishment of debt for the year ended December 31, 2013 was $4.5 million and related to our discounted payoff of a mortgage loan secured by a theatre property located in Omaha, Nebraska. There was no gain on early extinguishment of debt for the year ended December 31, 2012.

Our net interest expense increased by $4.4 million to $81.1 million for the year ended December 31, 2013 from $76.7 million for the year ended December 31, 2012. This increase resulted primarily from an increase in average borrowings and was partially offset by a decrease in the weighted average interest rate used to finance our real estate acquisitions and fund our mortgage notes receivable.

Transaction costs totaled $2.0 million for the year ended December 31, 2013 compared to $0.4 million for the year ended December 31, 2012. The increase of $1.6 million is due to an increase in costs associated with terminated transactions and potential business combinations.

There were no impairment charges for the year ended December 31, 2013. Impairment charges for the year ended December 31, 2012 were $3.1 million and related to certain of our vineyard and winery properties.

Depreciation and amortization expense totaled $53.9 million for the year ended December 31, 2013 compared to $46.7 million for the year ended December 31, 2012. The $7.2 million increase resulted primarily from asset acquisitions completed in 2013 and 2012.

Equity in income from joint ventures totaled $1.4 million for the year ended December 31, 2013 compared to $1.0 million for the year ended December 31, 2012. The $0.4 million increase is primarily due to an increase in income from our joint venture projects located in China.

Gain on sale or acquisition, net was $3.0 million for the year ended December 31, 2013 and primarily related to the acquisition of the assets held in the Atlantic-EPR I and Atlantic-EPR II joint ventures previously held as equity interests. There was no gain on acquisition for the year ended December 31, 2012.

Gain on previously held equity interest was $4.9 million for the year ended December 31, 2013 and was due to the fair value adjustment associated with our original ownership in the Atlantic-EPR I and II joint ventures that was valued due to our acquisition of the remaining interest in these partnerships. There was no gain on previously held equity interest for the year ended December 31, 2012.

Income tax benefit was $14.2 million for the year ended December 31, 2013 and primarily resulted from the deferred tax valuation allowance reduction which was triggered by tax law changes. Recent changes in Canadian tax law restricted the deductibility of intercompany interest such that the Canadian trust is expected to incur and pay income taxes in the future. This amount was partially offset by $0.6 million in expense recognized due to state income taxes and withholding tax for distributions related to our unconsolidated joint venture projects located in China. There was no income tax benefit for the year ended December 31, 2012 and any expenses in 2012 related to state and foreign income taxes were not significant.

Income from discontinued operations was $0.3 million for the year ended December 31, 2013 and related to the operations of five winery and vineyard properties which were sold during 2013. Loss from discontinued operations was $20.2 million (including impairment charges of $20.8 million) for the year ended December 31, 2012 and related to the operations of the prior mentioned properties as well as the operations of two winery and vineyard properties which were sold during 2012. Additionally, included in discontinued operations for the years ended December 31, 2013 and 2012 are the operations that relate to the settlement of escrow reserves established with the March 29, 2011 sale of Toronto Dundas Square.

Gain on sale or acquisition of real estate from discontinued operations was $4.3 million for the year ended December 31, 2013 and was due to the sale of five winery and vineyard properties during the year. Loss on sale or acquisition of real estate from discontinued operations was $0.02 million for the year ended December 31, 2012 and related to the sale of two winery and vineyard properties which was partially offset by a gain on sale or acquisition of real estate of $0.3 million that relates to the settlement of escrow reserves established with the March 29, 2011 sale of Toronto Dundas Square.

Preferred dividend requirements for the year ended December 31, 2013 were $23.8 million compared to $24.5 million for the year ended December 31, 2012. The $0.7 million decrease is due to a decrease of $7.2 million as a result of the redemption of 4.6 million Series D preferred shares on November 5, 2012, offset by an increase of $6.5 million due to the issuance of 5.0 million Series F preferred shares issued on October 12, 2012.

There were no preferred share redemption costs for the year ended December 31, 2013. Preferred share redemption costs of $3.9 million for the year ended December 31, 2012 were due to the redemption of all of the Series D preferred shares on November 5, 2012. These costs consist of the original issuance costs and other redemption related expenses.

Year ended December 31, 2012 compared to year ended December 31, 2011

Rental revenue was $234.5 million for the year ended December 31, 2012 compared to $219.7 million for the year ended December 31, 2011. Rental revenue increased $14.8 million from the prior period, of which $12.6 million was related to acquisitions completed in 2012 and 2011, and $2.2 million was related to net rent increases on existing properties. Percentage rents of $1.8 million and $1.1 million were recognized during the years ended December 31, 2012 and 2011, respectively. Straight-line rents of $4.6 million and $0.5 million were recognized during the years ended December 31, 2012 and 2011, respectively.

During the year ended December 31, 2012, we experienced a decrease of approximately 7.7% in rental rates on approximately 720,000 square feet with respect to five lease renewals and four new leases on existing properties. Additionally, we have funded or have agreed to fund a weighted average of $12.24 per square foot in tenant improvements and a weighted average of $0.43 per square foot in leasing commissions.

Tenant reimbursements totaled $18.6 million for the year ended December 31, 2012 compared to $18.0 million for the year ended December 31, 2011. These tenant reimbursements arise from the operations of our entertainment retail centers. The $0.6 million increase is primarily due as an increase in tenant reimbursements at our retail centers in Ontario, Canada.

Other income was $0.7 million for the year ended December 31, 2012 compared to $0.4 million for the year ended December 31, 2011. The $0.3 million increase is primarily due to a court settlement payment related to a vineyard property.

Mortgage and other financing income for the year ended December 31, 2012 was $64.0 million compared to $55.6 million for the year ended year ended December 31, 2011. The $8.4 million increase is primarily due to increased real estate lending activities related to our mortgage loan agreements. We also recognized participating interest income of $0.9 million and $0.5 million from SVVI related to our water-park interests for the years ended December 31, 2012 and 2011, respectively.

Our property operating expense totaled $24.9 million for the year ended December 31, 2012 compared to $24.2 million for the year ended December 31, 2011. These property operating expenses arise from the operations of our retail centers and other specialty properties. The $0.7 million increase resulted primarily due to increased bad debt expense at multi-tenant properties during 2012 and increases in property operating expenses at our retail centers in Ontario, Canada.

Our general and administrative expense totaled $23.2 million for the year ended December 31, 2012 compared to $20.2 million for the year ended December 31, 2011. The increase of $3.0 million is primarily due to an increase in payroll related expenses, travel costs, professional fees, insurance costs and franchise taxes.

Costs associated with loan refinancing or payoff, net were $0.6 million for the year ended December 31, 2012 and related to the prepayment of our mortgage notes payable totaling $171.6 million. Costs associated with loan refinancing or payoff, net were $1.9 million for the year ended December 31, 2011 and related to the termination of our eight term loans outstanding under the vineyard and winery facility. In connection with the payment in full of these term loans, the related interest rate swaps were terminated at a cost of $4.6 million (including $4.1 million which is classified within discontinued operations) and deferred financing costs, net of accumulated amortization, of $1.8 million were written off. These costs were partially offset by a gain of $0.4 million on the settlement of a capital lease obligation related to the planned casino and resort development in Sullivan County, New York.

Our net interest expense increased by $5.4 million to $76.7 million for the year ended December 31, 2012 from $71.3 million for the year ended December 31, 2011. This increase resulted primarily from an increase in average borrowings and was partially offset by a decrease in the weighted average interest rate used to finance our real estate acquisitions and fund our mortgage notes receivable.

Transaction costs totaled $0.4 million for the year ended December 31, 2012 compared to $1.7 million for the year ended December 31, 2011. The decrease of $1.3 million is due to less write off of costs associated with terminated transactions.

Impairment charges for the year ended December 31, 2012 were $3.1 million compared to $2.5 million for the year ended December 31, 2011 and related to certain of our vineyard and winery properties.

Depreciation and amortization expense totaled $46.7 million for the year ended December 31, 2012 compared to $43.0 million for the year ended December 31, 2011. The $3.7 million increase resulted primarily from asset acquisitions completed in 2012 and 2011.

Equity in income from joint ventures totaled $1.0 million for the year ended December 31, 2012 compared to $2.8 million for the year ended December 31, 2011. The $1.8 million decrease is primarily due to the January 1, 2012 conversion of $14.9 million of equity in Atlantic-EPR I, which earned a preferred return of 15%, into a loan from us at a rate of 9.5%. Additionally, the decrease resulted from a lease amendment on the underlying theatre property held by Atlantic-EPR I, which reduced the theatre square footage and annual rent. This decrease was partially offset by an increase in income of $0.4 million from our joint venture projects located in China.

Loss from discontinued operations was $20.2 million (including impairment charges of $20.8 million) for the year ended December 31, 2012 and related to the operations of five winery and vineyard properties that were sold during 2013 as well as the operations of two winery and vineyard properties which were sold during 2012. Loss from discontinued operations totaled $34.4 million (including impairment charges of $33.5 million and costs associated with loan refinancing of $4.1 million) for the year ended December 31, 2011 and related to the operations of the prior mentioned properties as well as the operations of three winery and vineyard properties that were sold during 2011 and the Toronto Dundas Square property which was sold on March 29, 2011.

Loss on sale or acquisition of real estate from discontinued operations was $0.02 million for the year ended December 31, 2012 and related to the sale of two winery and vineyard properties which was partially offset by a gain on sale or acquisition of real estate of $0.3 million that relates to the settlement of escrow reserves established with the March 29, 2011 sale of Toronto Dundas Square. Gain on sale or acquisition of real estate from discontinued operations for the year ended December 31, 2011 was due to a $19.5 million gain on sale of Toronto Dundas Square as well as a $0.02 million gain on the sale of one winery and vineyard property.

Preferred dividend requirements for the year ended December 31, 2012 were $24.5 million compared to $28.1 million for the year ended December 31, 2011. The $3.6 million decrease is due to a decrease of $4.1 million as a result of the redemption of 3.2 million Series B preferred shares on August 31, 2011, a decrease of $1.3 million as a result of the redemption of 4.6 million Series D preferred shares on November 5, 2012, offset by an increase of $1.8 million due to the issuance of 5.0 million Series F preferred shares issued on October 12, 2012.

Preferred share redemption costs of $3.9 million for the year ended December 31, 2012 were due to the redemption of all of the Series D preferred shares on November 5, 2012. Preferred share redemption costs of $2.8 million for the year ended December 31, 2011 were due to the redemption of all of the Series B preferred shares on August 31, 2011. These costs consist of the original issuance costs and other redemption related expenses.

Liquidity and Capital Resources

Cash and cash equivalents were $8.0 million at December 31, 2013. In addition, we had restricted cash of $9.7 million at December 31, 2013. Of the restricted cash at December 31, 2013, $5.6 million relates to cash held for our borrowers' debt service reserves for mortgage notes receivable, $0.1 million relates to escrow balances required in connection with the sale of Toronto Dundas Square and the balance represents deposits required in connection with debt service, payment of real estate taxes and capital improvements.

Mortgage Debt, Credit Facilities and Term Loan

As of December 31, 2013, we had total debt outstanding of $1.5 billion of which $310.3 million was fixed rate mortgage debt secured by a portion of our rental properties. The fixed rate mortgage debt had a weighted average interest rate of approximately 5.9% at December 31, 2013.

At December 31, 2013, we had outstanding $875.0 million in aggregate principal amount of unsecured senior notes ranging in interest rates from 5.25% to 7.75%. All of these notes are guaranteed by certain of our subsidiaries. The notes contain various covenants, including: (i) a limitation on incurrence of any debt that would cause the ratio of our debt to adjusted total assets to exceed 60%; (ii) a limitation on incurrence of any secured debt which would cause the ratio of secured debt to adjusted total assets to exceed 40%; (iii) a limitation on incurrence of any debt which would cause our debt service coverage ratio to be less than 1.5 times; and (iv) the maintenance at all times of our total unencumbered assets such that they are not less than 150% of our outstanding unsecured debt.

At December 31, 2013, we had no debt outstanding under our $475.0 million unsecured revolving credit facility, with interest at a floating rate of LIBOR plus 140 basis points, which was 1.57% at December 31, 2013. The unsecured revolving credit facility has a term expiring July 23, 2017 with a one year extension available at our option, subject to certain terms and conditions. The amount that we are able to borrow on our unsecured revolving credit facility is a function of the values and advance rates, as defined by the credit agreement, assigned to the assets included in the borrowing base less outstanding letters of credit and less other liabilities. The unsecured revolving credit facility also contains an "accordion" feature allowing it to be increased by up to an additional $125.0 million upon satisfaction of certain conditions. At December 31, 2013, our total availability under the unsecured revolving credit facility was $475.0 million.

At December 31, 2013, we also had a $265.0 million unsecured term loan facility, with interest at a floating rate of LIBOR plus 160 basis points, which was 1.77% at December 31, 2013, and $240.0 million of this LIBOR-based debt has been fixed with interest rate swaps at 2.51% through January 5, 2016 and 2.38% from January 5, 2016 to July 5, 2017. The loan matures on July 23, 2018. The unsecured term loan facility also contains an "accordion" feature allowing it to be increased by up to an additional $135.0 million upon satisfaction of certain conditions.

Our unsecured revolving credit facility and our unsecured term loan facility contain substantially identical financial covenants that limit our levels of consolidated debt, secured debt, investment levels outside certain categories and dividend distributions, and require minimum coverage levels for fixed charges and unsecured debt service costs. Additionally, our unsecured revolving credit facility, unsecured term loan facility and our unsecured senior notes contain cross-default provisions that go into effect if we default on any of our obligations for borrowed money or credit in an amount exceeding $25.0 million ($50.0 million for the 5.25% unsecured senior notes), unless such default has been waived or cured within a specified period of time. We were in compliance with all financial covenants under our debt instruments at December 31, 2013.

Our principal investing activities are acquiring, developing and financing entertainment, education and recreation properties. These investing activities have generally been financed with senior unsecured notes and mortgage debt, as well as the proceeds from equity offerings. Our unsecured revolving credit facility is also used to finance the acquisition or development of properties, and to provide mortgage financing. We have and expect to continue to issue debt securities in public or private offerings. Continued growth of our rental property and mortgage financing portfolios will depend in part on our continued ability to access funds through additional borrowings and securities offerings.

Certain of our debt agreements contain customary restrictive covenants related to financial and operating performance as well as certain cross-default provisions. We were in compliance with all financial covenants at December 31, 2013.

During the year ended December 31, 2013, we issued pursuant to a registered public offering 937,652 common shares under the direct share purchase component of the DSP Plan for total net proceeds after expenses of $46.3 million.

On October 23, 2013, we issued 3.6 million common shares in a registered public offering for total net proceeds, after the underwriting discount and offering expenses, of approximately $174.0 million.

Liquidity Requirements

Short-term liquidity requirements consist primarily of normal recurring corporate operating expenses, debt service requirements and dividends to shareholders. We meet these requirements primarily through cash provided by operating activities. Net cash provided by operating activities was $234.1 million, $207.4 million and $195.9 million for the years ended December 31, 2013, 2012 and 2011, respectively. Net cash used by investing activities was $336.5 million and $255.8 million for the years ended December 31, 2013 and 2012, respectively, and net cash provided by investing activities was $89.7 million for the year ended December 31, 2011. Net cash provided by financing activities was $100.2 million and $44.2 million for the years ended December 31, 2013 and 2012, respectively, and net cash used in financing activities was $282.4 million for the year ended December 31, 2011. We anticipate that our cash on hand, cash from operations, and funds available under our unsecured revolving credit facility will provide adequate liquidity to fund our operations, make interest and principal payments on our debt, and allow dividends to be paid to our shareholders and avoid corporate level federal income or excise tax in accordance with REIT Internal Revenue Code requirements.

Liquidity requirements at December 31, 2013 consisted primarily of maturities of debt. Contractual obligations as of December 31, 2013 are as follows (in thousands):

	Year ended December 31,						
Contractual Obligations	2014	2015	2016	2017	2018	Thereafter	Total
Long Term Debt Obligations	$10,911	$106,448	$102,910	$76,690	$278,382	$899,995	$1,475,336
Interest on Long Term Debt Obligations	78,848	76,997	69,424	63,489	57,778	168,676	515,212
Operating Lease Obligations	434	454	358	—	—	—	1,246
Total	$90,193	$183,899	$172,692	$140,179	$336,160	$1,068,671	$1,991,794

Commitments

As of December 31, 2013, we had 10 entertainment development projects for which we have commitments to fund approximately $54.6 million of additional improvements, 11 education development projects for which we have commitments to fund approximately $127.5 million of additional improvements and six recreation development projects for which we have commitments to fund approximately $57.3 million. Of these amounts, approximately $223.7 million is expected to be funded in 2014. Development costs are advanced by us in periodic draws. If we determine that construction is not being completed in accordance with the terms of the development agreements, we can discontinue funding construction draws. We have agreed to lease the properties to the operators at pre-determined rates upon completion of construction.

We have certain commitments related to our mortgage note investments that we may be required to fund in the future. We are generally obligated to fund these commitments at the request of the borrower or upon the occurrence of events outside of our direct control. As of December 31, 2013, we had nine mortgage notes receivable with commitments totaling approximately $122.2 million, of which $84.0 million is expected to be funded in 2014. Subsequent to December 31, 2013, we entered into a commitment to provide up to $107.7 million to fund the construction of an entertainment retail center located in Irving, Texas that is expected to include a live performance venue and other dining and entertainment tenants. If commitments are funded in the future, interest will be charged at rates consistent with the existing investments.

We have provided guarantees of the payment of certain economic development revenue bonds totaling $20.4 million related to two theatres in Louisiana for which we earn a fee at an annual rate of 2.88% to 4.00% over the 30 year terms of the bonds. We have recorded $8.7 million as a deferred asset included in other assets and $8.7 million included in other liabilities in the accompanying consolidated balance sheet included in this Annual Report on Form 10-K as of December 31, 2013 related to these guarantees. No amounts have been accrued as a loss contingency related to this guarantee because payment by us is not probable.

Liquidity Analysis

In analyzing our liquidity, we generally expect that our cash provided by operating activities will meet our normal recurring operating expenses, recurring debt service requirements and dividends to shareholders.

We have no consolidated debt balloon payments coming due in 2014. Our sources of liquidity as of December 31, 2013 to pay the 2014 commitments described above include the amount available under our unsecured revolving credit facility of approximately $475.0 million and unrestricted cash on hand of $8.0 million. Accordingly, while there can be no assurance, we expect that our sources of cash will exceed our existing commitments over the remainder of 2014.

We also believe that we will be able to repay, extend, refinance or otherwise settle our debt obligations for 2015 and thereafter as the debt comes due, and that we will be able to fund our remaining commitments as necessary. However, there can be no assurance that additional financing or capital will be available, or that terms will be acceptable or advantageous to us.

Our primary use of cash after paying operating expenses, debt service, dividends to shareholders and funding existing commitments is in growing our investment portfolio through the acquisition, development and financing of additional properties. We expect to finance these investments with borrowings under our unsecured revolving credit facility, as well as debt and equity financing alternatives. The availability and terms of any such financing will depend upon market and other conditions. If we borrow the maximum amount available under our unsecured revolving credit facility, there can be no assurance that we will be able to obtain additional investment financing (See Item 1A - "Risk Factors").

Off Balance Sheet Arrangements

On October 8, 2013, we purchased from our partner, Atlantic of Hamburg, Germany, its interests in two unconsolidated real estate joint ventures, Atlantic-EPR I and Atlantic-EPR II. We previously accounted for our investment in these joint ventures under the equity method of accounting. For further details, see Note 8 to the consolidated financial statements included in this Annual Report on Form 10-K.

In addition, as of December 31, 2013 and 2012 we had invested $5.3 million and $4.7 million, respectively, in unconsolidated joint ventures for three theatre projects located in China. For further details, see Note 8 to the consolidated financial statements included in this Annual Report on Form 10-K.

Capital Structure

We believe that our shareholders are best served by a conservative capital structure. Therefore, we seek to maintain a conservative debt level on our balance sheet and solid interest, fixed charge and debt service coverage ratios. We expect to maintain our debt to gross assets ratio (i.e. total debt to total assets plus accumulated depreciation) between 35% and 45%. However, the timing and size of our equity and debt offerings may cause us to temporarily operate over this threshold. At December 31, 2013, this ratio was 40%. Our debt as a percentage of our total market capitalization at December 31, 2013 was 34%; however, we do not manage to a ratio based on total market capitalization due to the inherent variability that is driven by changes in the market price of our common shares. We calculate our total market capitalization of $4.4 billion by aggregating the following at December 31, 2013:

- Common shares outstanding of 51,655,152 multiplied by the last reported sales price of our common shares on the NYSE of $49.16 per share, or $2.5 billion;
- Aggregate liquidation value of our Series C convertible preferred shares of $135.0 million;
- Aggregate liquidation value of our Series E convertible preferred shares of $86.3 million;
- Aggregate liquidation value of our Series F redeemable preferred shares of $125.0 million; and
- Total debt of $1.5 billion.

Funds From Operations (FFO), Funds From Operations As Adjusted (FFOAA) and Adjusted Funds from Operations (AFFO)

The National Association of Real Estate Investment Trusts ("NAREIT") developed FFO as a relative non-GAAP financial measure of performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. Pursuant to the definition of FFO by the Board of Governors of NAREIT, we calculate FFO as net income available to common shareholders, computed in accordance with GAAP, excluding gains and losses from sales or acquisitions of depreciable operating properties and impairment losses of depreciable real estate, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships, joint ventures and other affiliates. Adjustments for unconsolidated partnerships, joint ventures and other affiliates are calculated to reflect FFO on the same basis. We have calculated FFO for all periods presented in accordance with this definition.

In addition to FFO, we present FFOAA and AFFO. FFOAA is presented by adding to FFO costs (gain) associated with loan refinancing or payoff, net, transaction costs, preferred share redemption costs and provision for loan losses, and subtracting gain on early extinguishment of debt and deferred income tax benefit (expense). AFFO is presented by adding to FFOAA non-real estate depreciation and amortization, deferred financing fees amortization, share-based compensation expense to management and Trustees and amortization of above market leases, net; and subtracting maintenance capital expenditures (including second generation tenant improvements and leasing commissions), straight-lined rental revenue, and the non-cash portion of mortgage and other financing income.

FFO, FFOAA and AFFO are widely used measures of the operating performance of real estate companies and are provided here as a supplemental measure to GAAP net income available to common shareholders and earnings per share, and management provides FFO, FFOAA and AFFO herein because it believes this information is useful to investors in this regard. FFO, FFOAA and AFFO are non-GAAP financial measures. FFO, FFOAA and AFFO do not represent cash flows from operations as defined by GAAP and are not indicative that cash flows are adequate to fund all cash needs and are not to be considered alternatives to net income or any other GAAP measure as a measurement of the results of our operations or our cash flows or liquidity as defined by GAAP. It should also be noted that not all REITs calculate FFO, FFOAA and AFFO the same way so comparisons with other REITs may not be meaningful.

The following table summarizes our FFO, FFOAA and AFFO including per share amounts for FFO and FFOAA, for the years ended December 31, 2013, 2012 and 2011 (unaudited, in thousands, except per share information):

	Year ended December 31,		
	2013	2012	2011
FFO:			
Net income available to common shareholders of EPR Properties	$156,420		