KIMCO REALTY CORP
Form FWP
April 23, 2007

Filed pursuant to Rule 433
April 23, 2007
Relating to
Preliminary Prospectus Supplement dated April 23, 2007 to
Prospectus dated May 8, 2006
Registration Statement No. 333-*133908*

Kimco Realty Corporation

Pricing Term Sheet

Issuer:	Kimco Realty Corporation
Size:	$300,000,000 5.70% Senior Notes due 2017
Maturity:	May 1, 2017
Coupon:	5.70%
Price to Public:	99.984%
Yield to Maturity:	5.702%
Spread to Benchmark Treasury:	+105 basis points
Benchmark Treasury:	4.625% due February 15, 2017
Benchmark Treasury Yield:	4.652%
Interest Payment Dates:	May 1 and November 1, commencing on November 1, 2007
Redemption Provisions/Make-whole call:	At any time at a discount rate of Treasury plus 20 basis points
Settlement:	April 26, 2007
CUSIP:	49446RAH2
Ratings:	Baa1 by Moody s Investors Service, Inc. and A- by Standard & Poor s Ratings Services

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, you may request these documents by calling Banc of America Securities LLC toll free at 1-800-294-1322, Citigroup Global Markets Inc. toll free at 1-877-858-5407, J.P. Morgan Securities Inc. collect at 1-212-834-4533 or UBS Securities LLC toll free at 1-888-722-9555, ext. 1088. You also may e-mail a request to dg.prospectus_distribution@bofasecurities.com.

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25,097

—

49,283

Income taxes

—

(108
)

(644
)

752

—

Long-term debt, net of unamortized debt issuance costs

—

4,521,423

—

—

4,521,423

Intercompany loan payable

—

—

193,595

(193,595
)

—

Deferred rental revenue

—

191,364

7,426

—

198,790

Deferred tax liabilities

—

—

294

—

294

Other liabilities

—

20,252

2,613

—

22,865

Total liabilities

—

4,794,498

236,798

(192,843
)

4,838,453

Shareholders' equity (deficit)

Preferred stock ($.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at June 30, 2017)

—

—

—

—

—

Common stock ($.01 par value, 500,000,000 shares authorized, 212,217,855 shares issued at June 30, 2017)

2,122

2,122

2,122

(4,244
)

2,122

Additional paid-in capital

3,916,328

3,916,330

9,480,631

(13,396,961
)

3,916,328

Retained accumulated (deficit) earnings

(1,399,683
)

(1,399,687
)

(1,308,227

)

2,707,914

(1,399,683
)
Total shareholders’ equity (deficit)

2,518,767

2,518,765

8,174,526

(10,693,291
)

2,518,767

Total liabilities and shareholders’ equity (deficit)

$
2,518,767

$
7,313,263

$
8,411,324

$
(10,886,134
)

$
7,357,220

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Three months ended June 30, 2017 Condensed Consolidating Statement of Income	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental income	$ —	$ 99,647	$ 68,116	$ —	$ 167,763
Income from direct financing lease	—	—	18,516	—	18,516
Real estate taxes paid by tenants	—	10,927	9,913	—	20,840
Total rental revenue and income from direct financing lease	—	110,574	96,545	—	207,119
Gaming, food, beverage and other	—	—	37,489	—	37,489
Total revenues	—	110,574	134,034	—	244,608
Less promotional allowances	—	—	(1,217)	—	(1,217)
Net revenues	—	110,574	132,817	—	243,391
Operating expenses					
Gaming, food, beverage and other	—	—	20,669	—	20,669
Real estate taxes	—	10,946	9,966	—	20,912
General and administrative	—	10,648	10,043	—	20,691
Depreciation	—	23,450	4,973	—	28,423
Total operating expenses	—	45,044	45,651	—	90,695
Income from operations	—	65,530	87,166	—	152,696
Other income (expenses)					
Interest expense	—	(54,657)	—	—	(54,657)
Interest income	—	—	487	—	487
Intercompany dividends and interest	—	107,546	4,398	(111,944)	—
Total other income (expenses)	—	52,889	4,885	(111,944)	(54,170)
Income (loss) before income taxes	—	118,419	92,051	(111,944)	98,526
Income tax expense	—	242	1,950	—	2,192
Net income (loss)	$ —	$ 118,177	$ 90,101	$ (111,944)	$ 96,334

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Six months ended June 30, 2017 Condensed Consolidating Statement of Income	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental income	$ —	$ 197,399	$ 135,525	$ —	$ 332,924
Income from direct financing lease	—	—	36,340	—	36,340
Real estate taxes paid by tenants	—	22,083	20,477	—	42,560
Total rental revenue and income from direct financing lease	—	219,482	192,342	—	411,824
Gaming, food, beverage and other	—	—	76,749	—	76,749
Total revenues	—	219,482	269,091	—	488,573
Less promotional allowances	—	—	(2,469)	—	(2,469)
Net revenues	—	219,482	266,622	—	486,104
Operating expenses					
Gaming, food, beverage and other	—	—	41,745	—	41,745
Real estate taxes	—	22,129	20,926	—	43,055
General and administrative	—	21,543	20,379	—	41,922
Depreciation	—	46,698	9,982	—	56,680
Total operating expenses	—	90,370	93,032	—	183,402
Income from operations	—	129,112	173,590	—	302,702
Other income (expenses)					
Interest expense	—	(108,606)	—	—	(108,606)
Interest income	—	—	951	—	951
Intercompany dividends and interest	—	223,319	5,521	(228,840)	—
Total other income (expenses)	—	114,713	6,472	(228,840)	(107,655)
Income (loss) before income taxes	—	243,825	180,062	(228,840)	195,047
Income tax expense	—	612	4,110	—	4,722
Net income (loss)	$ —	$ 243,213	$ 175,952	$ (228,840)	$ 190,325

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Six months ended June 30, 2017 Condensed Consolidating Statement of Cash Flows	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Operating activities					
Net income (loss)	$—	$243,213	$175,952	$(228,840)	$190,325
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	46,975	14,605	—	61,580
Amortization of debt issuance costs	—	6,513	—	—	6,513
Losses on dispositions of property	—	—	94	—	94
Deferred income taxes	—	—	(1,280)	—	(1,280)
Stock-based compensation	—	8,256	—	—	8,256
Straight-line rent adjustments	—	28,160	4,578	—	32,738
(Increase) decrease,					
Prepaid expenses and other assets	—	(1,402)	750	(11)	(663)
Intercompany	—	(494)	494	—	—
Increase (decrease),					
Accounts payable	—	(286)	(418)	—	(704)
Accrued expenses	—	516	321	—	837
Accrued interest	—	(571)	—	—	(571)
Accrued salaries and wages	—	(5,173)	(621)	—	(5,794)
Gaming, property and other taxes	—	(692)	119	—	(573)
Income taxes	—	(127)	116	11	—
Other liabilities	—	2,364	(882)	—	1,482
Net cash provided by (used in) operating activities	—	327,252	193,828	(228,840)	292,240
Investing activities					
Capital project expenditures	—	(68)	—	—	(68)
Capital maintenance expenditures	—	—	(1,727)	—	(1,727)
Proceeds from sale of property and equipment	—	—	11	—	11
Principal payments on loan receivable	—	—	13,200	—	13,200
Acquisition of real estate assets	—	(82,866)	—	—	(82,866)
Collection of principal payments on investment in direct financing lease	—	—	35,845	—	35,845
Net cash (used in) provided by investing activities	—	(82,934)	47,329	—	(35,605)
Financing activities					
Dividends paid	(261,071)	—	—	—	(261,071)
Proceeds from exercise of options, net of taxes paid related to shares withheld for tax purposes on restricted stock award vestings	8,065	—	—	—	8,065
Proceeds from issuance of common stock, net of issuance costs	139,380	—	—	—	139,380
Proceeds from issuance of long-term debt	—	100,000	—	—	100,000
Repayments of long-term debt	—	(250,055)	—	—	(250,055)
Intercompany financing	113,626	(100,502)	(241,964)	228,840	—
Net cash (used in) provided by financing activities	—	(250,557)	(241,964)	228,840	(263,681)
Net decrease in cash and cash equivalents	—	(6,239)	(807)	—	(7,046)
Cash and cash equivalents at beginning of period	—	11,774	24,782	—	36,556
Cash and cash equivalents at end of period	$—	$5,535	$23,975	$—	$29,510

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At December 31, 2016 Condensed Consolidating Balance Sheet	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Assets					
Real estate investments, net	$—	$1,863,568	$1,875,523	$—	$3,739,091
Land rights, net	—	—	590,758	—	590,758
Property and equipment, used in operations, net	—	22,598	96,829	—	119,427
Investment in direct financing lease, net	—	—	2,710,711	—	2,710,711
Cash and cash equivalents	—	11,774	24,782	—	36,556
Prepaid expenses	—	3,106	3,629	742	7,477
Goodwill	—	—	75,521	—	75,521
Other intangible assets	—	—	9,577	—	9,577
Loan receivable	—	—	26,200	—	26,200
Intercompany loan receivable	—	193,595	—	(193,595)	—
Intercompany transactions and investment in subsidiaries	2,433,869	5,211,835	2,947,915	(10,593,619)	—
Deferred tax assets	—	—	3,922	—	3,922
Other assets	—	37,335	12,755	—	50,090
Total assets	$2,433,869	$7,343,811	$8,378,122	$(10,786,472)	$7,369,330
Liabilities					
Accounts payable	$—	$413	$666	$—	$1,079
Accrued expenses	—	434	6,156	—	6,590
Accrued interest	—	33,743	—	—	33,743
Accrued salaries and wages	—	7,911	2,708	—	10,619
Gaming, property, and other taxes	—	21,364	11,220	—	32,584
Income taxes	—	18	(760)	742	—
Long-term debt, net of unamortized debt issuance costs	—	4,664,965	—	—	4,664,965
Intercompany loan payable	—	—	193,595	(193,595)	—
Deferred rental revenue	—	163,204	2,848	—	166,052
Deferred tax liabilities	—	—	265	—	265
Other liabilities	—	17,890	1,674	—	19,564
Total liabilities	—	4,909,942	218,372	(192,853)	4,935,461
Shareholders' (deficit) equity					
Preferred stock ($.01 par value, 50,000,000 shares authorized, no shares issued or outstanding at December 31, 2016)	—	—	—	—	—
Common stock ($.01 par value, 500,000,000 shares authorized, 207,676,827 shares issued at December 31, 2016)	2,077	2,077	2,077	(4,154)	2,077
Additional paid-in capital	3,760,730	3,760,730	9,338,083	(13,098,814)	3,760,729
Retained accumulated (deficit) earnings	(1,328,938)	(1,328,938)	(1,180,410)	2,509,349	(1,328,937)
Total shareholders' (deficit) equity	2,433,869	2,433,869	8,159,750	(10,593,619)	2,433,869
Total liabilities and shareholders' (deficit) equity	$2,433,869	$7,343,811	$8,378,122	$(10,786,472)	$7,369,330

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Three months ended June 30, 2016 Condensed Consolidating Statement of Income	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental income	$ —	$ 96,066	$ 46,035	$ —	$ 142,101
Income from direct financing lease	—	—	12,631	—	12,631
Real estate taxes paid by tenants	—	8,581	7,092	—	15,673
Total rental revenue and income from direct financing lease	—	104,647	65,758	—	170,405
Gaming, food, beverage and other	—	—	38,371	—	38,371
Total revenues	—	104,647	104,129	—	208,776
Less promotional allowances	—	—	(1,415)	—	(1,415)
Net revenues	—	104,647	102,714	—	207,361
Operating expenses					
Gaming, food, beverage and other	—	—	21,189	—	21,189
Real estate taxes	—	8,607	7,468	—	16,075
General and administrative	—	13,823	8,438	—	22,261
Depreciation	—	23,436	3,583	—	27,019
Total operating expenses	—	45,866	40,678	—	86,544
Income from operations	—	58,781	62,036	—	120,817
Other income (expenses)					
Interest expense	—	(45,936)	—	—	(45,936)
Interest income	—	169	485	—	654
Intercompany dividends and interest	—	95,858	11,898	(107,756)	—
Total other income (expenses)	—	50,091	12,383	(107,756)	(45,282)
Income (loss) before income taxes	—	108,872	74,419	(107,756)	75,535
Income tax expense	—	210	2,061	—	2,271
Net income (loss)	$ —	$ 108,662	$ 72,358	$ (107,756)	$ 73,264

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Six months ended June 30, 2016 Condensed Consolidating Statement of Income	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Revenues					
Rental income	$ —	$ 192,738	$ 49,578	$ —	$ 242,316
Income from direct financing lease	—	—	12,631	—	12,631
Real estate taxes paid by tenants	—	19,896	7,604	—	27,500
Total rental revenue and income from direct financing lease	—	212,634	69,813	—	282,447
Gaming, food, beverage and other	—	—	76,530	—	76,530
Total revenues	—	212,634	146,343	—	358,977
Less promotional allowances	—	—	(2,796)	—	(2,796)
Net revenues	—	212,634	143,547	—	356,181
Operating expenses					
Gaming, food, beverage and other	—	—	42,176	—	42,176
Real estate taxes	—	19,927	8,355	—	28,282
General and administrative	—	29,051	14,116	—	43,167
Depreciation	—	46,887	7,215	—	54,102
Total operating expenses	—	95,865	71,862	—	167,727
Income from operations	—	116,769	71,685	—	188,454
Other income (expenses)					
Interest expense	—	(79,337)	—	—	(79,337)
Interest income	—	169	1,002	—	1,171
Intercompany dividends and interest	—	105,602	17,297	(122,899)	—
Total other income (expenses)	—	26,434	18,299	(122,899)	(78,166)
Income (loss) before income taxes	—	143,203	89,984	(122,899)	110,288
Income tax expense	—	596	3,679	—	4,275
Net income (loss)	$ —	$ 142,607	$ 86,305	$ (122,899)	$ 106,013

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Six months ended June 30, 2016 Condensed Consolidating Statement of Cash Flows	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers	Eliminations	Consolidated
	(in thousands)				
Operating activities					
Net income (loss)	$ —	$ 142,607	$ 86,305	$ (122,899)	$ 106,013
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation	—	46,887	8,756	—	55,643
Amortization of debt issuance costs	—	8,632	—	—	8,632
Gains on dispositions of property	—	—	(15)	—	(15)
Deferred income taxes	—	—	(824)	—	(824)
Stock-based compensation	—	9,163	—	—	9,163
Straight-line rent adjustments	—	27,912	—	—	27,912
(Increase) decrease,					
Prepaid expenses and other assets	—	(7,008)	(454)	2,531	(4,931)
Intercompany	—	14,224	(14,224)	—	—
(Decrease) increase,	0	0		0	
Accounts payable	—	(106)	(139)	—	(245)
Accrued expenses	—	(3,548)	(90)	—	(3,638)
Accrued interest	—	12,352	—	—	12,352
Accrued salaries and wages	—	42	(1,021)	—	(979)
Gaming, property and other taxes	—	471	85	—	556
Income taxes	—	41	2,490	(2,531)	—
Other liabilities	—	702	1	—	703
Net cash provided by (used in) operating activities	—	252,371	80,870	(122,899)	210,342
Investing activities					
Capital project expenditures	—	(168)	(101)	—	(269)
Capital maintenance expenditures	—	—	(1,197)	—	(1,197)
Proceeds from sale of property and equipment	—	—	234	—	234
Principal payments on loan receivable	—	—	2,075	—	2,075
Acquisition of real estate assets	—	—	(2,940,490)	—	(2,940,490)
Collection of principal payments on investment in direct financing lease	—	—	12,525	—	12,525
Net cash used in investing activities	—	(168)	(2,926,954)	—	(2,927,122)
Financing activities					
Dividends paid	(179,122)	—	—	—	(179,122)
Proceeds from exercise of options	54,527	—	—	—	54,527
Proceeds from issuance of common stock, net of issuance costs	825,198	—	—	—	825,198
Proceeds from issuance of long-term debt	—	2,337,000	—	—	2,337,000
Financing costs	—	(31,908)	—	—	(31,908)
Payments of long-term debt	—	(307,051)	—	—	(307,051)
Intercompany financing	(700,603)	(2,254,120)	2,831,824	122,899	—
Net cash (used in) provided by financing activities	—	(256,079)	2,831,824	122,899	2,698,644
Net decrease in cash and cash equivalents	—	(3,876)	(14,260)	—	(18,136)
Cash and cash equivalents at beginning of period	—	8,716	33,159	—	41,875
Cash and cash equivalents at end of period	$ —	$ 4,840	$ 18,899	$ —	$ 23,739

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17. Subsequent Events

Subsequent to June 30, 2017, the Company repaid the remaining $15 million outstanding on the revolving credit facility. Additionally, the Company paid down $45 million of outstanding indebtedness on the Term Loan A.

On July 25, 2017, the Company declared its third quarter dividend of $0.63 per common share, payable on September 22, 2017 to shareholders of record on September 8, 2017.

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

Our Operations

GLPI is a self-administered and self-managed Pennsylvania REIT. GLPI was incorporated in Pennsylvania on February 13, 2013, as a wholly-owned subsidiary of Penn. On November 1, 2013, Penn contributed to GLPI, through a series of internal corporate restructurings, substantially all of the assets and liabilities associated with Penn's real property interests and real estate development business, as well as the assets and liabilities of Hollywood Casino Baton Rouge and Hollywood Casino Perryville, which are referred to as the "TRS Properties," and then spun-off GLPI to holders of Penn's common and preferred stock in a tax-free distribution. The Company elected on its U.S. federal income tax return for its taxable year beginning on January 1, 2014 to be treated as a REIT and the Company, together with an indirect wholly-owned subsidiary of the Company, GLP Holdings, Inc., jointly elected to treat each of GLP Holdings, Inc., Louisiana Casino Cruises, Inc. and Penn Cecil Maryland, Inc. as a "taxable REIT subsidiary" effective on the first day of the first taxable year of GLPI as a REIT. As a result of the Spin-Off, GLPI owns substantially all of Penn's former real property assets and leases back most of those assets to Penn for use by its subsidiaries, under the Penn Master Lease, and GLPI also owns and operates the TRS Properties through its indirect wholly-owned subsidiary, GLP Holdings, Inc. The assets and liabilities of GLPI were recorded at their respective historical carrying values at the time of the Spin-Off. In April 2016, the Company acquired substantially all of the real estate assets of Pinnacle for approximately $4.8 billion. GLPI leases these assets back to Pinnacle, under a triple-net lease with an initial term of 10 years with no purchase option, followed by five 5-year renewal options (exercisable by Pinnacle) on the same terms and conditions.
GLPI's primary business consists of acquiring, financing, and owning real estate property to be leased to gaming operators in triple-net lease arrangements. As of June 30, 2017, GLPI's portfolio consisted of 38 gaming and related facilities, including the TRS Properties, the real property associated with 20 gaming and related facilities operated by Penn, the real property associated with 15 gaming and related facilities operated by Pinnacle and the real property associated with the Casino Queen in East St. Louis, Illinois. These facilities are geographically diversified across 14 states and were 100% occupied at June 30, 2017.

We expect to grow our portfolio by pursuing opportunities to acquire additional gaming facilities to lease to gaming operators under prudent terms. For example, on May 1, 2017 the Company purchased the real property assets of Bally's Casino Tunica and Resorts Casino Tunica (the "Tunica Properties") for $82.9 million. Penn purchased the operating assets of the Tunica Properties directly from the seller, operates both properties and leases the real property assets from the Company under the Penn Master Lease. The initial annual cash rent of $9.0 million for the Tunica Properties will be subject to rent escalators and adjustments consistent with the other properties under the Penn Master Lease.

Additionally, we believe we have the ability to leverage the expertise our management team has developed over the years to secure additional avenues for growth beyond the gaming industry. Accordingly, we anticipate we will be able to effect strategic acquisitions unrelated to the gaming industry as well as other acquisitions that may prove complementary to GLPI's gaming facilities.

As of June 30, 2017, the majority of our earnings are the result of the rental revenues we receive from our triple-net Master Leases with Penn and Pinnacle. Additionally, we have rental revenue from the Casino Queen property which is leased back to a third party operator on a triple-net basis and the Meadows property which is leased to Pinnacle under a triple-net lease separate from the Pinnacle Master Lease. In addition to rent, the tenants are required to pay the following executory costs: (1) all facility maintenance, (2) all insurance required in connection with the leased properties and the business conducted on the leased properties, (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor) and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties.

Additionally, in accordance with ASC 605, we record revenue for the real estate taxes paid by our tenants on the leased properties with an offsetting expense in general and administrative expense within the condensed consolidated statement of income, as we believe we are the primary obligor. Similarly, we record revenue for the ground lease rent paid by our tenants with an offsetting expense in general and administrative expense within the condensed consolidated statement of income as we have concluded that as the lessee we are the primary obligor under the ground leases. We sublease these ground leases back to our tenants, who are responsible for payment directly to the landlord.

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Gaming revenue for our TRS Properties is derived primarily from gaming on slot machines and to a lesser extent, table game and poker revenue, which is highly dependent upon the volume and spending levels of customers at our TRS Properties. Other revenues at our TRS Properties are derived from our dining, retail, and certain other ancillary activities.

Segment Information

Consistent with how our Chief Operating Decision Maker reviews and assesses our financial performance, we have two reportable segments, GLP Capital and the TRS Properties. The GLP Capital reportable segment consists of the leased real property and represents the majority of our business. The TRS Properties reportable segment consists of Hollywood Casino Perryville and Hollywood Casino Baton Rouge.

Executive Summary

Financial Highlights

We reported net revenues and income from operations of $243.4 million and $152.7 million, respectively, for the three months ended June 30, 2017, compared to $207.4 million and $120.8 million, respectively, for the corresponding period in the prior year. We reported net revenues and income from operations of $486.1 million and $302.7 million, respectively, for the six months ended June 30, 2017, compared to $356.2 million and $188.5 million, respectively, for the corresponding period in the prior year.

The major factors affecting our results for the three and six months ended June 30, 2017, as compared to the three and six months ended June 30, 2016, were:

- During April 2016, we acquired substantially all of Pinnacle's real estate assets. These assets are leased back to Pinnacle under a Master Lease which is bifurcated between an operating lease and a direct financing lease, resulting in the recognition of rental income for the land assets leased to Pinnacle and income from a direct financing lease for the building assets leased to Pinnacle. Additionally, during September 2016, we acquired the real estate assets of the Meadows and leased these assets to Pinnacle under a single property triple-net lease and during May 2017, we acquired the Tunica Properties and leased these assets to Penn under the Penn Master Lease. Rental revenue and income from the direct financing lease were $207.1 million and $411.8 million for the three and six months ended June 30, 2017 and $170.4 million and $282.4 million for the three and six months ended June 30, 2016. Rental revenue and income from the direct financing lease increased by $36.7 million and $129.4 million and for the three and six months ended June 30, 2017, as compared to the corresponding periods in the prior year, primarily due to the Pinnacle transaction which increased rental income, income from the direct financing lease and the revenue recorded for real estate taxes paid by our tenants.

- Net revenues for our TRS Properties decreased by $0.7 million for the three months ended June 30, 2017 as compared to the corresponding period in the prior year primarily due to decreased food and beverage revenues at Hollywood Casino Perryville due to outsourcing the operation of its food outlets during the first quarter of 2017 as well as decreased gaming revenues, partially offset by increased gaming revenues at Hollywood Casino Baton Rouge. Net revenues for our TRS Properties increased by $0.5 million for the six months ended June 30, 2017 as compared to the corresponding period in the prior year primarily due to increased gaming revenues at Hollywood Casino Baton Rouge, partially offset by lower food and beverage and gaming revenues at Hollywood Casino Perryville.

- Total operating expenses increased by $4.2 million and $15.7 million, respectively, for the three and six months ended June 30, 2017, as compared to the corresponding periods in the prior year, driven by an increase in real estate tax expense, primarily as a result of the addition of the Pinnacle and Meadows properties to our real estate portfolio. This

real estate tax expense is offset in our revenues as described above.

- Other expenses, net increased by $8.9 million and $29.5 million, respectively, for the three and six months ended June 30, 2017, as compared to the corresponding periods in the prior year, driven by increases in interest expense related to the Company's April 2016 borrowings, which were utilized to finance the Pinnacle transaction.

- Net income increased by $23.1 million and $84.3 million, respectively, for the three and six months ended June 30, 2017, as compared to the corresponding periods in the prior year, primarily due to the variances explained above.

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Segment Developments

The following are recent developments that have had or are likely to have an impact on us by segment:

GLP Capital

- On May 1, 2017 the Company purchased the real property assets of Bally's Casino Tunica and Resorts Casino Tunica for $82.9 million. Penn purchased the operating assets of the Tunica Properties directly from the seller, operates both properties and leases the real property assets from the Company under the Penn Master Lease. The initial annual cash rent of $9.0 million for the Tunica Properties will be subject to rent escalators and adjustments consistent with the other properties under the Penn Master Lease.

- On September 9, 2016, the Company purchased the real property assets of the Meadows from Cannery Casino Resorts, LLC. Concurrent with the Company's purchase of the Meadows' real estate assets, Pinnacle purchased the entities holding the Meadows gaming and racing licenses and operating assets directly from CCR. GLPI leases the Meadows real property assets to Pinnacle under a triple-net lease separate from the Pinnacle Master Lease with an initial term of 10 years with no purchase option and the option to renew for three successive five-year terms and one four-year term, at Pinnacle's option.

- On April 28, 2016, the Company acquired substantially all of the real estate assets of Pinnacle, for approximately $4.8 billion. GLPI leases these assets back to Pinnacle, under a triple-net lease with an initial term of 10 years with no purchase option, followed by five 5-year renewal options (exercisable by Pinnacle) on the same terms and conditions. The Pinnacle Master Lease added 14 properties to our real estate portfolio.

TRS Properties

- During the first quarter of 2017, Hollywood Casino Perryville outsourced the operation of its food and beverage outlets to a third party provider. Employees of these outlets are now employees of the third party; therefore both Hollywood Casino Perryville's revenues and expenses related to food and beverage decreased during the three and six months ended June 30, 2017, as compared to the corresponding periods in the prior year.

Critical Accounting Estimates

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

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

For further information on our critical accounting estimates, see Item 7. "Management’s Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to our audited consolidated financial statements included in our Annual Report on Form 10-K. There has been no material change to these estimates for the six months

ended June 30, 2017.

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Results of Operations

The following are the most important factors and trends that contribute or will contribute to our operating performance:

- The fact that a wholly-owned subsidiary of Penn and a wholly-owned subsidiary of Pinnacle lease substantially all of our properties, pursuant to their respective Master Leases, and account for a significant portion of our revenue.

- The fact that the rules and regulations of U.S. federal income taxation are constantly under review by legislators, the IRS and the U.S. Department of the Treasury. Changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect GLPI's investors or GLPI.

- The risks related to economic conditions and the effect of such conditions on consumer spending for leisure and gaming activities, which may negatively impact our gaming tenants and operators.

The consolidated results of operations for the three and six months ended June 30, 2017 and 2016 are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Revenues				
Rental income	$167,763	$142,101	$332,924	$242,316
Income from direct financing lease	18,516	12,631	36,340	12,631
Real estate taxes paid by tenants	20,840	15,673	42,560	27,500
Total rental revenue and income from direct financing lease	207,119	170,405	411,824	282,447
Gaming, food, beverage and other	37,489	38,371	76,749	76,530
Total revenues	244,608	208,776	488,573	358,977
Less promotional allowances	(1,217)	(1,415)	(2,469)	(2,796)
Net revenues	243,391	207,361	486,104	356,181
Operating expenses				
Gaming, food, beverage and other	20,669	21,189	41,745	42,176
Real estate taxes	20,912	16,075	43,055	28,282
General and administrative	20,691	22,261	41,922	43,167
Depreciation	28,423	27,019	56,680	54,102
Total operating expenses	90,695	86,544	183,402	167,727
Income from operations	$152,696	$120,817	$302,702	$188,454

Certain information regarding our results of operations by segment for the three and six months ended June 30, 2017 and 2016 is summarized below:

	Three Months Ended June 30,			
	2017	2016	2017	2016
	Net Revenues		Income from Operations	
	(in thousands)			
GLP Capital	$207,119	$170,405	$ 145,401	$ 113,546
TRS Properties	36,272	36,956	7,295	7,271
Total	$243,391	$207,361	$ 152,696	$ 120,817

Six Months Ended June 30,

	2017	2016	2017	2016
	Net Revenues		Income from Operations	
	(in thousands)			
GLP Capital	$411,824	$282,447	$ 287,435	$ 174,316
TRS Properties	74,280	73,734	15,267	14,138
Total	$486,104	$356,181	$ 302,702	$ 188,454

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Adjusted EBITDA, FFO and AFFO

Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO") and Adjusted EBITDA are non-GAAP financial measures used by the Company as performance measures for benchmarking against the Company's peers and as internal measures of business operating performance which is used as a bonus metric. The Company believes FFO, AFFO and Adjusted EBITDA provide a meaningful perspective of the underlying operating performance of the Company's current business. This is especially true since these measures exclude real estate depreciation and we believe that real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. In addition, in order for the Company to qualify as a REIT, it must distribute 90% of its REIT taxable income annually. The Company adjusts AFFO accordingly to provide our investors an estimate of the taxable income available for this distribution requirement.

FFO is a non-GAAP financial measure that is considered a supplemental measure for the real estate industry and a supplement to GAAP measures. The National Association of Real Estate Investment Trusts defines FFO as net income (computed in accordance with GAAP), excluding (gains) or losses from sales of property and real estate depreciation. We define AFFO as FFO excluding stock based compensation expense, debt issuance costs amortization, other depreciation, amortization of land rights, straight-line rent adjustments and direct financing lease adjustments, reduced by maintenance capital expenditures. Finally, we define Adjusted EBITDA as net income excluding interest, taxes on income, depreciation, (gains) or losses from sales of property, stock based compensation expense, straight-line rent adjustments, direct financing lease adjustments and the amortization of land rights.

FFO, AFFO and Adjusted EBITDA are not recognized terms under GAAP. Because certain companies do not calculate FFO, AFFO and Adjusted EBITDA in the same way and certain other companies may not perform such calculation, those measures as used by other companies may not be consistent with the way the Company calculates such measures and should not be considered as alternative measures of operating profit or net income. The Company's presentation of these measures does not replace the presentation of the Company's financial results in accordance with GAAP.

The reconciliation of the Company's net income per GAAP to FFO, AFFO, and Adjusted EBITDA for the three and six months ended June 30, 2017 and 2016 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Net income	$96,334	$73,264	$190,325	$106,013
Losses or (gains) from dispositions of property	(11)	—	94	(15)
Real estate depreciation	25,108	23,671	50,011	47,362
Funds from operations	$121,431	$96,935	$240,430	$153,360
Straight-line rent adjustments	16,493	13,956	32,738	27,912
Direct financing lease adjustments	18,232	12,525	35,845	12,525
Other depreciation	3,315	3,348	6,669	6,740
Amortization of land rights	2,589	1,541	4,900	1,541
Amortization of debt issuance costs	3,256	3,050	6,513	8,632
Stock based compensation	3,773	4,591	8,256	9,163
Maintenance CAPEX	(1,245)	(835)	(1,727)	(1,197)
Adjusted funds from operations	$167,844	$135,111	$333,624	$218,676
Interest, net	54,170	45,282	107,655	78,166
Income tax expense	2,192	2,271	4,722	4,275

Maintenance CAPEX	1,245	835	1,727	1,197
Amortization of debt issuance costs	(3,256)	(3,050)	(6,513)	(8,632)
Adjusted EBITDA	$222,195	$180,449	$441,215	$293,682

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The reconciliation of each segment's net income per GAAP to FFO, AFFO, and Adjusted EBITDA for the three and six months ended June 30, 2017 and 2016 is as follows:

	GLP Capital		TRS Properties	
Three Months Ended June 30,	2017	2016	2017	2016
	(in thousands)			
Net income	$93,590	$70,654	$2,744	$2,610
(Gains) or losses from dispositions of property	—	—	(11)	—
Real estate depreciation	25,108	23,671	—	—
Funds from operations	$118,698	$94,325	$2,733	$2,610
Straight-line rent adjustments	16,493	13,956	—	—
Direct financing lease adjustments	18,232	12,525	—	—
Other depreciation	518	526	2,797	2,822
Amortization of land rights	2,589	1,541	—	—
Debt issuance costs amortization	3,256	3,050	—	—
Stock based compensation	3,773	4,591	—	—
Maintenance CAPEX	—	—	(1,245)	(835)
Adjusted funds from operations	$163,559	$130,514	$4,285	$4,597
Interest, net [(1)]	51,569	42,682	2,601	2,600
Income tax expense	242	210	1,950	2,061
Maintenance CAPEX	—	—	1,245	835
Debt issuance costs amortization	(3,256)	(3,050)	—	—
Adjusted EBITDA	$212,114	$170,356	$10,081	$10,093

	GLP Capital		TRS Properties	
Six Months Ended June 30,	2017	2016	2017	2016
	(in thousands)			
Net income	$184,369	$100,755	$5,956	$5,258
Losses or (gains) from dispositions of property	—	—	94	(15)
Real estate depreciation	50,011	47,362	—	—
Funds from operations	$234,380	$148,117	$6,050	$5,243
Straight-line rent adjustments	32,738	27,912	—	—
Direct financing lease adjustments	35,845	12,525	—	—
Other depreciation	1,039	1,047	5,630	5,693
Amortization of land rights	4,900	1,541	—	—
Debt issuance costs amortization	6,513	8,632	—	—
Stock based compensation	8,256	9,163	—	—
Maintenance CAPEX	—	—	(1,727)	(1,197)
Adjusted funds from operations	$323,671	$208,937	$9,953	$9,739
Interest, net [(1)]	102,454	72,965	5,201	5,201
Income tax expense	612	596	4,110	3,679
Maintenance CAPEX	—	—	1,727	1,197
Debt issuance costs amortization	(6,513)	(8,632)	—	—
Adjusted EBITDA	$420,224	$273,866	$20,991	$19,816

(1) Interest expense, net for the GLP Capital segment is net of intercompany interest eliminations of $2.6 million for both the three and six months ended June 30, 2017 and 2016.

Net income for our GLP Capital segment was $93.6 million for the three months ended June 30, 2017 and $70.7 million for the three months ended June 30, 2016. FFO, AFFO, and Adjusted EBITDA for our GLP Capital segment were $118.7 million, $163.6 million and $212.1 million, respectively, for the three months ended June 30, 2017. FFO, AFFO, and Adjusted EBITDA for our GLP Capital segment were $94.3 million, $130.5 million and $170.4 million, respectively, for the

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three months ended June 30, 2016. The significant increase in net income for our GLP Capital segment for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016, was primarily driven by a $36.7 million increase in net revenues, partially offset by a $4.9 million increase in operating expenses and an $8.9 million increase in interest, net. The increase in net revenues in our GLP Capital segment was primarily due to the rent received under the Pinnacle Master Lease recognized as rental income and as income from the direct financing lease, rent received under the Meadows Lease and from the addition of the Tunica Properties to the Penn Master Lease, as well as the impact of the Penn rent escalator and an increase in real estate taxes paid by tenants. Operating expenses in our GLP Capital segment primarily increased due to the additional real estate taxes, which are offset in our net revenue as described above. The increase in interest, net was driven by higher interest expense related to the Company's additional borrowings incurred to finance the Pinnacle acquisition. The changes described above also led to higher FFO for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016. The increase in AFFO for our GLP Capital segment was primarily driven by the changes described above, as well as, increases in adjustments for our direct financing lease, increased amortization of land rights related to the acquired ground leases, increased straight-line rent adjustments related to the Meadows Lease and the addition of the Tunica Properties to the Penn Master Lease, partially offset by lower stock based compensation, all of which are added back for purposes of calculating AFFO. Direct financing lease adjustments represent the portion of cash rent we receive from tenants that is applied against our lease receivable and thus not recorded as revenue and the amortization of land rights represents the non-cash amortization of the value assigned to the Company's acquired ground leases. These adjustments are added back to arrive at AFFO because they represent, in the case of the direct financing lease adjustments, cash we have received and recorded in taxable income and in the case of the amortization of land rights, non-cash charges which are non-deductible for tax purposes. Therefore, these adjustments help our investors better understand the components of our taxable income which must be distributed to our shareholders. The increase in Adjusted EBITDA for our GLP Capital segment was primarily driven by the increases in AFFO described above, as well as, a higher add back for interest.

Net income for our GLP Capital segment was $184.4 million for the six months ended June 30, 2017 and $100.8 million for the six months ended June 30, 2016. FFO, AFFO, and Adjusted EBITDA for our GLP Capital segment were $234.4 million, $323.7 million and $420.2 million, respectively, for the six months ended June 30, 2017. FFO, AFFO, and Adjusted EBITDA for our GLP Capital segment were $148.1 million, $208.9 million and $273.9 million, respectively, for the six months ended June 30, 2016. The significant increase in net income for our GLP Capital segment for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016, was primarily driven by a $129.4 million increase in net revenues, partially offset by a $16.3 million increase in operating expenses and a $29.5 million increase in interest, net. The increase in net revenues in our GLP Capital segment was primarily due to the rent received under the Pinnacle Master Lease recognized as rental income and as income from the direct financing lease, rent received under the Meadows Lease and from the addition of the Tunica Properties to the Penn Master Lease, as well as the impact of the Penn rent escalator and an increase in real estate taxes paid by tenants. Operating expenses in our GLP Capital segment primarily increased due to the additional real estate taxes. The increase in interest, net was driven by higher interest expense related to the Company's additional borrowings incurred to finance the Pinnacle acquisition. The changes described above also led to higher FFO for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016. The increase in AFFO for our GLP Capital segment was primarily driven by the changes described above, as well as, increases in adjustments for our direct financing lease, increased amortization of land rights related to the acquired ground leases, increased straight-line rent adjustments related to our Meadows Lease and the addition of the Tunica Properties to the Penn Master Lease, partially offset by lower debt issuance costs amortization and stock based compensation, all of which are added back for purposes of calculating AFFO. The increase in Adjusted EBITDA for our GLP Capital segment was primarily driven by the increases in AFFO described above, as well as, a higher add back for interest.

Both net income and FFO increased by just $0.1 million for our TRS Properties segment for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016. AFFO decreased by $0.3 million and Adjusted

EBITDA remained relatively flat for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016 for our TRS Properties segment.

Net income and FFO increased by $0.7 million and $0.8 million, respectively, for our TRS Properties segment for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016. AFFO increased by $0.2 million and Adjusted EBITDA increased by $1.2 million for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016 for our TRS Properties segment. Net income, FFO and AFFO for our TRS Properties segment increased for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016, primarily due to increased revenues at Hollywood Casino Baton Rouge. Adjusted EBITDA for our TRS Properties segment increased for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016, primarily due to the reason described above, in addition to higher income taxes and capital expenditures during the six months ended June 30, 2017.

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Revenues

Revenues for the three and six months ended June 30, 2017 and 2016 were as follows (in thousands):

Three Months Ended June 30,	2017	2016	Variance	Percentage Variance
Total rental revenue and income from direct financing lease	$207,119	$170,405	$36,714	21.5 %
Gaming, food, beverage and other	37,489	38,371	(882)	(2.3)%
Total revenues	244,608	208,776	35,832	17.2 %
Less promotional allowances	(1,217)	(1,415)	198	14.0 %
Net revenues	$243,391	$207,361	$36,030	17.4 %
Six Months Ended June 30,	2017	2016	Variance	Percentage Variance
Total rental revenue and income from direct financing lease	$411,824	$282,447	$129,377	45.8 %
Gaming, food, beverage and other	76,749	76,530	219	0.3 %
Total revenues	488,573	358,977	129,596	36.1 %
Less promotional allowances	(2,469)	(2,796)	327	11.7 %
Net revenues	$486,104	$356,181	$129,923	36.5 %

Total rental revenue and income from direct financing lease

For the three months ended June 30, 2017 and 2016, rental revenue and income from the direct financing lease were $207.1 million and $170.4 million, respectively, for our GLP Capital segment, which included $20.8 million and $15.7 million, respectively, of revenue for the real estate taxes paid by our tenants on the leased properties. For the six months ended June 30, 2017 and 2016, rental revenue and income from the direct financing lease were $411.8 million and $282.4 million, respectively, for our GLP Capital segment, which included $42.6 million and $27.5 million, respectively, of revenue for the real estate taxes paid by our tenants on the leased properties. During April 2016, we acquired the real estate assets of Pinnacle and immediately leased these assets back to Pinnacle under a long-term triple-net master lease. Under ASC 840, the Pinnacle lease is bifurcated between an operating and direct financing lease, resulting in the recognition of rental revenue for the land portion of the lease and interest income from the direct financing lease, relating to the leased building assets. Additionally, during September 2016, we acquired the real estate assets of the Meadows and leased these assets to Pinnacle under a single property triple-net lease and during May 2017, we acquired the real estate assets of the Tunica Properties and leased these assets to Penn under the Penn Master Lease.

In accordance with ASC 605, the Company is required to present the real estate taxes paid by its tenants on the leased properties as revenue with an offsetting expense on its condensed consolidated statement of income, as the Company believes it is the primary obligor. Similarly, the Company records revenue for the ground lease rent paid by its tenants with an offsetting expense in general and administrative expense within the condensed consolidated statement of income as the Company has concluded that as the lessee it is the primary obligor under the ground leases. The Company subleases these ground leases back to its tenants, who are responsible for payment directly to the landlord.

Rental revenue and income from the direct financing lease increased $36.7 million or 21.5% for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016, primarily due to the rent received under the Pinnacle Master Lease recognized as rental income and as income from the direct financing lease, rent received under the Meadows Lease and from the addition of the Tunica Properties to the Penn Master Lease, as well as the impact of the Penn rent escalator and an increase in real estate taxes, primarily resulting from the addition of the Pinnacle properties to our real estate portfolio. Specifically, Pinnacle contributed $23.8 million of rental revenue and income from the direct financing lease to the increase in net revenues for the three months ended June 30, 2017, as compared to the prior year period. In addition, the Penn properties contributed $3.6 million to the increase in net

revenues for three months ended June 30, 2017, as compared to the three months ended June 30, 2016, driven by the addition of the Tunica Properties, the impact of the rent escalator and performance at the Ohio properties. Lastly, the Meadows Lease and real estate taxes contributed $4.1 million and $5.2 million, respectively, to the increase in net revenues for the three months ended June 30, 2017, as compared to the prior year period.

Rental revenue and income from the direct financing lease increased $129.4 million or 45.8% for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016, primarily due to the rent received under the Pinnacle Master Lease recognized as rental income and as income from the direct financing lease, rent received under the Meadows Lease and

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from the addition of the Tunica Properties to the Penn Master Lease, as well as the impact of the Penn rent escalator and an increase in real estate taxes, primarily resulting from the addition of the Pinnacle properties to our real estate portfolio. Specifically, Pinnacle contributed $101.4 million of rental revenue and income from the direct financing lease to the increase in net revenues for the six months ended June 30, 2017, as compared to the prior year period. The Penn properties contributed $4.7 million to the increase in net revenues for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016, resulting from the addition of the Tunica Properties, the impact of the rent escalator and performance at the Ohio properties. Lastly, the Meadows Lease and real estate taxes contributed $8.2 million and $15.1 million, respectively, to the increase in net revenues for the six months ended June 30, 2017, as compared to the prior year period.

Gaming, food, beverage and other revenue

Gaming, food, beverage and other revenue for our TRS Properties segment decreased by $0.9 million, or 2.3%, for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016, primarily due to a decrease in revenues of $1.3 million at Hollywood Casino Perryville related to outsourcing the operation of its food and beverage outlets during the first quarter of 2017, partially offset by a $0.4 million increase in revenues at Hollywood Casino Baton Rouge resulting from increased patronage and customer spend. Gaming, food, beverage and other revenue for our TRS Properties segment increased by $0.2 million or 0.3%, for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016, primarily due to an increase in revenues of $2.0 million at Hollywood Casino Baton Rouge, resulting from increased patronage and customer spend, partially offset by a $1.8 million decrease in food and beverage revenue at Hollywood Casino Perryville related to outsourcing the operation of its food and beverage outlets during the first quarter of 2017.

Operating expenses

Operating expenses for the three and six months ended June 30, 2017 and 2016 were as follows (in thousands):

Three Months Ended June 30,	2017	2016	Variance	Percentage Variance
Gaming, food, beverage and other	$20,669	$21,189	$(520)	(2.5)%
Real estate taxes	20,912	16,075	4,837	30.1%
General and administrative	20,691	22,261	(1,570)	(7.1)%
Depreciation	28,423	27,019	1,404	5.2%
Total operating expenses	$90,695	$86,544	$4,151	4.8%

Six Months Ended June 30,	2017	2016	Variance	Percentage Variance
Gaming, food, beverage and other	$41,745	$42,176	$(431)	(1.0)%
Real estate taxes	43,055	28,282	14,773	52.2%
General and administrative	41,922	43,167	(1,245)	(2.9)%
Depreciation	56,680	54,102	2,578	4.8%
Total operating expenses	$183,402	$167,727	$15,675	9.3%

Real estate taxes

Real estate tax expense increased by $4.8 million, or 30.1%, for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016, primarily due to the inclusion of the real estate tax expense attributable to the acquired Pinnacle and Meadows properties. Real estate tax expense increased by $14.8 million, or 52.2%, for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016, primarily for the reasons discussed above. Although this amount is paid by our tenants, we are required to present this amount in both revenues and

expenses for financial reporting purposes under ASC 605.

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Other income (expenses)

Other income (expenses) for the three and six months ended June 30, 2017 and 2016 were as follows (in thousands):

Three Months Ended June 30,	2017	2016	Variance	Percentage Variance
Interest expense	$(54,657)	$(45,936)	$(8,721)	(19.0)%
Interest income	487	654	(167)	(25.5)%
Total other expenses	$(54,170)	$(45,282)	$(8,888)	(19.6)%

Six Months Ended June 30,	2017	2016	Variance	Percentage Variance
Interest expense	$(108,606)	$(79,337)	$(29,269)	(36.9)%
Interest income	951	1,171	(220)	(18.8)%
Total other expenses	$(107,655)	$(78,166)	$(29,489)	(37.7)%

Interest expense

Interest expense increased by $8.7 million or 19.0% for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016, primarily due to interest expense related to the issuance of $400 million of senior unsecured notes due 2021 and $975 million of senior unsecured notes due 2026 and borrowings of $825 million under the term loan A-1 facility during April 2016. The additional borrowings were utilized to finance the Pinnacle acquisition. Interest expense increased by $29.3 million or 36.9% for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016 primarily due to the reasons described above.

Taxes

During the three months ended June 30, 2017 and 2016, income tax expense was approximately $2.2 million and $2.3 million, respectively. Our effective tax rate (income taxes as a percentage of income before income taxes) was 2.2% for the three months ended June 30, 2017, as compared to 3.0% for the three months ended June 30, 2016. During the six months ended June 30, 2017 and 2016, income tax expense was approximately $4.7 million and $4.3 million, respectively. Our effective tax rate was 2.4% for the six months ended June 30, 2017, as compared to 3.9% for the six months ended June 30, 2016. The decline in our effective tax rate for both the three and six months ended June 30, 2017 is primarily due to the additional REIT income earned during the three and six months ended June 30, 2017, which is not subject to income tax.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources are cash flow from operations, borrowings from banks, and proceeds from the issuance of debt and equity securities.

Net cash provided by operating activities was $292.2 million and $210.3 million, respectively, during the six months ended June 30, 2017 and 2016. The increase in net cash provided by operating activities of $81.9 million for the six months ended June 30, 2017 compared to the corresponding period in the prior year was primarily comprised of an increase in cash receipts from customers/tenants of $116.2 million (excluding $35.8 million of cash received from Pinnacle and classified as an investing activity), decreases in cash paid to employees of $2.5 million and cash paid for operating expenses of $11.1 million, partially offset by increases in cash paid for interest and taxes of $44.3 million and $3.4 million respectively. The increase in cash receipts collected from our customers and tenants for the six months ended June 30, 2017 as compared to the corresponding period in the prior year was primarily due to the rent received under the Pinnacle Master Lease and the Meadows Lease, as well as the additional rent received from the

Penn properties related to the new Tunica Properties, the rent escalator and performance of the Ohio properties, while the decrease in cash paid for operating expenses was due to changes in working capital requirements. The increase in cash paid for interest was related to the Company's April 2016 borrowings.

Investing activities used cash of $35.6 million and $2.9 billion, respectively, during the six months ended June 30, 2017 and 2016. Net cash used by investing activities during the six months ended June 30, 2017 consisted of cash payments of $82.9 million related to the acquisition of the Tunica Properties and capital expenditures of $1.8 million, partially offset by net cash received of $13.2 million from Casino Queen to retire their five-year term loan and borrow an additional $13.0 million under a new 5.5 year unsecured term loan at 15%, as well as rental payments received from tenants and applied against the lease receivable on our balance sheet of $35.8 million. Net cash used in investing activities during the six months ended

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June 30, 2016 consisted of a cash payment of $2.9 billion related to the acquisition of the Pinnacle real estate assets, partially offset by principal payments of $2.1 million made by Casino Queen on their five year term loan, as well rental payments received from tenants and applied against the lease receivable on our balance sheet of $12.5 million. In addition to the cash paid for the Pinnacle assets, we also issued approximately 56 million shares of our common stock as consideration for the Pinnacle real estate assets (non-cash investing activity).

Financing activities used cash of $263.7 million during the six months ended June 30, 2017 and provided cash of $2.7 billion during the six months ended June 30, 2016. Net cash used by financing activities during the six months ended June 30, 2017 included dividend payments of $261.1 million and repayments of long-term debt of $250.1 million, partially offset by proceeds from the issuance of common stock, net of issuance costs of $139.4 million, proceeds from stock option exercises, net of taxes paid related to shares withheld for tax purposes on restricted stock award vestings of $8.1 million and proceeds from the issuance of long-term debt of $100.0 million. Net cash provided by financing activities during the six months ended June 30, 2016 included proceeds from the issuance of long-term debt of $2.337 billion, proceeds from the issuance of common stock, net of issuance costs of $825.2 million and proceeds from stock option exercises of $54.5 million, partially offset by dividend payments of $179.1 million and repayments of long-term debt and financing costs of $339.0 million. During the six months ended June 30, 2016, we issued approximately 29 million shares of our common stock in a primary equity offering, issued $1.375 billion in new senior unsecured notes and drew down on the $825 million term loan A-1 facility. All of these new debt and equity instruments were related to financing the acquisition of the Pinnacle real estate assets. In addition to the shares issued in the primary equity offering, we also issued approximately 56 million shares of our common stock as consideration for the Pinnacle real estate assets (non-cash financing activity).

Capital Expenditures

Capital expenditures are accounted for as either capital project or capital maintenance (replacement) expenditures. Capital project expenditures are for fixed asset additions that expand an existing facility or create a new facility. The cost of properties developed by the Company include costs of construction, property taxes, interest and other miscellaneous costs incurred during the development period until the project is substantially complete and available for occupancy. Capital maintenance expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair.

During the six months ended June 30, 2017 and 2016, the TRS Properties spent approximately $1.7 million and $1.2 million, respectively, for capital maintenance expenditures. The majority of the capital maintenance expenditures were for slot machines and slot machine equipment. Under the triple-net lease structure, our tenants are responsible for capital maintenance expenditures at our leased properties.

Debt

Senior Unsecured Credit Facility

The Company has a $1,825 million Credit Facility, consisting of a $700 million revolving credit facility, a $300 million Term Loan A facility, and an $825 million Term Loan A-1 facility. At June 30, 2017, the Credit Facility had a gross outstanding balance of $1,140 million, consisting of the $1,125 million Term Loan A and A-1 facilities and $15 million of borrowings under the revolving credit facility. Additionally, at June 30, 2017, the Company was contingently obligated under letters of credit issued pursuant to the senior unsecured credit facility with face amounts aggregating approximately $0.4 million, resulting in $684.6 million of available borrowing capacity under the revolving credit facility as of June 30, 2017. The revolving credit facility and the Term Loan A facility mature on October 28, 2018 and the Term Loan A-1 facility matures on April 28, 2021.

The Credit Facility contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of GLPI and its subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations or pay certain dividends and other restricted payments. The Credit Facility contains the following financial covenants, which are measured quarterly on a trailing four-quarter basis: a maximum total debt to total asset value ratio, a maximum senior secured debt to total asset value ratio, a maximum ratio of certain recourse debt to unencumbered asset value and a minimum fixed charge coverage ratio. In addition, GLPI is required to maintain a minimum tangible net worth and its status as a REIT on and after the effective date of its election to be treated as a REIT, which the Company elected on its 2014 U.S. federal income tax return. GLPI is permitted to pay dividends to its shareholders as may be required in order to maintain REIT status, subject to the absence of payment or bankruptcy defaults. GLPI is also permitted to make other dividends and distributions subject to pro forma compliance with the financial covenants and the absence of defaults. The Credit Facility also contains certain customary affirmative covenants and events of default, including the

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occurrence of a change of control and termination of the Penn Master Lease (subject to certain replacement rights). The occurrence and continuance of an event of default under the Credit Facility will enable the lenders under the Credit Facility to accelerate the loans and terminate the commitments thereunder. At June 30, 2017, the Company was in compliance with all required financial covenants under the Credit Facility.

Senior Unsecured Notes

The Notes contain covenants limiting the Company’s ability to: incur additional debt and use its assets to secure debt; merge or consolidate with another company; and make certain amendments to the Penn Master Lease. The Notes also require the Company to maintain a specified ratio of unencumbered assets to unsecured debt. These covenants are subject to a number of important and significant limitations, qualifications and exceptions.

At June 30, 2017, the Company was in compliance with all required financial covenants under the Notes.

Capital Lease

The Company assumed the capital lease obligation related to certain assets at its Aurora, Illinois property. GLPI recorded the asset and liability associated with the capital lease on its balance sheet. The original term of the capital lease was 30 years and it will terminate in 2026.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We face market risk exposure in the form of interest rate risk. These market risks arise from our debt obligations. We have no international operations. Our exposure to foreign currency fluctuations is not significant to our financial condition or results of operations.

GLPI’s primary market risk exposure is interest rate risk with respect to its indebtedness of $4,566.3 million at June 30, 2017. Furthermore, $3,425.0 million of our obligations at June 30, 2017, are the senior unsecured notes that have fixed interest rates with maturity dates ranging from one and one-half to nine years. An increase in interest rates could make the financing of any acquisition by GLPI more costly, as well as increase the costs of its variable rate debt obligations. Rising interest rates could also limit GLPI’s ability to refinance its debt when it matures or cause GLPI to pay higher interest rates upon refinancing and increase interest expense on refinanced indebtedness. GLPI may manage, or hedge, interest rate risks related to its borrowings by means of interest rate swap agreements. However, the provisions of the Code applicable to REITs substantially limit GLPI’s ability to hedge its assets and liabilities. GLPI also expects to manage its exposure to interest rate risk by maintaining a mix of fixed and variable rates for its indebtedness.

The table below provides information at June 30, 2017 about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts maturing in each fiscal year and the related weighted-average interest rates by maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged by maturity date and the weighted-average interest rates are based on implied forward LIBOR rates at June 30, 2017.

	07/01/17-12/31/17	01/01/18-12/31/18	01/01/19-12/31/19	01/01/20-12/31/20	01/01/21-12/31/21	Thereafter	Total	Fair Value at 6/30/2017
	(in thousands)							
Long-term debt:								
Fixed rate	$ —	$ 550,000	$ —	$ 1,000,000	$ 400,000	$ 1,475,000	$ 3,425,000	$ 3,646,375

Average interest rate		4.38%		4.88%	4.38%	5.38%		
Variable rate	$—	$ 315,000	$ —	$—	$ 825,000	$—	$1,140,000	$1,133,435
Average interest rate [1]		3.73%			4.31%			

[1] Estimated rate, reflective of forward LIBOR plus the spread over LIBOR applicable to variable-rate borrowing.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures

The Company’s management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 30, 2017, which is the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures were effective as of June 30, 2017 to ensure that information required to be disclosed by the Company in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the United States Securities and Exchange Commission’s rules and forms and (ii) accumulated and communicated to the Company’s management, including the Company’s principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information in response to this Item is incorporated by reference to the information set forth in "Note 11: Commitments and Contingencies" in the Notes to the condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Risk factors that affect our business and financial results are discussed in Part I, "Item 1A. Risk Factors," of our Annual Report on Form 10-K. There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Annual Report, which could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company did not repurchase any shares of common stock or sell any unregistered securities during the three months ended June 30, 2017. During August 2016, the Company commenced a continuous equity offering under which the Company may sell up to an aggregate of $400 million of its common stock from time to time through a sales agent in “at the market” offerings (the “ATM Program”). During the three months ended June 30, 2017, GLPI sold 3,864,872 shares of its common stock at an average price of $36.22 per share under the ATM Program, which generated net proceeds of approximately $139.4 million. The Company used the net proceeds from the ATM Program to fund the acquisition of the real estate assets of Bally's Casino Tunica and Resorts Casino Tunica and to pay down the revolving credit facility, which was used to fund the Meadows acquisition. The issued securities were registered under an automatic shelf registration statement (Commission File No. 333-210423), effective March 28, 2016.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS

Exhibit	Description of Exhibit
10.1	Fourth Amendment to the Master Lease Agreement, dated as of May 1, 2017, by and among GLP Capital L.P. and Penn Tenant LLC (Incorporated by reference to Exhibit 10.2 to the Company's quarterly report on Form 10-Q filed on May 3, 2017).
31.1*	CEO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
31.2*	CFO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
32.1*	CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets at June 30, 2017 and December 31, 2016, (ii) the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2017 and 2016, (iii) the Condensed Consolidated Statement of Changes in Shareholders’ Equity for the six months ended June 30, 2017, (iv) the Condensed Consolidated Statements of Cash Flows for six months ended June 30, 2017 and 2016 and (v) the notes to the Condensed Consolidated Financial Statements.

*Filed or furnished, as applicable, herewith

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GAMING AND LEISURE PROPERTIES, INC.

July 31, 2017 By: /s/ William J. Clifford
William J. Clifford
Chief Financial Officer
(Principal Financial Officer)

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