UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2019
or

☐ **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: 001-38372

VICI Properties Inc.

(Exact name of registrant as specified in its charter)

Maryland	**81-4177147**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

430 Park Avenue, 8th Floor New York, New York 10022
(Address of Principal Executive Offices) (Zip Code)

Registrant’s telephone number, including area code: (646) 949-4631

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $0.01 par value	VICI	New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 ☒ No ☐

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

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of October 31, 2019, the registrant had 461,006,854 shares of its $0.01 par value common stock outstanding.

VICI PROPERTIES INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2019
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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

VICI PROPERTIES INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands, except share and per share data)

	September 30, 2019	December 31, 2018
Assets		
Real estate portfolio:		
Investments in direct financing and sales-type leases, net	$ 10,455,900	$ 8,916,047
Investments in operating leases	1,086,658	1,086,658
Land	94,711	95,789
Cash and cash equivalents	431,423	577,883
Restricted cash	32,087	20,564
Short-term investments	342,767	520,877
Other assets	137,920	115,550
Total assets	$ 12,581,466	$ 11,333,368
Liabilities		
Debt, net	$ 4,125,473	$ 4,122,264
Accrued interest	23,945	14,184
Deferred financing liability	73,600	73,600
Deferred revenue	250	43,605
Dividends payable	137,048	116,287
Other liabilities	147,081	62,406
Total liabilities	4,507,397	4,432,346
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, $0.01 par value, 700,000,000 shares authorized and 461,005,745 and 404,729,616 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	4,610	4,047
Preferred stock, $0.01 par value, 50,000,000 shares authorized and no shares outstanding at September 30, 2019 and December 31, 2018	—	—
Additional paid-in capital	7,816,233	6,648,430
Accumulated other comprehensive loss	(77,116)	(22,124)
Retained earnings	246,587	187,096
Total VICI stockholders' equity	7,990,314	6,817,449
Non-controlling interest	83,755	83,573
Total stockholders' equity	8,074,069	6,901,022
Total liabilities and stockholders' equity	$ 12,581,466	$ 11,333,368

See accompanying Notes to Consolidated Financial Statements.

VICI PROPERTIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(UNAUDITED)
(In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues				
Income from direct financing and sales-type leases	$ 206,001	$ 189,938	$ 603,300	$ 554,293
Income from operating leases	10,913	12,209	32,740	36,627
Tenant reimbursement of property taxes	—	25,147	—	61,322
Golf operations	5,599	5,393	21,221	19,696
Revenues	222,513	232,687	657,261	671,938
Operating expenses				
General and administrative	6,717	5,678	19,460	20,145
Depreciation	1,000	929	2,948	2,757
Property taxes	—	25,423	—	61,598
Golf operations	5,423	4,223	14,363	12,832
Loss on impairment	—	12,334	—	12,334
Transaction and acquisition expenses	993	—	4,749	—
Total operating expenses	14,133	48,587	41,520	109,666
Operating income	208,380	184,100	615,741	562,272
Interest expense	(68,531)	(54,051)	(176,936)	(158,365)
Interest income	6,690	2,027	15,861	7,504
Loss from extinguishment of debt	—	—	—	(23,040)
Income before income taxes	146,539	132,076	454,666	388,371
Income tax expense	(24)	(52)	(1,098)	(884)
Net income	146,515	132,024	453,568	387,487
Less: Net income attributable to non-controlling interest	(2,080)	(2,112)	(6,235)	(6,409)
Net income attributable to common stockholders	$ 144,435	$ 129,912	$ 447,333	$ 381,078
Net income per common share				
Basic	$ 0.31	$ 0.35	$ 1.05	$ 1.06
Diluted	$ 0.31	$ 0.35	$ 1.04	$ 1.06
Weighted average number of common shares outstanding				
Basic	460,666,295	369,935,055	426,437,889	360,997,358
Diluted	465,771,668	370,127,185	428,366,146	361,042,203
Other comprehensive income				
Net income attributable to common stockholders	$ 144,435	$ 129,912	$ 447,333	$ 381,078
Unrealized (loss) gain on cash flow hedges	(7,113)	10,105	(54,992)	5,465
Comprehensive income attributable to common stockholders	$ 137,322	$ 140,017	$ 392,341	$ 386,543

See accompanying Notes to Consolidated Financial Statements.

VICI PROPERTIES INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Gain	Retained Earnings	Total VICI Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity
Balance as of December 31, 2017	$ 3,003	$ 4,645,824	$ —	$ 42,662	$ 4,691,489	$ 84,875	$ 4,776,364
Net income	—	—	—	112,122	112,122	1,981	114,103
Issuance of common stock, net	695	1,306,424	—	—	1,307,119	—	1,307,119
Distribution to non-controlling interest	—	—	—	—	—	(3,856)	(3,856)
Dividends declared ($0.16 per common share)	—	—	—	(59,221)	(59,221)	—	(59,221)
Stock-based compensation, net of forfeitures	3	388	—	—	391	—	391
Balance as of March 31, 2018	3,701	5,952,636	—	95,563	6,051,900	83,000	6,134,900
Net income	—	—	—	139,044	139,044	2,316	141,360
Issuance of common stock, net	—	—	—	—	—	—	—
Distribution to non-controlling interest	—	—	—	—	—	(1,982)	(1,982)
Dividends declared ($0.2625 per common share)	—	—	—	(97,163)	(97,163)	—	(97,163)
Stock-based compensation, net of forfeitures	—	468	—	—	468	—	468
Unrealized loss on cash flow hedges	—	—	(4,640)	—	(4,640)	—	(4,640)
Balance as of June 30, 2018	3,701	5,953,104	(4,640)	137,444	6,089,609	83,334	6,172,943
Net income	—	—	—	129,912	129,912	2,112	132,024
Issuance of common stock, net	—	—	—	—	—	—	—
Distribution to non-controlling interest	—	—	—	—	—	(1,981)	(1,981)
Dividends declared ($0.2875 per common share)	—	—	—	(106,441)	(106,441)	—	(106,441)
Stock-based compensation, net of forfeitures	1	622	—	—	623	—	623
Unrealized gain on cash flow hedges	—	—	10,105	—	10,105	—	10,105
Balance as of September 30, 2018	$ 3,702	$ 5,953,726	$ 5,465	$ 160,915	$ 6,123,808	$ 83,465	$ 6,207,273

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VICI PROPERTIES INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(UNAUDITED)
(In thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Gain	Retained Earnings	Total VICI Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity
Balance as of December 31, 2018	$ 4,047	$ 6,648,430	$ (22,124)	$ 187,096	$ 6,817,449	$ 83,573	$ 6,901,022
Net income	—	—	—	150,849	150,849	2,077	152,926
Issuance of common stock, net	62	128,203	—	—	128,265	—	128,265
Distributions to non-controlling interest	—	—	—	—	—	(2,031)	(2,031)
Dividends declared ($0.2875 per common share)	—	—	—	(118,154)	(118,154)	—	(118,154)
Stock-based compensation, net of forfeitures	1	1,050	—	—	1,051	—	1,051
Unrealized loss on cash flow hedges	—	—	(17,191)	—	(17,191)	—	(17,191)
Balance as of March 31, 2019	4,110	6,777,683	(39,315)	219,791	6,962,269	83,619	7,045,888
Net income	—	—	—	152,049	152,049	2,078	154,127
Issuance of common stock, net	500	1,035,780	—	—	1,036,280	—	1,036,280
Distributions to non-controlling interest	—	—	—	—	—	(2,011)	(2,011)
Dividends declared ($0.2875 per common share)	—	—	—	(132,539)	(132,539)	—	(132,539)
Stock-based compensation, net of forfeitures	—	1,366	—	—	1,366	—	1,366
Unrealized loss on cash flow hedges	—	—	(30,688)	—	(30,688)	—	(30,688)
Balance as of June 30, 2019	4,610	7,814,829	(70,003)	239,301	7,988,737	83,686	8,072,423
Net income	—	—	—	144,435	144,435	2,080	146,515
Issuance of common stock, net	—	—	—	—	—	—	—
Distributions to non-controlling interest	—	—	—	—	—	(2,011)	(2,011)
Dividends declared ($0.2975 per common share)	—	—	—	(137,149)	(137,149)	—	(137,149)
Stock-based compensation, net of forfeitures	—	1,404	—	—	1,404	—	1,404
Unrealized loss on cash flow hedges	—	—	(7,113)	—	(7,113)	—	(7,113)
Balance as of September 30, 2019	$ 4,610	$ 7,816,233	$ (77,116)	$ 246,587	$ 7,990,314	$ 83,755	$ 8,074,069

See accompanying Notes to Consolidated Financial Statements.

VICI PROPERTIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities		
Net income	$ 453,568	$ 387,487
Adjustments to reconcile net income to cash flows provided by operating activities:		
Direct financing and sales-type lease adjustments	(2,295)	(39,119)
Stock-based compensation	3,821	1,482
Depreciation	2,948	2,757
Amortization of debt issuance costs and original issue discount	18,180	4,477
Loss on impairment	—	12,334
Loss on extinguishment of debt	—	23,040
Change in operating assets and liabilities:		
Other assets	(5,952)	(19,609)
Accrued interest	9,761	2,077
Deferred revenue	(43,355)	(67,416)
Other liabilities	523	21,007
Net cash provided by operating activities	437,199	328,517
Cash flows from investing activities		
Investments in direct financing and sales-type leases	(1,530,578)	(507,795)
Capitalized transaction costs	(2,004)	(3,442)
Investments in short-term investments	(440,353)	(421,434)
Maturities of short-term investments	618,463	100,758
Proceeds from sale of land	1,044	186
Acquisition of property and equipment	(2,429)	(744)
Net cash used in investing activities	(1,355,857)	(832,471)
Cash flows from financing activities		
Proceeds from offering of common stock, net	1,164,360	1,307,119
Payment of Term Loan B Facility	—	(100,000)
Payment of Revolving Credit Facility	—	(300,000)
Payment of Second Lien Notes	—	(290,058)
Debt issuance costs	(7,727)	(1,117)
Distributions to non-controlling interest	(6,053)	(7,819)
Dividends paid	(366,859)	(156,296)
Net cash provided by financing activities	783,721	451,829
Net decrease in cash, cash equivalents and restricted cash	(134,937)	(52,125)
Cash, cash equivalents and restricted cash, beginning of period	598,447	197,406
Cash, cash equivalents and restricted cash, end of period	$ 463,510	$ 145,281
Supplemental cash flow information:		
Cash paid for interest	$ 148,992	$ 150,407
Cash paid for income taxes	$ 2,100	$ 1,174
Supplemental non-cash investing and financing activity:		
Dividends declared, not paid	$ 137,149	$ 106,356
Right-of-use asset and lease liability	$ 19,821	$ —
Deferred transaction costs payable	$ 5,982	$ —
Debt issuance costs payable	$ 28,923	$ —
Transfer of investments in operating leases to land	$ —	$ 22,189

See accompanying Notes to Consolidated Financial Statements.

VICI PROPERTIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In these notes, the words ”VICI,” the “Company,” “we,” “our,” and “us” refer to VICI Properties Inc. and its subsidiaries, on a consolidated basis, unless otherwise stated or the context requires otherwise.

We refer to (i) our Consolidated Financial Statements as our “Financial Statements,” (ii) our Consolidated Balance Sheets as our “Balance Sheet,” (iii) our Consolidated Statements of Operations and Comprehensive Income as our “Statement of Operations,” and (iv) our Consolidated Statement of Cash Flows as our “Statement of Cash Flows.” References to numbered “Notes” refer to the Notes to our Consolidated Financial Statements.

“Caesars” refers to Caesars Entertainment Corporation, a Delaware corporation, and its subsidiaries.

“Caesars Lease Agreements” refers collectively to the CPLV Lease Agreement, the Non-CPLV Lease Agreement, the Joliet Lease Agreement and the HLV Lease Agreement, unless the context otherwise requires.

“Century Casinos” means Century Casinos, Inc., a Delaware corporation, and its subsidiaries.

“CEOC” refers to Caesars Entertainment Operating Company, Inc., a Delaware corporation, and its subsidiaries, prior to the Formation Date, and following the Formation Date, CEOC, LLC, a Delaware limited liability company and its subsidiaries. CEOC is a subsidiary of Caesars.

“CPLV CMBS Debt” refers to $1.55 billion of asset-level real estate mortgage financing of Caesars Palace Las Vegas, incurred by a subsidiary of the Operating Partnership on October 6, 2017.

“CPLV Lease Agreement” refers to the lease agreement for Caesars Palace Las Vegas, as amended from time to time.

“Eastside Property” refers to 18.4 acres of property located in Las Vegas, Nevada, east of Harrah’s Las Vegas that we sold to Caesars in December 2017.

“ERI” refers to Eldorado Resorts, Inc., a Nevada corporation, and its subsidiaries.

“Formation Date” refers to October 6, 2017.

“Greektown” refers to the real estate assets associated with the Greektown Casino-Hotel, located in Detroit, Michigan, which we purchased on May 23, 2019.

“Greektown Lease Agreement” refers to the lease agreement for Greektown, as amended from time to time.

“Hard Rock” means Hard Rock International, and its subsidiary and affiliate entities.

“HLV Lease Agreement” refers to the lease agreement for the Harrah’s Las Vegas facilities, as amended from time to time.

“JACK Cincinnati” refers to the real estate assets associated with the JACK Cincinnati Casino, located in Cincinnati, Ohio, which we purchased on September 20, 2019.

“JACK Cincinnati Lease Agreement” refers to the lease agreement for JACK Cincinnati, as amended from time to time.

“Joliet Lease Agreement” refers to the lease agreement for the facilities in Joliet, Illinois, as amended from time to time.

“Lease Agreements” refer collectively to the Caesars Lease Agreements, the Penn National Lease Agreements and the JACK Cincinnati Lease Agreement, unless the context otherwise requires.

“Margaritaville” refers to the real estate of Margaritaville Resort Casino, located in Bossier City, Louisiana, which we purchased on January 2, 2019.

“Margaritaville Lease Agreement” refers to the lease agreement for Margaritaville, as amended from time to time.

“Non-CPLV Lease Agreement” refers to the lease agreement for regional properties leased to Caesars other than the facilities in Joliet, Illinois, as amended from time to time.

"Operating Partnership" refers to VICI Properties L.P., a Delaware limited partnership and a wholly owned subsidiary of VICI.

"Penn National" refers to Penn National Gaming, Inc., a Pennsylvania Corporation, and its subsidiaries.

"Penn National Lease Agreements" refer collectively to the Margaritaville Lease Agreement and the Greektown Lease Agreement, unless the context otherwise requires.

"Revolving Credit Facility" refers to the five-year first lien revolving credit facility entered into by VICI PropCo, as amended from time to time.

"Second Lien Notes" refers to $766.9 million aggregate principal amount of 8.0% second priority senior secured notes due 2023 issued by a subsidiary of the Operating Partnership in October 2017, of which approximately $498.5 million aggregate principal amount remains outstanding.

"Term Loan B Facility" refers to the seven-year senior secured first lien term loan B facility entered into by VICI PropCo in December 2017.

"VICI Golf" refers to VICI Golf LLC, a Delaware limited liability company that is the owner and operator of our golf segment business.

"VICI PropCo" refers to VICI Properties 1 LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of VICI.

Note 1 — Business and Organization

Business

We are a Maryland corporation that is primarily engaged in the business of owning and acquiring gaming, hospitality and entertainment destinations, subject to long-term triple net leases. Our national, geographically diverse portfolio consists of 24 market-leading properties, including Caesars Palace Las Vegas and Harrah's Las Vegas. As of September 30, 2019, our properties are leased to, and our tenants are, subsidiaries of Caesars, Penn National and Hard Rock. We also own and operate four championship golf courses located near certain of our properties.

We conduct our operations as a real estate investment trust ("REIT") for U.S. federal income tax purposes. As such, we generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income to stockholders and maintain our qualification as a REIT. We conduct our real property business through our Operating Partnership and our golf course business, through a taxable REIT subsidiary (a "TRS"), VICI Golf.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information set forth in the Accounting Standards Codification ("ASC"), as published by the Financial Accounting Standards Board ("FASB"), and with the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). The consolidated financial statements, including the notes thereto, are unaudited and exclude some of the disclosures and information normally required in audited financial statements.

We believe the disclosures made are adequate to prevent the information presented from being misleading. However, the accompanying unaudited consolidated financial statements and related notes should be read in conjunction with the audited financial statements and notes thereto included in our most recent Annual Report on Form 10-K and as updated from time to time in our other filings with the SEC.

All adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim period have been included.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Operating results for the three and nine months ended September 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

Principles of Consolidation and Non-controlling Interest

The accompanying consolidated Financial Statements include our accounts and the accounts of our Operating Partnership, and the subsidiaries in which we or our Operating Partnership has a controlling interest, which includes a single variable interest entity ("VIE") where we are the primary beneficiary. All intercompany accounts and transactions have been eliminated in consolidation. We consolidate all subsidiaries in which we have a controlling financial interest and VIEs for which we or one of our consolidated subsidiaries is the primary beneficiary.

We present non-controlling interest and classify such interest as a component of consolidated stockholders' equity, separate from VICI stockholders' equity. Our non-controlling interest represents a 20% third-party ownership of Harrah's Joliet LandCo LLC, the entity that owns the Harrah's Joliet facility and is the lessor under the related Joliet Lease Agreement.

Cash, Cash Equivalents and Restricted Cash

Cash consists of cash-on-hand and cash-in-bank. Any investments with an original maturity of three months or less from the date of purchase are considered cash equivalents and are stated at the lower of cost or market value. Investments with an original maturity of greater than three months and less than one year from the date of purchase are considered short-term investments and are stated at fair value.

Restricted cash is primarily comprised of funds paid by us into a restricted account for a lender required furniture, fixtures and equipment ("FF&E") replacement reserve. Pursuant to the amended CMBS Loan Agreement we are required to fund into escrow certain amounts to be used for FF&E replacement should Caesars vacate the property and remove the FF&E upon exit.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on the Balance Sheet to the total of the same such amounts presented in the Statement of Cash Flows.

(In thousands)	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 431,423	$ 145,223
Restricted cash	32,087	58
Total cash, cash equivalents and restricted cash shown in the Statement of Cash Flows	$ 463,510	$ 145,281

Short-Term Investments

We generally invest our excess cash in short-term investment grade commercial paper as well as discount notes issued by government-sponsored enterprises including the Federal Home Loan Mortgage Corporation and certain of the Federal Home Loan Banks. These investments generally have original maturities between 91 and 180 days and are accounted for as available for sale securities. The related income is recognized as interest income in our Statement of Operations. As of September 30, 2019 and December 31, 2018, we had $342.8 million and $520.9 million, respectively, of short-term investments.

Fair Value Measurements

We measure the fair value of financial instruments based on assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. In accordance with the fair value hierarchy, Level 1 assets/liabilities are valued based on quoted prices for identical instruments in active markets, Level 2 assets/liabilities are valued based on quoted prices in active markets for similar instruments, on quoted prices in less active or inactive markets, or on other "observable" market inputs and Level 3 assets/liabilities are valued based significantly on "unobservable" market inputs.

Refer to Note 9 - Fair Value for further information.

Derivative Financial Instruments

We record our derivative financial instruments as either Other assets or Other liabilities on our Balance Sheets at fair value.

The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows are considered cash flow hedges. We formally document our hedge relationships and designation at the contract's inception. This documentation includes the identification of the hedging instruments and the hedged items, its risk management objectives, strategy for undertaking the hedge transaction and our evaluation of the effectiveness of its hedged transaction.

On a quarterly basis, we also assess whether the derivative we designated in each hedging relationship is expected to be, and has been, highly effective in offsetting changes in the value or cash flows of the hedged items. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued and the changes in fair value of the instrument are included in Net income prospectively. If the hedge relationship is terminated, then the value of the derivative is recorded in Accumulated other comprehensive income and recognized in earnings when the cash flows that were hedged affect earnings. Changes in the fair value of our derivative instruments that qualify as hedges are reported as a component of Accumulated other comprehensive loss on our consolidated financial statements.

We use derivative instruments to mitigate the effects of interest rate volatility inherent in our variable rate debt, which could unfavorably impact our future earnings and forecasted cash flows. We do not use derivative instruments for speculative or trading purposes.

Investments in Direct Financing and Sales-Type Leases, Net

We account for our investments in leases under ASC 842 "Leases" ("ASC 842"), which we adopted on January 1, 2019. Upon lease inception or lease modification, we assess lease classification to determine whether the lease should be classified as a direct financing, sales-type or operating lease. As required by ASC 842, we separately assess the land and building components of the property to determine the classification of each component, unless the impact of doing so is immaterial. If the lease component is determined to be a direct financing or sales-type lease, we record a net investment in the lease, which is equal to the sum of the lease receivable and the unguaranteed residual asset, discounted at the rate implicit in the lease. Any difference between the fair value of the asset and the net investment in the lease is considered selling profit or loss and is either recognized upon execution of the lease or deferred and recognized over the life of the lease, depending on the classification of the lease. Due to the nature of our assets, the net investment in the lease is generally equal to the purchase price of the asset, and the land and building components of an investment generally have the same lease classification.

For leases determined to be sales-type leases, we further assess to determine whether the transaction is considered a sale leaseback transaction. If we determine that the lease meets the definition for a sale leaseback transaction, the lease is considered a financing receivable and is recognized in accordance with ASC 310 "Receivables" ("ASC 310"). We currently do not have any lease investments that are accounted for as financing receivables under ASC 310.

Upon adoption of ASC 842, we made an accounting policy election to use a package of practical expedients that, among other things, allow us to not reassess prior lease classifications or initial direct costs for leases that existed as of the balance sheet date. As such, we have not reassessed the classification of our Caesars Lease Agreements, as these leases existed prior to our adoption of ASC 842.

We determined that the land and building components of the Margaritaville Lease Agreement, the Greektown Lease Agreement and the JACK Cincinnati Lease Agreement meet the definition of a sales-type lease. The Caesars Lease Agreements continue to be accounted for as direct financing leases and are included within Investments in direct financing and sales-type leases on the Balance Sheet, with the exception of the land component of Caesars Palace Las Vegas which was determined to be an operating lease and is included in Investments in operating leases on the Balance Sheet. The income recognition for our direct financing leases recognized under ASC 840 is consistent with the income recognition for our sales-type lease under ASC 842.

Income from Leases

We recognize the related income from our direct financing and sales-type leases on an effective interest basis at a constant rate of return over the terms of the applicable leases. As a result, the cash payments accounted for under direct financing and sales-type leases will not equal income from our Lease Agreements. Rather, a portion of the cash rent we receive is recorded as Income from direct financing and sales-type leases in our Statement of Operations and a portion is recorded as a change to Investments in direct financing and sales-type leases, net.

Under ASC 840, we determined that the land component of Caesars Palace Las Vegas was greater than 25% of the overall fair value of the combined land and building components. At lease inception the land was determined to be an operating lease and we record the related income on a straight-line basis over the lease term. The amount of annual minimum lease payments attributable to the land element after deducting executory costs, including any profit thereon, is determined by applying the lessee’s incremental borrowing rate to the value of the land. Revenue from this lease is recorded as Income from operating leases in our Statement of Operations.

Initial direct costs incurred in connection with entering into lease agreements are included in the balance of the net investment in lease. In relation to direct financing and sales-type leases, such amounts will be recognized as a reduction to Income from investments in leases over the life of the lease using the effective interest method. Costs that would have been incurred regardless of whether the lease was signed, such as legal fees and certain other third-party fees, are expensed as incurred to Transaction and acquisition expenses in our Statement of Operations.

Impairment

We assess our investments in operating leases, land and property and equipment used in operations for impairment under ASC 360 “Property, Plant and Equipment” (“ASC 360”) on a quarterly basis or whenever certain events or changes in circumstances indicate a possible impairment of the carrying value of the asset. Events or circumstances that may occur include changes in management’s intended holding period or potential sale to a third party, significant changes in real estate market conditions or tenant financial difficulties resulting in non-payment of the lease. We assess our investments in direct financing and sales-type leases for impairment under ASC 310. Under ASC 310, the net investment in the lease is identified for impairment when it becomes probable that we will be unable to collect all rental payments associated with our investment in the lease.

Impairments are measured as the amount by which the current book value of the asset exceeds the estimated fair value of the asset. With respect to estimated expected future cash flows for determining whether an asset is impaired, assets are grouped at the lowest level of identifiable cash flows.

Concentrations of Credit Risk

All of our real estate holdings (other than (i) Margaritaville and Greektown, which are leased to Penn National, (ii) JACK Cincinnati, which is leased to Hard Rock and (iii) the real estate owned by VICI Golf, which is owned and operated by us) are currently leased by us to CEOC or other affiliates of Caesars, and most of our revenues are derived from the Lease Agreements that we have with CEOC or other affiliates of Caesars. Additionally, our properties on the Las Vegas Strip generated approximately 33% and 34% of our lease revenue for the three and nine months ended September 30, 2019, respectively. Other than having a single tenant from which we will derive most of our revenue and our concentration in the Las Vegas market, we do not believe there are any other significant concentrations of credit risk.

Reclassifications

In the quarter ended June 30, 2019 we reclassified property and equipment used in operations, net to Other assets in the Balance Sheet in order to simplify our presentation. As of September 30, 2019 and December 31, 2018, such amounts represent $71.0 million and $71.5 million of the balance of Other assets, respectively. Additionally, we adjusted the Consolidated Statement of Stockholders’ Equity to present changes in the current and comparative year-to-date interim periods, with subtotals for each interim period as required by the Securities and Exchange Commission’s disclosure update and simplification rules.

Note 3 — Recently Issued Accounting Pronouncements

Accounting Pronouncements Recently Adopted

ASU No. 2016-02 - *Leases (Topic 842) - February 2016 (as amended through March 2019):* The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 and is implemented using a modified retrospective approach, with the option to apply the guidance at the effective date or the beginning of the earliest comparative period.

We adopted the guidance on January 1, 2019 and elected to apply the effective date method and, as such, have not re-cast prior periods to show the effects of ASC 842. Additionally, upon adoption, we elected a package of practical expedients that, among other things, allow us to not reassess prior lease classifications or initial direct costs for leases that exist as of the balance sheet date. As such, we have not reassessed the classification of our Caesars Lease Agreements, as these leases existed prior to our adoption of ASC 842.

The new guidance did not have a material impact on the accounting treatment of our triple-net tenant leases, which are the primary source of our revenues. As such, upon adoption of ASC 842, we have not recorded any adjustment to our beginning balance of retained earnings. However, as of January 1, 2019, there are certain changes to the guidance under ASC 842, which will have an impact on future operating results, as follows:

- Costs that are paid directly by the lessee to a third party, such as real estate taxes and insurance, are no longer recognized in our Statement of Operations. Prior to our adoption of ASC 842, we presented on a gross basis the real estate taxes that were paid by our tenants directly to the taxing authority. Subsequent to our adoption of ASC 842, Tenant reimbursements of property taxes and Property taxes expense are presented on a net basis, as the lessee pays for such costs directly. However, consistent with our effective date adoption approach, we have not re-cast prior year financial results to conform to the current period presentation.

- Initial direct costs associated with the execution of lease agreements, such as legal fees and certain transaction costs will no longer be capitalizable and instead are expensed in the period incurred.

- Long-term leases entered into or modified subsequent to our adoption of ASC 842 will most likely be considered sales-type leases, as defined in ASC 842. The accounting for a sales-type lease is materially consistent with that of the current accounting for our direct financing leases. If we determine that the lease meets the definition for a sale leaseback transaction, the lease is considered a financing receivable and is accounted for in accordance with ASC 310.

- Prior to our adoption of ASC 842, the residual value component of our Lease Agreements was assessed for impairment under ASC 360 while the receivable component was separately assessed for impairment under ASC 310. Upon adoption of ASC 842, both the receivable and residual value components of the direct financing and sales-type leases are assessed for impairment under ASC 310.

In relation to certain operating leases for which we are the lessee, such as the ground lease on the Cascata golf course, upon adoption of ASC 842, we recorded a right of use asset and corresponding lease liability of $11.1 million, which is included in Other assets and Other liabilities on our Balance Sheets. There was no change to our lease expense as a result of the change in accounting as such expense is still being recorded on a straight-line basis.

Accounting Pronouncements Not Yet Adopted

ASU No. 2016-13 - *Financial Instruments-Credit Losses (Topic 326) - June 2016 (as amended through May 2019):* This amended guidance changes how entities will measure credit losses for most financial assets and certain other instruments, including direct financing and sales-type leases, that are not measured at fair value through net income. The guidance replaces the current “incurred loss” model with an “expected loss” approach, which will generally result in earlier recognition of allowance for losses. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted after December 2018. We are currently evaluating the impact of adopting the new standard and have determined that, upon adoption, we will be required to estimate and record credit losses related to our investments in direct financing and sales-type leases.

VICI PROPERTIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

Note 4 — Property Transactions

2019 Transactions

Our significant activities in 2019, in reverse chronological order, are as follows:

Purchase of JACK Cleveland/Thistledown

Subsequent to the quarter end, on October 28 2019, we entered into a definitive agreement to acquire the casino-entitled land and real estate and related assets of the JACK Cleveland Casino (“JACK Cleveland”), located in Cleveland, Ohio and the JACK Thistledown Racino (“JACK Thistledown”) located in North Randall, Ohio (the “JACK Cleveland/Thistledown Acquisition”) from affiliates of JACK Entertainment LLC (“JACK Entertainment”), for approximately $843.3 million. Simultaneous with the closing of the JACK Cleveland/Thistledown Acquisition, we will enter into a master triple-net lease agreement for JACK Cleveland and JACK Thistledown with a subsidiary of JACK Entertainment. The lease will have an initial total annual rent of $65.9 million and an initial term of 15 years, with four five-year tenant renewal options. The tenant’s obligations under the lease will be guaranteed by Rock Ohio Ventures LLC (“Rock Ohio Ventures”). Additionally, we will make a $50 million loan (the “ROV Loan”) to affiliates of Rock Ohio Ventures secured by, among other things, certain non-gaming real estate assets owned by such affiliates and guaranteed by Rock Ohio Ventures. The ROV Loan will bear interest at 9.0% per annum for a period of five years with two one-year extension options. The transaction is subject to regulatory approvals and customary closing conditions and is expected to close in early 2020. However, we can provide no assurances that the JACK Cleveland/Thistledown Acquisition will be consummated.

Closing of Purchase of JACK Cincinnati

On September 20, 2019, we completed the previously announced transaction to acquire the casino-entitled land and real estate and related assets of JACK Cincinnati, located in Cincinnati, Ohio from affiliates of JACK Entertainment LLC, for approximately $558.3 million, and a subsidiary of Hard Rock acquired the operating assets of the JACK Cincinnati Casino for $186.5 million (together, the “JACK Cincinnati Acquisition”). Simultaneous with the closing of the JACK Cincinnati Acquisition, we entered into a triple-net lease agreement for JACK Cincinnati with a subsidiary of Hard Rock. The lease has an initial total annual rent of $42.8 million and an initial term of 15 years, with four five-year tenant renewal options. The tenant’s obligations under the lease are guaranteed by Seminole Hard Rock Entertainment, Inc. We determined that the land and building components of the JACK Cincinnati Lease Agreement meet the definition of a sales-type lease and have recorded the corresponding asset, including related acquisition and transaction costs, in Investments in direct financing and sales-type leases on our Balance Sheet.

Eldorado Transaction

On June 24, 2019, we entered into a master transaction agreement (the “Master Transaction Agreement” or “MTA”) with ERI relating to the transactions described below (collectively, the “Eldorado Transaction”), all of which are conditioned upon consummation of the closing of the merger contemplated under an Agreement and Plan of Merger (the “ERI/Caesars Merger Agreement”) pursuant to which a subsidiary of ERI will merge with and into Caesars, with Caesars surviving as a wholly-owned subsidiary of ERI (the “ERI/Caesars Merger”). Upon closing of the merger, ERI will be renamed Caesars. Any references to ERI in the subsequent transaction discussion refer to ERI as renamed Caesars subsequent to the merger, as applicable.

The Eldorado Transaction and the ERI/Caesars Merger are both subject to regulatory approvals and customary closing conditions. ERI has publicly disclosed that it expects the ERI/Caesars Merger to be completed in the first half of 2020. However, we can provide no assurances that the ERI/Caesars Merger or the Eldorado Transaction described herein will close in the anticipated timeframe, on the contemplated terms or at all. We intend to fund the Eldorado Transaction with a combination of proceeds from our June equity offering, as described in Note 11, and with long-term debt financing.

The Master Transaction Agreement contemplates the following transactions:

- *Acquisition of the MTA Properties.* We have agreed to acquire all of the land and real estate assets associated with Harrah’s New Orleans, Harrah’s Laughlin and Harrah’s Atlantic City (or, if necessary, certain replacement properties designated in the Master Transaction Agreement) (collectively, the “MTA Properties” and each, an “MTA Property”) for an aggregate purchase price of $1,809.5 million (the “MTA Properties Acquisitions” and each, an “MTA Property Acquisition”). Simultaneous with the closing of each MTA Property Acquisition, we will enter into a triple-net lease with a subsidiary of ERI as tenant, by amending the Non-CPLV Lease Agreement to include such MTA Property, with (i) initial aggregate total annual rent payable to us and attributable to the MTA Properties of $154.0 million, (ii) so long as the MTA Property Acquisitions are consummated concurrent with the closing of the ERI/Caesars Merger, an initial term of approximately 15 years and (iii) the same renewal terms available to the other tenants under the Non-CPLV Lease Agreement at such time. The Non-CPLV Lease Agreement will also be amended to adjust certain minimum capital expenditure requirements and other related terms and conditions as a result of the MTA Properties being included in the Non-CPLV Lease Agreement.

On September 26, 2019, we entered into the following agreements (each of which were entered into in accordance with the terms of the Master Transaction Agreement): (i) a Purchase and Sale Agreement (the “Harrah’s New Orleans Purchase Agreement”) pursuant to which we agreed to acquire, and ERI agreed to cause to be sold, all of the fee and leasehold interests in the land and real property improvements associated with Harrah’s New Orleans in New Orleans, Louisiana for a cash purchase price of $775.5 million; (ii) a Purchase and Sale Agreement (the “Harrah’s Atlantic City Purchase Agreement”) pursuant to which we agreed to acquire, and ERI agreed to cause to be sold, all of the land and real property improvements associated with Harrah’s Resort Atlantic City and Harrah’s Atlantic City Waterfront Conference Center in Atlantic City, New Jersey for a cash purchase price of $599.25 million; and (iii) a Purchase and Sale Agreement (the “Harrah’s Laughlin Purchase Agreement” and, collectively with the Harrah’s New Orleans Purchase Agreement and the Harrah’s Atlantic City Purchase Agreement, the “MTA Property Purchase Agreements” and each, a “MTA Property Purchase Agreement”) pursuant to which we agreed to acquire, and ERI agreed to cause to be sold, all of the equity interests in a newly formed entity that will acquire the land and real property improvements associated with Harrah’s Laughlin Hotel & Casino in Laughlin, Nevada for a cash purchase price of $434.75 million. As noted above, the MTA Property Purchase Agreements were entered into in accordance with the terms of the Master Transaction Agreement, and the MTA Property Acquisitions are part of the broader set of transactions contemplated by such Master Transaction Agreement.

Each of our existing call options on the Harrah’s New Orleans, Harrah’s Laughlin and Harrah’s Atlantic City properties will terminate upon the earlier to occur of the closing of the corresponding MTA Property Acquisition or our obtaining specific performance or liquidated damages with respect to the relevant property. The closings of the MTA Property Acquisitions are subject to conditions in addition to the consummation of the ERI/Caesars Merger, including satisfactory due diligence reviews by us, and are not cross-conditioned on each other (that is, we are not required to close on “all or none” of the MTA Properties). In addition, the closing of the other transactions that comprise the Eldorado Transaction is not conditioned on the completion of any or all of the MTA Property Acquisitions.

- *CPLV Lease Agreement Amendment*. In consideration of a payment by us to ERI of $1,189.9 million, we and ERI will amend the CPLV Lease Agreement to (i) increase the annual rent payable to us under the CPLV Lease Agreement by $83.5 million (the “CPLV Additional Rent Acquisition”) and (ii) provide for the amended terms described below.
- *HLV Lease Agreement Termination and Creation of Las Vegas Master Lease.* In consideration of a payment by us to ERI of $213.8 million, we and ERI will terminate the HLV Lease Agreement and the related lease guaranty. Annual rent previously payable to us with respect to the Harrah’s Las Vegas property will be increased by $15.0 million (the “HLV Additional Rent Acquisition”). The CPLV Lease Agreement will be amended (as amended, the “Las Vegas Master Lease Agreement”) to provide, among other things, that the Harrah’s Las Vegas property, which is currently subject to the HLV Lease Agreement, will be leased pursuant thereto (with the Harrah’s Las Vegas property subject to the higher rent escalator currently in place under the CPLV Lease Agreement). Thereafter the Las Vegas Master Lease Agreement will be a multi-property master lease whereby the Harrah’s Las Vegas property tenant and the Caesars Palace Las Vegas property tenant will collectively be the tenant.
- *Centaur Properties Put/Call Agreement*. Affiliates of Caesars currently own two gaming facilities in Indiana - Hoosier Park and Indiana Grand (together the “Centaur Properties”). At the closing of the ERI/Caesars Merger, a right of first refusal that we have with respect to the Centaur Properties will terminate and we will enter into a put/call agreement with ERI, whereby (i) we will have the right to acquire all of the land and real estate assets associated with the Centaur Properties at a price equal to 13.0x the initial annual rent of each facility (determined as provided below), and to simultaneously lease back each such property to a subsidiary of ERI for initial annual rent equal to the property’s trailing four quarters EBITDA at the time of acquisition divided by 1.3 (i.e., the initial annual rent will be set at 1.3x rent coverage) and (ii) ERI will have the right to require us to acquire the Centaur Properties at a price equal to 12.5x the initial annual rent of each facility, and to simultaneously lease back each such Centaur Property to a subsidiary of ERI for initial annual rent equal to the property’s trailing four quarters EBITDA at the time of acquisition divided by 1.3 (i.e., the initial annual rent will be set at 1.3x rent coverage). Either party will be able to trigger its respective put or call, as applicable, beginning

on January 1, 2022 and ending on December 31, 2024. The put/call agreement will provide that the leaseback of the Centaur Properties will be implemented through addition of the Centaur Properties to the Non-CPLV Lease Agreement.

- *Las Vegas Strip Assets ROFR*. We will enter into a right of first refusal agreement with ERI (the "Las Vegas ROFR") whereby we will have the first right, with respect to the first two of certain specified Las Vegas Strip assets that ERI proposes to sell, whether pursuant to a sale leaseback or a WholeCo sale, to a third party, to acquire any such asset (it being understood that we will have the opportunity to find an operating company should ERI elect to pursue a WholeCo sale). Pursuant to the Master Transaction Agreement, the specified Las Vegas Strip assets subject to the Las Vegas ROFR will be the land and real estate assets associated (i) with respect to the first such asset subject to the Las Vegas ROFR, the Flamingo Las Vegas, Paris Las Vegas, Planet Hollywood and Bally's Las Vegas gaming facilities, and (ii) with respect to the second asset subject to the Las Vegas ROFR, the foregoing assets plus The LINQ gaming facility. If we enter into a sale leaseback transaction with ERI on any of these facilities, the leaseback will be implemented through the addition of such properties to the CPLV Lease Agreement.

- *Horseshoe Baltimore ROFR.* We and ERI agreed to enter into a right of first refusal agreement pursuant to which we will have the first right to enter into a sale leaseback transaction with respect to the land and real estate assets associated with the Horseshoe Baltimore gaming facility (subject to any consent required from Caesars' joint venture partners with respect to this asset) (the "Horseshoe Baltimore ROFR").

- *Lease Guaranties and MLSA Terminations*. ERI will execute new guaranties (the "ERI Guaranties") of the CPLV Lease Agreement, the Non-CPLV Lease Agreement and the Joliet Lease Agreement, and the existing guaranties by Caesars of such leases, along with all covenants and other obligations of Caesars incurred in connection with such guaranties, will be terminated with respect to Caesars (which will become a subsidiary of ERI following the closing of the ERI/Caesars Merger). The ERI Guaranties will guaranty the prompt and complete payment and performance in full of: (i) all monetary obligations of the tenants under the respective leases, including all rent and other sums payable by the tenants under the leases and any obligation to pay monetary damages in connection with any breach and to pay any indemnification obligations of the tenants under the leases; and (ii) the performance when due of all other covenants, agreements and requirements to be performed and satisfied by the tenants under the leases. In addition, we and ERI will terminate the Management and Lease Support Agreements with respect to the CPLV Lease Agreement, the Non-CPLV Lease Agreement and the Joliet Lease Agreement, and certain provisions currently set forth therein will be added to the respective leases, as amended, and the ERI Guaranties.

- *Other Lease Amendments*. The CPLV Lease Agreement, the Non-CPLV Lease Agreement and the Joliet Lease Agreement will be amended to, among other things, (i) remove the rent coverage floors, which coverage floors serve to reduce the rent escalators under such leases in the event that the "EBITDAR to Rent Ratio" (as defined in each of the CPLV Lease Agreement, the Non-CPLV Lease Agreement and the Joliet Lease Agreement) coverage is below the stated floor and (ii) extend the term of each such lease by such additional period of time as necessary to ensure that following the consummation of the ERI/Caesars Merger, each lease will have a full 15-year initial lease term. The Non-CPLV Lease Agreement also will be amended to, among other things: (a) permit the tenant under the Non-CPLV Lease Agreement to cause facilities subject to the Non-CPLV Lease Agreement that in the aggregate represent up to five percent of the aggregate EBITDAR of (A) all of the facilities under such Non-CPLV Lease Agreement and (B) the Harrah's Joliet facility, for the 2018 fiscal year (defined as the "2018 EBITDAR Pool" in the Non-CPLV Lease Agreement, without giving effect to any increase in the 2018 EBITDAR Pool as a result of a facility being added to the Non-CPLV Lease Agreement) to be sold (whereby the tenant and landlord under the Non-CPLV Lease Agreement would sell the operations and real estate, respectively, with respect to such facility), provided, among other things, that (1) we and ERI mutually agree to the split of proceeds from such sales, (2) such sales do not result in any impairment(s)/asset write down(s) by us, (3) rent under the Non-CPLV Lease Agreement remains unchanged following such sale and (4) the sale does not result in us recognizing certain taxable gain; (b) restrict the ability of the tenant thereunder to transfer and sell the operating business of Harrah's New Orleans and Harrah's Atlantic City to replacement tenants without our consent and remove such restrictions with respect to Horseshoe Southern Indiana (in connection with the restrictions applying to Harrah's New Orleans) and Horseshoe Bossier City (in connection with the restrictions applying to Harrah's Atlantic City), provided that the tenant under the Non-CPLV Lease Agreement may only sell such properties if certain terms and conditions are met, including that replacement tenants meet certain criteria provided in the Non-CPLV Lease Agreement; and (c) require that the tenant under the Non-CPLV Lease Agreement complete and pay for all capital improvements and other payments, costs and expenses related to the extension of the existing operating license with respect to Harrah's New Orleans, including, without limitation, any such payments, costs and expenses required to be made to the City of

New Orleans, the State of Louisiana or any other governmental body or agency.

- *CPLV CMBS Refinancing*. We intend to cause the CPLV CMBS Debt to be repaid in full prior to the closing of the ERI/Caesars Merger. ERI has agreed to reimburse us for 50% of our out-of-pocket costs in connection with any prepayment penalties associated with refinancing the CPLV CMBS Debt (which reimbursement obligations exist pursuant to the MTA regardless of whether the ERI/Caesars Merger is consummated).
- *Eldorado Bridge Facility*. On June 24, 2019, in connection with the Eldorado Transaction, VICI Propco entered into a commitment letter (the "Commitment Letter") with Deutsche Bank Securities Inc. and Deutsche Bank AG Cayman Islands Branch (collectively, the "Bridge Lender"), pursuant to which and subject to the terms and conditions set forth therein, the Bridge Lender has agreed to provide (i) a 364-day first lien secured bridge facility of up to $3.3 billion in the aggregate (the "Eldorado Senior Bridge Facility") and (ii) a 364-day second lien secured bridge facility of up to $1.5 billion in the aggregate (the "Eldorado Junior Bridge Facility," and, together with the Eldorado Senior Bridge Facility, the "Bridge Facilities"), for the purpose of providing a portion of the financing necessary to fund the consideration to be paid pursuant to the terms of the Eldorado Transaction documents and related fees and expenses. We currently intend to incur additional long-term senior secured term loans and/or opportunistically access the debt capital markets to fund a portion of the cash consideration for the Eldorado Transaction, but, absent such a long-term debt financing, we expect to draw on the Bridge Facilities in connection with the closing of the Eldorado Transaction to fund a portion of the cash consideration, and, in the future, raise long-term debt financing to refinance such amounts borrowed under the Bridge Facilities, subject to market and other conditions. On June 28, 2019 and July 11, 2019, additional parties joined the Commitment Letter as commitment parties thereunder. There can be no assurances that we will be able to refinance the Bridge Facilities on terms satisfactory to us, or at all. Refer to Note 7 - Debt for further information.

The Master Transaction Agreement contains customary representations, warranties and covenants by the parties to the agreement and is subject to the consummation of the ERI/Caesars Merger as well as customary closing conditions, including, among other things, that: (i) the absence of any law or order restraining, enjoining or otherwise preventing the transactions contemplated by the Master Transaction Agreement; (ii) the receipt of certain regulatory approvals, including gaming regulatory approvals; (iii) certain restructuring transaction shall have been consummated; (iv) the accuracy of the respective parties' representations and warranties, subject to customary qualifications; and (v) material compliance by the parties with their respective covenants and obligations. The Master Transaction Agreement contains certain termination rights, including that the Master Transaction Agreement shall automatically terminate upon the termination of the ERI/Caesars Merger Agreement and a right by us to terminate the Master Transaction Agreement in the event the closing of the transactions contemplated by the Master Transaction Agreement has not occurred by the date on which the ERI/Caesars Merger is required to close pursuant to the ERI/Caesars Merger Agreement, but in no event later than December 24, 2020.

If the Master Transaction Agreement is terminated by ERI under certain circumstances where we have a financing failure, we may be obligated to pay ERI a reverse termination fee of $75.0 million (the "Reverse Termination Fee"). If the amendment of the CPLV Lease Agreement is not entered into on the date on which the ERI/Caesars Merger closes, under certain circumstances, we may be obligated to pay ERI a fee of $45.0 million (the "CPLV Break Payment"), provided we will not be obligated to pay both the Reverse Termination Fee and the CPLV Break Payment. If the ERI/Caesars Merger does not close for any reason, under certain circumstances, ERI may be obligated to pay us a termination fee of $75.0 million. For more information, see Part II. Item 1A. Risk Factors - "Risks Relating to the Eldorado Transaction and Our Other Pending Acquisitions" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2019.

Purchase of Century Portfolio

On June 17, 2019, we entered into definitive agreements to acquire the land and real estate assets of (i) Mountaineer Casino, Racetrack & Resort located in New Cumberland, West Virginia, (ii) Lady Luck Casino Caruthersville located in Caruthersville, Missouri and (iii) Isle Casino Cape Girardeau located in Cape Girardeau, Missouri (the "Century Portfolio") from affiliates of ERI, for approximately $277.8 million, and a subsidiary of Century Casinos, Inc. ("Century Casinos") has agreed to acquire the operating assets of the Century Portfolio for approximately $107.2 million (together, the "Century Portfolio Acquisition"). Simultaneous with the closing of the Century Portfolio Acquisition, we will enter into a master triple-net lease agreement for the Century Portfolio with a subsidiary of Century Casinos. The master lease will have an aggregate initial total annual rent of $25.0 million and an initial term of 15 years, with four five-year tenant renewal options. The tenants' obligations under the lease will be guaranteed by Century Casinos. The transaction is subject to regulatory approvals and customary closing conditions and is expected to close by the end of 2019. However, we can provide no assurances that the Century Portfolio Acquisition will be consummated on the terms or timeframe described herein, or at all.

Closing of Purchase of Greektown

On May 23, 2019, we completed the previously announced transaction to acquire from affiliates of JACK Entertainment LLC all of the land and real estate assets associated with Greektown, for $700.0 million in cash, and an affiliate of Penn National acquired the operating assets of Greektown for $300.0 million in cash (together, the "Greektown Acquisition"). Simultaneous with the closing of the Greektown Acquisition, we entered into a triple-net lease agreement for Greektown with a subsidiary of Penn National. The lease has an initial total annual rent of $55.6 million and an initial term of 15 years, with four five-year tenant renewal options. The tenant's obligations under the lease are guaranteed by Penn National and certain of its subsidiaries. We determined that the land and building components of the Greektown Lease Agreement meet the definition of a sales-type lease and have recorded the corresponding asset, including related acquisition and transaction costs, in Investments in direct financing and sales-type leases on our Balance Sheet.

Closing of Purchase of Margaritaville

On January 2, 2019, we completed the previously announced transaction to acquire the land and real estate assets of Margaritaville for $261.1 million. Penn National acquired the operating assets of Margaritaville for $114.9 million. Simultaneous with the closing of this transaction, we entered into a triple-net lease agreement with a subsidiary of Penn National. The lease has an initial annual rent of $23.2 million and an initial term of 15 years, with four five-year tenant renewal options. The tenant's obligations under the lease are guaranteed by Penn National and certain of its subsidiaries. We determined that the land and building components of the Margaritaville Lease Agreement meet the definition of a sales-type lease and have recorded the corresponding asset, including related acquisition and transaction costs, in Investments in direct financing and sales-type leases on our Balance Sheet.

2018 Transactions

Our significant activities in 2018, in reverse chronological order, are as follows:

Purchase of Harrah's Philadelphia and Octavius Tower

On December 26, 2018 we completed the previously announced transaction with Caesars to acquire all of the land and real estate assets associated with Harrah's Philadelphia Casino and Racetrack ("Harrah's Philadelphia") from Caesars for $241.5 million, which purchase price was reduced by $159.0 million to reflect the aggregate net present value of the modifications to the Caesars Lease Agreements (as further described below), resulting in cash consideration of approximately $82.5 million. In addition, on July 11, 2018, we completed the previously announced transaction with Caesars to acquire, and lease back, all of the land and real estate assets associated with the Octavius Tower at Caesars Palace ("Octavius Tower") for a purchase price of $507.5 million in cash. Octavius Tower is operated pursuant to the CPLV Lease Agreement, which provides for annual rent with respect to Octavius Tower of $35.0 million payable in equal consecutive monthly installments and has an initial term that expires on October 31, 2032, with four five-year tenant renewal options.

In connection with the closing of the acquisition of Harrah's Philadelphia, each of the Non-CPLV Lease Agreement and the CPLV Lease Agreement were amended to, among other things, include Harrah's Philadelphia and Octavius Tower, respectively, and Caesars will continue to operate both properties under the terms of such leases. The amendment to the Non-CPLV Lease Agreement provided for an additional $21.0 million in annual rent for Harrah's Philadelphia, which is subject to the amended provisions of the lease. The HLV Lease Agreement and the Joliet Lease Agreement were modified at such time to achieve consistency with the other Lease Agreements. Refer to Note 5 - Real Estate Portfolio for a summary of the terms of the modified leases.

Other Agreements with Caesars

Caesars Forum Convention Center - Put/Call Agreement

In December 2017, we sold to Caesars approximately 18.4 acres of certain parcels located in Las Vegas, Nevada, east of Harrah's Las Vegas, known as the Eastside Property, for $73.6 million. The Caesars Forum Convention Center is currently being constructed on the Eastside Property. Accordingly, we entered into a put/call agreement with Caesars, which provides both parties with certain rights and obligations including: (i) a put right in favor of Caesars, which, if exercised, would result in the sale by Caesars to us and simultaneous leaseback by us to Caesars of the Caesars Forum Convention Center (the "Put Right"); (ii) if Caesars exercises the Put Right and, among other things, the sale of the Caesars Forum Convention Center to us does not close for certain reasons more particularly described in the put/call agreement, then a repurchase right in favor of Caesars, which, if exercised, would result in the sale of Harrah's Las Vegas by us to Caesars; and (iii) a call right in our favor, which, if exercised, would result in the sale by Caesars to us and simultaneous leaseback by us to Caesars of the Caesars Forum Convention Center. This agreement survives the closing of the ERI/Caesars Merger.

Due to the put/call option on the land parcels, it was determined that the transaction does not meet the requirements of a completed sale for accounting purposes. As a result, at December 31, 2017, we reclassified $73.6 million from Investments in operating leases to Land and recorded a $73.6 million Deferred financing liability on our Balance Sheet.

Second Amended and Restated Right of First Refusal Agreement

Simultaneously with the sale of the Eastside Property, we also entered into an Amended and Restated Right of First Refusal Agreement with Caesars pursuant to which we will have a right, subject to certain exclusions, (i) to acquire (and lease to Caesars) any of the gaming facilities of Centaur Properties, which were acquired by Caesars in the third quarter of 2018, (ii) to acquire (and lease to Caesars) any domestic gaming facilities located outside of the Gaming Enterprise District of Clark County, Nevada, proposed to be acquired or developed by Caesars, and (iii) to acquire certain income-producing improvements if built by Caesars in lieu of the Caesars Forum Convention Center on the Eastside Property, subject to certain exclusions.

The Amended and Restated Right of First Refusal Agreement also contains a right of first refusal in favor of Caesars, pursuant to which Caesars will have the right to lease and manage any domestic gaming facility located outside of Greater Las Vegas, proposed to be acquired or developed by us that is not: (i) any asset that is then subject to a pre-existing lease, management agreement or other contractual restriction that was not entered into in contemplation of such acquisition or development and which (x) was entered into on arms' length terms and (y) would not be terminated upon or prior to closing of such transaction, (ii) any transaction for which the opco/propco structure would be prohibited by applicable laws, rules or regulations or which would require governmental consent, approval, license or authorization (unless already received), (iii) any transaction structured by the seller as a sale-leaseback, (iv) any transaction in which we and/or our affiliates will not own at least 50% of, or control, the entity that will own the gaming facility, and (v) any transaction in which we or our affiliates propose to acquire a then-existing gaming facility from ourselves or our affiliates.

In the event that the foregoing rights are not exercised by us or Caesars and CEOC, as applicable, each party will have the right to consummate the subject transaction without the other's involvement, provided the same is on terms no more favorable to the counterparty than those presented to us or Caesars and CEOC, as applicable, for consummating such transaction.

In December 2018, we entered into the Second Amended and Restated Right of First Refusal Agreement, which replaced the Amended and Restated Right of First Refusal Agreement and, among other things, provides us with the right to acquire from Caesars, under certain circumstances, certain undeveloped land adjacent to the Las Vegas Strip. Upon closing of the ERI/Caesars Merger, the Second Amended and Restated Right of First Refusal will be terminated and we will enter into the Las Vegas ROFR and the Horseshoe Baltimore ROFR.

Option Properties

Call Right Agreements

On the Formation Date, we entered into certain call right agreements, which provide us with the opportunity to acquire Harrah's Atlantic City, Harrah's New Orleans and Harrah's Laughlin from Caesars. We can exercise the call rights within 5 years from the Formation Date by delivering a request to the applicable owner of the property containing evidence of our ability to finance the call right. The purchase price for each property will be 10 multiplied by the initial property lease rent for the respective property, with the initial property lease rent for each property being the amount that causes the ratio of (x) EBITDAR of the property for the most recently ended four-quarter period for which financial statements are available to (y) the initial property lease rent to equal 1.67. As described above under "Eldorado Transaction-Acquisition of the MTA Properties," we have entered into agreements to acquire all of the land and real estate assets associated with the MTA Properties, and the existing call right agreements will terminate, upon the earlier to occur of the closing of the corresponding MTA Property Acquisition or our obtaining specific performance or liquidated damages with respect to the relevant property in accordance with the terms of the MTA.

Note 5 — Real Estate Portfolio

As of September 30, 2019, our real estate portfolio consisted of the following:

- Investments in direct financing and sales-type leases, representing our investment in 24 casino assets leased on a triple net basis to our tenants, Caesars, Penn National and Hard Rock, under seven separate lease agreements;
- Investments in operating leases, representing the portion of land separately classified and accounted for under the operating lease model associated with our investment in Caesars Palace Las Vegas and certain operating land parcels contained in the Non-CPLV Lease Agreement; and
- Land, representing our investment in the Eastside Property and certain non-operating, vacant land parcels contained in the Non-CPLV Lease Agreement.

The following is a summary of the balances of our real estate portfolio as of September 30, 2019 and December 31, 2018:

(In thousands)	September 30, 2019	December 31, 2018
Minimum lease payments receivable under direct financing and sales-type leases (1)	$ 30,696,914	$ 27,285,943
Estimated residual values of leased property (not guaranteed)	2,472,977	2,135,312
Gross investment in direct financing and sales-type leases	33,169,891	29,421,255
Unamortized initial direct costs	40,100	22,822
Less: Unearned income	(22,754,091)	(20,528,030)
Investment in direct financing and sales-type leases, net	10,455,900	8,916,047
Investment in operating leases	1,086,658	1,086,658
Total Investments in leases, net	11,542,558	10,002,705
Land	94,711	95,789
Total Real estate portfolio	$ 11,637,269	$ 10,098,494

(1) Minimum lease payments do not include contingent rent, as discussed below, that may be received under the Lease Agreements.

The following table details the components of our income from direct financing, sales-type and operating leases:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Income from direct financing and sales-type leases	$ 206,001	$ 189,938	$ 603,300	$ 554,293
Income from operating leases (1)	10,913	12,209	32,740	36,627
Total lease revenue	216,914	202,147	636,040	590,920
Direct financing and sales-type lease adjustment (2)	2,494	(13,007)	(2,295)	(39,117)
Total contractual lease revenue	$ 219,408	$ 189,140	$ 633,745	$ 551,803

(1) Represents portion of land separately classified and accounted for under the operating lease model associated with our investment in Caesars Palace Las Vegas and certain operating land parcels contained in the Non-CPLV Lease Agreement.
(2) Amounts represent the non-cash adjustment to income from direct financing and sales-type leases in order to recognize income on an effective interest basis at a constant rate of return over the term of the leases.

At September 30, 2019, minimum lease payments owed to us for each of the five succeeding years under direct financing, sales-type and operating leases are as follows:

(In thousands)	Minimum Lease Payments (1)
2019 (remaining)	$ 230,606
2020	928,949
2021	935,124
2022	945,502
2023	960,116
2024	972,078
Thereafter	27,168,734
Total	$ 32,141,109

(1) Minimum lease payments do not include contingent rent, as discussed below, that may be received under the Lease Agreements.

The weighted average remaining lease term, assuming the exercise of all tenant renewal options, for our direct financing, sales-type and operating leases at September 30, 2019 was 33.3 years.

Lease Provisions

Caesars Lease Agreements - Overview

The following is a summary of the material lease provisions of our Caesars Lease Agreements (which does not reflect the modifications to the Caesars Lease Agreements contemplated in connection with the closing of the Eldorado Transaction):

($ In thousands)

Lease Provision (1)	Non-CPLV Lease Agreement and Joliet Lease Agreement	CPLV Lease Agreement	HLV Lease Agreement
Initial Term	15 years	15 years	15 years
Renewal Terms	Four, five-year terms	Four, five-year terms	Four, five-year terms
Initial Base Rent (2)	$493,925	$200,000	$87,400
Current Base Rent (3)	$501,019	$204,358	$88,274
Escalator commencement	Lease year two	Lease year two	Lease year two
Escalator (4)	Lease years 2-5 - 1.5% Lease Years 6-15 - Consumer price index subject to 2% floor	Consumer price index subject to 2% floor	Lease years 2-5 - 1% Lease Years 6-15 - Consumer price index subject to 2% floor
EBITDAR to Rent Ratio floor (5)	1.2x commencing lease year 8	1.7x commencing lease year 8	1.6x commencing lease year 6
Variable Rent commencement/reset	Lease years 8 and 11	Lease years 8 and 11	Lease years 8 and 11
Variable Rent split (6)	Lease years 8-10 - 70% Base Rent and 30% Variable Rent Lease years 11-15- 80% Base Rent and 20% Variable Rent	80% Base rent and 20% Variable rent	80% Base rent and 20% Variable rent
Variable Rent percentage (6)	4%	4%	4%

(1) All capitalized terms used without definition herein have the meanings detailed in the applicable Caesars Lease Agreements.
(2) Reflects the addition of $21.0 million and $35.0 million per annum under the Non-CPLV Lease and the CPLV Lease, respectively, to incorporate the base rent for Harrah's Philadelphia and Octavius Tower, respectively. The additional $35.0 million of rent for Octavius Tower is not subject to the Escalator.
(3) In relation to the Non-CPLV Lease Agreement, Joliet Lease Agreement and CPLV Lease Agreement, the amount represents the current annual base rent payable for the current lease year which is the period from November 1, 2018 through October 31, 2019. In relation to the HLV Lease Agreement the amount represents current annual base rent payable for the current lease year which is the period from January 1, 2019 through December 31, 2019.
(4) Any amounts representing rents in excess of the CPI floors specified above are considered contingent rent in accordance with GAAP. No such rent has been recognized for the three and nine months ended September 30, 2019.
(5) In the event that the EBITDAR to Rent Ratio coverage is below the stated floor, the Escalator of the respective Caesars Lease Agreements will be reduced to such amount to achieve the stated EBITDAR to Rent Ratio coverage, provided that the amount shall never result in a decrease to the prior year's rent. The EBITDAR to Rent Ratio floor is conditioned upon obtaining a favorable private letter ruling from the Internal Revenue Service. The coverage floors, which coverage floors serve to reduce the rent escalators under the Caesars Lease Agreements in the event that the "EBITDAR to Rent Ratio" coverage is below the stated floor, will be removed upon execution of the amendments to the Caesars Lease Agreements in connection with the closing of the Eldorado Transaction.
(6) Variable Rent is not subject to the Escalator and is calculated as an increase or decrease of Net Revenues, as defined in the Caesars Lease Agreements, multiplied by the Variable Rent percentage.

Penn National Lease Agreements - Overview

The following is a summary of the material lease provisions of our Penn National Lease Agreements:

($ In thousands)

Lease Provision	**Margaritaville Lease Agreement**	**Greektown Lease Agreement**
Initial term	15 years	15 years
Renewal terms	Four, five-year terms	Four, five-year terms
Building base rent	$17,200	$42,800
Escalation commencement	Lease year two	Lease year two
Escalation	2% of Building base rent, subject to the EBITDAR to rent ratio floor	2% of Building base rent, subject to the EBITDAR to rent ratio floor
EBITDAR to rent ratio floor [(1)]	1.9x commencing lease year two	1.85x commencing lease year two
Land base rent [(2)]	$3,000	$6,400
Percentage rent [(3)]	$3,000 (fixed for lease year one and two)	$6,400 (fixed for lease year one and two)
Percentage rent reset	Lease year three and each and every other lease year thereafter	Lease year three and each and every other lease year thereafter
Percentage rent multiplier	The product of (i) 4% and (ii) the excess (if any) of (a) the average annual net revenue of a trailing two-year period preceding such reset year over (b) a threshold amount (defined as 50% of LTM net revenues prior to acquisition)	The product of (i) 4% and (ii) the excess (if any) of (a) the average annual net revenue of a trailing two-year period preceding such reset year over (b) a threshold amount (defined as 50% of LTM net revenues prior to acquisition)
Total current rent [(4)]	$23,200	$55,600

(1) In the event that the EBITDAR to rent ratio coverage is below the stated floor, the escalation will be reduced to such amount to achieve the stated EBITDAR to rent ratio coverage, provided that the amount shall never result in a decrease to the prior year's rent. The EBITDAR to rent ratio floor is conditioned upon obtaining a favorable private letter ruling from the Internal Revenue Service.
(2) Land base rent is not subject to escalation.
(3) Percentage rent is subject to the percentage rent multiplier. After the percentage rent reset in lease year three, any amounts related to percentage rent are considered contingent rent in accordance with GAAP. No such rent has been recognized for the three and nine months ended September 30, 2019.
(4) In relation to the Margaritaville Lease Agreement, the amount represents current annual base rent payable for the current lease year which is the period from January 2, 2019 through January 31, 2020. In relation to the Greektown Lease Agreement, the amount represents current annual base rent payable for the current lease year which is the period from May 23, 2019 through May 31, 2020.

JACK Cincinnati Lease Agreement - Overview

On September 20, 2019, we completed the previously announced transaction to acquire JACK Cincinnati. The following is a summary of the material lease provisions of our lease with a subsidiary of Hard Rock, which commenced on September 20, 2019, the date of acquisition:

($ In thousands)

Lease Provision	Term
Initial term	15 years
Renewal terms	Four, five-year terms
Initial base rent	$42,750
Current base rent (1)	$42,750
Escalator commencement	Lease year two
Escalator *(2)*	Lease years 2-4 - 1.5% Lease Years 5-15 - The greater of 2% or the change in consumer price index ("CPI") unless the change in CPI is less than 0.5%, in which case there is no escalator
Variable rent commencement/reset	Lease year 8
Variable rent split *(3)*	80% Base Rent and 20% Variable Rent
Variable rent percentage *(3)*	4%

(1)The amount represents the current annual base rent payable for the current lease year which is the period from September 20, 2019 through September 30, 2020.
(2) Any amounts representing rents in excess of the CPI floors specified above are considered contingent rent in accordance with GAAP. No such rent has been recognized for the three and nine months ended September 30, 2019.
(3) Variable rent is not subject to the escalator and is calculated as an increase or decrease of the average of net revenues for lease years 5 through 7 compared to the average net revenue for lease years 1 through 3, multiplied by the Variable rent percentage.

Capital Expenditure Requirements

We manage our residual asset risk through protective covenants in our Lease Agreements, which require the tenant to, among other things, hold specific insurance coverage, engage in ongoing maintenance of the property and invest in capital improvements. With respect to the capital improvements, the Lease Agreements specify certain minimum amounts that our tenants must spend on capital expenditures that constitute installation, restoration and repair or other improvements of items with respect to the leased properties.

The following table summarizes the capital expenditure requirements of our tenants under the Lease Agreements:

Provision	Non-CPLV Lease Agreement and Joliet Lease Agreement	CPLV Lease Agreement	HLV Lease Agreement	Penn National Lease Agreements	JACK Cincinnati Lease Agreement
Yearly minimum expenditure	1% of net revenues (1)	1% of net revenues (1)	1% of net revenues commencing in 2022	1% of net revenues based on rolling four-year basis	1% of net revenues
Rolling three-year minimum (2)	$255 million	$84 million	N/A	N/A	N/A
Initial minimum capital expenditure	N/A	N/A	$171 million (2017 - 2021)	N/A	N/A

(1) The lease agreement requires a $100 million floor on annual capital expenditures for CPLV, Joliet and Non-CPLV in the aggregate. Additionally, annual building & improvement capital improvements must be equal to or greater than 1% of prior year net revenues.
(2) CEOC is required to spend $350 million on capital expenditures (excluding gaming equipment) over a rolling three-year period, with $255 million allocated to Non-CPLV, $84 million allocated to CPLV and the remaining balance of $11 million to facilities covered by any Formation Lease Agreement in such proportion as CEOC may elect. Additionally, CEOC is required to expend a minimum of $495 million on capital expenditures (including gaming equipment) across certain of its affiliates and other assets, together with the $350 million requirement.

VICI PROPERTIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Loss on Impairment

On the Formation Date, CEOC transferred certain vacant, non-operating land parcels to us which are subject to the provisions of the Non-CPLV Lease. The Non-CPLV Lease allows for the sale of these vacant, non-operating land parcels without Caesars' consent since they are specifically identified as de minimis to the operations of Caesars. All of the land parcels are located outside of Las Vegas and none of the land parcels are a component of the operations of our regional property portfolio. These vacant parcels of land had a fair value of $34.7 million on the Formation Date and were included in Investments in operating leases on our Balance Sheet.

During the quarter ended September 30, 2018 we undertook a short-term strategic initiative to monetize certain of these vacant, non-operating land parcels. In relation to this initiative, we sold one land parcel in the quarter ended September 30, 2018 and had price indications on two other parcels of land. Based on the sales prices and price indications, we determined that the fair value of these three land parcels was lower than their current carrying values and recognized an impairment charge of $6.3 million, based on the anticipated sales prices. As a result of the identified impairment on these three parcels of land, we undertook an evaluation to assess whether indicators of impairment were present on the remaining vacant, non-operating land parcels. We used a sales comparison approach to determine the fair value of the remaining vacant, non-operating land parcels and identified $6.0 million in additional impairment charges. The impairment loss recorded was the result of various factors including changes in market conditions, strategic assessment and environmental and zoning issues that were identified during the sales process. Taking into account the impairment charge recognized in the quarter ended September 30, 2018 and the sale of one of the parcels that occurred during such quarter, the current carrying value of the vacant, non-operating land parcels is $21.1 million as of September 30, 2019.

Note 6 — Other Assets and Other Liabilities

Other Assets

The following table details the components of our other assets as of September 30, 2019 and December 31, 2018:

(In thousands)	September 30, 2019	December 31, 2018
Property and equipment used in operations, net	$ 70,994	$ 71,513
Debt issuance costs	27,868	6,190
Right of use assets	19,732	—
Deferred acquisition costs	9,217	7,062
Other	6,581	1,253
Interest receivable	2,510	886
Prepaid expenses	1,018	3,060
Tenant receivable for property taxes	—	25,586
Total other assets	$ 137,920	$ 115,550

Property and equipment used in operations, included within other assets, is primarily attributable to the land, building and improvements of our golf operations and consists of the following as of September 30, 2019 and December 31, 2018:

(In thousands)	September 30, 2019	December 31, 2018
Land and land improvements	$ 59,293	$ 58,573
Buildings and improvements	14,666	14,572
Furniture and equipment	4,420	2,805
Total property and equipment used in operations	78,379	75,950
Less: accumulated depreciation	(7,385)	(4,437)
Total property and equipment used in operations, net	$ 70,994	$ 71,513

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Depreciation expense	$ 1,000	$ 929	$ 2,948	$ 2,757

Other Liabilities

The following table details the components of our other liabilities as of September 30, 2019 and December 31, 2018:

(In thousands)	September 30, 2019	December 31, 2018
Derivative liability	$ 77,116	$ 22,124
Other accrued expenses	40,790	30,951
Lease liabilities	19,732	—
Accrued payroll and other compensation	4,621	4,934
Deferred income taxes	3,515	3,340
Accounts payable	1,307	1,057
Total other liabilities	$ 147,081	$ 62,406

Note 7— Debt

The following tables detail our debt obligations as of September 30, 2019 and December 31, 2018:

($ in thousands)	September 30, 2019			
Description of Debt	Final Maturity	Interest Rate	Face Value	Carrying Value[1]
VICI PropCo Senior Secured Credit Facilities				
Revolving Credit Facility [2]	2024	L + 2.00%	$ —	$ —
Term Loan B Facility [3]	2024	L + 2.00%	2,100,000	2,076,993
Second Lien Notes [4]	2023	8.00%	498,480	498,480
CPLV Debt				
CPLV CMBS Debt [5]	2022	4.36%	1,550,000	1,550,000
Total Debt			$ 4,148,480	$ 4,125,473

VICI PROPERTIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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($ in thousands)	December 31, 2018					
Description of Debt	Final Maturity	Interest Rate		Face Value		Carrying Value(1)
VICI PropCo Senior Secured Credit Facilities						
Revolving Credit Facility (2)	2022	L + 2.00%	$	—	$	—
Term Loan B Facility (3)	2024	L + 2.00%		2,100,000		2,073,784
Second Lien Notes (4)	2023	8.00%		498,480		498,480
CPLV Debt						
CPLV CMBS Debt (5)	2022	4.36%		1,550,000		1,550,000
Total Debt			$	4,148,480	$	4,122,264

(1) *Carrying value is net of unamortized original issue discount and unamortized debt issuance costs incurred in conjunction with debt.*
(2) *Interest on any outstanding balance is payable monthly. The Revolving Credit Facility initially bore interest at LIBOR plus 2.25% and was subject to a 0.5% commitment fee. Upon our initial public offering, on February 5, 2018, the interest rate was reduced to LIBOR plus 2.00%. On May 15, 2019, we amended our Revolving Credit Facility to, among other things, increase borrowing capacity by $600 million to a total of $1.0 billion and extend the maturity date to May 2024. After giving effect to the amendments executed on May 15, 2019, borrowings under the Revolving Credit Facility will bear interest at a rate based on a leverage based pricing grid with a range of 1.75% to 2.00% over LIBOR, or between 0.75% and 1.00% over the base rate depending on our total net debt to adjusted total assets ratio. Additionally, after giving effect to the amendments executed on May 15, 2019, the commitment fee under the Revolving Credit Facility is calculated on a leverage-based pricing grid with a range of 0.375% to 0.5%, in each case depending on our total net debt to adjusted total assets ratio. For the three and nine months ended September 30, 2019 the commitment fee was 0.5%.*
(3) *Interest on any outstanding balance is payable monthly. The Term Loan B Facility initially bore interest at LIBOR plus 2.25%. Upon our initial public offering, on February 5, 2018, the interest rate was reduced to LIBOR plus 2.00%. As of September 30, 2019, we had six interest rate swap agreements outstanding with third-party financial institutions having an aggregate notional amount of $2.0 billion at a blended LIBOR rate of 2.7173%. As of December 31, 2018, we had four interest rate swap agreements outstanding with third-party financial institutions having an aggregate notional amount of $1.5 billion at a LIBOR rate of 2.8297%. The interest rate swaps are designated as cash flow hedges that effectively fix the LIBOR component of the interest rate on a portion of the outstanding debt. Final maturity is December 2024 or, to the extent the Second Lien Notes remain outstanding, July 2023 (three months prior to the maturity of the Second Lien Notes).*
(4) *Interest is payable semi-annually.*
(5) *Interest is payable monthly.*

The following table is a schedule of future minimum payments of our debt obligations as of September 30, 2019:

(In thousands)		Future Minimum Payments
2019 (remaining)	$	—
2020		—
2021		—
2022		1,560,000
2023		520,480
2024		2,068,000
Total minimum repayments	$	4,148,480

Senior Secured Credit Facilities

In December 2017, VICI PropCo entered into a credit agreement (the "Credit Agreement") comprised of a $2.2 billion Term Loan B Facility and a $400.0 million Revolving Credit Facility (the Term Loan B Facility and the Revolving Credit Facility, as amended as discussed below, are referred to together as the "Senior Secured Credit Facilities"). The Senior Secured Credit Facilities initially bore interest at LIBOR plus 2.25%. Upon our initial public offering, on February 5, 2018, the interest rate was reduced to LIBOR plus 2.00%, as contemplated by the Credit Agreement.

On May 15, 2019, VICI Propco, entered into Amendment No. 2 ("Amendment No. 2") to the Credit Agreement, pursuant to which certain lenders agreed to provide VICI Propco with incremental revolving credit commitments and availability under the revolving credit facility in the aggregate principal amount of $600.0 million on the same terms as VICI Propco's current revolving credit facility under the Revolving Credit Facility. After giving effect to Amendment No. 2, the Credit Agreement, provided total borrowing capacity pursuant to the revolving credit commitments in the aggregate principal amount of $1.0 billion.

On May 15, 2019, immediately after giving effect to Amendment No. 2, VICI Propco entered into Amendment No. 3 ("Amendment No. 3", together with Amendment No. 2, the "Amendments") to the Credit Agreement, which amended and restated the Credit Agreement in its entirety as of May 15, 2019 (the "Amended and Restated Credit Agreement") to, among other things, (i) refinance the Revolving Credit Facility in whole with a new class of revolving commitments, (ii) extend the maturity date to May 15, 2024, which represents an extension of the December 22, 2022 maturity date of the Revolving Credit Facility, (iii) provide that borrowings under the Revolving Credit Facility will bear interest at a rate based on a leverage-based pricing grid with a range of between 1.75% to 2.00% over LIBOR, or between 0.75% and 1.00% over the base rate, in each case depending on our total net debt to adjusted total assets ratio, (iv) provide that the commitment fee payable under the Revolving Credit Facility will bear interest at a rate based on a leverage-based pricing grid with a range of between 0.375% to 0.50% depending on our total net debt to adjusted total assets ratio, (v) amend the existing springing financial covenant, which previously required VICI Propco to maintain a total net debt to adjusted asset ratio of not more than 0.75 to 1.00 if there was 30% utilization of the Revolving Credit Facility, to require that, only with respect to the Revolving Credit Facility commencing with the first full fiscal quarter ending after the effectiveness of Amendment No. 3, VICI Propco maintain a maximum total net debt to adjusted asset ratio of not more than 0.65 to 1.00 as of the last day of any fiscal quarter (or, during any fiscal quarter in which certain permitted acquisitions were consummated and the three consecutive fiscal quarters thereafter, not more than 0.70 to 1.00), and (vi) include a new financial covenant only with respect to the Revolving Credit Facility, requiring VICI Propco to maintain, commencing with the first full fiscal quarter after the effectiveness of Amendment No. 3, an interest coverage ratio (defined as EBITDA to interest charges) of not less than 2.00 to 1.00 as of the last day of any fiscal quarter. The Revolving Credit Facility is available to be used for working capital purposes, capital expenditures, permitted acquisitions, permitted investments, permitted restricted payments and for other lawful corporate purposes. The Amended and Restated Credit Agreement provides for capacity to add incremental loans in an aggregate amount of: (x) $1.2 billion to be used solely to finance certain acquisitions; plus (y) an unlimited amount, subject to VICI Propco not exceeding certain leverage ratios.

The Amended and Restated Credit Agreement provides that, in the event the LIBOR Rate is no longer in effect, a comparable or successor rate approved by the Administrative Agent under such facility shall be utilized, provided that such approved rate shall be applied in a manner consistent with market practice.

The Amended and Restated Credit Agreement contains customary covenants that are consistent with those set forth in the Credit Agreement (except as to the financial covenants described above), which, among other things, limit the ability of VICI PropCo and its restricted subsidiaries to: (i) incur additional indebtedness; (ii) merge with a third party or engage in other fundamental changes; (iii) make restricted payments; (iv) enter into, create, incur or assume any liens; (v) make certain sales and other dispositions of assets; (vi) enter into certain transactions with affiliates; (vii) make certain payments on certain other indebtedness; (viii) make certain investments; and (ix) incur restrictions on the ability of restricted subsidiaries to make certain distributions, loans or transfers of assets to VICI PropCo or any restricted subsidiary. These covenants are subject to a number of exceptions and qualifications, including, with respect to the restricted payments covenant, the ability to make unlimited restricted payments to maintain our REIT status and to avoid the payment of federal or state income or excise tax, the ability to make restricted payments in an amount not to exceed 95% of our Funds from Operations (as defined in the Amended and Restated Credit Agreement) subject to no event of default under the Amended and Restated Credit Agreement and pro forma compliance with the financial covenant pursuant to the Amended and Restated Credit Agreement, and the ability to make additional restricted payments in an aggregate amount not to exceed the greater of 0.6% of Adjusted Total Assets or $30,000,000. We are also subject to the financial covenants under the Revolving Credit Facility, as previously described above. As of September 30, 2019, the restricted net assets of VICI PropCo were approximately $6.7 billion.

The Senior Secured Credit Facilities are secured by a first priority lien on substantially all of VICI PropCo's and its existing and subsequently acquired wholly owned material domestic restricted subsidiaries' material assets, including mortgages on their respective real estate, subject to customary exclusions. None of VICI nor certain subsidiaries of VICI PropCo, including CPLV Borrower, are subject to the covenants of the Amended and Restated Credit Agreement or are guarantors of the Senior Secured Credit Facilities. The Term Loan B Facility may be voluntarily prepaid at VICI PropCo's option, in whole or in part, at any time, and is subject to mandatory prepayment in the event of receipt by VICI PropCo or any of its restricted subsidiaries of the proceeds from the occurrence of certain events, including asset sales, casualty events and issuance of certain indebtedness.

In February 2018, we completed an initial public offering resulting in net proceeds of approximately $1.3 billion. We used a portion of those proceeds to pay down the $300.0 million outstanding on the Revolving Credit Facility and to repay $100.0 million of the principal amount outstanding on the Term Loan B Facility. Under the Amended and Restated Credit Agreement, the Term Loan B Facility is subject to amortization of 1.0% of principal per annum payable in equal quarterly installments on the last business day of each calendar quarter. However, as a result of prepaying $100.0 million of the Term Loan B Facility in February 2018 the next principal payment due on the Term Loan B Facility is September 2022.

Refer to Note 8—Derivatives for a discussion of our interest rate swap agreements related to the Term Loan B Facility.

CPLV CMBS Debt

The CPLV CMBS Debt was incurred on October 6, 2017 pursuant to a loan agreement (the “CMBS Loan Agreement”), and is secured by a first priority lien on all of the assets of CPLV Property Owner LLC, as borrower (“CPLV Borrower”), including CPLV Borrower’s fee interest in and to Caesars Palace Las Vegas and interest in the CPLV Lease Agreement and all related agreements, including the Lease Agreements, subject only to certain permitted encumbrances as set forth in the CMBS Loan Agreement. The CPLV CMBS Debt bears interest at 4.36% per annum. The CPLV CMBS Debt is evidenced by one or more promissory notes and secured by, among other things, a mortgage, deed of trust or other similar security instrument that creates a mortgage lien on the fee and/or leasehold interest of the CPLV Borrower.

The CMBS Loan Agreement contains certain covenants limiting CPLV Borrower’s ability to, among other things: (i) incur additional debt; (ii) enter into certain transactions with its affiliates; (iii) consolidate, merge, sell or otherwise dispose of its assets; and (iv) allow transfers of its direct or indirect equity interests.

We intend to cause the CPLV CMBS Debt to be repaid in full prior to the closing of the ERI/Caesars Merger. Pursuant to the terms of the Master Transaction Agreement, ERI has agreed to reimburse us for 50% of our out-of-pocket costs in connection with any prepayment penalties associated with refinancing the CPLV CMBS Debt (which reimbursement obligations exist pursuant to the MTA regardless of whether the ERI/Caesars Merger is consummated).

Second Lien Notes

The Second Lien Notes were issued on October 6, 2017, pursuant to an indenture (the “Indenture”) by and among VICI PropCo and its wholly owned subsidiary, VICI FC Inc. (together, the “Issuers”), the subsidiary guarantors party thereto, and UMB Bank National Association, as trustee. The Second Lien Notes are guaranteed by each of the Issuers’ existing and subsequently acquired wholly owned material domestic restricted subsidiaries and secured by a second priority lien on substantially all of the Issuers’ and such restricted subsidiaries’ material assets, including mortgages on their respective real estate, subject to customary exclusions. None of VICI nor certain subsidiaries of VICI PropCo, including CPLV Borrower, are subject to the covenants of the Indenture or are guarantors of the Second Lien Notes.

The Indenture contains covenants that limit the Issuers’ and their restricted subsidiaries’ ability to, among other things: (i) incur additional debt; (ii) pay dividends on or make other distributions in respect of their capital stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) create or permit to exist dividend and/or payment restrictions affecting their restricted subsidiaries; (vi) create liens on certain assets to secure debt; (vii) consolidate, merge, sell or otherwise dispose of all or substantially all of their assets; (viii) enter into certain transactions with their affiliates; and (ix) designate their subsidiaries as unrestricted subsidiaries. These covenants are subject to a number of exceptions and qualifications, including the ability to declare or pay any cash dividend or make any cash distribution to VICI to the extent necessary for VICI to distribute cash dividends of 100% of our “real estate investment trust taxable income” within the meaning of Section 857(b)(2) of the Internal Revenue Code of 1986, as amended, the ability to make certain restricted payments not to exceed the amount of our cumulative earnings (calculated pursuant to the Indenture as $30,000,000 plus 95% of our cumulative Adjusted Funds From Operations (as defined in the Indenture) less cumulative distributions, with certain other adjustments), and the ability to make restricted payments in an amount equal to the greater of 0.6% of Adjusted Total Assets (as defined in the Indenture) or $30,000,000.

Prior to October 15, 2020, the Second Lien Notes are redeemable at the option of the Issuers, at a redemption price of 100% of the principal amount of the Second Lien Notes redeemed plus accrued and unpaid interest, if any, to the applicable redemption date, plus an applicable premium equal to the excess of (a) the present value of (i) 104% of the principal amount of the Second Lien Notes so redeemed plus (ii) all required interest payments due on such Second Lien Notes through October 15, 2020, computed using a discount rate equal to the then-applicable U.S. Treasury rate plus 50 basis points, over (b) the then-outstanding principal amount of the Second Lien Notes so redeemed. The Issuers also had the option to redeem up to 35% of the original aggregate principal amount of the Second Lien Notes with the net cash proceeds of certain issuances of common or preferred equity by VICI PropCo or VICI, at a price equal to 108% of such principal amount of the Second Lien Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date. On or after October 15, 2020, the Second Lien Notes are redeemable at the option of the Issuers, at a redemption price of (a) 104% of the principal amount of the Second Lien Notes so redeemed for the period October 15, 2020 through October 14, 2021 and (b) 100% of the principal amount of the Second Lien Notes so redeemed after October 15, 2021, in each case, plus accrued and unpaid interest to the redemption date.

In February 2018, we used a portion of the proceeds from our initial public offering to redeem $268.4 million of the Second Lien Notes, which represented 35% of the original aggregate principal amount, at a redemption price of 108% plus accrued and unpaid interest to the date of redemption. Due to the partial redemption of the Second Lien Notes, we recognized a loss on extinguishment of debt of $23.0 million during the three months ended March 31, 2018, the majority of which relates to the premium paid on the redemption price.

Bridge Facilities

On June 24, 2019, in connection with the Eldorado Transaction, VICI PropCo entered into the Commitment Letter with the Bridge Lender, pursuant to which and subject to the terms and conditions set forth therein, the Bridge Lender has agreed to provide (i) a 364-day first lien secured bridge facility of up to $3.3 billion in the aggregate and (ii) a 364-day second lien secured bridge facility of up to $1.5 billion in the aggregate, for the purpose of providing a portion of the financing necessary to fund the consideration to be paid pursuant to the terms of the Eldorado Transaction documents and related fees and expenses. The Bridge Facilities are subject to a tiered commitment fee based on the period the commitment is outstanding and a structuring fee. The commitment fee is equal to, with respect to any commitments that are terminated prior to July 22, 2019, 0.25% of such commitments, with respect to any commitments that are outstanding on July 22, 2019 and are terminated prior to June 24, 2020, 0.50% of such commitments, with respect to any commitments that are outstanding on June 24, 2020 and are terminated prior to September 24, 2020, 0.75% of such commitments, and with respect to any commitments that are outstanding on September 24, 2020, 1.00% of such commitments. The structuring fee is equal to 0.10% of the total aggregate commitments at the date of the Commitment Letter and is payable as such commitments are terminated. For the three and nine months ended September 30, 2019 we have recognized $13.0 million and $13.4 million, respectively of fees related to the Bridge Facilities in Interest expense on our Statement of Operations.

Commitments and loans under the Bridge Facilities will be reduced or prepaid, as applicable, in part upon any issuance by us of equity or notes in a public offering or private placement and/or the incurrence of term loans and certain other debt and upon other specified events prior to the consummation of the Eldorado Transaction, in each case subject to the terms and certain exceptions set forth in the Commitment Letter, including that the commitments and loans will not be reduced as a result of the proceeds from primary follow-on offerings. If we use the Bridge Facilities, funding is contingent on the satisfaction of certain customary conditions set forth in the Commitment Letter, including, among others, (i) the execution and delivery of definitive documentation with respect to the Bridge Facilities in accordance with the terms set forth in the Commitment Letter and (ii) the consummation of the transactions in accordance with the Eldorado Transaction documents. Although we do not currently expect VICI PropCo to make any borrowings under the Bridge Facilities, there can be no assurance that such borrowings will not be made or that we will be able to incur alternative long-term debt financing in lieu of borrowings under the Bridge Facilities. Borrowing under the Bridge Facilities, if any, will bear interest at a floating rate that varies depending on the duration of the loans thereunder. Under the Eldorado Senior Bridge Facility, interest will be calculated on a rate between (i) LIBOR plus 200 basis points and LIBOR plus 275 basis or (ii) the base rate plus 100 basis points and the base rate plus 175 basis points, in each case depending on duration. Under the Eldorado Junior Bridge Facility, interest will be calculated on a rate between (x) LIBOR plus 300 basis points and LIBOR plus 375 basis or (y) the base rate plus 200 basis points and the base rate plus 275 basis points, in each case depending on duration. The Bridge Facilities, if funded, will contain restrictive covenants and events of default substantially similar to those contained in, with respect to the Eldorado Senior Bridge Facility, the Senior Secured Credit Facilities and, with respect to the Eldorado Junior Bridge Facility, the Second Lien Notes. If we draw upon the Bridge Facilities, there can be no assurances that we would be able to refinance the Bridge Facilities on terms satisfactory to us, or at all.

Financial Covenants

As described above, our debt obligations are subject to certain customary financial and protective covenants that restrict VICI PropCo and its subsidiaries' ability to incur additional debt, sell certain asset and restrict certain payments, among other things. These covenants are subject to a number of exceptions and qualifications, including the ability to make restricted payments to maintain our REIT status. At September 30, 2019, we are in compliance with all required covenants under our debt obligations.

Note 8 — Derivatives

On April 24, 2018, we entered into four interest rate swap agreements with third-party financial institutions having an aggregate notional amount of $1.5 billion. On January 3, 2019, we entered into two additional interest rate swap agreements with third-party financial institutions having an aggregate notional amount of $500.0 million. The interest rate swap transactions are designated as cash flow hedges that effectively fix the LIBOR component of the interest rate on a portion of the outstanding debt under the Term Loan B Facility at 2.8297% and 2.3802%, respectively. Subsequent to the effectiveness and for the duration of the interest rate swap transactions, we are only subject to interest rate risk on $100.0 million of variable rate debt.

The following tables detail our outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk as of September 30, 2019 and December 31, 2018:

($ in thousands)	September 30, 2019				
Instrument	**Number of Instruments**	**Fixed Rate**	**Notional**	**Index**	**Maturity**
Interest Rate Swaps	4	2.8297%	$ 1,500,000	USD LIBOR	April 22, 2023
Interest Rate Swaps	2	2.3802%	$ 500,000	USD LIBOR	January 22, 2021

($ in thousands)	December 31, 2018				
Instrument	**Number of Instruments**	**Fixed Rate**	**Notional**	**Index**	**Maturity**
Interest Rate Swaps	4	2.8297%	$ 1,500,000	USD LIBOR	April 22, 2023

As of September 30, 2019 and December 31, 2018, the interest rate swaps are in net unrealized loss positions and are recorded within Other liabilities. The following table presents the effect of our derivative financial instruments on our Statement of Operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2019**	**2018**	**2019**	**2018**
Unrealized (loss) gain recorded in other comprehensive income	$ (7,113)	$ 10,105	$ (54,992)	$ 5,465
Interest recorded in interest expense	$ 2,386	$ 2,823	$ 4,816	$ 4,235

Note 9 — Fair Value

The following tables summarize our assets and liabilities measured at fair value on a recurring basis as of September 30, 2019 and December 31, 2018:

	September 30, 2019			
(In thousands)		Fair Value		
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Short-term investments [(1)]	$ 342,767	$ —	$ 342,767	$ —
Financial liabilities:				
Derivative instruments - interest rate swaps [(2)]	$ 77,116	$ —	$ 77,116	$ —

(In thousands)	December 31, 2018							
	Carrying Amount		Fair Value					
			Level 1		Level 2		Level 3	
Financial assets:								
Short-term investments (1)	$	520,877	$	—	$	520,877	$	—
Financial liabilities:								
Derivative instruments - interest rate swaps (2)	$	22,124	$	—	$	22,124	$	—

(1) The carrying value of these investment is equal to their fair value due to the short-term nature of the investments as well as their credit quality.

(2) The fair values of our interest rate swap derivative instruments were estimated using advice from a third-party derivative specialist, based on contractual cash flows and observable inputs comprising interest rate curves and credit spreads, which are Level 2 measurements as defined under ASC 820.

The estimated fair values of our financial instruments as of September 30, 2019 and December 31, 2018 for which fair value is only disclosed are as follows:

(In thousands)	September 30, 2019				December 31, 2018			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
Financial assets:								
Cash and cash equivalents	$	431,423	$	431,423	$	577,883	$	577,883
Restricted cash		32,087		32,087		20,564		20,564
Financial liabilities:								
Debt (1)								
Revolving Credit Facility	$	—	$	—	$	—	$	—
Term Loan B Facility		2,076,993		2,102,625		2,073,784		2,016,000
Second Lien Notes		498,480		544,589		498,480		535,866
CPLV CMBS Debt		1,550,000		1,599,803		1,550,000		1,539,040

(1) The fair value of our debt instruments was estimated using quoted prices for identical or similar liabilities in markets that are not active and, as such, these fair value measurements are considered Level 2 of the fair value hierarchy.

The following table summarizes our assets and liabilities measured at fair value on a non-recurring basis in relation to the impairment recorded during the three months ended September 30, 2018:

(In thousands)	September 30, 2018							
	Carrying Amount		Fair Value					
			Level 1		Level 2		Level 3	
Financial assets:								
Land (1)	$	19,019	$	—	$	7,419	$	11,600

(1) The fair value of the de minimis land valued based on the contract price represents a Level 2 measurement as defined in ASC 820, while the inputs for the de minimis land valued using the sales comparison approach represents Level 3 measurements as defined in ASC 820.

The following table summarizes the significant unobservable inputs used in non-recurring Level 3 fair value measurements:

				Significant Assumptions (*$ in per sq. ft.*)			
Asset Type	Fair Value		Valuation Technique	Range	Weighted Average		Square Footage
Land	$	11,600	Sales comparison	$0.50 - $5.00	$	2.90	4,002,908

Note 10 — Commitments and Contingent Liabilities

Litigation

In the ordinary course of business, from time to time, we may be subject to legal claims and administrative proceedings. As of September 30, 2019, we are not subject to any litigation that we believe could have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations, liquidity or cash flows.

Operating Lease Commitments

We are liable under various operating leases for: (i) land at the Cascata golf course, which expires in 2038 and (ii) offices in New Orleans, LA and New York, NY, both of which expire in 2020. The weighted average remaining lease term as of September 30, 2019 under our operating leases was 19.1 years. Our Cascata ground lease has three 10-year extension options. The rent of such options would be the in-place rent at the time of renewal.

Total rental expense, included in golf operations and general and administrative expenses in our Statement of Operations and contractual rent expense under these agreements were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Rent expense	$ 421	$ 547	$ 1,200	$ 1,140

On May 10, 2019 we entered into a lease agreement for new office space in New York, NY for our corporate headquarters. The lease has a 10-year term, with one 5-year extension option and requires a fixed annual rent of $0.9 million. The lease liability and related amounts have not been recorded in our Balance Sheets or Statement of Operations as the leased space is not yet available for our use and the criteria for lease commencement have not been met.

On January 1, 2019, upon adoption of ASC 842, we recorded an $11.1 million right of use asset and a corresponding lease liability within Other assets and Other liabilities, respectively, on our Balance Sheet, related to the ground lease of the land at the Cascata Golf Course. The discount rate for the lease was determined to be 5.5% and was based on the yield of our current secured borrowings, adjusted to match borrowings of similar terms.

The future minimum lease commitments relating to the base lease rent portion of noncancelable operating leases at September 30, 2019 are as follows:

(In thousands)	Lease Commitments
2019 (remaining)	$ 319
2020	1,042
2021	933
2022	951
2023	970
2024	990
Thereafter	15,905
Total minimum lease commitments	$ 21,110
Discounting factor	10,066
Lease liability	$ 11,044

Note 11 — Stockholders' Equity

Stock

Authorized

We have the authority to issue 750,000,000 shares of stock, consisting of 700,000,000 shares of Common Stock, $0.01 par value per share and 50,000,000 shares of Preferred Stock, $0.01 par value per share.

Initial Public Offering

On February 5, 2018, we completed an initial public offering of 69,575,000 shares of common stock at an offering price of $20.00 per share for an aggregate offering value of $1.4 billion, resulting in net proceeds of approximately $1.3 billion after commissions and expenses.

Primary Follow-on Offerings

November 2018

On November 19, 2018, we completed a primary follow-on offering of 34,500,000 shares of common stock at an offering price of $21.00 per share for an aggregate offering value of $724.5 million, resulting in net proceeds of $694.2 million. We used the net proceeds from the offering to pay for the aggregate purchase price of $700.0 million for the recently completed acquisition of the land and real estate assets of Greektown and related fees and expenses.

June 2019

On June 28, 2019, we completed a primary follow-on offering of (i) 50,000,000 (including 15,000,000 shares sold pursuant to the exercise in full of the underwriters’ option to purchase additional common stock) shares of common stock at an offering price of $21.50 per share for an aggregate offering value of $1.1 billion, resulting in net proceeds, after the deduction of the underwriting discount and expenses, of $1.0 billion and (ii) 65,000,000 common shares that are subject to forward sale agreements to be settled by September 26, 2020. We did not initially receive any proceeds from the sale of the common shares subject to the forward sale agreements that were sold by the forward purchasers or their respective affiliates (collectively the “Forward Sale Agreements”). We determined that the Forward Sale Agreements meet the criteria for equity classification and are therefore exempt from derivative accounting. We recorded the Forward Sale Agreements at fair value at inception, which we determined to be zero. Subsequent changes to fair value are not required under equity classification.

We expect to settle the Forward Sale Agreements entirely by the physical delivery of shares of common stock in exchange for cash proceeds, although we may elect cash settlement or net share settlement for all or a portion of our obligations under the Forward Sale Agreements. The settlement of the Forward Sales Agreements is calculated based on the forward sale price ($21.50) as adjusted for a floating interest rate factor and other fixed amounts based on the passage of time, as specified in the Forward Sale Agreements. As of September 30, 2019, based on these adjustments, the forward share price was $20.22 and would result in us receiving $1.3 billion in cash proceeds if we were to physically settle the Forward Sale Agreements. Alternatively, if we were to net cash settle the Forward Share Agreements, it would result in a cash outflow of $157.7 million or if were to net share settle the Forward Sale Agreements, it would result in us issuing 6.9 million shares. As of September 30, 2019, we have not settled any portion of the Forward Sale Agreements.

Further, the common shares issuable upon settlement of the Forward Sale Agreements will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of our common shares used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of common shares that would be issued upon full physical settlement of the Forward Sale Agreements over the number of common shares that could be purchased by us in the market (based on the average market price during the period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sales price at the end of the reporting period). If and when we physically or net share settle the Forward Sale Agreements, the delivery of our common shares will result in an increase in the number of common shares outstanding and dilution to our earnings per share. We used a portion of the net proceeds from the offering for the JACK Cincinnati Acquisition and intend to use the remaining net proceeds from the offering and the proceeds upon settlement of the Forward Sales Agreements to fund a portion of the purchase price for the Eldorado Transaction, the Century Portfolio Acquisition and for general business purposes, which may include the acquisition and improvement of properties, capital expenditures, working capital and the repayment of indebtedness.

At-the-Market Offering Program

On December 19, 2018, we entered into an equity distribution agreement, or ATM Agreement, pursuant to which we may sell, from time to time, up to an aggregate sales price of $750.0 million of our common stock. Sales of common stock, if any, made pursuant to the ATM Agreement may be sold in negotiated transactions or transactions that are deemed to be “at the market” offerings, as defined in Rule 415 of the Securities Act of 1933, as amended. Actual sales will depend on a variety of factors including market conditions, the trading price of our common stock, our capital needs, and our determination of the appropriate sources of funding to meet such needs. During the nine months ended September 30, 2019, we sold a total of 6,107,633 shares under the at-the-market offering program for aggregate proceeds of $129.9 million, net of stock issuance fees of $1.8 million, primarily related to sales agents' fees and commissions, and legal and accounting fees. We have no obligation to sell the remaining shares available for sale under the at-the-market offering program.

The following table details the issuance of outstanding shares of common stock, including restricted common stock:

	Nine Months Ended September 30,	
Common Stock Outstanding	**2019**	**2018**
Beginning Balance December 31 (1)	404,729,616	300,278,938
Issuance of common stock in initial public offering	—	69,575,000
Issuance of common stock in primary follow-on offerings (2)	50,000,000	—
Issuance of common stock under the at-the-market offering program	6,107,633	—
Issuance of restricted and unrestricted common stock under the stock incentive program, net of forfeitures (3)	168,496	374,530
Ending Balance September 30	461,005,745	370,228,468

(1) The beginning balance as of December 31, 2018 includes 34,500,000 shares issued in our November 2018 primary follow-on offering.
(2) Excludes the 65,000,000 shares subject to Forward Sale Agreements to be settled by September 26, 2020.
(3) The nine months ended September 30, 2019 and 2018 excludes 157,512 share units and 133,491 share units, respectively, issued under the performance-based stock incentive program.

Dividends

Dividends declared (on a per share basis) during the nine months ended September 30, 2019 and 2018 were as follows:

Nine Months Ended September 30, 2019

Declaration Date	Record Date	Payment Date	Period	Dividend
March 14, 2019	March 29, 2019	April 11, 2019	January 1, 2019 - March 31, 2019	$ 0.2875
June 13, 2019	June 28, 2019	July 12, 2019	April 1, 2019 - June 30, 2019	$ 0.2875
September 12, 2019	September 27, 2019	October 10, 2019	July 1, 2019 - September 30, 2019	$ 0.2975

Nine Months Ended September 30, 2018

Declaration Date	Record Date	Payment Date	Period	Dividend
March 15, 2018 (1)	March 29, 2018	April 13, 2018	February 5, 2018 - March 31, 2018	$ 0.16
June 14, 2018	June 28, 2018	July 13, 2018	April 1, 2018 - June 30, 2018	$ 0.2625
September 17, 2018	September 28, 2018	October 11, 2018	July 1, 2018 - September 30, 2018	$ 0.2875

(1) The dividend was pro-rated for the period commencing upon the closing of our initial public offering and ending on March 31, 2018, based on a quarterly distribution rate of $0.2625 per share.

Note 12 — Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the period, excluding net income attributable to participating securities (unvested restricted stock awards). Diluted earnings per share reflects the additional dilution for all potentially dilutive securities such as stock options, unvested restricted shares, unvested performance-based restricted shares and the shares to be issued by us upon settlement of the Forward Sale Agreements. The shares issuable upon settlement of the Forward Sale Agreements, as described in Note 11, are reflected in the diluted earnings per share calculations using the treasury stock method. Under this method, the number of our common shares used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of common shares that would be issued upon full physical settlement of the Forward Sale Agreements over the number of common shares that could be purchased by us in the market (based on the average market price during the period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sales price at the end of the reporting period). If and when we physically or net share settle the Forward Sale Agreements, the delivery of common shares would result in an increase in the number of shares outstanding and dilution to earnings per share.

The following tables reconcile the weighted-average common shares outstanding used in the calculation of basic earnings per share to the weighted-average common shares outstanding used in the calculation of diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Determination of shares:				
Weighted-average common shares outstanding	460,666	369,935	426,438	360,997
Assumed conversion of restricted stock	370	192	263	45
Assumed settlement of Forward Sale Agreements	4,735	—	1,665	—
Diluted weighted-average common shares outstanding	465,772	370,127	428,366	361,042

Basic and Diluted Earnings Per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	2019	2018	2019	2018
Basic:				
Net income attributable to common stockholders	$ 144,435	$ 129,912	$ 447,333	$ 381,078
Weighted-average common shares outstanding	460,666	369,935	426,438	360,997
Basic EPS	$ 0.31	$ 0.35	$ 1.05	$ 1.06
Diluted:				
Net income attributable to common stockholders	$ 144,435	$ 129,912	$ 447,333	$ 381,078
Diluted weighted-average common shares outstanding	465,772	370,127	428,366	361,042
Diluted EPS	$ 0.31	$ 0.35	$ 1.04	$ 1.06

Note 13 — Stock-Based Compensation

The 2017 Stock Incentive Plan (the “Plan”) is designed to provide long-term equity-based compensation to our directors and employees. It is administered by the Compensation Committee of the Board of Directors. Awards under the Plan may be granted with respect to an aggregate of 12,750,000 shares of common stock and may be issued in the form of: (a) incentive stock options, (b) non-qualified stock options, (c) stock appreciation rights, (d) dividend equivalent rights, (e) restricted stock, (f) restricted stock units or (g) unrestricted stock. In addition, the Plan limits the total number of shares of common stock with respect to which awards may be granted to any employee or director during any one calendar year. At September 30, 2019, 11,900,769 shares of common stock remained available for issuance by us as equity awards under the Plan.

VICI PROPERTIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

The following table details the stock-based compensation expense recorded as General and administrative expense in the Statement of Operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Stock-based compensation expense	$ 1,404	$ 623	$ 3,821	$ 1,482

The following table details the activity of our time-based restricted stock and performance-based restricted stock units:

	Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018	
(In thousands, except per share data)	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding at beginning of period	398	$ 19.60	124	$ 15.61
Granted	338	22.03	383	17.05
Vested	(94)	19.44	(31)	20.01
Forfeited	(12)	20.78	(2)	20.03
Canceled	—	—	—	—
Outstanding at end of period	630	$ 20.90	474	$ 16.47

As of September 30, 2019, there was $9.2 million of unrecognized compensation cost related to non-vested stock-based compensation arrangements under the Plan. This cost is expected to be recognized over a weighted average period of 1.9 years.

Note 14 — Segment Information

Our real property business and our golf course business represent two reportable segments. The real property business segment consists of leased real property and represents the substantial majority of our business. The golf course business segment consists of four golf courses, with each being operating segments that are aggregated into one reportable segment.

The results of each reportable segment presented below are consistent with the way our management assesses these results and allocates resources, which is a consolidated view that adjusts for the impact of certain transactions between our reportable segments, as described below.

VICI PROPERTIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

The following tables present certain information with respect to our segments:

	Three Months Ended September 30, 2019			Three Months Ended September 30, 2018		
(In thousands)	Real Property Business	Golf Course Business	VICI Consolidated	Real Property Business	Golf Course Business	VICI Consolidated
Revenues [(1)]	$ 216,914	$ 5,599	$ 222,513	$ 227,294	$ 5,393	$ 232,687
Operating income	209,202	(822)	208,380	183,857	243	184,100
Interest expense	(68,531)	—	(68,531)	(54,051)	—	(54,051)
Loss on extinguishment of debt	—	—	—	—	—	—
Income before income taxes	147,275	(736)	146,539	131,833	243	132,076
Income tax (expense) benefit	(187)	163	(24)	—	(52)	(52)
Net income	147,088	(573)	146,515	131,833	191	132,024
Depreciation	3	997	1,000	3	926	929
Total assets	$ 12,481,892	$ 99,574	$ 12,581,466	$ 10,487,016	$ 81,485	$ 10,568,501

	Nine Months Ended September 30, 2019			Nine Months Ended September 30, 2018		
(In thousands)	Real Property Business	Golf Course Business	VICI Consolidated	Real Property Business	Golf Course Business	VICI Consolidated
Revenues [(1)]	$ 636,040	$ 21,221	$ 657,261	$ 652,242	$ 19,696	$ 671,938
Operating income	611,824	3,917	615,741	558,160	4,112	562,272
Interest expense	(176,936)	—	(176,936)	(158,365)	—	(158,365)
Loss on extinguishment of debt	—	—	—	(23,040)	—	(23,040)
Income before income taxes	450,552	4,114	454,666	384,259	4,112	388,371
Income tax expense	(187)	(911)	(1,098)	—	(884)	(884)
Net income	450,365	3,203	453,568	384,259	3,228	387,487
Depreciation	8	2,940	2,948	5	2,752	2,757
Total assets	$ 12,481,892	$ 99,574	$ 12,581,466	$ 10,487,016	$ 81,485	$ 10,568,501

(1) Upon the adoption of ASC 842 on January 1, 2019, we ceased recording tenant reimbursement of property taxes as these taxes are paid directly by our tenants to the applicable government entity.

Note 15 — Subsequent Events

We have evaluated subsequent events and, except for the payment of dividends on October 10, 2019 (as described in Note 11) and the JACK Cleveland/Thistledown Acquisition on October 28, 2019 (as described in Note 4), there were no other events relative to the Financial Statements that require additional disclosure.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial position and operating results of VICI Properties Inc. for the three and nine months ended September 30, 2019 should be read in conjunction with the Consolidated Financial Statements and related notes thereto and other financial information contained elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes for the year ended December 31, 2018, which were included in our Annual Report on Form 10-K for the year ended December 31, 2018. All defined terms included herein have the same meaning as those set forth in the Notes to the Consolidated Financial Statements contained within this Quarterly Report on Form 10-Q.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q, including statements such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" or similar expressions, constitute "forward-looking statements" within the meaning of the federal securities law. Forward-looking statements are based on our current plans, expectations and projections about future events. We caution you therefore against relying on any of these forward-looking statements. They give our expectations about the future and are not guarantees. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements to materially differ from any future results, performance and achievements expressed in or implied by such forward-looking statements.

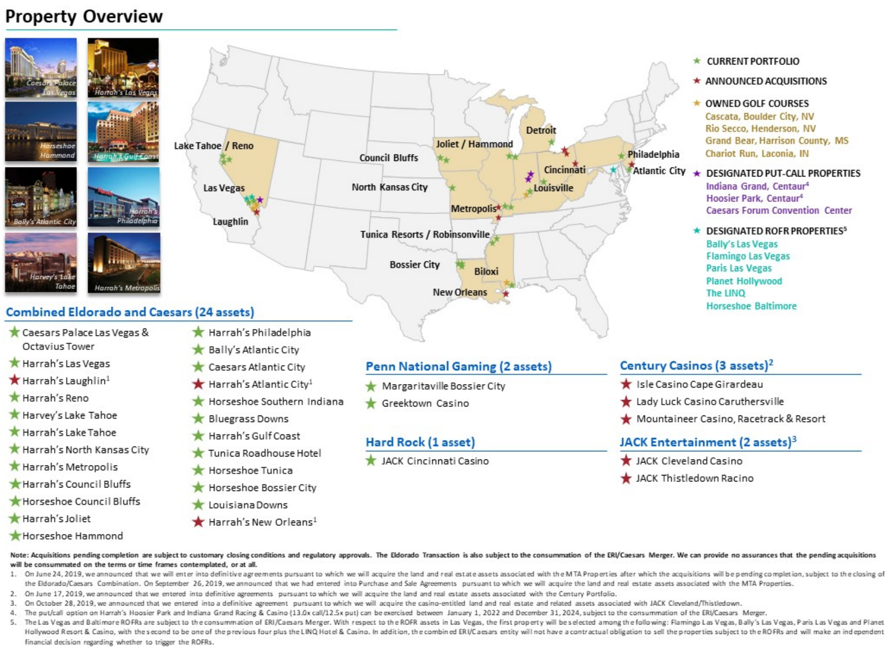
The forward-looking statements included herein are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results, performance and achievements could differ materially from those set forth in the forward-looking statements and may be affected by a variety of risks and other factors, including, among others: our dependence on subsidiaries of Caesars, Penn National and Hard Rock (and, following the completion of the Eldorado Transaction and our other pending transactions, subsidiaries of ERI, Penn National, Hard Rock, Century Casinos and JACK Entertainment, respectively) as tenants of our properties and Caesars, Penn National and Hard Rock or certain of their respective subsidiaries (and, following the completion of the Eldorado Transaction and our other pending transactions, subsidiaries of ERI, Penn National, Hard Rock, Century Casinos and JACK Entertainment or certain of their respective affiliates, respectively) as guarantors of the lease payments and the negative consequences any material adverse effect on their respective businesses could have on us; our dependence on the gaming industry; our ability to pursue our business and growth strategies may be limited by our substantial debt service requirements and by the requirement that we distribute 90% of our REIT taxable income in order to qualify for taxation as a REIT and that we distribute 100% of our REIT taxable income in order to avoid current entity-level U.S. Federal income taxes; the impact of extensive regulation from gaming and other regulatory authorities; the ability of our tenants to obtain and maintain regulatory approvals in connection with the operation of our properties; the possibility that our tenants may choose not to renew the Lease Agreements following the initial or subsequent terms of the leases; restrictions on our ability to sell our properties subject to the Lease Agreements; Caesars', Penn National's, Eldorado's, Century Casino's, JACK Entertainment's and Hard Rock's historical results may not be a reliable indicator of their future results; our substantial amount of indebtedness and ability to service and refinance such indebtedness; limits on our operational and financial flexibility imposed by our debt agreements; our historical financial information may not be reliable indicators of our future results of operations, financial condition and cash flows; the ability to receive, or delays in obtaining, the governmental and regulatory approvals and consents required to consummate our pending acquisitions, including the Eldorado Transaction, the JACK Cleveland/Thistledown Acquisition and the Century Portfolio Acquisition, or other delays or impediments to completing our pending acquisitions including the Eldorado Transaction, the JACK Cleveland/Thistledown Acquisition and the Century Portfolio Acquisition; our ability to obtain the financing necessary to complete our pending acquisitions including the Eldorado Transaction, the JACK Cleveland/Thistledown Acquisition and the Century Portfolio Acquisition on the terms we currently expect or at all; the possibility that our pending acquisitions including the Eldorado Transaction, the JACK Cleveland/Thistledown Acquisition and the Century Portfolio Acquisition may not be completed or that completion may be unduly delayed including, in the case of the MTA Properties, as a result of environmental, tax, legal or other issues that we identify during the 90-day due diligence period relating to the MTA Properties; the possibility that we identify significant environmental, tax, legal or other issues that materially and adversely impact the value of properties acquired (or other benefits we expect to receive) in the Eldorado Transaction or any of our other pending acquisitions; the effects of our recently completed acquisitions and the pending acquisitions including the Eldorado Transaction, the JACK Cleveland/Thistledown Acquisition and the Century Portfolio Acquisition on us, including the post-acquisition impact on our financial condition, financial and operating results, cash flows, strategy and plans; the possibility our separation from CEOC fails to qualify as a tax-free spin-off, which could subject us to significant tax liabilities; the impact of changes to the U.S. Federal income tax laws; the possibility of foreclosure on our properties if we are unable to meet required debt service payments; the impact of a rise in interest rates on us; our inability to successfully pursue investments in, and acquisitions of, additional properties; the impact of natural disasters or terrorism on our properties; the loss of the services of key personnel; the inability to attract, retain and motivate employees; the costs and liabilities associated with environmental compliance; failure to establish and maintain an effective system of integrated internal controls; the costs of operating as a public company; our inability to operate as a stand-alone company; our inability to maintain our qualification for taxation as a REIT; our reliance on distributions received from the Operating Partnership to make distributions to our stockholders; the impact on the amount of our cash distributions if we were to sell any of our properties in the future; our ability to continue to make distributions to holders of our common stock or maintain anticipated levels of distributions over time; competition for acquisition opportunities from other REITs and gaming companies that may have greater resources and access to capital and a lower cost of capital than us; and additional factors discussed herein and listed from time to time as "Risk Factors" in our filings with the SEC, including without limitation, in our reports on Form 10-K and Form 8-K and this Quarterly Report on Form 10-Q.

Any of the assumptions underlying forward-looking statements could be inaccurate. Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. Except as required by law, we do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstance or any other reason. In light of the significant uncertainties inherent in forward-looking statements, the inclusion of such forward-looking statements should not be regarded as a representation by us.

OVERVIEW

We are an owner and acquirer of experiential real estate assets across leading gaming, hospitality, entertainment and leisure destinations. Our national, geographically diverse portfolio currently consists of 24 market leading properties, including Caesars Palace Las Vegas and Harrah's Las Vegas, two of the most iconic entertainment facilities on the Las Vegas Strip. Our entertainment facilities are leased to leading brands that seek to drive consumer loyalty and value with guests through superior services, experiences, products and continuous innovation. Across over 40 million square feet, our well-maintained properties are currently located across urban, destination and drive-to markets in eleven states, contain approximately 15,200 hotel rooms and feature over 150 restaurants, bars and nightclubs.

Our portfolio also includes approximately 34 acres of undeveloped or underdeveloped land on and adjacent to the Las Vegas Strip that is leased to Caesars, which we may look to monetize as appropriate. We also own and operate four championship golf courses located near certain of our properties, two of which are in close proximity to the Las Vegas Strip. The following chart summarizes our current portfolio of properties, our pending acquisitions, our properties subject to the call option agreement with Caesars and our properties subject to the right of first refusal agreement and put/call agreement with Caesars:



We lease our properties to subsidiaries of Caesars, Penn National and Hard Rock. As described below, ERI has entered into a definitive agreement to acquire Caesars and, following the closing of the ERI/Caesars Merger, ERI (which intends to retain the Caesars name subsequent to the ERI/Caesars Merger) will be our largest tenant. The ERI/CEC Merger is subject to regulatory approvals and customary closing conditions. ERI has publicly disclosed that it expects the ERI/CEC Merger to be completed in the first half of 2020, although we can provide no assurances that the ERI/CEC Merger will close in the anticipated timeframe, on the contemplated terms or at all. We believe we have a mutually beneficial relationship with Caesars, Penn National and Hard Rock, all of which are leading owners and operators of gaming, entertainment and leisure properties. Our long-term triple-net Lease Agreements with subsidiaries of Caesars, Penn National and Hard Rock provide us with a highly predictable revenue stream with embedded growth potential. We believe our geographic diversification limits the effect of changes in any one market on our overall performance. We are focused on driving long-term total returns through managing experiential asset growth and allocating capital diligently, maintaining a highly productive tenant base, and optimizing our capital structure to support external growth. As a growth focused public real estate investment trust, we expect our relationship with our partners will position us for the acquisition of additional properties across leisure and hospitality.

Our portfolio is competitively positioned and well-maintained. Pursuant to the terms of the Lease Agreements, which require our tenants to invest in our properties, and in line with our tenants' commitment to build guest loyalty, we anticipate our tenants will continue to make strategic value-enhancing investments in our properties over time, helping to maintain their competitive position. In addition, given our scale and deep industry knowledge, we believe we are well-positioned to execute highly complementary single-asset and portfolio acquisitions to augment growth.

We conduct our operations as a real estate investment trust ("REIT") for U.S. federal income tax purposes. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income to stockholders and maintain our qualification as a REIT. We believe our election of REIT status combined with the income generation from the Lease Agreements will enhance our ability to make distributions to our stockholders, providing investors with current income as well as long-term growth. We conduct our real property business through our Operating Partnership and our golf course business, through a taxable REIT subsidiary (a "TRS"), VICI Golf.

The financial information included in this Form 10-Q is our consolidated results (including the real property business and the golf course business) for the three and nine months ended September 30, 2019.

SIGNIFICANT ACTIVITIES DURING 2019

Our significant activities in 2019, in reverse chronological order, are as follows:

Purchase of JACK Cleveland/Thistledown

Subsequent to the quarter end, on October 28 2019, we entered into a definitive agreement to acquire the casino-entitled land and real estate and related assets of the JACK Cleveland Casino ("JACK Cleveland"), located in Cleveland, Ohio and the JACK Thistledown Racino ("JACK Thistledown") located in North Randall, Ohio (the "JACK Cleveland/Thistledown Acquisition") from affiliates of JACK Entertainment LLC ("JACK Entertainment"), for approximately $843.3 million. Simultaneous with the closing of the JACK Cleveland/Thistledown Acquisition, we will enter into a master triple-net lease agreement for JACK Cleveland and JACK Thistledown with a subsidiary of JACK Entertainment. The lease will have an initial total annual rent of $65.9 million and an initial term of 15 years, with four five-year tenant renewal options. The tenant's obligations under the lease will be guaranteed by Rock Ohio Ventures LLC ("Rock Ohio Ventures"). Additionally, we will make a $50 million loan (the "ROV Loan") to affiliates of Rock Ohio Ventures secured by, among other things, certain non-gaming real estate assets owned by such affiliates and guaranteed by Rock Ohio Ventures. The ROV Loan will bear interest at 9.0% per annum for a period of five years with two one-year extension options. The transaction is subject to regulatory approvals and customary closing conditions and is expected to close in early 2020. However, we can provide no assurances that the JACK Cleveland/Thistledown Acquisition will be consummated.

Closing of Purchase of JACK Cincinnati

On September 20, 2019, we completed the previously announced transaction to acquire the casino-entitled land and real estate and related assets of JACK Cincinnati, located in Cincinnati, Ohio from affiliates of JACK Entertainment LLC, for approximately $558.3 million, and a subsidiary of Hard Rock acquired the operating assets of the JACK Cincinnati Casino for $186.5 million (together, the "JACK Cincinnati Acquisition"). Simultaneous with the closing of the JACK Cincinnati Acquisition, we entered into a triple-net lease agreement for JACK Cincinnati with a subsidiary of Hard Rock. The lease has an initial total annual rent of $42.8 million and an initial term of 15 years, with four five-year tenant renewal options. The tenant's obligations under the lease are guaranteed by Seminole Hard Rock Entertainment, Inc.

Eldorado Transaction

On June 24, 2019, we entered into a master transaction agreement (the “Master Transaction Agreement” or “MTA”) with ERI relating to the transactions described below (collectively, the “Eldorado Transaction”), all of which are conditioned upon consummation of the closing of the merger contemplated under an Agreement and Plan of Merger (the “ERI/Caesars Merger Agreement”) pursuant to which a subsidiary of ERI will merge with and into Caesars, with Caesars surviving as a wholly-owned subsidiary of ERI (the “ERI/Caesars Merger”). Upon closing of the merger, ERI will be renamed Caesars. Any references to ERI in the subsequent transaction discussion refer to ERI as renamed Caesars subsequent to the merger, as applicable.

The Eldorado Transaction and the ERI/Caesars Merger are both subject to regulatory approvals and customary closing conditions. ERI has publicly disclosed that it expects the ERI/Caesars Merger to be completed in the first half of 2020. However, we can provide no assurances that the ERI/Caesars Merger or the Eldorado Transaction described herein will close in the anticipated timeframe, on the contemplated terms or at all. We intend to fund the Eldorado Transaction with a combination of proceeds from our June equity offering, as described in Note 11 - Stockholders’ Equity in the Notes to our Financial Statements, and with long-term debt financing.

The Master Transaction Agreement contemplates the following transactions:

- *Acquisition of the MTA Properties.* We have agreed to acquire all of the land and real estate assets associated with Harrah’s New Orleans, Harrah’s Laughlin and Harrah’s Atlantic City (or, if necessary, certain replacement properties designated in the Master Transaction Agreement) (collectively, the “MTA Properties” and each, an “MTA Property”) for an aggregate purchase price of $1,809.5 million (the “MTA Properties Acquisitions” and each, an “MTA Property Acquisition”). Simultaneous with the closing of each MTA Property Acquisition, we will enter into a triple-net lease with a subsidiary of ERI as tenant, by amending the Non-CPLV Lease Agreement to include such MTA Property, with (i) initial aggregate total annual rent payable to us and attributable to the MTA Properties of $154.0 million, (ii) so long as the MTA Property Acquisitions are consummated concurrent with the closing of the ERI/Caesars Merger, an initial term of approximately 15 years and (iii) the same renewal terms available to the other tenants under the Non-CPLV Lease Agreement at such time. The Non-CPLV Lease Agreement will also be amended to adjust certain minimum capital expenditure requirements and other related terms and conditions as a result of the MTA Properties being included in the Non-CPLV Lease Agreement.

  On September 26, 2019, we entered into the following agreements (each of which were entered into in accordance with the terms of the Master Transaction Agreement): (i) a Purchase and Sale Agreement (the “Harrah’s New Orleans Purchase Agreement”) pursuant to which we agreed to acquire, and ERI agreed to cause to be sold, all of the fee and leasehold interests in the land and real property improvements associated with Harrah’s New Orleans in New Orleans, Louisiana for a cash purchase price of $775.5 million; (ii) a Purchase and Sale Agreement (the “Harrah’s Atlantic City Purchase Agreement”) pursuant to which we agreed to acquire, and ERI agreed to cause to be sold, all of the land and real property improvements associated with Harrah’s Resort Atlantic City and Harrah’s Atlantic City Waterfront Conference Center in Atlantic City, New Jersey for a cash purchase price of $599.25 million; and (iii) a Purchase and Sale Agreement (the “Harrah’s Laughlin Purchase Agreement” and, collectively with the Harrah’s New Orleans Purchase Agreement and the Harrah’s Atlantic City Purchase Agreement, the “MTA Property Purchase Agreements” and each, a “MTA Property Purchase Agreement”) pursuant to which we agreed to acquire, and ERI agreed to cause to be sold, all of the equity interests in a newly formed entity that will acquire the land and real property improvements associated with Harrah’s Laughlin Hotel & Casino in Laughlin, Nevada for a cash purchase price of $434.75 million. As noted above, the MTA Property Purchase Agreements were entered into in accordance with the terms of the Master Transaction Agreement, and the MTA Property Acquisitions are part of the broader set of transactions contemplated by such Master Transaction Agreement.

  Each of our existing call options on the Harrah’s New Orleans, Harrah’s Laughlin and Harrah’s Atlantic City properties will terminate upon the earlier to occur of the closing of the corresponding MTA Property Acquisition or our obtaining specific performance or liquidated damages with respect to the relevant property. The closings of the MTA Property Acquisitions are subject to conditions in addition to the consummation of the ERI/Caesars Merger, including satisfactory due diligence reviews by us, and are not cross-conditioned on each other (that is, we are not required to close on “all or none” of the MTA Properties). In addition, the closing of the other transactions that comprise the Eldorado Transaction is not conditioned on the completion of any or all of the MTA Property Acquisitions.

- *CPLV Lease Agreement Amendment*. In consideration of a payment by us to ERI of $1,189.9 million, we and ERI will amend the CPLV Lease Agreement to (i) increase the annual rent payable to us under the CPLV Lease Agreement by $83.5 million (the “CPLV Additional Rent Acquisition”) and (ii) provide for the amended terms described below.

- *HLV Lease Agreement Termination and Creation of Las Vegas Master Lease.* In consideration of a payment by us to ERI of $213.8 million, we and ERI will terminate the HLV Lease Agreement and the related lease guaranty. Annual rent previously payable to us with respect to the Harrah's Las Vegas property will be increased by $15.0 million (the "HLV Additional Rent Acquisition"). The CPLV Lease Agreement will be amended (as amended, the "Las Vegas Master Lease Agreement") to provide, among other things, that the Harrah's Las Vegas property, which is currently subject to the HLV Lease Agreement, will be leased pursuant thereto (with the Harrah's Las Vegas property subject to the higher rent escalator currently in place under the CPLV Lease Agreement). Thereafter the Las Vegas Master Lease Agreement will be a multi-property master lease whereby the Harrah's Las Vegas property tenant and the Caesars Palace Las Vegas property tenant will collectively be the tenant.

- *Centaur Properties Put/Call Agreement*. Affiliates of Caesars currently own two gaming facilities in Indiana - Hoosier Park and Indiana Grand (together the "Centaur Properties"). At the closing of the ERI/Caesars Merger, a right of first refusal that we have with respect to the Centaur Properties will terminate and we will enter into a put/call agreement with ERI, whereby (i) we will have the right to acquire all of the land and real estate assets associated with the Centaur Properties at a price equal to 13.0x the initial annual rent of each facility (determined as provided below), and to simultaneously lease back each such property to a subsidiary of ERI for initial annual rent equal to the property's trailing four quarters EBITDA at the time of acquisition divided by 1.3 (i.e., the initial annual rent will be set at 1.3x rent coverage) and (ii) ERI will have the right to require us to acquire the Centaur Properties at a price equal to 12.5x the initial annual rent of each facility, and to simultaneously lease back each such Centaur Property to a subsidiary of ERI for initial annual rent equal to the property's trailing four quarters EBITDA at the time of acquisition divided by 1.3 (i.e., the initial annual rent will be set at 1.3x rent coverage). Either party will be able to trigger its respective put or call, as applicable, beginning on January 1, 2022 and ending on December 31, 2024. The put/call agreement will provide that the leaseback of the Centaur Properties will be implemented through addition of the Centaur Properties to the Non-CPLV Lease Agreement.

- *Las Vegas Strip Assets ROFR*. We will enter into a right of first refusal agreement with ERI (the "Las Vegas ROFR") whereby we will have the first right, with respect to the first two of certain specified Las Vegas Strip assets that ERI proposes to sell, whether pursuant to a sale leaseback or a WholeCo sale, to a third party, to acquire any such asset (it being understood that we will have the opportunity to find an operating company should ERI elect to pursue a WholeCo sale). Pursuant to the Master Transaction Agreement, the specified Las Vegas Strip assets subject to the Las Vegas ROFR will be the land and real estate assets associated (i) with respect to the first such asset subject to the Las Vegas ROFR, the Flamingo Las Vegas, Paris Las Vegas, Planet Hollywood and Bally's Las Vegas gaming facilities, and (ii) with respect to the second asset subject to the Las Vegas ROFR, the foregoing assets plus The LINQ gaming facility. If we enter into a sale leaseback transaction with ERI on any of these facilities, the leaseback will be implemented through the addition of such properties to the CPLV Lease Agreement.

- *Horseshoe Baltimore ROFR*. We and ERI agreed to enter into a right of first refusal agreement pursuant to which we will have the first right to enter into a sale leaseback transaction with respect to the land and real estate assets associated with the Horseshoe Baltimore gaming facility (subject to any consent required from Caesars' joint venture partners with respect to this asset).

- *Lease Guaranties and MLSA Terminations*. ERI will execute new guaranties (the "ERI Guaranties") of the CPLV Lease Agreement, the Non-CPLV Lease Agreement and the Joliet Lease Agreement, and the existing guaranties by Caesars of such leases, along with all covenants and other obligations of Caesars incurred in connection with such guaranties, will be terminated with respect to Caesars (which will become a subsidiary of ERI following the closing of the ERI/Caesars Merger). The ERI Guaranties will guaranty the prompt and complete payment and performance in full of: (i) all monetary obligations of the tenants under the respective leases, including all rent and other sums payable by the tenants under the leases and any obligation to pay monetary damages in connection with any breach and to pay any indemnification obligations of the tenants under the leases; and (ii) the performance when due of all other covenants, agreements and requirements to be performed and satisfied by the tenants under the leases. In addition, we and ERI will terminate the Management and Lease Support Agreements with respect to the CPLV Lease Agreement, the Non-CPLV Lease Agreement and the Joliet Lease Agreement, and certain provisions currently set forth therein will be added to the respective leases, as amended, and the ERI Guaranties.

- *Other Lease Amendments*. The CPLV Lease Agreement, the Non-CPLV Lease Agreement and the Joliet Lease Agreement will be amended to, among other things, (i) remove the rent coverage floors, which coverage floors serve to reduce the rent escalators under such leases in the event that the "EBITDAR to Rent Ratio" (as defined in each of the CPLV Lease Agreement, the Non-CPLV Lease Agreement and the Joliet Lease Agreement) coverage is below the stated floor and (ii) extend the term of each such lease by such additional period of time as necessary to ensure that following the consummation of the ERI/Caesars Merger, each lease will have a full 15-year initial lease term. The Non-CPLV Lease Agreement also will be amended to, among other things: (a) permit the tenant under the Non-CPLV Lease Agreement to cause facilities subject to the Non-CPLV Lease Agreement that in the aggregate represent up to five percent of the aggregate EBITDAR of (A) all of the facilities under such Non-CPLV Lease Agreement and (B) the Harrah's Joliet facility, for the 2018 fiscal year (defined as the "2018 EBITDAR Pool" in the Non-CPLV Lease Agreement, without giving effect to any increase in the 2018 EBITDAR Pool as a result of a facility being added to the Non-CPLV Lease Agreement) to be sold (whereby the tenant and landlord under the Non-CPLV Lease Agreement would sell the operations and real estate, respectively, with respect to such facility), provided, among other things, that (1) we and ERI mutually agree to the split of proceeds from such sales, (2) such sales do not result in any impairment(s)/asset write down(s) by us, (3) rent under the Non-CPLV Lease Agreement remains unchanged following such sale and (4) the sale does not result in us recognizing certain taxable gain; (b) restrict the ability of the tenant thereunder to transfer and sell the operating business of Harrah's New Orleans and Harrah's Atlantic City to replacement tenants without our consent and remove such restrictions with respect to Horseshoe Southern Indiana (in connection with the restrictions applying to Harrah's New Orleans) and Horseshoe Bossier City (in connection with the restrictions applying to Harrah's Atlantic City), provided that the tenant under the Non-CPLV Lease Agreement may only sell such properties if certain terms and conditions are met, including that replacement tenants meet certain criteria provided in the Non-CPLV Lease Agreement; and (c) require that the tenant under the Non-CPLV Lease Agreement complete and pay for all capital improvements and other payments, costs and expenses related to the extension of the existing operating license with respect to Harrah's New Orleans, including, without limitation, any such payments, costs and expenses required to be made to the City of New Orleans, the State of Louisiana or any other governmental body or agency.

- *CPLV CMBS Refinancing*. We intend to cause the CPLV CMBS Debt to be repaid in full prior to the closing of the ERI/Caesars Merger. ERI has agreed to reimburse us for 50% of our out-of-pocket costs in connection with any prepayment penalties associated with refinancing the CPLV CMBS Debt (which reimbursement obligations exist pursuant to the MTA regardless of whether the ERI/Caesars Merger is consummated). We expect the total prepayment penalties, prior to any reimbursements, to be between $100.0 million and $130.0 million.

- *Eldorado Bridge Facility*. On June 24, 2019, in connection with the Eldorado Transaction, VICI PropCo entered into a commitment letter (the "Commitment Letter") with Deutsche Bank Securities Inc. and Deutsche Bank AG Cayman Islands Branch (collectively, the "Bridge Lender"), pursuant to which and subject to the terms and conditions set forth therein, the Bridge Lender has agreed to provide (i) a 364-day first lien secured bridge facility of up to $3.3 billion in the aggregate (the "Eldorado Senior Bridge Facility") and (ii) a 364-day second lien secured bridge facility of up to $1.5 billion in the aggregate (the "Eldorado Junior Bridge Facility," and, together with the Eldorado Senior Bridge Facility, the "Bridge Facilities"), for the purpose of providing a portion of the financing necessary to fund the consideration to be paid pursuant to the terms of the Eldorado Transaction documents and related fees and expenses. We currently intend to incur additional long-term senior secured term loans and/or opportunistically access the debt capital markets to fund a portion of the cash consideration for the Eldorado Transaction, but, absent such a long-term debt financing, we expect to draw on the Bridge Facilities in connection with the closing of the Eldorado Transaction to fund a portion of the cash consideration, and, in the future, raise long-term debt financing to refinance such amounts borrowed under the Bridge Facilities, subject to market and other conditions. On June 28, 2019 and July 11, 2019, additional parties joined the Commitment Letter as commitment parties thereunder. There can be no assurances that we will be able to refinance the Bridge Facilities on terms satisfactory to us, or at all. Refer to Note 7 - Debt, in the notes to our Financial Statements for further information.

The Master Transaction Agreement contains customary representations, warranties and covenants by the parties to the agreement and is subject to the consummation of the ERI/Caesars Merger as well as customary closing conditions, including, among other things, that: (i) the absence of any law or order restraining, enjoining or otherwise preventing the transactions contemplated by the Master Transaction Agreement; (ii) the receipt of certain regulatory approvals, including gaming regulatory approvals; (iii) certain restructuring transaction shall have been consummated; (iv) the accuracy of the respective parties' representations and warranties, subject to customary qualifications; and (v) material compliance by the parties with their respective covenants and obligations. The Master Transaction Agreement contains certain termination rights, including that the Master Transaction Agreement shall automatically terminate upon the termination of the ERI/Caesars Merger Agreement and a right by us to terminate the Master Transaction Agreement in the event the closing of the transactions contemplated by the Master Transaction Agreement has not occurred by the date on which the ERI/Caesars Merger is required to close pursuant to the ERI/Caesars Merger Agreement, but in no event later than December 24, 2020.

If the Master Transaction Agreement is terminated by ERI under certain circumstances where we have a financing failure, we may be obligated to pay ERI a reverse termination fee of $75.0 million (the "Reverse Termination Fee"). If the amendment of the CPLV Lease Agreement is not entered into on the date on which the ERI/Caesars Merger closes, under certain circumstances, we may be obligated to pay ERI a fee of $45.0 million (the “CPLV Break Payment”), provided we will not be obligated to pay both the Reverse Termination Fee and the CPLV Break Payment. If the ERI/Caesars Merger does not close for any reason, under certain circumstances, ERI may be obligated to pay us a termination fee of $75.0 million. For more information, see Part II, Item 1A. Risk Factors - “Risks Relating to the Eldorado Transaction and Our Other Pending Acquisitions” in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2019.

Purchase of Century Portfolio

On June 17, 2019, we entered into definitive agreements to acquire the land and real estate assets of (i) Mountaineer Casino, Racetrack & Resort located in New Cumberland, West Virginia, (ii) Lady Luck Casino Caruthersville located in Caruthersville, Missouri and (iii) Isle Casino Cape Girardeau located in Cape Girardeau, Missouri (the “Century Portfolio”) from affiliates of ERI, for approximately $277.8 million, and a subsidiary of Century Casinos, Inc. (“Century Casinos”) has agreed to acquire the operating assets of the Century Portfolio for approximately $107.2 million (together, the “Century Portfolio Acquisition”). Simultaneous with the closing of the Century Portfolio Acquisition, we will enter into a master triple-net lease agreement for the Century Portfolio with a subsidiary of Century Casinos. The master lease will have an initial total annual rent of $25.0 million and an initial term of 15 years, with four five-year tenant renewal options. The tenant’s obligations under the lease will be guaranteed by Century Casinos. The transaction is subject to regulatory approvals and customary closing conditions and is expected to close by the end of 2019. However, we can provide no assurances that the Century Portfolio Acquisition will be consummated on the terms or timeframe described herein, or at all.

Closing of Purchase of Greektown

On May 23, 2019, we completed the previously announced transaction to acquire from affiliates of JACK Entertainment LLC all of the land and real estate assets associated with Greektown, for $700.0 million in cash, and an affiliate of Penn National acquired the operating assets of Greektown for $300.0 million in cash (together, the “Greektown Acquisition”). Simultaneous with the closing of the Greektown Acquisition, we entered into a triple-net lease agreement for Greektown with a subsidiary of Penn National. The lease has an initial total annual rent of $55.6 million and an initial term of 15 years, with four five-year tenant renewal options. The tenant’s obligations under the lease are guaranteed by Penn National and certain of its subsidiaries.

Credit Agreement Amendments - Upsize and Extend

On May 15, 2019, we amended our Revolving Credit Facility to, among other things, increase borrowing capacity by $600 million to a total of $1.0 billion and extend the maturity date to May 2024. Borrowings under the Revolving Credit Facility will bear interest at a rate based on a leverage-based pricing grid with a range of 1.75% to 2.00% over LIBOR (London Interbank Offered Rate), or between 0.75% and 1.00% over the base rate, in each case depending on our total net debt to adjusted total assets ratio. The Revolving Credit Facility replaces our previous revolving credit facility, which had a total borrowing capacity of $400 million, a maturity date in December 2022, and under which borrowings bore interest at 200 basis points over LIBOR.

Interest Rate Swaps

On January 3, 2019, we entered into two additional interest rate swap agreements with third-party financial institutions having an aggregate notional amount of $500.0 million. These interest rate swap transactions each have an effective date of January 22, 2019 and a termination date of January 22, 2021 and are intended to be cash flow hedges that effectively fix, for two years, the LIBOR component of the interest rate on $500.0 million of the outstanding debt under the Term Loan B Facility at a blended rate of 2.38%. Subsequent to the effectiveness and for the duration of the interest rate swap transactions, we are only subject to interest rate risk on $100.0 million of variable rate debt.

Closing of Purchase of Margaritaville

On January 2, 2019, we completed the previously announced transaction to acquire the land and real estate assets of Margaritaville, located in Bossier City, Louisiana, for $261.1 million. Penn National acquired the operating assets of Margaritaville for $114.9 million. Simultaneous with the closing of this transaction, we entered into a triple-net lease agreement with a subsidiary of Penn National. The lease has an initial annual rent of $23.2 million and an initial term of 15 years, with four five-year tenant renewal options. The tenant’s obligations under the lease are guaranteed by Penn National and certain of its subsidiaries.

RESULTS OF OPERATIONS

Segments

Our real property business and our golf course business represent our two reportable segments. The real property business segment consists of leased real property and represents the substantial majority of our business. The golf course business segment consists of four golf courses, with each being operating segments that are aggregated into one reportable segment. The results of each reportable segment presented below are consistent with the way our management assesses these results and allocates resources, which is a consolidated view that adjusts for the impact of certain transactions between our reportable segments.

	Three Months Ended September 30,			Nine Months Ended September 30,		
(In thousands)	**2019**	**2018**	**Variance**	**2019**	**2018**	**Variance**
Revenues						
Income from direct financing and sales-type leases	$ 206,001	$ 189,938	$ 16,063	$ 603,300	$ 554,293	$ 49,007
Income from operating leases	10,913	12,209	(1,296)	32,740	36,627	(3,887)
Tenant reimbursement of property taxes	—	25,147	(25,147)	—	61,322	(61,322)
Golf operations	5,599	5,393	206	21,221	19,696	1,525
Revenues	222,513	232,687	(10,174)	657,261	671,938	(14,677)
Operating expenses						
General and administrative	6,717	5,678	1,039	19,460	20,145	(685)
Depreciation	1,000	929	71	2,948	2,757	191
Property taxes	—	25,423	(25,423)	—	61,598	(61,598)
Golf operations	5,423	4,223	1,200	14,363	12,832	1,531
Loss on impairment	—	12,334	(12,334)	—	12,334	(12,334)
Transaction and acquisition expenses	993	—	993	4,749	—	4,749
Total operating expenses	14,133	48,587	(34,454)	41,520	109,666	(68,146)
Operating income	208,380	184,100	24,280	615,741	562,272	53,469
Interest expense	(68,531)	(54,051)	(14,480)	(176,936)	(158,365)	(18,571)
Interest income	6,690	2,027	4,663	15,861	7,504	8,357
Loss from extinguishment of debt	—	—	—	—	(23,040)	23,040
Income before income taxes	146,539	132,076	14,463	454,666	388,371	66,295
Income tax expense	(24)	(52)	28	(1,098)	(884)	(214)
Net income	146,515	132,024	14,491	453,568	387,487	66,081
Less: Net income attributable to non-controlling interest	(2,080)	(2,112)	32	(6,235)	(6,409)	174
Net income attributable to common stockholders	$ 144,435	$ 129,912	$ 14,523	$ 447,333	$ 381,078	$ 66,255

Revenue

For the three and nine months ended September 30, 2019 and 2018, our revenue was comprised of the following items:

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Variance	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Variance
Leasing revenue	$ 216,914	$ 202,147	$ 14,767	$ 636,040	$ 590,920	$ 45,120
Tenant reimbursement of property taxes	—	25,147	(25,147)	—	61,322	(61,322)
Golf operations	5,599	5,393	206	21,221	19,696	1,525
Total revenue	$ 222,513	$ 232,687	$ (10,174)	$ 657,261	$ 671,938	$ (14,677)

Leasing Revenue

The following table details the components of our income from direct financing, sales-type and operating leases:

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Variance	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Variance
Income from direct financing and sales-type leases	$ 206,001	$ 189,938	$ 16,063	$ 603,300	$ 554,293	$ 49,007
Income from operating leases (1)	10,913	12,209	(1,296)	32,740	36,627	(3,887)
Total lease revenue	216,914	202,147	14,767	636,040	590,920	45,120
Direct financing and sales-type lease adjustment (2)	2,494	(13,007)	15,501	(2,295)	(39,117)	36,822
Total contractual lease revenue	$ 219,408	$ 189,140	$ 30,268	$ 633,745	$ 551,803	$ 81,942

(1) Represents portion of land separately classified and accounted for under the operating lease model associated with our investment in Caesars Palace Las Vegas and certain operating land parcels contained in the Non-CPLV Lease Agreement.
(2) Amounts represent the non-cash adjustment to income from direct financing and sales-type leases in order to recognize income on an effective interest basis at a constant rate of return over the term of the leases.

Leasing revenue is generated from rent from our Lease Agreements. Total leasing revenue increased $14.8 million and $45.1 million during the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, respectively. Total contractual leasing revenue increased $30.3 million and $81.9 million, during the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, respectively. The increase was primarily driven by the addition of Octavius Tower, Harrah's Philadelphia, Margaritaville, Greektown and JACK Cincinnati to our real estate portfolio in July 2018, December 2018, January 2019, May 2019 and September 2019, respectively.

Tenant reimbursement of property taxes

During the three and nine months ended September 30, 2018, we recorded $25.1 million and $61.3 million, respectively, of income from tenant reimbursement of property taxes. Upon the adoption of ASC 842 on January 1, 2019, we ceased recording tenant reimbursement of property taxes as these taxes are paid directly by our tenants to the applicable government entity.

Golf Course Business Revenue

Revenues from golf operations increased $0.2 million and $1.5 million during the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, respectively. The increase was primarily driven by an increase in the number of rounds played at our golf courses, as well as by an increase in the contractual fees paid to us by Caesars for the use of our golf courses, pursuant to a golf course use agreement.

Operating Expenses

For the three and nine months ended September 30, 2019 and 2018, our operating expenses were comprised of the following items:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(In thousands)	2019	2018	Variance	2019	2018	Variance
General and administrative	$ 6,717	$ 5,678	$ 1,039	$ 19,460	$ 20,145	$ (685)
Depreciation	1,000	929	71	2,948	2,757	191
Property taxes	—	25,423	(25,423)	—	61,598	(61,598)
Golf operations	5,423	4,223	1,200	14,363	12,832	1,531
Loss on impairment	—	12,334	(12,334)	—	12,334	(12,334)
Transaction and acquisition expenses	993	—	993	4,749	—	4,749
Total operating expenses	$ 14,133	$ 48,587	$ (34,454)	$ 41,520	$ 109,666	$ (68,146)

General and Administrative Expenses

General and administrative expenses increased $1.0 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased $0.7 million during the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. The increase during for three months ended September 30, 2019 was primarily driven by an increase in stock-based compensation expense. The decrease for the nine months ended September 30, 2019 was primarily driven by certain non-recurring costs incurred during the first six of the nine months ended September 30, 2018 as a result of being a newly publicly-traded company primarily following our initial public offering and the transition and relocation of our corporate headquarters from Las Vegas, NV to New York, NY, which decrease was partially offset by the previously described increases during the three months ended September 30, 2019.

Property Taxes

During the three and nine months ended September 30, 2018, we recorded $25.4 million and $61.6 million, respectively, of property tax expense. Upon the adoption of ASC 842 on January 1, 2019, we ceased recording property tax expense as these taxes are paid directly by our tenants to the applicable government entity.

Golf Course Business Expenses

Expenses from golf operations increased $1.2 million and $1.5 million during the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, respectively, due to an increase in the number of rounds played and an increase in the water usage charges at one of our golf courses.

Loss on Impairment

During the three and nine months ended September 30, 2018 the Company recognized a $12.3 million loss on impairment related to certain vacant, non-operating land parcels transferred by CEOC to us on the Formation Date. All of the land parcels are located outside of Las Vegas and none of the land parcels are a component of the operations of our regional property portfolio. We had no such related impairment during the three and nine months ended September 30, 2019.

Transaction and Acquisition Costs

Transaction and acquisition costs increased $1.0 million and $4.7 million during the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, respectively. The increase was primarily due to the adoption of ASC 842, which requires us to expense certain legal and third-party costs associated with our leases that were previously capitalized.

Other Income and Expenses

Interest Expense

Interest expense increased $14.5 million and $18.6 million during the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, respectively. The increase is primarily attributable to our interest rate swap agreements which we entered into in April 2018 and January 2019 and an increase in the amortization of our deferred financing fees as a result of the costs associated with our Revolving Credit Facility. With respect to the interest rate swap agreements, prior to entering into such agreements in the comparative period, we were paying a lower variable rate as compared to the fixed rate under the interest rate swap agreements. These amounts were partially offset by a reduction in interest rates due to the repayment of amounts outstanding under our Revolving Credit Facility and the partial paydown of the Term Loan B Facility and Second Lien Notes in February of 2018.

Interest Income

Interest income increased $4.7 million and $8.4 million during the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, respectively. The increase is primarily driven by increased cash on hand from our primary follow-on equity offerings in November 2018 and June 2019.

Loss on Extinguishment of Debt

During the nine months ended September 30, 2018, we recognized a loss on extinguishment of debt of $23.0 million resulting from the redemption of $268.4 million in aggregate principal of our Second Lien Notes in February 2018 at a redemption price of 108%. We had no such related extinguishment of debt during the three and nine months ended September 30, 2019 or the three months ended September 30, 2018.

RECONCILIATION OF NON-GAAP MEASURES

We present Funds From Operations (“FFO”), FFO per share, Adjusted Funds From Operations (“AFFO”), AFFO per share, and Adjusted EBITDA, which are not required by, or presented in accordance with, generally accepted accounting principles in the United States (“GAAP”). These are non-GAAP financial measures and should not be construed as alternatives to net income or as an indicator of operating performance (as determined in accordance with GAAP). We believe FFO, FFO per share, AFFO, AFFO per share and Adjusted EBITDA provide a meaningful perspective of the underlying operating performance of our business.

FFO is a non-GAAP financial measure that is considered a supplemental measure for the real estate industry and a supplement to GAAP measures. Consistent with the definition used by The National Association of Real Estate Investment Trusts (“NAREIT”), we define FFO as net income (or loss) (computed in accordance with GAAP) excluding (i) gains (or losses) from sales of certain real estate assets, (ii) depreciation and amortization related to real estate, (iii) gains and losses from change in control and (iv) impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity.

AFFO is a non-GAAP financial measure that we use as a supplemental operating measure to evaluate our performance. We calculate AFFO by adding or subtracting from FFO direct financing and sales-type lease adjustments, transaction costs incurred in connection with the acquisition of real estate investments, non-cash stock-based compensation expense, amortization of debt issuance costs and original issue discount, other non-cash interest expense, non-real estate depreciation (which is comprised of the depreciation related to our golf course operations), capital expenditures (which are comprised of additions to property, plant and equipment related to our golf course operations), impairment charges related to non-depreciable real estate and gains (or losses) on debt extinguishment.

We calculate Adjusted EBITDA by adding or subtracting from AFFO interest expense and interest income (collectively, interest expense, net) and income tax expense.

These non-GAAP financial measures: (i) do not represent cash flow from operations as defined by GAAP; (ii) should not be considered as an alternative to net income as a measure of operating performance or to cash flows from operating, investing and financing activities; and (iii) are not alternatives to cash flow as a measure of liquidity. In addition, these measures should not be viewed as measures of liquidity, nor do they measure our ability to fund all of our cash needs, including our ability to make cash distributions to our stockholders, to fund capital improvements, or to make interest payments on our indebtedness. Investors are also cautioned that FFO, FFO per share, AFFO, AFFO per share and Adjusted EBITDA, as presented, may not be comparable to similarly titled measures reported by other real estate companies, including REITs, due to the fact that not all real estate companies use the same definitions. Our presentation of these measures does not replace the presentation of our financial results in accordance with GAAP.

Reconciliation of Net Income to FFO, FFO per Share, AFFO, AFFO per Share and Adjusted EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except share data and per share data)	**2019**	**2018**	**2019**	**2018**
Net income attributable to common stockholders	$ 144,435	$ 129,912	$ 447,333	$ 381,078
Real estate depreciation	—	—	—	—
FFO	**144,435**	**129,912**	**447,333**	**381,078**
Direct financing and sales-type lease adjustments attributable to common stockholders	2,563	(12,876)	(2,093)	(38,652)
Transaction and acquisition expenses	993	—	4,749	—
Non-cash stock-based compensation	1,404	623	3,821	1,482
Amortization of debt issuance costs and original issue discount	14,816	1,495	18,180	4,477
Other depreciation	997	926	2,940	2,752
Capital expenditures	(588)	(187)	(1,991)	(744)
Loss on impairment	—	12,334	—	12,334
Loss on extinguishment of debt	—	—	—	23,040
AFFO	**164,620**	**132,227**	**472,939**	**385,767**
Interest expense, net	47,025	50,529	142,895	146,385
Income tax expense	24	52	1,098	884
Adjusted EBITDA	**$ 211,669**	**$ 182,808**	**$ 616,932**	**$ 533,036**
Net income per common share				
Basic	$ 0.31	$ 0.35	$ 1.05	$ 1.06
Diluted	$ 0.31	$ 0.35	$ 1.04	$ 1.06
FFO per common share				
Basic	$ 0.31	$ 0.35	$ 1.05	$ 1.06
Diluted	$ 0.31	$ 0.35	$ 1.04	$ 1.06
AFFO per common share				
Basic	$ 0.36	$ 0.36	$ 1.11	$ 1.07
Diluted	$ 0.35	$ 0.36	$ 1.10	$ 1.07
Weighted average number of common shares outstanding				
Basic	460,666,295	369,935,055	426,437,889	360,997,358
Diluted	465,771,668	370,127,185	428,366,146	361,042,203

LIQUIDITY AND CAPITAL RESOURCES

Overview

As of September 30, 2019, our available cash balances, restricted cash balances, short-term investments and capacity under our Revolving Credit Facility were as follows:

(In thousands)		September 30, 2019
Cash and cash equivalents	$	431,423
Restricted cash		32,087
Short-term investments		342,767
Capacity under Revolving Credit Facility (1)		1,000,000
Total	$	1,806,277

(1) Subject to compliance with the financial covenants and other applicable provisions of our Revolving Credit Facility.

Our short-term obligations consist primarily of regular interest payments on our debt obligations, dividends to our common stockholders, normal recurring operating expenses, recurring expenditures for corporate and administrative needs, certain lease and other contractual commitments related to our golf operations and certain non-recurring expenditures. For a list of our material contractual commitments refer to Note 10 - Commitments and Contingent Liabilities, in the Notes to our Financial Statements.

Our long-term obligations consist primarily of principal payments on our outstanding debt obligations. We currently have $4.1 billion of debt obligations outstanding, none of which are maturing in the next twelve months. For a summary of principal debt balances and their maturity dates and principal terms refer to Note 7 - Debt, in the Notes to our Consolidated Financial Statements. We anticipate closing the Century Portfolio Acquisition by the end of 2019, the JACK Cleveland/Thistledown Acquisition in early 2020 and the Eldorado Transaction in mid-2020. We expect to fund these purchases with a mix of cash on hand (from proceeds that we raised in our June 2019 equity offering, including the future settlement of the Forward Sale Agreements, and through our ATM Agreement) and debt, through additional long-term debt financing, under our Revolving Credit Facility and/or under our Bridge Financing Facility. In particular, we currently intend to incur additional long-term senior secured term loans and/or opportunistically access the debt capital markets to fund a portion of the cash consideration for the Eldorado Transaction, but, absent such a long-term debt financing, we may draw on our Bridge Facilities in connection with the closing of the Eldorado Transaction to fund a portion of the consideration and then, in the future, would expect to incur long-term debt financing to refinance such amounts borrowed under the Bridge Facilities, subject to market and other conditions. Our ability to raise long-term debt financing on favorable terms or at all may be adversely affected by market or economic conditions that change after the date of this Quarterly Report on Form 10-Q. There can be no assurances that we will be able to refinance the Bridge Facilities on terms satisfactory to us, or at all. We anticipate funding future transactions with a mix of debt that we incur, equity that we issue and available cash.

We believe that we have sufficient liquidity to meet our liquidity and capital resource requirements primarily through currently available cash and cash equivalents, restricted cash, short term investments, cash received under our Lease Agreements, borrowings from banks, including undrawn capacity under our Revolving Credit Facility and Bridge Facilities, and proceeds from the issuance of debt and equity securities (including issuances under our Forward Sale Agreements and our ATM Agreement). All of the Lease Agreements call for an initial term of fifteen years with four, five-year tenant renewal options and are designed to provide us with a reliable and predictable revenue stream. However, our cash flows from operations and our ability to access capital resources could be adversely affected due to uncertain economic factors and volatility in the financial and credit markets. In particular, we can provide no assurances that our tenants will not default on their leases or fail to make full rental payments if their businesses become challenged due to, among other things, adverse economic conditions.

Our ability to raise funds through the issuance of debt and equity securities and access to other third-party sources of capital in the future will be dependent on, among other things, general economic conditions, general market conditions for REITs, market perceptions and the trading price of our stock. We will continue to analyze which sources of capital are most advantageous to us at any particular point in time, but the capital markets may not be consistently available on terms we deem attractive, or at all.

Cash Flow Analysis

The table below summarizes our cash flows for the nine months ended September 30, 2019 and 2018:

(In thousands)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Variance
Cash, cash equivalents and restricted cash			
Provided by operating activities	$ 437,199	$ 328,517	$ 108,682
Used in investing activities	(1,355,857)	(832,471)	(523,386)
Provided by financing activities	783,721	451,829	331,892
Net increase in cash, cash equivalents and restricted cash	(134,937)	(52,125)	(82,812)
Cash, cash equivalents and restricted cash, beginning of period	598,447	197,406	401,041
Cash, cash equivalents and restricted cash, end of period	$ 463,510	$ 145,281	$ 318,229

Cash Flows from Operating Activities

Net cash provided by operating activities increased $108.7 million for the nine months ended September 30, 2019 compared with the nine months ended September 30, 2018. The increase is primarily driven by an increase in cash rental payments from the addition of Octavius Tower, Harrah's Philadelphia, Margaritaville, Greektown and JACK Cincinnati to our real estate portfolio in July 2018, December 2018, January 2019, May 2019 and September 2019, respectively, partially offset by a decrease due to the prepayment of certain rent in December 2018 related to January 2019.

Cash Flows from Investing Activities

Net cash used in investing activities increased $523.4 million for the nine months ended September 30, 2019 compared with the nine months ended September 30, 2018. The increase is primarily driven by the acquisitions of Margaritaville, Greektown and JACK Cincinnati for a total of $1,530.6 million, including acquisition costs, during the nine months ended September 30, 2019 compared with the acquisition of Octavius Tower for $507.8 million, including acquisition costs, during the nine months ended September 30, 2018. This increase was partially offset by an increase in net maturities of short-term investments of $498.8 million during the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018.

Cash Flows from Financing Activities

Net cash provided by financing activities increased $331.9 million for the nine months ended September 30, 2019 compared with the nine months ended September 30, 2018.

During the nine months ended September 30, 2019 the primary sources and uses of cash from financing activities included:

- Net proceeds from the sale of an aggregate of $1,164.4 million of our common stock from a primary follow-on offering and our at-the-market program;
- Dividend payments of $366.9 million;
- Debt issuance costs of $7.7 million; and
- Distributions of $6.1 million to non-controlling interest

During the nine months ended September 30, 2018 the primary sources and uses of cash from financing activities included:

- Net proceeds from our initial public offering of $1,307.1 million of our common stock;
- Repayment of $300.0 million on our Revolving Credit Facility;
- Repayment of $100.0 million on our Term Loan B Facility;
- Redemption of $290.1 million in aggregate principal amount of our Second Lien Notes;
- Dividend payments of $156.3 million;
- Debt issuance costs of $1.1 million; and
- Distributions of $7.8 million to non-controlling interest.

Capital Expenditures

As described in our leases, capital expenditures for properties under our Lease Agreements are the responsibility our tenants. Refer to Note 5 - Real Estate Portfolio in the Notes to our Financial Statements for further information of the obligations of our tenants under the Lease Agreements.

Debt

Activity During 2019

On June 24, 2019, in connection with the Eldorado Transaction, VICI PropCo entered into the Commitment Letter with the Bridge Lender, pursuant to which and subject to the terms and conditions set forth therein, the Bridge Lender has agreed to provide (i) a 364-day first lien secured bridge facility of up to $3.3 billion in the aggregate and (ii) a 364-day second lien secured bridge facility of up to $1.5 billion in the aggregate, for the purpose of providing a portion of the financing necessary to fund the consideration to be paid pursuant to the terms of the Eldorado Transaction documents and related fees and expenses. The Bridge Facilities are subject to a tiered commitment fee for the period the commitment is outstanding.

On May 15, 2019, we amended our Revolving Credit Facility to, among other things, increase borrowing capacity by $600 million to a total of $1.0 billion and extend the maturity date to May 2024. Borrowings under the Revolving Credit Facility will bear interest at a rate based on a leverage-based pricing grid with a range of 1.75% to 2.00% over LIBOR (London Interbank Offered Rate), or between 0.75% and 1.00% over the base rate, in each case depending on our total net debt to adjusted total assets ratio. The Revolving Credit Facility replaces our previous revolving credit facility, which had a total borrowing capacity of $400 million, a maturity date in December 2022, and under which borrowings bore interest at 2.00% over LIBOR.

On January 3, 2019, we entered into two additional interest rate swap transactions having an aggregate notional amount of $500.0 million. These interest rate swap transactions each have an effective date of January 22, 2019 and a termination date of January 22, 2021 and are intended to be cash flow hedges that effectively fix, for two years, the LIBOR component of the interest rate on $500.0 million of the outstanding debt under the Term Loan B Facility at a blended rate of 2.38%. Subsequent to the effectiveness and for the duration of the interest rate swap transactions, we are only subject to interest rate risk on $100.0 million of variable rate debt.

Covenants

Our debt obligations are subject to certain customary financial and protective covenants that restrict our ability to incur additional debt, sell certain asset and restrict certain payments, among other things. In addition, these covenants are subject to a number of important exceptions and qualifications, including, with respect to the restricted payments covenant, the ability to make unlimited restricted payments to maintain our REIT status. At September 30, 2019, we were in compliance with all debt-related covenants.

Distribution Policy

We intend to make regular quarterly distributions to holders of shares of our common stock. Dividends declared (on a per share basis) during the nine months ended September 30, 2019 and 2018 were as follows:

Nine Months Ended September 30, 2019

Declaration Date	Record Date	Payment Date	Period	Dividend
March 14, 2019	March 29, 2019	April 11, 2019	January 1, 2019 - March 31, 2019	$ 0.2875
June 13, 2019	June 28, 2019	July 12, 2019	April 1, 2019 - June 30, 2019	$ 0.2875
September 12, 2019	September 27, 2019	October 10, 2019	July 1, 2019 - September 30, 2019	$ 0.2975

Nine Months Ended September 30, 2018					
Declaration Date	**Record Date**	**Payment Date**	**Period**	**Dividend**	
March 15, 2018 (1)	March 29, 2018	April 13, 2018	February 5, 2018 - March 31, 2018	$	0.16
June 14, 2018	June 28, 2018	July 13, 2018	April 1, 2018 - June 30, 2018	$	0.2625
September 17, 2018	September 28, 2018	October 11, 2018	July 1, 2018 - September 30, 2018	$	0.2875

(1) The dividend was pro-rated for the period commencing upon the closing of our initial public offering and ending on March 31, 2018, based on a quarterly distribution rate of $0.2625 per share.

Federal income tax law requires that a REIT distribute annually at least 90% of its REIT taxable income (with certain adjustments), determined without regard to the dividends paid deduction and excluding any net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains. In addition, a REIT will be required to pay a 4% nondeductible excise tax on the amount, if any, by which the distributions it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years.

We intend to continue to make distributions to our stockholders to comply with the REIT requirements of the Code and to avoid or otherwise minimize paying entity level federal income or excise tax (other than at any TRS of ours). We may generate taxable income greater than our income for financial reporting purposes prepared in accordance with GAAP. Further, we may generate REIT taxable income greater than our cash flow from operations after operating expenses and debt service as a result of differences in timing between the recognition of REIT taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments.

Critical Accounting Policies and Estimates

A complete discussion of our critical accounting policies and estimates is included in our Form 10-K for the period ended December 31, 2018. On January 1, 2019 we adopted ASC 842, resulting in a significant change in our accounting policies.

Investments in Direct Financing and Sales-Type Leases, Net

We account for our investments in leases under ASC 842 “Leases” (“ASC 842”), which we adopted on January 1, 2019. Upon lease inception or lease modification, we assess lease classification to determine whether the lease should be classified as a direct financing, sales-type or operating lease. As required by ASC 842, we separately assess the land and building components of the property to determine the classification of each component, unless the impact of doing so is immaterial. If the lease component is determined to be a direct financing or sales-type lease, we record a net investment in the lease, which is equal to the sum of the lease receivable and the unguaranteed residual asset, discounted at the rate implicit in the lease. Any difference between the fair value of the asset and the net investment in the lease is considered selling profit or loss and is either recognized upon execution of the lease or deferred and recognized over the life of the lease, depending on the classification of the lease. Due to the nature of our assets, the net investment in the lease is generally equal to the purchase price of the asset, and the land and building components of an investment generally have the same lease classification.

For leases determined to be sales-type leases, we further assess to determine whether the transaction is considered a sale leaseback transaction. If we determine that the lease meets the definition for a sale leaseback transaction, the lease is considered a financing receivable and is recognized in accordance with ASC 310 “Receivables” (“ASC 310”). We currently do not have any lease investments that are accounted for as financing receivables under ASC 310.

Upon adoption of ASC 842, we made an accounting policy election to use a package of practical expedients that, among other things, allow us to not reassess prior lease classifications or initial direct costs for leases that existed as of the balance sheet date.

Income from Leases

We recognize the related income from our direct financing and sales-type leases on an effective interest basis at a constant rate of return over the terms of the applicable leases. As a result, the cash payments accounted for under direct financing and sales-type leases will not equal income from our Lease Agreements. Rather, a portion of the cash rent we receive is recorded as Income from direct financing and sales-type leases in our Statement of Operations and a portion is recorded as a change to Investments in direct financing and sales-type leases, net.

Under ASC 840, we determined that the land component of Caesars Palace Las Vegas was greater than 25% of the overall fair value of the combined land and building components. At lease inception the land was determined to be an operating lease and we record the related income on a straight-line basis over the lease term. The amount of annual minimum lease payments attributable to the land element after deducting executory costs, including any profit thereon, is determined by applying the lessee's incremental borrowing rate to the value of the land. Revenue from this lease is recorded as Income from operating leases in our Statement of Operations.

Initial direct costs incurred in connection with entering into lease agreements are included in the balance of the net investment in lease. In relation to direct financing and sales-type leases, such amounts will be recognized as a reduction to Income from investments in leases over the life of the lease using the effective interest method. Costs that would have been incurred regardless of whether the lease was signed, such as legal fees and certain other third-party fees, are expensed as incurred to Transaction and acquisition expenses in our Statement of Operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We face market risk exposure in the form of interest rate risk. This market risk arises from our debt obligations. Our primary market risk exposure is interest rate risk with respect to our indebtedness.

At September 30, 2019, we had $4.1 billion aggregate principal amount of outstanding indebtedness. Approximately $2.1 billion of our indebtedness has variable interest rates. We manage most of our interest rate risks related to variable rate borrowings by means of interest rate swap agreements. However, the REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. We expect to manage our exposure to interest rate risk by maintaining a mix of fixed and variable rates for our indebtedness.

At September 30, 2019, we had entered into interest rate swap agreements that hedge $2.0 billion of our variable rate debt. Accordingly, we have approximately $100.0 million in variable rate debt that is not hedged. A one percent increase or decrease in the interest rate on our variable-rate borrowings that are not hedged would increase or decrease our annual cash interest expense by approximately $1.0 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act, is recorded, processed, summarized and reported within the specified time periods, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management has evaluated, under the supervision and with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) as of the end of the period covered by this report. Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, from time to time, we may be subject to legal claims and administrative proceedings. As of September 30, 2019, we are not subject to any litigation that we believe could have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations, liquidity or cash flows.

Item 1A. Risk Factors

A description of certain factors that may affect our future results and risk factors is set forth in our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes to those factors for the nine months ended September 30, 2019 other than as set forth in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, and such risk factors are incorporated by reference herein.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

(b) Use of Proceeds from Registered Securities

Not applicable.

(c) Issuer Purchases of Equity Securities

During the three months ended September 30, 2019, we did not repurchase any equity securities registered pursuant to Section 12 of the Exchange Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Exhibit	Filing Date
2.1	Equity Purchase Agreement dated as of April 5, 2019 by and among Jack Ohio Finance LLC and VICI Properties L.P. (JACK Cincinnati)		8-K	2.1	9/25/2019
2.2	Transaction Agreement dated as of April 5, 2019 by and among Jack Ohio Finance LLC, Jack Ohio LLC, HR Cincinnati, LLC, VICI Properties L.P. and Seminole HR Holdings, LLC		8-K	2.2	9/25/2019
2.3	Purchase and Sale Agreement dated as of September 26, 2019 by and between Eldorado Resorts, Inc. and VICI Properties L.P. (Harrah's New Orleans; New Orleans, Louisiana)		8-K	2.1	9/26/2019
2.4	Purchase and Sale Agreement dated as of September 26, 2019 by and between Eldorado Resorts, Inc. and VICI Properties L.P. (Harrah's Resort Atlantic City and Harrah's Atlantic City Waterfront Conference Center; Atlantic City, New Jersey)		8-K	2.2	9/26/2019
2.5	Purchase and Sale Agreement dated as of September 26, 2019 by and between Eldorado Resorts, Inc. and VICI Properties L.P. (Harrah's Laughlin Hotel & Casino; Laughlin, Nevada)		8-K	2.3	9/26/2019
10.1	Amended and Restated Employment Agreement, dated as of September 25, 2019, by and between VICI Properties Inc., VICI Properties L.P. and John Payne		8-K	10.1	9/26/2019
10.2	Amended and Restated Employment Agreement, dated as of September 25, 2019, by and between VICI Properties Inc., VICI Properties L.P. and Edward Pitoniak		8-K	10.2	9/26/2019
10.3	Amended and Restated Employment Agreement, dated as of September 25, 2019, by and between VICI Properties Inc., VICI Properties L.P. and David Kieske		8-K	10.3	9/26/2019
10.4	Amended and Restated Employment Agreement, dated as of September 25, 2019, by and between VICI Properties Inc., VICI Properties L.P. and Samantha Gallagher		8-K	10.4	9/26/2019
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*			
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*			
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	X			
101.SCH	XBRL Taxonomy Extension Schema Document	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X			

104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Furnished herewith.

SIGNATURES

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.

VICI PROPERTIES INC.

Signature	Title	Date
/s/ EDWARD B. PITONIAK **Edward B. Pitoniak**	Chief Executive Officer and Director (Principal Executive Officer)	October 31, 2019
/s/ DAVID A. KIESKE **David A. Kieske**	Chief Financial Officer (Principal Financial Officer)	October 31, 2019
/s/ GABRIEL F. WASSERMAN **Gabriel F. Wasserman**	Chief Accounting Officer (Principal Accounting Officer)	October 31, 2019

Exhibit 31.1

I, Edward B. Pitoniak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of VICI Properties Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2019

By: /s/ EDWARD B. PITONIAK

Edward B. Pitoniak

Chief Executive Officer

Exhibit 31.2

I, David Kieske, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of VICI Properties Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2019

By: /s/ DAVID A. KIESKE

David A. Kieske

Chief Financial Officer

Exhibit 32.1

Certification of Principal Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of VICI Properties Inc. (the “Company”), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2019

By: /s/ EDWARD B. PITONIAK

Edward B. Pitoniak

Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

Certification of Principal Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of VICI Properties Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2019

By: /s/ DAVID A. KIESKE

David A. Kieske

Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.