ROYAL CARIBBEAN CRUISES LTD
Form 10-K
February 25, 2013

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012

or

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

For the transition period from to
Commission file number: 1-11884

ROYAL CARIBBEAN CRUISES LTD.

(Exact name of registrant as specified in its charter)

Republic of Liberia	**98-0081645**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1050 Caribbean Way, Miami, Florida 33132
(Address of principal executive offices) (zip code)

(305) 539-6000
(Registrant's telephone number, including area code)

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

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $.01 per share	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

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

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

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

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

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

The aggregate market value of the registrant's common stock at June 29, 2012 (based upon the closing sale price of the common stock on the New York Stock Exchange on June 29, 2012) held by those persons deemed by the registrant to be non-affiliates was approximately $4.5 billion. Shares of the registrant's common stock held by each executive officer and director and by each entity or person that, to the registrant's knowledge, owned 10% or more of the registrant's outstanding common stock as of June 29, 2012 have been excluded from this number in that these persons may be deemed affiliates of the registrant. This determination of possible affiliate status is not necessarily a conclusive determination for other purposes.

There were 219,168,946 shares of common stock outstanding as of February 13, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to its 2013 Annual Meeting of Shareholders are incorporated by reference in Part III, Items 10-14 of this Annual Report on Form 10-K as indicated herein.

Table of Contents

ROYAL CARIBBEAN CRUISES LTD.
TABLE OF CONTENTS

		Page
PART I		
Item 1.	Business	1
Item 1A.	Risk Factors	26
Item 1B.	Unresolved Staff Comments	34
Item 2.	Properties	34
Item 3.	Legal Proceedings	35
Item 4.	Mine Safety Disclosures	36
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	37
Item 6.	Selected Financial Data	39
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	40
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	65
Item 8.	Financial Statements and Supplementary Data	68
Item 9.	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	68
Item 9A.	Controls and Procedures	68
Item 9B.	Other Information	69
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	70
Item 11.	Executive Compensation	70
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	70
Item 13.	Certain Relationships and Related Transactions, and Director Independence	70
Item 14.	Principal Accounting Fees and Services	70
PART IV		
Item 15.	Exhibits, Financial Statement Schedules	71
Signatures		72

Table of Contents

PART I

As used in this Annual Report on Form 10-K, the terms "Royal Caribbean," the "Company," "we," "our" and "us" refer to Royal Caribbean Cruises Ltd. and, depending on the context, Royal Caribbean Cruises Ltd.'s consolidated subsidiaries and/or affiliates. The terms "Royal Caribbean International," "Celebrity Cruises," "Pullmantur," "Azamara Club Cruises," "CDF Croisières de France," and "TUI Cruises" refer to our cruise brands. However, our operating results and other disclosures herein do not include TUI Cruises unless otherwise specified. In accordance with cruise vacation industry practice, the term "berths" is determined based on double occupancy per cabin even though many cabins can accommodate three or more passengers.

This Annual Report on Form 10-K also includes trademarks, trade names and service marks of other companies. Use or display by us of other parties' trademarks, trade names or service marks is not intended to and does not imply a relationship with, or endorsement or sponsorship of us by, these other parties other than as described herein.

Item 1. Business

General

Royal Caribbean was founded in 1968 as a partnership. Its corporate structure evolved over the years and the current parent corporation, Royal Caribbean Cruises Ltd., was incorporated on July 23, 1985 in the Republic of Liberia under the Business Corporation Act of Liberia.

We are the world's second largest cruise company. We own Royal Caribbean International, Celebrity Cruises, Pullmantur, Azamara Club Cruises and CDF Croisières de France, as well as TUI Cruises through a 50% joint venture. Together, these six brands operate a combined 41 ships in the cruise vacation industry with an aggregate capacity of approximately 98,650 berths as of December 31, 2012.

Our ships operate on a selection of worldwide itineraries that call on approximately 455 destinations on all seven continents. In addition to our headquarters in Miami, Florida, we have offices and a network of international representatives around the world which focus on our global guest sourcing.

We compete principally on the basis of exceptional service provided by our crew; innovation and quality of ships; variety of itineraries; choice of destinations; and price. We believe that our commitment to build state-of-the-art ships and to invest in the maintenance and revitalization of our fleet to, among other things, incorporate our latest signature innovations, allows us to continue to attract new and loyal repeat guests.

We believe cruising continues to be a widely accepted vacation choice due to its inherent value, extensive itineraries and variety of shipboard and shoreside activities. In addition, we believe that our products appeal to a large consumer base and are not dependent on a single market or demographic.

Our Brands

Our global brands include Royal Caribbean International, Celebrity Cruises, and Azamara Club Cruises. These brands are complemented by our Pullmantur brand, which has been tailored to serve the cruise markets in Spain, Portugal and Latin America; our CDF Croisières de France brand, which provides us with a tailored product targeted at the French market; and our 50% joint venture TUI Cruises which is specifically tailored for the German market. The operating results of all of our brands are included in our consolidated results of operations, except for TUI Cruises, which is accounted for under the equity method of accounting. See Note 1. *General* and Note 6. *Other Assets* to

our consolidated financial statements under Item 8. *Financial Statements and Supplementary Data* for further details.

We believe our global brands possess the versatility to enter multiple cruise market segments within the cruise vacation industry. Although each of our brands has its own marketing style as well as ships and crews of various sizes, the nature of the products sold and services delivered by our brands share a common base (i.e. the sale and provision of cruise vacations). Our brands also have similar itineraries as well as similar cost and revenue components. In addition, our brands source passengers from similar markets around the world and operate in similar economic environments with a significant degree of commercial overlap. As a result, we strategically manage our brands as a single business with the ultimate objective of maximizing long-term shareholder value.

Royal Caribbean International

We currently operate 22 ships with an aggregate capacity of approximately 62,000 berths under our Royal Caribbean International brand, offering cruise itineraries that range from two to 18 nights. As previously announced, we will redeploy *Monarch of the Seas* from Royal Caribbean International to Pullmantur in April 2013. In addition, we currently have three ships on order for our Royal Caribbean International brand with an aggregate capacity of approximately 13,600 berths which are expected to enter service in the fourth quarter of 2014, the second quarter of 2015 and the second quarter of 2016, respectively. This includes our recently ordered third Oasis-class ship. Royal Caribbean International offers a variety of itineraries to destinations worldwide, including Alaska, Asia, Australia, Bahamas, Bermuda, Canada, the Caribbean, Europe, the Middle East, the Panama Canal, South America, South Pacific and New Zealand.

Royal Caribbean International is positioned at the upper end of the contemporary segment of the cruise vacation industry, generally characterized by cruises that are seven nights or shorter and feature a casual ambiance as well as a variety of activities and entertainment venues. We believe that the quality of the Royal Caribbean International brand also enables it to attract guests from the premium segment, which is generally characterized by cruises that are seven to 14 nights and appeal to the more experienced guest who is usually more affluent. This allows Royal Caribbean International to achieve market coverage that is among the broadest of any of the major cruise brands in the cruise vacation industry.

Royal Caribbean International's strategy is to attract an array of vacationing guests by providing a wide variety of itineraries and cruise lengths with multiple innovative options for onboard dining, entertainment and other onboard activities. During 2011 Royal Caribbean International initiated a vessel revitalization program in order to incorporate some of the most popular features of our newer ships across the fleet. Nine ships were revitalized under this program during 2011 and 2012 and an additional three ships are scheduled for revitalization during 2013.

Royal Caribbean International offers a variety of shore excursions at each port of call. We believe that the variety and quality of Royal Caribbean International's product offerings represent excellent value to consumers, especially to couples and families traveling with children. Because of the brand's extensive and innovative product offerings, we believe Royal Caribbean International is well positioned to attract new consumers to the cruise vacation industry and to continue to bring loyal repeat guests back for their next vacation.

Celebrity Cruises

We currently operate 11 ships with an aggregate capacity of approximately 24,800 berths under our Celebrity Cruises brand, offering cruise itineraries that range from two to 18 nights. Celebrity Cruises offers a global cruise experience by providing a variety of cruise lengths and itineraries to marquee destinations throughout the world, including Alaska, Asia, Australia, Bermuda, Canada, the Caribbean,

Table of Contents

Europe, Hawaii, New England, New Zealand, the Panama Canal, the US Pacific Coast and South America. Celebrity Cruises was the first major cruise line to operate a ship in the Galapagos Islands, *Celebrity Xpedition,* operating in this location since 2004. *Celebrity Xpedition* has 96 berths and provides this unique experience on seven day cruises that include pre-cruise tours in Ecuador.

Celebrity Cruises is positioned within the premium segment of the cruise vacation industry. Celebrity Cruises delivers a modern luxury cruise vacation experience that appeals to experienced cruisers, resulting in a strong base of loyal repeat guests. The brand also appeals to vacationers who have not yet cruised who seek to explore destinations throughout the world and would enjoy the high quality, service-focused and modern luxury experience the brand offers.

Celebrity Cruises' strategy is to deliver an intimate experience onboard upscale ships that offer luxurious accommodations, a high staff-to-guest ratio, fine dining, personalized service, extensive spa facilities, and unique onboard activities and entertainment. The brand began a revitalization program for all four Millennium-class ships in 2010 in order to incorporate well received concepts from the Solstice-class ships. The revitalization program is expected to be completed in 2013 when *Celebrity Constellation*, the final Millennium-class vessel to be revitalized, will undergo a second revitalization to incorporate additional amenities and staterooms.

Azamara Club Cruises

We currently operate two ships with an aggregate capacity of approximately 1,400 berths under our Azamara Club Cruises brand, offering cruise itineraries that range from four to 18 nights. Azamara Club Cruises is designed to serve the up-market segment of the North American, United Kingdom and Australian markets. The up-market segment incorporates elements of the premium segment and the luxury segment which is generally characterized by smaller ships, high standards of accommodation and service, higher prices and exotic itineraries to ports which are inaccessible to larger ships.

Azamara Club Cruises' strategy is to deliver distinctive destination experiences, featuring unique itineraries with more overnights and longer stays as well as thorough tours allowing guests to truly experience the destination. Azamara Club Cruises' focus is to attract experienced travelers who are looking for more in-depth destination experiences, and who seek a more intimate onboard experience and a high level of service. Azamara Club Cruises sails in Asia, Northern and Western Europe, the Mediterranean, South and Central America, the less-traveled islands of the Caribbean and North America.

Azamara Club Cruises offers a variety of onboard services, amenities and activities, including gaming facilities, fine dining, spa and wellness, butler service for suites, as well as entertainment venues. Azamara Club Cruises also includes as part of the base price of the cruise certain complimentary onboard services, amenities and activities which are not normally included in the base price of other cruise lines.

Pullmantur

We currently operate three ships with an aggregate capacity of approximately 5,300 berths under our Pullmantur brand, offering cruise itineraries that range from four to 12 nights. As previously announced, *Monarch of the Seas* will be redeployed from Royal Caribbean International to Pullmantur in April 2013.

Pullmantur serves the contemporary segment of the Spanish, Portuguese and Latin American cruise markets. Pullmantur also has land-based tour operations and owns a 49% interest in an air business that operates four Boeing 747 aircraft in support of its cruise and tour operations.

Pullmantur's strategy is to attract cruise guests by providing a variety of cruising options and land-based travel packages. Pullmantur offers a range of cruise itineraries to Brazil, the Caribbean and

Table of Contents

Europe. Pullmantur offers a wide array of onboard activities and services to guests, including exercise facilities, swimming pools, beauty salons, gaming facilities, shopping, dining, certain complimentary beverages, and entertainment venues. Pullmantur's tour operations sell land-based travel packages primarily to Spanish guests, including hotels and flights mainly to Caribbean resorts, and land-based tour packages to Europe primarily aimed at Latin American guests. In addition, Pullmantur owns a travel agency network that offers a wide array of travel related products to guests in Spain.

CDF Croisières de France

CDF Croisières de France currently operates the 1,350-berth *Horizon*. CDF Croisières de France is designed to serve the contemporary segment of the French cruise market by providing a brand tailored for French cruise guests. CDF Croisières de France offers seasonal itineraries to the Mediterranean and a variety of onboard services, amenities and activities, including entertainment venues, exercise and spa facilities, fine dining, and gaming facilities.

TUI Cruises

TUI Cruises is designed to serve the contemporary and premium segments of the German cruise market by offering tailored product for German guests. All onboard activities, services, shore excursions and menu offerings are designed to suit the preferences of this target market. TUI Cruises operates two ships, *Mein Schiff I* and *Mein Schiff II*, with an aggregate capacity of approximately 3,800 berths. In addition, TUI Cruises has two ships on order, each with a capacity of 2,500 berths, scheduled for delivery in the second quarter of 2014 and second quarter of 2015, respectively. TUI Cruises is a joint venture owned 50% by us and 50% by TUI AG, a German tourism and shipping company that also owns 51% of TUI Travel, a British tourism company.

Industry

Cruising is considered a well established vacation sector in the North American market, a growing sector over the long-term in the European market and a developing but promising sector in several other emerging markets. Industry data indicates that a significant portion of cruise guests carried are first-time cruisers. We believe this presents an opportunity for long-term growth and a potential for increased profitability.

We estimate that the global cruise industry carried 20.8 million cruise guests in 2012 compared to 20.2 million cruise guests carried in 2011 and 18.8 million cruise guests carried in 2010. We estimate that the global cruise fleet was served by approximately 432,000 berths on approximately 282 ships at the end of 2012. There are approximately 19 ships with an estimated 65,000 berths that are expected to be placed in service in the global cruise market between 2013 and 2017, although it is also possible that ships could be taken out of service during these periods. The majority of cruise guests have historically been sourced from North America and Europe.

North America

The North American cruise market has historically experienced significant growth. The compound annual growth rate in cruise guests for this market was approximately 4.5% from 2008 to 2012. We estimate that North America was served by 144 ships with approximately 212,000 berths at the beginning of 2008 and by 146 ships with approximately 258,000 berths at the end of 2012. There are approximately 10 ships with an estimated 40,000 berths that are expected to be placed in service in the North American cruise market between 2013 and 2017.

Table of Contents

Europe

As compared to North America, the European cruise market represents a smaller but even faster growing sector of the vacation industry. It has experienced a compound annual growth rate in cruise guests of approximately 7.6% from 2008 to 2012. This market has recently experienced a number of challenges as a result of the effects of the Costa Concordia incident and the continued instability in the European economic landscape. However, we continue to believe in the long term growth potential of this market. We estimate that Europe was served by 102 ships with approximately 108,000 berths at the beginning of 2008 and by 117 ships with approximately 156,000 berths at the end of 2012. There are approximately 9 ships with an estimated 25,000 berths that are expected to be placed in service in the European cruise market between 2013 and 2017.

The following table details the growth in the global, North American and European cruise markets in terms of cruise guests and estimated weighted-average berths over the past five years:

Year	Global Cruise Guests[1]	Weighted-Average Supply of Berths Marketed Globally[1]	North American Cruise Guests[2]	Weighted-Average Supply of Berths Marketed in North America[1]	European Cruise Guests	Weighted-Average Supply of Berths Marketed in Europe[1]
2008	17,184,000	347,000	10,093,000	219,000	4,500,000	120,000
2009	17,340,000	363,000	10,198,000	222,000	5,000,000	131,000
2010	18,800,000	391,000	10,781,000	232,000	5,540,000	143,000
2011	20,227,000	412,000	11,625,000	245,000	5,894,000	149,000
2012	20,823,000	425,000	12,044,000	254,000	6,040,000	152,000

(1) Source: Our estimates of the number of global cruise guests, and the weighted-average supply of berths marketed globally, in North America and Europe are based on a combination of data that we obtain from various publicly available cruise industry trade information sources including Seatrade Insider and Cruise Line International Association ("CLIA"). In addition, our estimates incorporate our own statistical analysis utilizing the same publicly available cruise industry data as a base.

(2) Source: Cruise Line International Association based on cruise guests carried for at least two consecutive nights for years 2008 through 2011. Year 2012 amounts represent our estimates (see number (1) above).

(3) Source: CLIA Europe, formerly European Cruise Council, for years 2008 through 2011. Year 2012 amounts represent our estimates (see number (1) above).

Other Markets

In addition to expected industry growth in North America and Europe as discussed above, we expect the Asia/Pacific region to demonstrate an even higher growth rate in the near term, although it will continue to represent a relatively small sector compared to North America and Europe.

Competition

We compete with a number of cruise lines. Our principal competitors are Carnival Corporation & plc, which owns, among others, Aida Cruises, Carnival Cruise Lines, Costa Cruises, Cunard Line, Holland America Line, Iberocruceros, P&O Cruises and Princess Cruises; Disney Cruise Line; MSC Cruises; Norwegian Cruise Line and Oceania Cruises. Cruise lines compete with other vacation alternatives such as land-based resort hotels and sightseeing destinations for consumers' leisure time. Demand for such activities is influenced by political and general economic conditions. Companies within the vacation market are dependent on consumer discretionary spending.

Table of Contents

Operating Strategies

Our principal operating strategies are to:

- protect the health, safety and security of our guests and employees and protect the environment in which our vessels and organization operate,
- strengthen and support our human capital in order to better serve our global guest base and grow our business,
- further strengthen our consumer engagement in order to enhance our revenues,
- increase the awareness and market penetration of our brands globally,
- focus on cost efficiency, manage our operating expenditures and ensure adequate cash and liquidity, with the overall goal of maximizing our return on invested capital and long-term shareholder value,
- strategically invest in our fleet through the revitalization of existing ships and the transfer of key innovations across each brand, while prudently expanding our fleet with the new state-of-the-art cruise ships recently delivered and on order,
- capitalize on the portability and flexibility of our ships by deploying them into those markets and itineraries that provide opportunities to optimize returns, while continuing our focus on existing key markets,
- further enhance our technological capabilities to service customer preferences and expectations in an innovative manner, while supporting our strategic focus on profitability, and
- maintain strong relationships with travel agencies, which continue to be the principal industry distribution channel, while enhancing our consumer outreach programs.

Safety, Environment and Health policies

We are committed to protecting the safety, environment and health of our guests, employees and others working on our behalf. We are also committed to protecting the marine environment in which our ships sail and the communities in which we operate by reducing/mitigating adverse environmental consequences and using resources efficiently. As part of this commitment, we have established a Safety, Environment and Health Department to oversee our maritime safety, global security, environmental stewardship and medical/public health activities. We also have a Maritime Advisory Board of experts as well as the Safety, Environment and Health (SEH) Committee of our Board of Directors which oversees these important areas. In addition, we publish an annual Stewardship Report on our performance in these important areas, which can be accessed on our brand websites.

Following the Costa Concordia incident in early 2012, we and other cruise lines performed reviews of safety and emergency response procedures to identify lessons learned and best practices to further protect the safety of our guests and crew. During this process, we held regular meetings with other cruise companies to propose new industry-wide policies that we believe will further drive our Company's and the industry's safety performance. A number of these policies have already been implemented and/or publicly announced by the Cruise Lines International Association as well as shared with international regulators.

Strengthen and support our human capital

We believe that our employees, both shipboard and shoreside, are a critical success factor for our business. We strive to identify, hire, develop, motivate, and retain the best employees, with backgrounds

Table of Contents

and perspectives as diverse as our guest base. Attracting, engaging, and retaining key employees has been and will remain critical to our success.

We continue our focus on providing our employees with a competitive compensation structure, development and other personal and professional growth opportunities in order to strengthen and support our human capital. We also seek to select, develop and retain leaders to advance the enterprise now and in the future. To that end, we pay special attention to identifying high performing potential leaders and develop deep bench strength so these leaders can assume leadership roles throughout the organization. We strive to maintain a work environment that reinforces collaboration, motivation and innovation, and believe that maintaining our vibrant and distinctive culture is critical to the growth of our business.

Strengthen our consumer engagement

We place a strong focus on identifying the needs of our guests and creating product features that our customers value. We are focused on targeting high value guests by better understanding consumer data and insights and creating communication strategies that best resonate with our target audiences.

We interact with customers across all touch points and seek to identify underlying needs for which guests are willing to pay a premium. We rely on various programs prior to, during and after a cruise vacation aimed at increasing our ticket prices, onboard revenues and occupancy. In 2013, we will continue to strategically invest in a number of potential revenue enhancing projects, including the implementation of new onboard revenue initiatives. We believe these initiatives will provide opportunities for increased ticket and onboard revenues.

Global awareness and market penetration

We increase brand awareness and market penetration of our cruise brands in various ways, including by using communication strategies and marketing campaigns designed to emphasize the unique qualities of each brand and to broaden the awareness of the brand, especially among the brand target customer groups. Our marketing strategies include the use of traditional media, social media, brand websites and travel agencies. Our brands engage past and potential guests by collaborating with travel partners and through call centers, international offices and international representatives. In addition, Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises retain repeat guests with exclusive benefits offered through their respective loyalty programs.

We also increase brand awareness across all of our brands through travel agencies who generate the majority of our bookings. We are committed to further developing and strengthening this very important distribution channel by continuing to focus the travel agents on the unique qualities of each of our brands.

We sell and market our global brands, Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises, to guests outside of North America through our offices in the United Kingdom, France, Germany, Norway, Italy, Spain, Singapore, China, Brazil, Australia and Mexico. We believe that having a local presence in these markets provides us with the ability to react more quickly to local market conditions and better understand our consumer base in each market. We further extend our geographic reach with a network of 36 independent international representatives located throughout the world covering 111 countries. Historically, our focus has been to primarily source guests for our global brands from North America. Over the last several years, we have continued to expand our focus on selling and marketing our cruise brands to guests in countries outside of North America through fleet innovation and by responding to the itinerary preferences and cultural characteristics of our international guests. In 2013, we will continue to focus on the development of key markets in Asia and we will focus on sourcing guests and adding capacity to the markets where we expect significant growth and profitability, such as China and Australia.

Table of Contents

We are also focused on expanding our Pullmantur brand into Latin America, with particular emphasis in Brazil. We also look for opportunities to acquire or develop brands tailored to specific markets. TUI Cruises, our joint venture with TUI AG, is a cruise brand targeted at the cruise market in Germany. TUI Cruises complements our other tailored brands including Pullmantur and CDF Croisières de France.

Passenger ticket revenues generated by sales originating in countries outside of the United States were approximately 49% of total passenger ticket revenues in 2012 and 2011, and 45% in 2010. International guests have grown from approximately 1.3 million in 2008 to approximately 2.2 million in 2012.

Focus on cost efficiency, manage our operating expenditures and ensure adequate cash and liquidity

We are committed to our efforts to identify and implement cost containment initiatives, including a number of initiatives to reduce energy consumption and, by extension, fuel costs. These include the design of more fuel efficient ships as well as the implementation of more efficient hardware, including propulsion and cooling systems incorporating energy efficiencies. In addition, we are focused on maintaining a strong liquidity position, reducing our debt and improving our credit metrics. We are also continuing to pursue our long-term objective of returning our credit ratings to investment grade. We believe these strategies enhance our ability to achieve our overall goal of maximizing our return on invested capital and long-term shareholder value.

Fleet revitalization, maintenance and expansion

We place a strong focus on product innovation, which we seek to achieve by introducing new concepts on our new ships and continuously making improvements to our fleet. Several of these innovations have become signature elements of our brands, such as the "Royal Promenade" (a boulevard with shopping, dining and entertainment venues), ice skating rinks, rock climbing walls, miniature golf and full court basketball for the Royal Caribbean International brand, and the design of the ships, contemporary quality dining, spacious staterooms and suites with verandas, spa facilities and variety of bars and lounges for the Celebrity Cruises brand. In 2009 and 2010, Royal Caribbean International took delivery of sister ships, *Oasis of the Seas* and *Allure of the Seas,* which are the largest and most innovative cruise ships in the cruise industry. With the same focus on product innovation, Celebrity Cruises ordered a total of five Solstice-class ships, the last of which, *Celebrity Reflection*, was delivered in 2012. The Solstice-class ships incorporate many new and improved design features.

Our revitalization and maintenance programs enable us to incorporate our latest signature innovations and allow us to benefit from economies of scale by leveraging our suppliers. Ensuring consistency across our fleet provides us with the flexibility to redeploy our ships among our brand portfolio. As part of these efforts:

- Royal Caribbean International initiated a vessel revitalization program in 2011 in order to introduce some of the most popular features of the Oasis-class ships on certain Freedom-class, Radiance-class and Vision-class ships. *Liberty of the Seas*, *Freedom of the Seas*, *Radiance of the Seas* and *Splendour of the Seas* were revitalized in 2011 and *Rhapsody of the Seas*, *Mariner of the Seas*, *Grandeur of the Seas, Serenade of the Seas* and *Enchantment of the Seas* were revitalized in 2012 as part of this revitalization program. An additional three ships are scheduled for revitalization in 2013.

Table of Contents

Celebrity Cruises began investing in the revitalization of the Millennium-class ships in 2010 as *Celebrity Constellation* underwent a revitalization of its onboard amenities and public areas to incorporate certain Solstice-class features. In 2011 and the early part of 2012, *Celebrity Infinity, Celebrity Summit* and *Celebrity Millennium* added onboard amenities, public areas and new staterooms. In 2013, *Celebrity Constellation* will undergo a second revitalization to incorporate additional amenities and staterooms.

We are also committed to building state-of-the-art ships, and currently our brands, including our 50% joint venture TUI Cruises, have signed agreements for the construction of five new ships. These consist of our recently ordered third Oasis-class ship which is scheduled to enter service in the second quarter of 2016, two ships of a new generation of Royal Caribbean International cruise ships to be known as the Quantum-class which are scheduled to enter service in the fourth quarter of 2014 and second quarter of 2015, respectively, and two ships of a new generation for TUI Cruises, which are scheduled to enter service in the second quarter of 2014 and second quarter of 2015, respectively. These additions are expected to increase our passenger capacity by approximately 18,600 berths by December 31, 2016, or approximately 18.9%, as compared to our capacity as of December 31, 2012. We continuously evaluate opportunities to order new ships, purchase existing ships or sell ships in our current fleet.

In support of our maintenance programs, we own a 40% interest in a ship repair and maintenance facility, Grand Bahama Shipyard Ltd., which is the largest cruise ship dry-dock repair facility in the world and is located in Freeport, Grand Bahama. We utilize this facility, among other ship repair facilities, for our regularly scheduled drydocks and certain emergency repairs as may be required. In addition, the facility serves unaffiliated cruise and cargo ships, oil and gas tankers, and offshore units.

Markets and itineraries

In an effort to penetrate untapped markets, diversify our consumer base and respond to changing economic and geopolitical market conditions, we continue to seek opportunities to optimally deploy ships to new and stronger markets and itineraries throughout the world. The portability of our ships and our investment in infrastructure allows us to expand into new markets and helps us reduce our dependency on any one market by allowing us to create "home ports" around the world. In addition, it allows us to readily deploy our ships to meet demand within our existing cruise markets.

Our ships offer a wide selection of itineraries that call on approximately 455 ports in 95 countries, spanning all seven continents. We are focused on obtaining the best possible long-term shareholder returns by operating in established markets while growing our presence in developing markets. New capacity allows us to expand into new markets and itineraries. Our brands have expanded their mix of itineraries while strengthening our ability to penetrate the Asian, Caribbean, European, and Latin American markets further. In addition, in order to capitalize on the summer season in the Southern Hemisphere and mitigate the impact of the winter weather in the Northern Hemisphere, our brands have increased deployment to Australia and Latin America.

We continue to focus on the acceleration of Royal Caribbean International's, Celebrity Cruises' and Azamara Club Cruises' strategic positioning as global cruise brands. In 2012, Royal Caribbean International continued its global expansion by seasonally adding a second ship in Asia and a third ship in Australia, adding new departure ports in Southern Europe in order to target guests in key source markets in the region and increasing capacity in Northern Europe. The brand also modified certain of its itineraries for 2012 due to continuing geopolitical unrest in Northern Africa and Greece. In 2013, *Monarch of the Seas* will be redeployed to the Pullmantur fleet and Royal Caribbean International will decrease its European capacity by approximately 23% in order to mitigate its exposure to the uncertain outlook in the European market. Royal Caribbean International will continue to offer short Bahamas

Table of Contents

sailings, return to year-round southern Caribbean sailings and increase capacity in Asia and China with the repositioning of *Mariner of the Seas*.

In October 2012, Celebrity Cruises introduced *Celebrity Reflection*, the fifth and final Solstice-class ship, which offers sailings in Europe and the Caribbean. The addition of *Celebrity Reflection* allows Celebrity Cruises to introduce a Solstice-class ship in Alaska and Australia/New Zealand, offer a British Isles/Northern European program, and an Asia program for 2013. The added product offerings in Europe result in a 12% capacity increase for 2013. Celebrity Cruises is expanding its focus on destination by emphasizing exotic ports and calling on new destinations in Australia and New Zealand, Hawaii, the Panama Canal and Asia, with longer cruises in Southeast Asia, Indonesia, China and Japan.

In 2013, Azamara Club Cruises' voyages will be sailing to 184 ports in 60 countries around the globe with more than 50% of its ports-of-call featuring late night stays or overnights, allowing guests to experience the destination by day and by night. The Azamara Club Cruises 2013 deployment features South America, including Carnival in Rio de Janeiro, Antarctica, the West Indies, British Isles and Western Europe, Scandinavia and the Baltics, Eastern & Western Mediterranean, as well as the Indian Ocean and Asia. Also, Pullmantur and CDF Croisières de France will continue to offer itineraries in the Caribbean, Europe and South America with particular emphasis in Brazil.

In an effort to secure desirable berthing facilities for our ships, and to provide new or enhanced cruise destinations for our guests, we actively assist or invest in the development or enhancement of certain port facilities and infrastructure, including mixed-use commercial properties, located in strategic ports of call. Generally, we collaborate with local, private or governmental entities by providing management and/or financial assistance and often enter into long-term port usage arrangements. Our participation in these efforts is generally accomplished via investments with the relevant government authority and/or various other strategic partners established to develop and/or operate the port facilities, by providing direct development and management expertise or in certain limited circumstances, by providing direct or indirect financial support. In exchange for our involvement, we generally secure preferential berthing rights for our ships.

Enhance our technological capabilities

The need to develop and use innovative technology is increasingly important. To this end, technology is a pervasive part of virtually every business process we use in order to support our strategic focus and provide a quality experience to our customers before, during and after their cruise. Moreover, as the use of our various websites and social media platforms continue to increase along with the increasing use of technology onboard our ships by both our guests and crew, we continually need to upgrade our systems, infrastructure and technologies to facilitate this growth. To further our customer-centricity, during 2013, we intend to continue to improve our customer experiences online through the launch of a new digital platform which will include among other improvements, revamped websites, new vacation packaging capabilities, support of mobile applications and increased bandwidth onboard our ships helping our guests remain well-connected while at sea. Active engagement in social media channels is also an integral part of our marketing strategy and a part of our broader consumer engagement strategy and relationship management platform.

To support our strategic focus on improving revenue yields, during 2012, we began to implement new capabilities to improve our revenue management systems and decision support processes in advance of our WAVE season (traditionally the first two months of the year where cruise lines experience disproportionately higher volume cruise sales). In 2013, we will continue to build on this new platform and introduce new price optimization tools and promotion management capabilities in our reservations system.

Table of Contents

As part of the Royal Caribbean International and Celebrity Cruises revitalization programs, we have incorporated many of the technological innovations from the Oasis-class ships and Solstice-class ships, respectively, across our fleet. In addition, to position ourselves for the future, we have embarked on several multi-year information technology strategic initiatives to ensure that we can continue to innovate and respond to the ever increasing expectations of our guests in a scalable and cost effective manner.

Travel agency support and direct business

Travel agencies continue to be the primary source of ticket sales for our ships. We believe in the value of this distribution channel and invest heavily in maintaining strong relationships with our travel partners. To accomplish this goal, we seek to ensure that our commission rates and incentive structures remain competitive with the marketplace. We also provide brand dedicated sales representatives who assist our travel partners through a number of platforms, including trained customer service representatives, call centers and online training tools.

To support our direct sales initiatives, we have established a Consumer Outreach department which allows consumers 24 hour access to our certified vacation planners, group vacation planners and customer service agents in our call centers throughout the world. In addition, we maintain and invest in our websites, including mobile applications and mobile websites, which allow guests to directly plan, book and customize their cruise, as well as encourage guests to book their next cruise vacations onboard our ships.

Guest Services

We offer to handle virtually all travel aspects related to guest reservations and transportation, including arranging guest pre- and post-hotel stay arrangements and air transportation.

Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises offer rewards to their guests through their loyalty programs, Crown & Anchor Society, Captain's Club and Le Club Voyage, respectively, to encourage repeat business. Crown & Anchor Society has over 7.2 million members worldwide. Captain's Club and Le Club Voyage have 2.0 million members combined worldwide. Members are typically eligible to enroll in these complimentary programs after one sailing and earn increasing membership status by accumulating cruise points or credits, depending on the brand, which may be redeemed on future sailings. Members are awarded points or credits in proportion to the number of cruise days and stateroom category. The loyalty programs provide certain tiers of membership benefits which can be redeemed by guests after accumulating the number of cruise points or credits specified for each tier. In addition, upon achieving a certain level of cruise points or credits, members benefit from reciprocal membership benefits across all of our loyalty programs. Examples of the rewards available under our loyalty programs include, but are not limited to, priority ship embarkation, priority waitlist for shore excursions, complimentary laundry service, complimentary internet, booklets with onboard discount offers, upgraded bathroom amenities, private seating on the pool deck, ship tours and, in the case of our most loyal guests who have achieved the highest levels of cruise points or credits, complimentary cruises. We regularly work to enhance each of our loyalty programs by adding new features and amenities in order to reward our repeat guests.

Operations

Cruise Ships and Itineraries

As of December 31, 2012, our brands, including our 50% joint venture TUI Cruises, operate 41 ships with a selection of worldwide itineraries ranging from two to 18 nights that call on approximately 455 destinations.

Table of Contents

The following table presents summary information concerning the ships we will operate in 2013 under our six cruise brands, including our 50% joint venture TUI Cruises, and their geographic areas of operation based on 2013 itineraries (subject to change).

Approximate Berths

ve not requested, and do not intend to request, a ruling from the IRS that the Operating Partnership will be classified as a partnership an
n for federal income tax purposes. If for any reason the Operating Partnership were taxable as a corporation, rather than as a partnership
come tax purposes, we likely would not be able to qualify as a REIT unless we qualified for certain relief provisions. See the discussion
Satisfy Income Tests," "Asset Tests" and "Failure to Qualify" set forth above. In addition, any change in a Partnership's status for tax p
as a taxable event, in which case we might incur tax liability without any related cash distribution. See "*Annual Distribution Requireme*
ems of income and deduction of such Partnership would not pass through to its partners, and its partners would be treated as stockholde
. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income, and distributions to its partne
constitute dividends that would not be deductible in computing such Partnership's taxab

, Not the Partnerships, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. Rather, we are required to
allocable share of each Partnership's income, gains, losses, deductions, and credits for any taxable year of such Partnership ending with
our taxable year, without regard to whether we have received or will receive any distribution from such Pa

hip Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, such al
egarded for tax purposes if they do not comply with the provisions of the Code and Treasury Regulations governing partnership allocati
s not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' i
hip, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the part
respect to s

ations With Respect to Partnership Properties. Income, gain, loss, and deduction attributable to property that has appreciated or deprec
ed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is char
rom, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution (the "704(c) Allocat
of such unrealized gain or unrealized loss, referred to as "built-in gain" or "built-in loss", generally is equal to the difference between th
he contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution (a "book-tax d
s with respect to book-tax differences are solely for federal income tax purposes and do not affect the book capital accounts or other eco
ements among the partners. A book-tax difference attributable to depreciable property generally is decreased on an annual basis as a res
of depreciation deductions to the contributing partner for book purposes but not for tax purposes. The Treasury Regulations require enti
hips to use a "reasonable method" for allocating items with respect to which there is a book-tax difference and outline several reasonabl

gain or loss recognized by a Partnership on the disposition of contributed properties will be allocated first to the partners of the Partner
ed such properties to the extent of their built-in gain or loss on those properties for federal income tax purposes. The partners' built-in g
ontributed properties will equal the difference between the partners' proportionate share of the book value of those properties and the pa
sis allocable to those properties at the time of the contribution as reduced for any decrease in the book-tax difference. Any remaining ga
ed by the Partnership on the disposition of the contributed properties, and any gain or loss recognized by the Partnership on the disposit
erties, generally will be allocated among the partners in accordance with the partnership agreement, unless such allocations and agreeme
fy the requirements of applicable Treasury Regulations, in which case the allocation will be made in accordance with the partners' inter
pa

pril 1, 2015, we acquired substantially all of the assets of Aviv REIT, Inc., through a merger of Aviv REIT, Inc., with and into our whol
y, which merger included a combination which resulted in the acquisition by the Operating Partnership of substantially all of our assets
ets of Aviv Healthcare Properties Limited Partnership. We treated such transfer of the properties to the Operating Partnership as a contri
Operating Partnership received a "carryover" tax basis in the contributed properties. As a result, such properties had significant built-in
ct to Section 704(c) of the Code. As general partner of the Operating Partnership, we may account for the book-tax difference with resp
es contributed to the Operating Partnership under any method approved by Section 704(c) of the Code and the Treasury Regulations, ex
hose properties acquired by the Operating Partnership that were contributed by Aviv REIT, Inc., with respect to which the Operating Pa
elected to use the "remedial method" of allocation pursuant to Treasury Regulations Section

Partnership's Property. Generally, any gain realized by a Partnership on the sale of property held by the Partnership for more than one
erm capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Our share of any gain real
ip on the sale of any property held by the Partnership as inventory or other property held primarily for sale to customers in the ordinary
ership's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited t
so may have an adverse effect upon our ability to satisfy the income tests for REIT status. See "*Income Tests*" above. We do not present
hold or to allow any Partnership to acquire or hold any property that represents inventory or other property held primarily for sale to cus
the ordinary course of our or such Partnership's trade or

Government Regulation and Reimbu

lthcare industry is heavily regulated. Our operators are subject to extensive and complex federal, state and local healthcare laws and reg
ese laws and regulations are subject to frequent and substantial changes resulting from the adoption of new legislation, rules and regulat
strative and judicial interpretations of existing law. The ultimate timing or effect of these changes, which may be applied retroactively, c
Changes in laws and regulations impacting our operators, in addition to regulatory non-compliance by our operators, can have a signific
the operations and financial condition of our operators, which in turn may adversely impact us. The following is a discussion of certain
regulations generally applicable to our operators, and in certain cas

re Reform. A substantial amount of rules and regulations have been issued under the Patient Protection and Affordable Care Act, as am
Health Care and Education and Reconciliation Act of 2010 (collectively referred to as the "Healthcare Reform Law"). We expect addit
ons and interpretations under the Healthcare Reform Law to be issued that may materially affect our operators' financial condition and o

er the Healthcare Reform Law, a Federal Commission on Long-Term Care was established which issued its report in September 2013. O
dations was the convening of the White House Conference on Aging which met in July, 2015. At that meeting, it was announced that th
are and Medicaid Services ("CMS") was issuing a proposed rule on July 16, 2015 that included a significant number of revisions to the
the conditions of participation for SNFs to receive Medicare and Medicaid payments. These proposed regulations will substantially imp
y reflect the advances made over the past 24 years in the theory and practices of service delivery and safety, including the impact of oth
legislation emphasizing service quality, value over volume of services, and consistency in reporting. A final rule has not yet been p

complexity of the Healthcare Reform Law and the substantial requirements for regulation thereunder, the impact of the Healthcare Ref
ators or their ability to meet their obligations to us cannot be predicted. The Healthcare Reform Law could result in decreases in payme
otherwise adversely affect the financial condition of our operators, thereby negatively impacting our financial condition. Our operators
ccessful in modifying their operations to lessen the impact of any increased costs or other adverse effects resulting from changes in gove
private insurance and/or employee welfare benefit plans. The impact of the Healthcare Reform Law on each of our operators will vary d
mix, resident conditions and a variety of other factors. In addition to the provisions relating to reimbursement, other provisions of the H
Reform Law may impact our operators as employers (e.g., requirements related to providing health insurance for em

ursement Generally. A significant portion of our operators' revenue is derived from governmentally-funded reimbursement programs,
Medicare and Medicaid. As federal and state governments focus on healthcare reform initiatives, and as the federal government and ma
ignificant current and future budget deficits, efforts to reduce costs by government payors will likely continue, which may result in redu
mbursement at both the federal and state levels. These cost-cutting measures could result in a significant reduction of reimbursement ra
tors under both the Medicare and Medicaid programs. Additionally, new and evolving payor and provider programs, including but not l
care Advantage, dual eligible, accountable care organizations, and bundled payments could adversely impact our tenants' and operators
financial condition or results of op

ly believe that our operator coverage ratios are adequate and that our operators can absorb moderate reimbursement rate reductions and
bligations to us. However, significant limits on the scopes of services reimbursed and/or reductions of reimbursement rates could have a
ffect on our operators' results of operations and financial condition, which could adversely affect our operators' ability to meet their ob

caid. State budgetary concerns, coupled with the implementation of rules under the Healthcare Reform Law, may result in significant c
e spending at the state level. Many states are currently focusing on the reduction of expenditures under their state Medicaid programs, w
reduction in reimbursement rates for our operators. The need to control Medicaid expenditures may be exacerbated by the potential for
ollment in Medicaid due to unemployment and declines in family incomes. Since our operators' profit margins on Medicaid patients are
ively low, more than modest reductions in Medicaid reimbursement or an increase in the number of Medicaid patients could adversely a
operators' results of operations and financial condition, which in turn could negatively

care Reform Law provided for Medicaid coverage to be expanded to all individuals under age 65 with incomes up to 133% of the federa
inning January 1, 2014. The federal government committed to paying the entire cost for Medicaid coverage for newly eligible beneficia
2014 through 2016. In 2017, the federal share will decline to 95%; in 2018, to 94%; in 2019, to 93%; and in 2020 and subsequent years

e 28, 2012, however, the Supreme Court ruled that states could not be required to expand Medicaid or risk losing federal funding of thei
programs. As of December 31, 2015, thirty-one states including the District of Columbia have expanded or are expanding Medicaid co
contemplated by the Healthcare Reform Law, with many of the remaining states involved in a variety of legislative proposals or dis

On April 1, 2014, President Obama signed the "Protecting Access to Medicare Act of 2014" which calls for the United States Departmen
uman Services ("HHS") to develop a value based purchasing program for SNFs aimed at lowering readmission rates beginning on Octob

July 30, 2015, the Centers for Medicare & Medicaid Services ("CMS") issued a final rule outlining the FY 2016 Medicare payment rate
gate payments to SNFs are projected to increase by $430 million, or 1.2%, from payments in FY 2015. This estimated increase is attribu
market basket increase, reduced by a 0.6% forecast error adjustment and further reduced by 0.5% in accordance with the multifactor pro
nt required by law. The final rule also includes policies that advance setting measurable goals and timelines for paying SNFs based on th
rather than the quantity of care to

Medicare Access and CHIP Reauthorization Act of 2015" extended the Medicare therapy cap exceptions process through December 31
Medicare Part B outpatient cap for occupational therapy is $1,960 for 2016, and the combined cap for physical therapy and speech thera
0 for 2016. These caps do not apply to therapy services covered under Medicare Part A for SNFs, although the caps apply in most other
volving patients in SNFs or long-term care facilities who receive therapy services covered under Medicare Part B. The exception proces
lly necessary therapy services beyond the cap limits. Expiration of the therapy cap exceptions process in the future could have a materia
effect on our operators' financial condition and operations, which could adversely impact their ability to meet their obligat

Bipartisan Budget Act of 2015" ("BBA") was signed by President Obama on November 2, 2015. While the BBA provides $80 billion in
g sequestration relief over two years, it also extended Medicare sequestration, which generally cuts Medicare provider and plan paymen
e board, for an additional year, through 2025. The BBA also provides a uniform 2% reduction for 2024 instead of applying different rat
and second halves of the fiscal year. However, the fiscal year 2025 sequestration will be "front loaded," such that, a 4% reduction will a
the first six months of the fiscal year and no reduction will be imposed during the second half of the fi

of Care Initiatives. CMS has implemented a number of initiatives focused on the quality of care provided by nursing homes that could a
or instance, in December 2008, CMS released quality ratings for all of the nursing homes that participate in Medicare or Medicaid unde
ality Rating System." Facility rankings, ranging from five stars ("much above average") to one star ("much below average") are updatec
Fs are required to provide information for the CMS Nursing Home Compare website regarding staffing and quality measures. Based on
the results of state health inspections, SNFs are then rated based on the five-star rating system. In 2015, CMS made changes to the ratir
uding: (1) revising scoring methodology by which quality measure ratings are calculated for SNFs; (2) increasing the number and type c
that are not solely based on self-reported data and (3) adding critical measures to staffing such as turnover and retention. It is possible th
any other ranking system could lead to future reimbursement policies that reward or penalize facilities on the basis of the reported quali
pa

has incorporated hospital readmissions review into the Quality Indicators Survey. Under Medicare's Inpatient Prospective Payment Sys
sting payments to hospitals for excessive readmissions of patients for heart attacks, heart failure and pneumonia during fiscal years beg
ctober 1, 2012. Long term care facilities are under increased scrutiny to prevent residents from being readmitted to hospitals for these c
particular, and have an opportunity to demonstrate their quality of care by reducing their hospital readmission rates. It is anticipated tha
readmissions will be a consideration in the future in the CMS five-star ratin

e Inspector General Activities. The Office of Inspector General's (the "OIG") Work Plan for government fiscal year 2016, which descr
IG plans to address during the fiscal year, includes two projects related specifically to nursing homes. (1) compliance with various aspe
SNF prospective payment system; and (2) background checks for er

ud and Abuse. There are various federal and state civil and criminal laws and regulations governing a wide array of healthcare provider
s and arrangements, including laws and regulations prohibiting fraud by healthcare providers. Many of these complex laws raise issues
not been clearly interpreted by the relevant governmental authorities ar

s include: (i) federal and state false claims acts, which, among other things, prohibit providers from filing false claims or making false st
ive payment from Medicare, Medicaid or other federal or state healthcare programs; (ii) federal and state anti-kickback and fee-splitting
e Medicare and Medicaid anti-kickback statute, which prohibit the payment or receipt of remuneration to induce referrals or recommend
tems or services, such as services provided in a SNF; (iii) federal and state physician self-referral laws (commonly referred to as the Sta
erally prohibit referrals by physicians to entities for designated health services (some of which are provided in SNFs) with which the phy
ate family member has a financial relationship; (iv) the federal Civil Monetary Penalties Law, which prohibits, among other things, the
tation of a false or fraudulent claim for certain healthcare services and (v) federal and state privacy laws, including the privacy and secu
ed in the Health Insurance Portability and Accountability Act of 1996, which provide for the privacy and security of personal health info

Violations of healthcare fraud and abuse laws carry civil, criminal and administrative sanctions, including punitive sanctions, monetary p
risonment, denial of Medicare and Medicaid reimbursement and potential exclusion from Medicare, Medicaid or other federal or state h
s. Additionally, there are criminal provisions that prohibit filing false claims or making false statements to receive payment or certificat
and Medicaid, as well as failing to refund overpayments or improper payments. Violation of the anti-kickback statute or Stark Law may
a federal False Claims Act violation. These laws are enforced by a variety of federal, state and local agencies and can also be enforced b
ough, among other things, federal and state false claims acts, which allow private litigants to bring qui tam or whistleblower actions, wh
become more frequent in rec

cy. Our operators are subject to various federal, state and local laws and regulations designed to protect the confidentiality and security o
ormation, including the federal Health Insurance Portability and Accountability Act of 1996, as amended, the Health Information Techn
ic and Clinical Health Act, and the corresponding regulations promulgated thereunder (collectively referred to herein as "HIPAA"). HH
audits of covered entities to evaluate compliance with HIPAA, and it will continue its audit program in 2016 which will also include a
business associates and a focus on security risk ass

ates have similar laws and regulations that govern the maintenance and safeguarding of patient records, charts and other information ge
with the provision of professional medical services. These laws and regulations require our operators to expend the requisite resources
cted health information, including the funding of costs associated with technology upgrades. Operators found in violation of HIPAA or
or regulation may face large penalties. In addition, compliance with an operator's notification requirements in the event of a breach of
protected health information could cause reputational harm to an operator's

sing and Certification. Our operators and facilities are subject to various federal, state and local licensing and certification laws and re
cluding laws and regulations under Medicare and Medicaid requiring operators of SNFs and ALFs to comply with extensive standards g
ations. Governmental agencies administering these laws and regulations regularly inspect our operators' facilities and investigate comp
and their managers receive notices of observed violations and deficiencies from time to time, and sanctions have been imposed from tim
s operated by them. In addition, many states require certain healthcare providers to obtain a certificate of need, which requires prior ap
uction, expansion or closure of certain healthcare facilities, which has the potential to impact some of our operators' abilities to expand
their bu

nericans with Disabilities Act (the "ADA"). Our properties must comply with the ADA and any similar state or local laws to the extent
re public accommodations as defined in those statutes. The ADA may require removal of barriers to access by persons with disabilities
reas of our properties where such removal is readily achievable. Should barriers to access by persons with disabilities be discovered at a
ve may be directly or indirectly responsible for additional costs that may be required to make facilities ADA-compliant. Noncompliance
could result in the imposition of fines or an award of damages to private litigants. Our commitment to make readily achievable accomn
pursuant to the ADA is ongoing, and we continue to assess our properties and make modifications as appropriate in thi

s and Regulations. Additional federal, state and local laws and regulations affect how our operators conduct their operations, including
ns protecting consumers against deceptive practices and otherwise generally affecting our operators' management of their property and
conduct of their operations (including laws and regulations involving fire, health and safety; quality of services, including care and foo
residents' rights, including abuse and neglect laws; and the health standards set by the federal Occupational Safety and Health Admir

and Professional Liability. Although arbitration agreements have been effective in limiting general and professional liabilities for SNF
roviders, there have been numerous lawsuits challenging the validity of arbitration agreements in long term care settings. On July 16, 20
roposed rule on, Reform of Requirements for Long-Term Care Facilities, which would require SNFs to explain binding arbitration agre
and their families before they sign them. The rule would also prohibit requiring arbitration agreements as a condition of admission. Wh
s not been promulgated, if this rule is finalized as proposed, there would likely be an increase in liabilities for SNF and long term care p

Executive Officers of Our C

As of February 1, 2016, the executive officers of our company were as

Taylor Pickett (54) is our Chief Executive Officer and has served in this capacity since June 2001. Mr. Pickett has also served as Direc
ny since May 30, 2002. Mr. Pickett's term as a Director expires in 2017. Mr. Pickett has also been a member of the board of trustees of
perties Trust, an office REIT focusing on U.S. government agencies and defense contractors, since November 2013. Mr. Pickett is also a
o, a technology company. From January 1993 to June 2001, Mr. Pickett served as a member of the senior management team of Integrate
ces, Inc., most recently as Executive Vice President and Chief Financial Officer. Prior to joining Integrated Health Services, Inc. Mr. Pic
various positions at PHH Corporation and KPMG Peat

Booth (52) is our Chief Operating Officer and has served in this capacity since October 2001. From 1993 to October 2001, Mr. Booth se
of the management team of Integrated Health Services, Inc., most recently serving as Senior Vice President, Finance. Prior to joining I
lth Services, Inc., Mr. Booth served as a Vice President in the Healthcare Lending Division of Maryland National Bank (now Bank of A

J. Insoft (51) is our Chief Corporate Development Officer and has served in this capacity since April 1, 2015. Mr. Insoft served as Pres
rating Officer of Aviv REIT, Inc. since 2012, while previously serving as Chief Financial Officer and Treasurer. Prior to joining Aviv R
05, Mr. Insoft spent eight years as a Vice President and Senior Investment Officer of Nationwide Health Properties, Inc., a publicly-trad
that, he was President and Chief Financial Officer of CMI Senior Housing & Healthcare, Inc., a privately-held nursing home and assis
cility operations and development company, for seven years. Mr. Insoft received an M.B.A. from Columbia University and a B.S.E. in
Engineering from the University of Penn

tephenson (52) is our Chief Financial Officer and has served in this capacity since August 2001. From 1996 to July 2001, Mr. Stephens
or Vice President and Treasurer of Integrated Health Services, Inc. Prior to joining Integrated Health Services, Inc., Mr. Stephenson hel
positions at CSX Intermodal, Inc., Martin Marietta Corporation and Electronic Data

el D. Ritz (47) is our Chief Accounting Officer and has served in this capacity since February 2007. From April 2005 to February 2007, d as the Vice President, Accounting & Assistant Corporate Controller of Newell Rubbermaid Inc., and from August 2002 to April 2005, e Director, Financial Reporting of Newell Rubbermaid Inc. From July 2001 through August 2002, Mr. Ritz served as the Director of Ac and Controller of Nov

As of December 31, 2015, we had 58 full-time employees, including the five executive officers liste

Item 1A - Risk

are some of the risks and uncertainties that could cause the Company's financial condition, results of operations, business and prospect ally from those contemplated by the forward-looking statements contained in this report or the Company's other filings with the SEC. T hould be read in conjunction with the other risks described in this report including but not limited to those described in "*Taxation*" and " *n and Reimbursement*" under "*Item 1*" above. The risks described below are not the only risks facing the Company and there may be ad e Company is not presently aware or that the Company currently considers unlikely to significantly impact the Company. Our business, on, results of operations or liquidity could be materially adversely affected by any of these risks, and, as a result, the trading price of our stock coul

Risks Related to the Operators of Our

l position could be weakened and our ability to make distributions and fulfill our obligations with respect to our indebtedness could be r major operators become unable to meet their obligations to us or fail to renew or extend their relationship with us as their lease terms ortgages mature, or if we become unable to lease or re-lease our facilities or make mortgage loans on economically favorable terms. W control over our operators. Adverse developments concerning our operators could arise due to a number of factors, including those list

The bankruptcy or insolvency of our operators could limit or delay our ability to recover on our inv

posed to the risk that a distressed operator may not be able to meet its lease, mortgage or other obligations to us or other third parties. T ghtened during a period of economic or political instability. Although each of our lease and loan agreements typically provide us with th , evict an operator, foreclose on our collateral, demand immediate payment and exercise other remedies upon the bankruptcy or insolve le 11 of the United States Code, as amended and supplemented (the "Bankruptcy Code"), would limit or, at a minimum, delay our abilit unpaid pre-bankruptcy rents and mortgage payments and to pursue other remedies against a bankrupt

bankruptcy filing by one of our lessee operators would typically prevent us from collecting unpaid pre-bankruptcy rents or evicting the
nt approval of the bankruptcy court. The Bankruptcy Code provides a lessee with the option to assume or reject an unexpired lease with
d periods of time. Generally, a lessee is required to pay all rent that becomes payable between the date of its bankruptcy filing and the d
mption or rejection of the lease (although such payments will likely be delayed as a result of the bankruptcy filing). If one of our lessee
ssume its lease with us, the operator must cure all monetary defaults existing under the lease (including payment of unpaid pre-bankrup
ide adequate assurance of its ability to perform its future obligations under the lease. If one of our lessee operators opts to reject its lease
uld have a claim against such operator for unpaid and future rents payable under the lease, but such claim would be subject to a statutory
generally result in a recovery substantially less than the face value of such claim. Although the operator's rejection of the lease would pe
recover possession of the leased facility, we would likely face losses, costs and delays associated with re-leasing the facility to a new

ther factors could impact our rights under leases with bankrupt operators. First, the operator could seek to assign its lease with us to a th
kruptcy Code generally disregards anti-assignment provisions in leases to permit the assignment of unexpired leases to third parties (pro
efaults under the lease are cured and the third party can demonstrate its ability to perform its obligations under the lease). Second, in ins
e have entered into a master lease agreement with an operator that operates more than one facility, the bankruptcy court could determin
er lease was comprised of separate, divisible leases (each of which could be separately assumed or rejected), rather than a single, integra
d have to be assumed or rejected in its entirety). Finally, the bankruptcy court could re-characterize our lease agreement as a disguised
arrangement, which could require us to receive bankruptcy court approval to foreclose or pursue other remedies with respect to th

s. A bankruptcy filing by an operator to whom we have made a mortgage loan would typically prevent us from collecting unpaid pre-ba
ge payments and foreclosing on our collateral, absent approval of the bankruptcy court. As an initial matter, we could ask the bankruptcy
perator to make periodic payments or provide other financial assurances to us during the bankruptcy case (known as "adequate protectio
ecision regarding "adequate protection" (including the timing and amount) rests with the bankruptcy court. In addition, we would need
roval before commencing or continuing any foreclosure action against the operator's facility. The bankruptcy court could withhold such
lly if the operator can demonstrate that the facility is necessary for an effective reorganization and that we have a sufficient "equity cush
ility. If the bankruptcy court does not either grant us "adequate protection" or permit us to foreclose on our collateral, we may not recei
nts until after the bankruptcy court confirms a plan of reorganization for the operator. Even if the bankruptcy court permits us to foreclo
acility, we would still be subject to the losses, costs and other risks associated with a foreclosure sale, including possible successor liabi
ent programs, indemnification obligations and suspension or delay of third-party payments. Should such events occur, our income and
from operations would be adversely

***our operators to comply with various local, state and federal government regulations may adversely impact their ability to make deb
payme***

r operators are subject to numerous federal, state and local laws and regulations, including those described below, that are subject to fre
antial changes (sometimes applied retroactively) resulting from new legislation, adoption of rules and regulations, and administrative an
erpretations of existing law. The ultimate timing or effect of these changes cannot be predicted. These changes may have a dramatic eff
costs of doing business and on the amount of reimbursement by both government and other third-party payors. The failure of any of our
to comply with these laws, requirements and regulations could adversely affect their ability to meet their obligati

nent; Medicare and Medicaid. A significant portion of our operators' revenue is derived from governmentally-funded reimbursement p
Medicare and Medicaid. See "*Item 1. Business – Government Regulation and Reimbursement – Healthcare Reform,*" "*– Reimbursement*
and the risk factor entitled "*Our operators depend on reimbursement from governmental and other third-party payors, and reimburse
ayors may be reduced*" for a further discussion on governmental and third-party payor reimbursement and the associated risks presente
Failure to maintain certification in these programs would result in a loss of funding from such programs and could negatively impact an
eet its obligations to us.

Quality of Care Initiatives. The CMS has implemented a number of initiatives focused on the quality of care provided by nursing homes
could affect our operators, including a quality rating system for nursing homes. See "*Item 1. Business – Government Regulation and
Reimbursement – Quality of Care Initiatives.*" Any unsatisfactory rating of our operators under any rating system promulgated by the C

esult in the loss of our operators’ residents or lower reimbursement rates, which could adversely impact their revenues and our business

Licensing and Certification. Our operators and facilities are subject to various federal, state and local licensing and certification laws an
egulations, including laws and regulations under Medicare and Medicaid requiring operators of SNFs and ALFs to comply with extensi
tandards governing operations. See “*Item 1. Business – Government Regulation and Reimbursement – Licensing and Certification.*” Go
gencies administering these laws and regulations regularly inspect our operators’ facilities and investigate complaints. Our operators an
managers receive notices of observed violations and deficiencies from time to time, and sanctions have been imposed from time to time
acilities operated by them. Failure to obtain any required licensure or certification, the loss or suspension of any required licensure or
ertification, or any violations or deficiencies with respect to relevant operating standards may require a facility to cease operations or re
neligibility for reimbursement until the necessary licenses or certifications are obtained or reinstated, or any such violations or deficienc
ured. In such event, our revenues from these facilities could be reduced or eliminated for an extended period of time or permanently. Fu
many states require certain healthcare providers to obtain a certificate of need, which requires prior approval for the construction, expan
losure of certain healthcare facilities, which has the potential to impact some of our operators'' abilities to expand or change their busin

Fraud and Abuse Laws and Regulations. There are various federal and state civil and criminal laws and regulations governing a wide ar healthcare provider referrals, relationships and arrangements, including laws and regulations prohibiting fraud by healthcare providers. M these complex laws raise issues that have not been clearly interpreted by the relevant governmental authorities and courts. In addition, fe and state governments are devoting increasing attention and resources to anti-fraud initiatives against healthcare providers. See "*Item 1. Government Regulation and Reimbursement – Fraud and Abuse.*" The violation by an operator of any of these laws or regulations, inclu anti-kickback statute and the Stark Law, may result in the imposition of fines or other penalties, including exclusion from Medicare, Me and all other federal and state healthcare programs. Such fines or penalties could jeopardize an operator's ability to make lease or mortg payments to us or to continue operating its facility. Additionally, many states have adopted or are considering legislative proposals simi federal anti-fraud and abuse laws, some of which extend beyond the Medicare and Medicaid programs to third-party payors, to prohibit payment or receipt of remuneration for the referral of patients and physician self-referrals, regardless of whether the service was reimbu Medicare or Medicaid.

Privacy Laws. Our operators are subject to federal, state and local laws and regulations designed to protect the privacy and security of pa health information, including HIPAA, among others. See "*Item 1. Business – Government Regulation and Reimbursement – Privacy.*" T and regulations require our operators to expend the requisite resources to protect and secure patient health information, including the fun costs associated with technology upgrades. Operators found in violation of HIPAA or any other privacy or security law may face signifi penalties. In addition, a breach of unsecured protected health information could cause reputational harm to an operator's business.

Other Laws. Other federal, state and local laws and regulations affect how our operators conduct their operations. See "*Item 1. Business Government Regulation and Reimbursement – Other Laws and Regulations.*" We cannot predict the effect that the costs of complying w laws may have on the revenues of our operators, and thus their ability to meet their obligations to us.

Legislative and Regulatory Developments. Each year, legislative and regulatory proposals are introduced at the federal, state and local le that, if adopted, would result in major changes to the healthcare system. See "*Item 1. Business – Government Regulation and Reimburse* addition to the other risk factors set forth below. We cannot accurately predict whether any proposals will be adopted, and if adopted, wh (if any) these proposals would have on our operators or our business.

s of the Protecting Access to Medicare Act of 2014 require certain changes to reimbursement and studies of reimbursement policies adversely affect payments

visions of the Protecting Access to Medicare Act of 2014 and other legislation will affect Medicare payments to SNFs, including, but no provisions changing the payment methodology, implementing value-based purchasing and payment bundling and studying the appropria ons on payments for health care acquired conditions. These provisions are in various stages of implementation See "*Item 1. Business – G and Reimbursement – Healthcare Reform," "– Reimbursement," "– Medicaid," and "– Medicare."* Although we cannot accurately pre such provisions may be implemented, or the effect any such implementation would have on our operators or our business, these provisio ecreases in payments to our operators, increase our operators' costs or otherwise adversely affect the financial condition of our operator negatively impacting their ability to meet their obligati

The Healthcare Reform Law imposes additional requirements on SNFs regarding compliance and di

althcare Reform Law required SNFs to implement, by March 2013, a compliance and ethics program that is effective in preventing and
iminal, civil and administrative violations and in promoting quality of care. However to date, HHS has failed to issue the proposed regu
nent this law. While the timing for implementation and specific requirements may be in question, there is a clear statutory mandate for M
nd CHIP providers or suppliers and nursing facilities to have effective compliance and ethics programs. Accordingly, it remains unclea
vision of the law will be enforced until the regulations are issued. See "*Item 1. Business – Government Regulation and Reimbursement –*
n." If our operators fall short in their compliance and ethics programs and quality assurance and performance improvement programs, if
required, their reputations and ability to attract residents could be adversely

tors depend on reimbursement from governmental and other third-party payors, and reimbursement rates from such payors may be

n the reimbursement rate or methods of payment from third-party payors, including the Medicare and Medicaid programs, or the implem
asures to reduce reimbursements for services provided by our operators has in the past, and could in the future, result in a substantial red
r operators' revenues and operating margins. See "*Item 1. Business – Government Regulation and Reimbursement – Reimbursement,*" "
e." We currently believe that our operator coverage ratios are adequate and that our operators can absorb moderate reimbursement rate
l meet their obligations to us. However, significant limits on the scopes of services reimbursed and on reimbursement rates could have a
se effect on our operators' results of operations and financial condition, which could cause the revenues of our operators to decline and n
impact their ability to meet their obligatio

ionally, net revenue realizable under third-party payor agreements can change after examination and retroactive adjustment by payors d
ment processes or as a result of post-payment audits. Payors may disallow requests for reimbursement based on determinations that cer
ot reimbursable or reasonable, additional documentation is necessary or certain services were not covered or were not medically necess
nd regulatory proposals could impose further limitations on government and private payments to healthcare providers. In some cases, st
or are considering enacting measures designed to reduce Medicaid expenditures and to make changes to private healthcare insurance. W
make assurances that adequate third-party payor reimbursement levels will continue to be available for the services provided by our o

Government budget deficits could lead to a reduction in Medicare and Medicaid reimbu

Obama and members of the U.S. Congress have approved or proposed various spending cuts and tax reform initiatives that have resulted
n changes (including substantial reductions in funding) to Medicare, Medicaid or Medicare Advantage Plans. Any such existing or futu
n relating to deficit reduction that reduces reimbursement payments to healthcare providers could have a material adverse effect on certa
' liquidity, financial condition or results of operations, which could adversely affect their ability to satisfy their obligations to us and co
verse effect on us. Additionally, many states are focusing on the reduction of expenditures under their Medicaid programs, which may r
on in reimbursement rates for our operators. See "*Item 1. Business – Government Regulation and Reimbursement – Reimbursement,*" "
These potential reductions could be compounded by the potential for federal cost-cutting efforts that could lead to reductions in reimbu

rs under both the Medicare and Medicaid programs. Potential reductions in Medicare and Medicaid reimbursement to our operators cou
ow of our operators and their ability to make rent or mortgage payments to us. The need to control Medicaid expenditures may be exace
ial for increased enrollment in Medicaid due to unemployment and declines in family incomes. Medicaid enrollment may continue to in
as the Healthcare Reform Law allowed states to increase the number of people who are eligible for Medicaid in 2014. Since our operat
gins on Medicaid patients are generally relatively low, more than modest reductions in Medicaid reimbursement and an increase in the n
caid patients could place some operators in financial distress, which in turn could adversely affect us. If funding for Medicare and/or Me
, it could have a material adverse effect on our operators' results of operations and financial condition, which could adversely affect our
ability to meet their obligati

We may be unable to find a replacement operator for one or more of our leased pr

om time to time, we may need to find a replacement operator for one or more of our leased properties for a variety of reasons, including
ration of the lease term or the occurrence of an operator default. During any period in which we are attempting to locate one or more rep
here could be a decrease or cessation of rental payments on the applicable property or properties. We cannot assure you that any of our c
ators will elect to renew their respective leases with us upon expiration of the terms thereof. Similarly, we cannot assure you that we wi
a suitable replacement operator or, if we are successful in locating a replacement operator, that the rental payments from the new operat
gnificantly less than the existing rental payments. Our ability to locate a suitable replacement operator may be significantly delayed or li
ate licensing, receivership, certificate of need or other laws, as well as by Medicare and Medicaid change-of-ownership rules. We also m
al additional expenses in connection with any such licensing, receivership or change-of-ownership proceedings. Any such delays, limita
nses could materially delay or impact our ability to collect rent, obtain possession of leased properties or otherwise exercise remedies fo

d economic slowdown could adversely impact our operating income and earnings, as well as the results of operations of our operato
could impair their ability to meet their obligati

ve the risks associated with our investments will be more acute during periods of economic slowdown or recession (such as the recent re
he adverse impact caused by various factors including inflation, deflation, increased unemployment, volatile energy costs, geopolitical is
and cost of credit, the U.S. mortgage market, a distressed real estate market, market volatility and weakened business and consumer co
lt operating environment caused by an economic slowdown or recession could have an adverse impact on the ability of our operators to
upancy rates, which could harm their financial condition. Any sustained period of increased payment delinquencies, foreclosures or loss
operators under our leases and loans could adversely affect our income from investments in our p

Certain third parties may not be able to satisfy their obligations to us or our operators due to uncertainty in the capital

est rate fluctuations, financial market volatility or credit market disruptions could limit the ability of our operators to obtain credit to fina
on acceptable terms, which could adversely affect their ability to satisfy their obligations to us. Similarly, if any of our other counterpar
ter of credit issuers, insurance carriers, banking institutions, title companies and escrow agents, experience difficulty in accessing capita
sources of funds or fail to remain a viable entity, it could have an adverse effect on our

tors may be subject to significant legal actions that could result in their increased operating costs and substantial uninsured liabiliti
may affect their ability to meet their obligati

pical in the long-term healthcare industry, our operators are often subject to claims for damages relating to the services that they provide
ive no assurance that the insurance coverage maintained by our operators will cover all claims made against them or continue to be avai

ble cost, if at all. In some states, insurance coverage for the risk of punitive damages arising from professional and general liability clai
ay not, in certain cases, be available to operators due to state law prohibitions or limitations of availability. As a result, our operators op
these states may be liable for punitive damage awards that are either not covered or are in excess of their insurance poli

elieve that there has been, and will continue to be, an increase in governmental investigations of long-term care providers, particularly i
edicare/Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Insurance is not availa
to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, whether currently asserted or aris
ure, could have a material adverse effect on an operator's financial condition. If an operator is unable to obtain or maintain insurance co
ts are obtained in excess of the insurance coverage, if an operator is required to pay uninsured punitive damages, or if an operator is sub
able government enforcement action, the operator could be exposed to substantial additional liabilities. Such liabilities could adversely
operator's ability to meet its obligat

on, we may in some circumstances be named as a defendant in litigation involving the services provided by our operators. Although we
involvement in the services provided by our operators, and our standard lease agreements and loan agreements generally require our op
emnify us and carry insurance to cover us in certain cases, a significant judgment against us in such litigation could exceed our and our
insurance coverage, which would require us to make payments to cover the j

competition as well as increased operating costs result in lower revenues for some of our operators and may affect the ability of our
to meet their obligati

rm healthcare industry is highly competitive and we expect that it may become more competitive in the future. Our operators are compe
s other companies providing similar healthcare services or alternatives such as home health agencies, life care at home, community-base
retirement communities and convalescent centers. Our operators compete on a number of different levels including the quality of care
on, the physical appearance of a facility, price, the range of services offered, family preference, alternatives for healthcare delivery, the
ng properties, physicians, staff, referral sources, location and the size and demographics of the population in the surrounding areas. We
at the operators of all of our facilities will be able to achieve occupancy and rate levels that will enable them to meet all of their obligati
rators may encounter increased competition in the future that could limit their ability to attract residents or expand their businesses and
affect their ability to pay their lease or mortgage p

ddition, the market for qualified nurses, healthcare professionals and other key personnel is highly competitive and our operators may ex
lties in attracting and retaining qualified personnel. Increases in labor costs due to higher wages and greater benefits required to attract a
ealthcare personnel incurred by our operators could affect their ability to meet their obligations to us. This situation could be particularly
certain states that have enacted legislation establishing minimum staffing requ

be unable to successfully foreclose on the collateral securing our mortgage loans, and even if we are successful in our foreclosure e
unable to successfully find a replacement operator, or operate or occupy the underlying real estate, which may adversely affect our
recover our inv

ator defaults under one of our mortgage loans, we may foreclose on the loan or otherwise protect our interest by acquiring title to the pro
scenario, we may be required to make substantial improvements or repairs to maximize the facility's investment potential. Operators m
ement of foreclosure or other remedies, seek bankruptcy protection against our exercise of enforcement or other remedies and/or bring c
bility in response to actions to enforce mortgage obligations. Even if we are able to successfully foreclose on the collateral securing our
s, we may be unable to expeditiously find a replacement operator, if at all, or otherwise successfully operate or occupy the property, wh
adversely affect our ability to recover our inv

Uninsured losses or losses in excess of our operators' insurance coverage could adversely affect our financial position and our c

terms of our leases, our operators are required to maintain comprehensive general liability, fire, flood, earthquake, boiler and machinery
ome or long-term care professional liability and extended coverage insurance with respect to our properties with policy specifications, l
es set forth in the leases or other written agreements between us and the operator. However, our properties may be adversely affected by
which exceed insurance coverages and reserves. Should an uninsured loss occur, we could lose both our investment in, and anticipated pr
sh flows from, the property. Even if it were practicable to restore the property to its condition prior to the damage caused by a major cas
ons of the affected property would likely be suspended for a considerable period of time. In the event of any substantial loss affecting a
disputes over insurance claims co

Risks Related to Us and Our Op

primary assets are the units of partnership interest in Omega OP and, as a result, we will depend on distributions from the Partnersh dividends and e

any is a holding company and has no material assets other than units of partnership interest in its operating partnership, Omega OP. We
he Partnership to make distributions to partners, including the Company, in an amount sufficient to allow us to qualify as a REIT for U.S
purposes and to pay all of our expenses. To the extent we need funds and Omega OP is restricted from making distributions under applic
e, or if Omega OP is otherwise unable to provide such funds, the failure to make such distributions could materially adversely affect our
and financial c

external sources of capital to fund future capital needs, and if we encounter difficulty in obtaining such capital, we may not be able future investments necessary to grow our business or meet maturing comm

To qualify as a REIT under the Code, we are required to, among other things, distribute at least 90% of our REIT taxable income each y ders. Because of this distribution requirement, we may not be able to fund, from cash retained from operations, all future capital needs, ed to make investments and to satisfy or refinance maturing commitments. As a result, we rely on external sources of capital, including uity financing. If we are unable to obtain needed capital at all or only on unfavorable terms from these sources, we might not be able to s needed to grow our business, or to meet our obligations and commitments as they mature, which could negatively affect the ratings o , in extreme circumstances, affect our ability to continue operations. Our access to capital depends upon a number of factors over which or no control, including the performance of the national and global economies generally; competition in the healthcare industry; issues f care industry, including regulations and government reimbursement policies; our operators' operating costs; the ratings of our debt secu t's perception of our growth potential; the market value of our properties; our current and potential future earnings and cash distributio ce of the shares of our capital stock. Difficult capital market conditions in our industry during the past several years, and our need to sta ave limited and may continue to limit our access to capital. While we currently have sufficient cash flow from operations to fund our ob mmitments, we may not be in a position to take advantage of future investment opportunities in the event that we are unable to access t markets on a timely basis or we are only able to obtain financing on unfavora

ic conditions and turbulence in the credit markets may create challenges in securing third-party borrowings or refinancing our exis

d economic conditions, the availability and cost of credit, turmoil in the mortgage market and depressed real estate markets have contri n the future contribute to increased volatility and diminished expectations for real estate markets and the economy as a whole. Significa disruption and volatility could impact our ability to secure third-party borrowings or refinance our existing debt in t

ur ability to raise capital through equity sales is dependent, in part, on the market price of our common stock, and our failure to me expectations with respect to our business could negatively impact the market price of our common stock and availability of equit

er publicly-traded companies, the availability of equity capital will depend, in part, on the market price of our common stock which, in depend upon various market conditions and other factors that may change from time to time i

- the extent of investor interest;
- reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities, including securities issued based companies;
- the financial performance of us and our operators;
- analyst reports on us and the REIT industry in general;
- ck and bond market conditions, including changes in interest rates on fixed income securities, which may lead prospective purchasers o ock to demand a higher annual yield from future distributions;

to maintain or increase our dividend, which is dependent, to a large part, on the increase in funds from operations, which in turn depend
evenues from additional investments and rental increases; and

· other factors such as governmental regulatory action and changes in REIT tax laws.

market value of the equity securities of a REIT is generally based upon the market's perception of the REIT's growth potential and its c
ial future earnings and cash distributions. Our failure to meet the market's expectation with regard to future earnings and cash distributio
likely adversely affect the market price of our common stock and, as a result, the availability of equity cap

e subject to risks associated with debt financing, which could negatively impact our business and limit our ability to make distributio stockholders and to repay matur

ing required to make future investments and satisfy maturing commitments may be provided by borrowings under our credit facilities, ngs of debt or equity, the assumption of secured indebtedness, mortgage financing on a portion of our owned portfolio or through joint nt we must obtain debt financing from external sources to fund our capital requirements, we cannot guarantee such financing will be ava rms, if at all. In addition, if we are unable to refinance or extend principal payments due at maturity or pay them with proceeds from oth ns, our cash flow may not be sufficient to make distributions to our stockholders and repay our maturing debt. Furthermore, if prevailin anges in our debt ratings or other factors at the time of refinancing result in higher interest rates upon refinancing, the interest expense r ced indebtedness would increase, which could reduce our profitability and the amount of dividends we are able to pay. Moreover, additi ancing increases the amount of our leverage. The degree of leverage could have important consequences to stockholders, including affe vestment grade ratings and our ability to obtain additional financing in the future, and making us more vulnerable to a downturn in our operations or the economy g

Unforeseen costs associated with the acquisition of new properties could reduce our pro

ess strategy contemplates future acquisitions that may not prove to be successful. For example, we might encounter unanticipated difficu itures relating to our acquired properties, including contingent liabilities, or our newly acquired properties might require significant ma that would otherwise be devoted to our ongoing business. As a further example, if we agree to provide funding to enable healthcare op and or renovate facilities on our properties and the project is not completed, we could be forced to become involved in the development completion or we could lose the property. Such costs may negatively affect our results of op

We may not be able to adapt our management and operational systems to integrate and manage our growth without additional

cannot assure you that we will be able to adapt our management, administrative, accounting and operational systems to integrate and m erm care facilities we have acquired in the past and those that we may acquire under our existing cost structure in a timely manner. Our tegrate and manage recent and future acquisitions or developments could have a material adverse effect on our results of operations and c

We may be subject to additional risks in connection with our recent and future acquisitions of long-term care

ay be subject to additional risks in connection with our recent and future acquisitions of long-term care facilities, including but not limi f

r limited prior business experience with certain of the operators of the facilities we have recently acquired or may acquire in the future;
e facilities may underperform due to various factors, including unfavorable terms and conditions of the lease agreements that we assum
sruptions caused by the management of the operators of the facilities or changes in economic conditions impacting the facilities and/or
perators;

- diversion of our management's attention away from other business concerns;
- exposure to any undisclosed or unknown potential liabilities relating to the facilities; and
- potential underinsured losses on the facilities.

cannot assure you that we will be able to manage our recently acquired or future new facilities without encountering difficulties or that
difficulties will not have a material adverse eff

Our assets may be subject to impairment

riodically, but not less than annually, evaluate our real estate investments and other assets for impairment indicators. The judgment rega
impairment indicators is based on factors such as market conditions, operator performance and legal structure. If we determine that a s
nent has occurred, we are required to make an adjustment to the net carrying value of the asset, which could have a material adverse aff
results of operations and funds from operations in the period in which the write-o

We may not be able to sell certain closed facilities for their bo

to time, we close facilities and actively market such facilities for sale. To the extent we are unable to sell these properties for our book
may be required to take a non-cash impairment charge or loss on the sale, either of which would reduce our ne

Our indebtedness could adversely affect our financial c

a material amount of indebtedness and we may increase our indebtedness in the future. Debt financing could have important consequen
stockholders. For example

- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- mit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution o
usiness plan or other general corporate purposes on satisfactory terms or at all;
- o dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness and leases, thereby reducing th
of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our ability to make material acquisitions or take advantage of business opportunities that may arise;
- expose us to fluctuations in interest rates, to the extent our borrowings bear variable rates of interests;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

Covenants in our debt documents limit our operational flexibility, and a covenant breach could materially adversely affect our op

f our credit agreements and note indentures require us to comply with a number of customary financial and other covenants which may
nt's discretion by restricting our ability to, among other things, incur additional debt, redeem our capital stock, enter into certain transac
pay dividends and make other distributions, make investments and other restricted payments, and create liens. Any additional financing
uld contain similar or more restrictive covenants. Our continued ability to incur indebtedness and conduct our operations is subject to co

financial and other covenants. Breaches of these covenants could result in defaults under the instruments governing the applicable inde
on to any other indebtedness cross-defaulted against such instruments. Any such breach could materially adversely affect our business,
operations and financial c

We have now, and may have in the future, exposure to contingent rent es

ive revenue primarily by leasing our assets under leases that are long-term triple-net leases in which the rental rate is generally fixed wi
ations, subject to certain limitations. Certain leases contain escalators contingent on changes in the Consumer Price Index. If the Consur
Index does not increase, our revenues may not

We are subject to particular risks associated with real estate ownership, which could result in unanticipated losses or e

ness is subject to many risks that are associated with the ownership of real estate. For example, if our operators do not renew their leases re-lease the facilities at favorable rental rates, if at all. Other risks that are associated with real estate acquisition and ownership include limitation, the fo

- general liability, property and casualty losses, some of which may be uninsured;
- y to purchase or sell our assets rapidly to respond to changing economic conditions, due to the illiquid nature of real estate and the real e
- leases that are not renewed or are renewed at lower rental amounts at expiration;
- the exercise of purchase options by operators resulting in a reduction of our rental revenue;
- ng to maintenance and repair of our facilities and the need to make expenditures due to changes in governmental regulations, including t with Disabilities Act;
- environmental hazards created by prior owners or occupants, existing tenants, mortgagors or other persons for which we may be liable;
- acts of God affecting our properties; and
- acts of terrorism affecting our properties.

Our real estate investments are relatively

ate investments are relatively illiquid and generally cannot be sold quickly. In addition, some of our properties serve as collateral for ou tions and cannot be readily sold. Additional factors that are specific to our industry also tend to limit our ability to vary our portfolio pr o changes in economic or other conditions. For example, all of our properties are ‘‘special purpose’’ properties that cannot be readily co esidential, retail or office use. In addition, transfers of operations of nursing homes and other healthcare-related facilities are subject to r als not required for transfers of other types of commercial operations and other types of real estate. Thus, if the operation of any of our p unprofitable due to competition, age of improvements or other factors such that an operator becomes unable to meet its obligations to us value of the property may be substantially less, particularly relative to the amount owing on any related mortgage loan, than would be t y were readily adaptable to other uses. Furthermore, the receipt of liquidation proceeds or the replacement of an operator that has defaul oan could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the property or the replac or with a new operator licensed to manage the facility. In addition, certain significant expenditures associated with real estate investmen axes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment. Should su occur, our income and cash flows from operations would be adversely

As an owner or lender with respect to real property, we may be exposed to possible environmental l

ous federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real property or a secured len may be liable in certain circumstances for the costs of investigation, removal or remediation of, or related releases of, certain hazardou tances at, under or disposed of in connection with such property, as well as certain other potential costs relating to hazardous or toxic su

government fines and damages for injuries to persons and adjacent property. Such laws often impose liability based on the owner's kno
sibility for, the presence or disposal of such substances. As a result, liability may be imposed on the owner in connection with the activi
rator of the property. The cost of any required investigation, remediation, removal, fines or personal or property damages and the owner
efore could exceed the value of the property and/or the assets of the owner. In addition, the presence of such substances, or the failure to
or remediate such substances, may adversely affect an operators' ability to attract additional residents and our ability to sell or rent suc
or to borrow using such property as collateral which, in turn, could negatively impact our

hough our leases and mortgage loans require the lessee and the mortgagor to indemnify us for certain environmental liabilities, the scop
ns may be limited. For instance, most of our leases do not require the lessee to indemnify us for environmental liabilities arising before
ssession of the premises. Further, we cannot assure you that any such mortgagor or lessee would be able to fulfill its indemnification ob

stry in which we operate is highly competitive. Increasing investor interest in our sector and consolidation at the operator level or R
could increase competition and reduce our pro

ness is highly competitive and we expect that it may become more competitive in the future. We compete for healthcare facility investm
care investors, including other REITs, some of which have greater resources and lower costs of capital than we do. Increased competiti
hallenging for us to identify and successfully capitalize on opportunities that meet our business goals. If we cannot capitalize on our dev
pipeline, identify and purchase a sufficient quantity of healthcare facilities at favorable prices, or if we are unable to finance such acquis
rcially favorable terms, our business, results of operations and financial condition may be materially adversely affected. In addition, if o
ould increase relative to the cost of capital of our competitors, the spread that we realize on our investments may decline if competitive
limit or prevent us from charging higher lease or mortg

may be named as defendants in litigation arising out of professional liability and general liability claims relating to our previously ov
operated facilities that if decided against us, could adversely affect our financial c

several of our wholly-owned subsidiaries were named as defendants in professional liability and general liability claims related to our ov
facilities prior to 2005. Other third-party managers responsible for the day-to-day operations of these facilities were also named as defe
claims. In these suits, patients of certain previously owned and operated facilities have alleged significant damages, including punitive
defendants. Although all of these prior suits have been settled, we or our affiliates could be named as defendants in similar suits to the e
operate facilities in the future. There can be no assurance that we would be successful in our defense of such potential matters or in asse
gainst various managers of the subject facilities or that the amount of any settlement or judgment would be substantially covered by ins
that any punitive damages will be covered by i

ter and bylaws contain significant anti-takeover provisions which could delay, defer or prevent a change in control or other transact
could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our comm

r and bylaws contain various procedural and other requirements which could make it difficult for stockholders to effect certain corporat
of Directors has the authority to issue additional shares of preferred stock and to fix the preferences, rights and limitations of the prefer
ockholder approval. In addition, our charter contains limitations on the ownership of our capital stock intended to ensure we continue to
ents for qualification as a REIT. These provisions could discourage unsolicited acquisition proposals or make it more difficult for a thir
ol of us, which could adversely affect the market price of our securities and/or result in the delay, deferral or prevention of a change in c
ctions that could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our comm

f our management and Board of Directors are holders of units of partnership interest in Omega OP, and their interests may differ fr
of our public stoc

bers of our management and Board of Directors are holders of units of partnership interest in Omega OP. Those unitholders may have co with holders of the Company's common stock. For example, such unitholders of OP units may have different tax positions from the Co the Company's common stock, which could influence their decisions in their capacities as members of management regarding whether to dispose of assets, whether and when to incur new or refinance existing indebtedness and how to structure future tran

The Company is exposed to risks associated with entering new geographic

ny's acquisition and development activities may involve entering geographic markets where the Company has not previously had a pres on and/or acquisition of properties in new geographic areas involves risks, including the risk that the property will not perform as anticip at any actual costs for site development and improvements identified in the pre-construction or pre-acquisition due diligence process wi There is, and it is expected that there will continue to be, significant competition for investment opportunities that meet management's i criteria, as well as risks associated with obtaining financing for acquisition activities, if n

Ownership of property outside the U.S. may subject us to different or greater risks than those associated with our U.S. inv

nvestments in the United Kingdom, and may from time to time may seek to acquire other properties in the United Kingdom or otherwis
U.S. Although we currently have investments in the United Kingdom, we have limited experience investing in healthcare properties or
-related assets located outside the United States. International development, investment, ownership and operating activities involve risk
from those we face with respect to our U.S. properties and operations. These risks include, but are not limited to, any international curr
with respect to changes in exchange rates may not qualify under the 75.0% gross income test or the 95.0% gross income test that we mu
in order to qualify and maintain our status as a REIT; challenges with respect to the repatriation of foreign earnings and cash; changes i
regulatory, and economic conditions, including regionally, nationally, and locally; challenges in managing international operations; cha
with a wide variety of foreign laws and regulations, including those relating to real estate, corporate governance, operations, taxes, em
proceedings; foreign ownership restrictions with respect to operations in countries; diminished ability to legally enforce our contractua
n countries; differences in lending practices and the willingness of domestic or foreign lenders to provide financing; regional or countr
ss cycles and economic instability; and changes in applicable laws and regulations in the U.S. that affect foreign operations. In addition
nited investing experience in international markets. If we are unable to successfully manage the risks associated with international expa
operations, our results of operations and financial condition may be adversely

We may be adversely affected by fluctuations in currency exchar

ership of properties in the United Kingdom currently subjects us to fluctuations in the exchange rates between U.S. dollars and the Britis
ich may, from time to time, impact our financial condition and results of operations. If we continue to expand our international presenc
ments in, or acquisitions or development of healthcare assets outside the United States or the United Kingdom, we may transact busines
rrencies. Although we may pursue hedging alternatives, including borrowing in local currencies, to protect against foreign currency flu
we cannot assure you that such fluctuations will not have a material adverse effect on our results of operations or financial c

Our future results will suffer if we do not effectively manage our expanded operations following the Merger w

e expanded our operations as a result of the Merger with Aviv and intend to continue to expand our operations through additional acqui
, some of which may involve complex challenges. Our future success will depend, in part, upon our ability to manage the integration of
nd our expansion opportunities, each of which may pose substantial challenges for us to integrate new operations into our existing busin
nd timely manner, and upon our ability to successfully monitor our operations, costs, regulatory compliance and service quality, and to
er necessary internal controls. There is no assurance that our expansion or acquisition opportunities will be successful, or that we will re
operating efficiencies, cost savings, revenue enhancements, synergies or other benefits from any future acquisitions we may c

We may change our investment strategies and policies and capital s

ard of Directors, without the approval of our stockholders, may alter our investment strategies and policies if it determines that a change
rs' best interests. The methods of implementing our investment strategies and policies may vary as new investments and financing tech
de

Our success depends in part on our ability to retain key personnel and our ability to attract or retain other qualified p

performance depends to a significant degree upon the continued contributions of our executive management team and other key emplo
services of our current executive management team could have an adverse impact on our operations. Although we have entered into em
ts with the members of our executive management team, these agreements may not assure their continued service. In addition, our futur
part, on our ability to attract, hire, train and retain other qualified personnel. Competition for qualified employees is intense, and we co
ed employees with companies with greater financial resources. Our failure to successfully attract, hire, retain and train the people we ne
significantly impede our ability to implement our business

Failure to properly manage our rapid growth could distract our management or increase our c

xperienced rapid growth and development in a relatively short period of time and expect to continue this rapid growth in the future. Th
esulted in increased levels of responsibility for our management. Future property acquisitions could place significant additional demand
s to expand, our management, resources and personnel. Our failure to manage any such rapid growth effectively could harm our busine
, our financial condition, results of operations and cash flows, which could negatively affect our ability to make distributions to stockho
ng price of our common stock. Our growth could also increase our capital requirements, which may require us to issue potentially diluti
securities and incur additio

on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technolo harm our

on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to m
variety of business processes, including financial transactions and records, personal identifying information, tenant and lease data. We
ome of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software,
onitoring to provide security for processing, transmission and storage of confidential tenant and other customer information, such as ind
tifiable information, including information relating to financial accounts. Although we have taken steps to protect the security of our inf
ms and the data maintained in those systems, it is possible that our safety and security measures will not be able to prevent the systems'
ng or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber attacks. Security
ncluding physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shut
orized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information syste
errupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effe
business, financial condition and results of op

ure to maintain effective internal control over financial reporting could have a material adverse effect on our business, results of op financial condition and sto

ant to the Sarbanes-Oxley Act of 2002, we are required to provide a report by management on internal control over financial reporting,
nt's assessment of the effectiveness of such control. Changes to our business will necessitate ongoing changes to our internal control sy
. Internal control over financial reporting may not prevent or detect misstatements due to inherent limitations, including the possibility o
rcumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with r
paration and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over
future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of co
icies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure to implement requ
d controls, or if we experience difficulties in their implementation, our business, results of operations and financial condition could be m
adversely harmed, we could fail to meet our reporting obligations and there could be a material adverse effect on our sto

If we fail to maintain our REIT status, we will be subject to federal income tax on our taxable income at regular corpor

organized to qualify for taxation as a REIT under Sections 856 through 860 of the Code. See "*Item 1. Business – Taxation.*" We believe
perated in such a manner as to qualify for taxation as a REIT under the Code and intend to continue to operate in a manner that will mai
ication as a REIT. Qualification as a REIT involves the satisfaction of numerous requirements, some on an annual and some on a quarte
lished under highly technical and complex provisions of the Code for which there are only limited judicial and administrative interpreta
determination of various factual matters and circumstances not entirely within our control. We cannot assure you that we will at all tim
these rules

e were to fail to qualify as a REIT in any taxable year, as a result of a determination that we failed to meet the annual distribution requir
e, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corpo
to each such taxable year for which the statute of limitations remains open. Moreover, unless entitled to relief under certain statutory pr
ld be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. This treatme
ficantly reduce our net earnings and cash flow because of our additional tax liability for the years involved, which could significantly in
financial c

nerally must distribute annually at least 90% of our taxable income to our stockholders to maintain our REIT status. To the extent that w
ute all of our net capital gain or do distribute at least 90%, but less than 100% of our “REIT taxable income,” as adjusted, we will be su
thereon at regular ordinary and capital gain corporate

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our c

e remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including
tributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and trans
these taxes would decrease cash available for the payment of our debt obligations. In addition, to meet REIT qualification requirements
of our non-healthcare assets through taxable REIT subsidiaries or other subsidiary corporations that will be subject to corporate level in
at regu

to the completion of the Merger, Aviv availed itself of the self-determination provisions and the deficiency dividend procedures under
sections of the Code and supporting Treasury Regulations and IRS pronouncements to remedy certain potential technical violations of
equirements. If there is an adjustment to Aviv’s REIT taxable income or dividends paid deductions as a result of Aviv taking such actio
ions by the IRS, the Company could be required to further implement the deficiency dividend procedures in order to maintain Aviv’s R
ther steps to remedy any past non-compliance by Aviv. Any such further implementation of the deficiency dividend procedures could re
ny to make significant distributions to its stockholders and to pay significant penalties and interest to the IRS, which could impair the C
expand its business and raise capital, reduce its cash available for distribution to its stockholders and materially adversely affect the va
Company’s comr

as a REIT involves highly technical and complex provisions of the Code and complying with REIT requirements may affect our pro

tion as a REIT involves the application of technical and intricate Code provisions. Even a technical or inadvertent violation could jeopa
ification. To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the n
ation of our assets, the sources of our income and the amounts we distribute to our stockholders. Thus, we may be required to liquidate o
e investments from our portfolio, or be unable to pursue investments that would be otherwise advantageous to us, to satisfy the asset an
qualify under certain statutory relief provisions. We may also be required to make distributions to stockholders at disadvantageous times
not have funds readily available for distribution (e.g., if we have assets which generate mismatches between taxable income and availa

comply with the distribution requirement could cause us to: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable term
ibute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. As a result, satisfying
requirements could have an adverse effect on our business results and pro

Future changes in the tax laws could impact our ability to qualify as a REIT in th

changes in the tax laws, such as the "Protecting Americans from Tax Hikes Act of 2015" (the "PATH Act") that was enacted on Decem
ch contains several provisions pertaining to REIT qualification and taxation, could impact our ability to qualify as a REIT in the future.
n the discussion regarding our taxation as a REIT, see "*Item 1. Business – Taxation*," some of the provisions from the PATH Act that c
ct on us. However, we do not believe that any of these provisions will materially impact our ability to maintain our qualification as a RE
hile many of the recent changes to the tax laws impacting REITs have been "relief" that generally ease the burden of complying with th
rules, there can be no assurance that future changes in tax laws will not adversely impact our ability qualify as a REIT in th

Risks Related to O

In addition to the risks related to our operators and our operations described above, the following are additional risks associated with o

The market value of our stock could be substantially affected by variou

latility may adversely affect the market price of our common stock. As with other publicly traded securities, the share price of our stock
on many factors, which may change from time to time, i

- the market for similar securities issued by REITs;
- changes in estimates by analysts;
- our ability to meet analysts' estimates;
- prevailing interest rates;
- our credit rating;
- general economic and market conditions; and
- our financial condition, performance and prospects.

issuance of additional capital stock, warrants or debt securities, whether or not convertible, may reduce the market price for our ou securities, including our common stock, and dilute the ownership interests of existing stoc

predict the effect, if any, that future sales of our capital stock, warrants or debt securities, or the availability of our securities for future
e market price of our securities, including our common stock. Sales of substantial amounts of our common stock or preferred shares, wa
rities convertible into or exercisable or exchangeable for common stock in the public market, or the perception that such sales might occ
negatively impact the market price of our stock and the terms upon which we may obtain additional equity financing in th

In addition, we may issue additional capital stock in the future to raise capital or as a result of the fo

e and exercise of options to purchase our common stock or other equity awards under remuneration plans (we may also issue equity to o
in lieu of cash bonuses or to our directors in lieu of director's fees);
the issuance of shares pursuant to our dividend reinvestment and direct stock purchase plan or at-the-market offerings;
- the issuance of debt securities exchangeable for our common stock;
- the exercise of warrants we may issue in the future;

the issuance of warrants or other rights to acquire shares to current or future lenders in connection with providing financing; and

· the sales of securities convertible into our common stock.

There are no assurances of our ability to pay dividends in th

ility to pay dividends may be adversely affected upon the occurrence of any of the risks described herein. Our payment of dividends is s
npliance with restrictions contained in our credit agreements, the indentures governing our senior notes and any preferred stock that our
nay from time to time designate and authorize for issuance. All dividends will be paid at the discretion of our Board of Directors and wi
rnings, our financial condition, maintenance of our REIT status and such other factors as our Board of Directors may deem relevant fro
are no assurances of our ability to pay dividends in the future. In addition, our dividends in the past have included, and may in the futur
a return c

ed stock that we may issue from time to time may have liquidation and other rights that are senior to the rights of the holders of our

f Directors has the authority to designate and issue preferred stock that may have dividend, liquidation and other rights that are senior to
our comm

Legislative or regulatory action could adversely affect purchasers of o

nt legislative, judicial and administrative changes to the federal income tax laws could adversely impact the income tax consequences o
Such changes have occurred in the past and are likely to continue to occur in the future, and we cannot assure you that any of these cha
y affect an investment in our stock or on our stock's market value or resale potential. Stockholders are urged to consult with their own ta
respect to the impact that past legislative, regulatory or administrative changes or potential legislation may have on their investment in o

rade of our credit rating could impair our ability to obtain additional debt financing on favorable terms, if at all, and significantly re
trading price of our comm

y rating agency downgrades our credit rating, or places our rating under watch or review for possible downgrade, then it may be more di
ensive for us to obtain additional debt financing, and the trading price of our common stock may decline. Factors that may affect our cre
ude, among other things, our financial performance, our success in raising sufficient equity capital, adverse changes in our debt and fixe
ratios, our capital structure and level of indebtedness and pending or future changes in the regulatory framework applicable to our oper
our industry. We cannot assure you that these credit agencies will not downgrade our credit rating in th

Item 1B – Unresolved Staff C

Item 2 - P

ecember 31, 2015, our real estate investments included long-term care facilities and rehabilitation hospital investments, in the form of (
ilities that are leased to operators or their affiliates, (ii) investments in direct financing leases to operators or their affiliates and (iii) mor
ties that are operated by the mortgagors or their affiliates. The properties are located in 42 states and the United Kingdom and are opera
We use the term "operator" to refer to our tenants and mortgagees and their affiliates who manage and or operate our properties. In som
nants and mortgagees contract with a healthcare operator to operate the facilities. The following table summarizes our property investm
December

Investment Structure/Operator	**Number of Operating Beds**	**Number of Facilities**	**Gross Real Estate Investment (in thousands)**
Operating Lease Facilities[1]			
Maplewood Real Estate Holdings, LLC	841	10	$ 494,247
Daybreak Venture, LLC	4,729	54	363,232
Genesis HealthCare	6,194	58	360,320
Laurel	2,606	27	308,047
Health and Hospital Corporation	4,606	44	304,719
Diversicare Healthcare Services	4,504	36	281,098
CommuniCare Health Services, Inc.	3,310	28	280,105
Saber Health Group	2,458	29	276,850
EmpRes Healthcare Group, Inc.	2,287	27	264,016
Airamid Health Management	4,527	37	246,503
Fundamental Long Term Care Holding, LLC	2,809	26	238,516
Signature Holdings II, LLC	3,180	31	232,914
Capital Funding Group, Inc.	2,231	21	219,455
S&F Management Company, LLC	1,920	15	217,073
Gulf Coast Master Tenant I, LLC	2,514	20	189,095
Sun Mar Healthcare	1,262	11	178,055
Healthcare Homes	1,010	23	169,700
Guardian LTC Management Inc.	1,679	23	125,971
Mission Health	1,438	20	124,473
Preferred Care, Inc.	1,607	16	124,462
Consulate Health Care	2,023	17	117,654
Nexion Health Inc.	2,067	19	92,064
Trillium Healthcare Group	1,326	17	88,156
Affiliates of Persimmon Ventures, LLC & White Pine Holdings, LLC	757	5	83,965
Essex Healthcare Corporation	1,236	13	83,564
Providence Group, Inc.	863	10	82,191

Bridgemark Healthcare LLC	1,249	11	82,121
TenInOne Acquisition Group, LLC	1,271	9	73,563
Peregrine Health Services, Inc.	624	4	68,191
Trinity HealthCare	954	13	63,585
Swain/Herzog	1,008	9	59,746
Prestige Care, Inc.	542	9	56,672
Ide Management Group, LLC	1,285	14	56,318
CareMeridian	186	16	51,804
Southern Administrative Services, LLC	1,084	11	44,843
StoneGate Senior Care LP	726	7	38,833
Sava Senior Care, LLC	469	3	36,970
New Ark Investments, Inc.	345	3	34,600
Reliance Health Care Management, Inc.	340	3	34,496
Haven Health Management	476	6	33,426
Hi-Care Management	278	3	30,883
Pinon Management, LLC	527	6	30,390
Cardinal Care Management, Inc.	185	2	28,629
Sovran Management Company, LLC	300	1	28,500
Physicians Hospital Group	67	3	23,394
Lion Health Centers	162	1	20,457
Safe Haven Healthcare	135	2	17,057
Hope Healthcare	371	4	16,460
Lakeland Holding Company	274	1	15,795
Transitions Healthcare, LLC	135	1	15,300

Investment Structure/Operator	Number of Operating Beds	Number of Facilities	Gross Real Estate Investment (in thousands)
Rest Haven Nursing Center Inc.	176	1	14,400
Health Systems of Oklahoma LLC	407	3	12,470
Orion Operating Services	93	1	12,420
JK&L	104	2	12,312
Washington N&R	239	2	12,152
Better Senior Living Consulting LLC	310	3	11,910
UltraCare Healthcare, LLC	134	3	11,281
Phoenix Senior Living	125	2	10,800
Care Initiatives, Inc.	188	1	10,347
Adcare Health Systems	301	2	10,000
Ensign Group, Inc.	271	3	9,656
NuCare	94	1	9,570
Markleysburg Healthcare Investors, LP	207	2	8,993
Health Dimensions	90	1	8,885
Covenant Care	102	1	8,610
Community Eldercare Services, LLC	100	1	7,572
Southwest LTC	150	1	6,839
Longwood Management Corporation	185	2	6,448
Elite Senior Living, Inc.	105	1	5,893
AMFM	150	2	5,786
Sante Operations	52	1	5,739
Brius Management Company	99	1	4,546
LTP Generations	96	2	4,417
HMS Holdings at Texarkana, LLC	114	1	4,281
Hoosier Enterprises Inc.	47	1	3,622
Castle Rock	60	1	3,620
New Beginnings Care	102	1	3,240
Life Generations Healthcare, Inc.	59	1	3,007
Hickory Creek Healthcare Foundation	63	1	2,834
Diamond Care Vida Encantada, LLC	102	1	2,028
Closed Facilities	-	4	1,802
	81,302	829	6,743,958
Assets Held for Sale			
TenInOne Acquisition Group, LLC	180	1	5,999
Preferred Care, Inc.	55	1	350
Signature Holdings II, LLC	-	1	250
	235	3	6,599
Investment in Direct Financing Leases			
New Ark Investment, Inc.	5,440	56	560,308
Reliance Health Care Management, Inc.	120	1	15,509

Sun Mar Healthcare	83	1	11,381
Markleysburg Healthcare Investors, LP	52	1	503
	5,695	59	587,701
Mortgages[2]			
Ciena Healthcare	3,383	31	422,785
Guardian LTC Management, Inc.	808	9	112,500
CommuniCare Health Services, Inc.	1,043	8	77,399
Affiliates of Persimmon Ventures, LLC & White Pine Holdings, LLC	412	4	26,500
Meridian	240	3	15,780
Saber Health Group	100	1	12,509
Benchmark Healthcare	111	2	6,445
Phoenix Senior Living	-	-	5,877
	6,097	58	679,795
Total	93,329	949	$ 8,018,053

(1) Certain of our lease agreements contain purchase options that permit the lessees to purchase the underlying properties

(2) In general, many of our mortgages contain prepayment provisions that permit prepayment of the outstanding principal amounts th

The following table presents the concentration of our real estate investments by state as of December

	Number of Facilities	Number of Operating Beds	Gross Real Estate Investment (in thousands)	% of Gros Estat Inves
Ohio	86	8,868	$ 815,405	10.2
Texas	109	10,964	726,326	9.1
Florida	98	11,332	697,239	8.7
Michigan	47	4,898	592,864	7.4
California	60	4,922	521,421	6.5
Pennsylvania [1]	44	4,194	474,542	5.9
Indiana	60	5,711	403,014	5.0
South Carolina	22	2,084	241,889	3.0
Connecticut	6	493	241,034	3.0
Arkansas	32	3,341	230,215	2.9
Mississippi	19	2,017	226,829	2.8
Massachusetts	16	1,423	185,342	2.3
Kentucky	26	2,238	184,367	2.3
Maryland	16	2,080	174,077	2.2
United Kingdom	23	1,010	169,700	2.1
Washington	22	1,586	168,825	2.1
Missouri	23	2,198	153,516	1.9
Tennessee [1]	20	2,517	149,634	1.9
North Carolina	17	1,871	136,757	1.7
Arizona	16	1,528	132,871	1.6
Illinois	17	1,836	118,619	1.5
New York	-	-	116,424	1.4
Virginia	6	924	100,734	1.3
Georgia	10	1,100	84,369	1.0
Idaho	12	1,006	82,977	1.0
Colorado	12	1,307	79,659	1.0
New Mexico [1]	11	1,003	77,898	1.0
West Virginia	11	1,255	75,796	0.9
Iowa	12	917	72,634	0.9
Nevada	6	596	62,981	0.8
Wisconsin	9	913	62,970	0.8
Minnesota	5	548	61,417	0.8
Louisiana	13	1,390	59,735	0.7
Kansas	17	931	57,793	0.7
Oregon	7	410	52,710	0.7
Alabama	9	1,087	48,089	0.6
Oklahoma	9	835	45,178	0.6

Rhode Island	4	558	43,534	0.5
Nebraska	7	650	24,713	0.3
New Hampshire	3	221	23,082	0.3
Utah	4	347	21,027	0.3
Montana	2	105	12,922	0.2
Vermont	1	115	6,925	0.1
Total	949	93,329	$ 8,018,053	100

(1) These states each include a facility/property that is classified as held-for-sale as of December

phically Diverse Property Portfolio. Our portfolio of properties is broadly diversified by geographic location. Our portfolio includes h
ocated in 42 states and the United Kingdom. In addition, the majority of our 2015 rental, direct financing lease and mortgage income wa
cilities in states that require state approval for development and expansion of healthcare facilities. We believe that such state approvals r
competition for our operators and enhance the value of our p

ge Number of Tenants. Our facilities are operated by 83 different public and private healthcare providers and/or managers. Except for
, Inc. (“New Ark”) (7%), Maplewood Real Estate Holdings, LLC (6%) and Ciena Healthcare (5%), which together hold approximately
portfolio (by investment), no other single tenant holds greater than 5% of our portfolio (by inv

gnificant Number of Long-term Leases and Mortgage Loans. At December 31, 2015, approximately 79% of our operating leases, 81
ges and 86% of our direct financing leases have primary terms that expire after 2020. The majority of our leased real estate properties a
rovisions of master lease agreements. We also lease facilities under single facility leases. The initial terms of both types of leases typica
from 5 to 15 years, plus renewal options, with the exception of our investment in the direct financing leases with New Ark which expire

ur leased properties are leased under long term, triple-net leases. The following table displays the expiration of the annualized straight-l
revenues under our operating lease agreements as of December 31, 2015 by year without giving effect to any renewa

Expiration Year	Annualized Straight-line Rental Revenue Expiring		Number of Leases Expiring
($ in thousands)			
2016	$	3,090	3
2017		13,526	9
2018		43,947	14
2019		3,422	5
2020		6,988	9
2021		27,664	32
2022		69,544	31
2023		88,139	22
2024		65,483	12
2025		54,701	13
2026		19,202	7
Thereafter		262,902	30
Total	$	658,608	187

Item 3 - Legal Pro

bject to various legal proceedings, claims and other actions arising out of the normal course of business. While any legal proceeding or c
nent of uncertainty, management believes that the outcome of each lawsuit, claim or legal proceeding that is pending or threatened, or al
combined, will not have a material adverse effect on our consolidated financial position or results of op

Item 4 - Mine Safety Dis

Not ap

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

s of common stock are traded on the New York Stock Exchange under the symbol “OHI.” The following table sets forth, for the periods
nd low prices as reported on the New York Stock Exchange Composite for the periods indicated and cash dividends declared per comm

2015					2014			
Quarter	High	Low	**Dividends Declared Per Share**		Quarter	High	Low	**Di De Pe**
First	$45.46	$37.76	$ 0.89	(1)	First	$33.89	$29.32	$
Second	42.00	34.18	0.18	(2)	Second	38.33	33.22	
Third	37.24	32.01	0.55		Third	39.31	33.69	
Fourth	37.16	31.56	0.56		Fourth	40.74	33.89	
			$ 2.18					$

In addition to the regular $0.53 per share quarterly dividend declared and paid in the first quarter of 2015, on March 5, 2015 the Board o
Directors declared a prorated dividend of $0.36 per share of Omega’s common stock in view of the then pending Aviv Merger. This $0.
share dividend amount represented dividends for February and March 2015 at a quarterly dividend rate of $0.54 per share of common st
$0.36 per share dividend was paid in cash on April 7, 2015 to stockholders of record as of the close of business on March 31, 2015.
On April 15, 2015, the Board of Directors declared a prorated dividend of $0.18 per share of Omega’s common stock in view of the rec
closed Aviv Merger. The $0.18 per share dividend amount represented dividends for April 2015 at a quarterly dividend rate of $0.54 pe
of common stock. The $0.18 per share dividend was paid in cash on May 15, 2015 to stockholders of record as of the close of business o
30, 2015.

g price for our common stock on the New York Stock Exchange on February 19, 2016 was $30.55 per share. As of February 19, 2016 th
188,131,753 shares of common stock outstanding with approximately 2,943 registered

e following table provides information about shares available for future issuance under our equity compensation plans as of December

Equity Compensation Plan Info

n category	(a) **Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)**	(b) **Weighted-average exercise price of outstanding options, warrants and rights (2)**		(c) **Number of securiti remaining availabl future issuance und equity compensatio excluding securities reflected in column**
uity compensation plans approved by security holders	1,672,430	$	—	2,139,785
uity compensation plans not approved by security holders	—		—	—
al	1,672,430	$	—	2,139,785

Reflects (i) a maximum of 203,179 shares that could be issued if certain performance conditions are achieved related to the Decemb 2013 award of performance restricted stock units, (ii) a maximum of 271,268 shares that could be issued if certain performance conc are achieved related to the January 1, 2014 award of performance restricted stock units, (iii) 106,778 restricted stock units that were on January 1, 2014, (iv) 62,286 restricted stock units that were granted on December 31, 2013, (v) 109,585 restricted stock units tha granted on March 31, 2015, (vi) 274,498 shares that could be issued if certain performance conditions are achieved related to the Ma 2015 award of performance restricted stock units, (vii) 64,938 restricted stock units that were granted on April 1, 2015, (viii) 108,30 that could be issued if certain performance conditions are achieved related to the April 1, 2015 award of performance restricted stoc (ix) 55,840 restricted stock units that were granted on July 31, 2015, (x) 14,942 shares that could be issued if certain performance co are achieved related to the July 31, 2015 award of performance restricted stock units and, (xi) 400,814 shares in respect of outstandi deferred stock units. Does not include 2,510,809 shares issuable upon the exercise of outstanding options that were assumed in the M with Aviv, with a weighted-average exercise price of $19.38 as of December 31, 2015.

No exercise price is payable with respect to the restricted stock units, performance restricted stock units or deferred stock units.
(3) Reflects shares of common stock remaining available for future awards under our 2013 Stock Incentive Plan.

fourth quarter of 2015, we purchased 18,626 outstanding shares of our common stock from employees to pay the withholding taxes rela
vesting of restrict

Issuer Purchases of Comm

Period	(a) **Total Number of Shares Purchased (1)**	(b) **Average Price Paid per Share**	(c) **Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	(d) **Maximum Number (o Approxima Dollar Valu Shares tha be Purchas Under thes or Progran**
October 1, 2015 to October 31, 2015	-	-	-	-
November 1, 2015 to November 30, 2015	-	-	-	-
December 1, 2015 to December 31, 2015	18,626	$ 34.69	-	-
Total	18,626	$ 34.69	-	-

ts shares purchased from employees to pay the withholding taxes related to the vesting of restricted stock. The shares were not part of a
d repurchase plan or program.

Unregistered Sales of Equity S

may from time to time issues shares of common stock pursuant to redemptions by the limited partners of Omega OP of OP units. Pursu
Agreement, each time OP units are redeemed for shares of Common Stock, the limited partner is deemed to sell to Omega a number of
to the number of shares of Common Stock that were issued in transactions that are not registered under the Securities Act in reliance o
the Securities Act due to the fact that the shares of Common Stock were issued only to the limited partner effecting the redemption and
does not involve a public

Item 6 - Selected Financ

llowing table sets forth our selected financial data and operating data for our Company on a historical basis. The following data should b
ction with our audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Con
f Operations included elsewhere herein. Our historical operating results may not be comparable to our future operating results. The comp
ted financial data is significantly affected by our acquisitions and new investments from 2011 to 2015. See "*Item 7 – Management's Di*
Analysis of Financial Condition and Results of Operations – Portfolio and Other Dev

	Year Ended December 31,				
	2015	2014	2013	2012	2
	(in thousands, except per share amounts)				
Operating Data					
Revenues	$743,617	$504,787	$418,714	$350,460	$
Net income	$233,315	$221,349	$172,521	$120,698	$
Net income available to common stockholders	$224,524	$221,349	$172,521	$120,698	$
Per share amounts:					
Net income available to common stockholders:					
Basic	$1.30	$1.75	$1.47	$1.12	$
Net income :					
Diluted	1.29	1.74	1.46	1.12	
Dividends, Common Stock[1]	$2.18	$2.02	$1.86	$1.69	$
Dividends, Series D Preferred[1]	-	-	-	-	
Weighted-average common shares outstanding, basic	172,242	126,550	117,257	107,591	
Weighted-average common shares outstanding, diluted	180,508	127,294	118,100	108,011	

	As of December 31,				
	2015	2014	2013	2012	201
	(in thousands)				
Balance Sheet Data					
Gross investments	$8,107,352	$4,472,840	$3,924,917	$3,325,533	$2,
Total assets	8,019,009	3,921,645	3,462,216	2,982,005	2,
Revolving line of credit	230,000	85,000	326,000	158,000	2
Term loans	750,000	200,000	200,000	100,000	-
Other long-term borrowings	2,589,086	2,093,503	1,498,418	1,566,932	1,
Total equity	4,100,865	1,401,327	1,300,103	1,011,329	8

(1) Dividends per share are those declared and paid during such period.

Item 7 – Management's Discussion and Analysis of Financial Condition and Results of O

Forward-looking Statements, Reimbursement Issues and Other Factors Affecting Futur

lowing discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this document, ents regarding potential future changes in reimbursement. This document contains forward-looking statements within the meaning of th ecurities laws. These statements relate to our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events, perform assumptions and other statements other than statements of historical facts. In some cases, you can identify forward-looking statements b -looking terminology including, but not limited to, terms such as "may," "will," "anticipates," "expects," "believes," "intends," "sho e thereof. These statements are based on information available on the date of this filing and only speak as to the date hereof and no obli n forward-looking statements should be assumed. Our actual results may differ materially from those reflected in the forward-looking s contained herein as a result of a variety of factors, including, among oth

(i) those items discussed under "Risk Factors" in Part I, Item 1A of this report;

uncertainties relating to the business operations of the operators of our assets, including those relating to reimbursement by third-party regulatory matters and occupancy levels;

y of any operators in bankruptcy to reject unexpired lease obligations, modify the terms of our mortgages and impede our ability to col ent or interest during the process of a bankruptcy proceeding and retain security deposits for the debtors' obligations;

our ability to sell closed or foreclosed assets on a timely basis and on terms that allow us to realize the carrying value of these assets;

(v) our ability to negotiate appropriate modifications to the terms of our credit facilities;

(vi) our ability to manage, re-lease or sell any owned and operated facilities;

(vii) the availability and cost of capital;

(viii) changes in our credit ratings and the ratings of our debt securities;

(ix) competition in the financing of healthcare facilities;

(x) regulatory and other changes in the healthcare sector;

(xi) the effect of economic and market conditions generally and, particularly, in the healthcare industry;

(xii) changes in the financial position of our operators;

(xiii) changes in interest rates;

(xiv) the amount and yield of any additional investments;

(xv) changes in tax laws and regulations affecting real estate investment trusts;

sibility that we will not realize estimated synergies or growth as a result of our merger with Aviv, or that such benefits may take longer pected; and

(xvii) our ability to maintain our status as a real estate investment trust.

C

one reportable segment consisting of investments in healthcare-related real estate properties. Our core business is to provide financing ar ong-term healthcare industry with a particular focus on SNFs located in the United States and the United Kingdom. Our core portfolio c g-term leases and mortgage agreements. All of our leases are "triple-net" leases, which require the tenants to pay all property-related exp

revenue derives from fixed rate mortgage loans, which are secured by first mortgage liens on the underlying real estate and personal pr
the m

lio of investments at December 31, 2015, included 949 healthcare facilities, located in 42 states and the United Kingdom that are opera
perators. Our gross real estate investment in these facilities totaled approximately $8.0 billion at December 31, 2015, with 99% of our r
ents related to long-term healthcare facilities. The portfolio is made up of (i) 782 SNFs, (ii) 85 ALFs, (iii) 16 specialty facilities, (iv) one
ilding, (v) fixed rate mortgages on 56 SNFs and two ALFs and (vi) seven SNFs that are currently closed or held-for-sale. At December
we also held other investments of approximately $89.3 million, consisting primarily of secured loans to third-party operators of our

narket and economic conditions, including deficits at both the federal and state level could result in additional cost-cutting at both the fe
evels resulting in additional reductions to reimbursement rates and levels to our operators under both the Medicare and Medicaid progra
cits could be exacerbated by the potential for increased enrollment in Medicaid due to prolonged high unemployment levels and declinin
incomes, which could cause states to reduce state expenditures under their respective state Medicaid programs by lowering reimbursem

ly believe that our operator coverage ratios are strong and that our operators can absorb moderate reimbursement rate reductions under
dicare and still meet their obligations to us. However, significant limits on the scope of services reimbursed and on reimbursement rates
a material adverse effect on an operator's results of operations and financial condition, which could adversely affect the operator's abil
its obligati

consolidated financial statements include the accounts of (i) Omega, (ii) Omega OP and (iii) all direct and indirect wholly-owned subsi
l inter-company accounts and transactions have been eliminated in consolidation, and our net earnings are reduced by the portion of net
attributable to noncontrolling

2015 and Recent H

Acquisition and Other Inv

In 2015, we completed the following transactions totaling approximately $4.4 billion in new inv

2015, Omega completed the Aviv Merger, which was structured as a stock-for-stock merger. As a result of the Aviv Merger, Omega ac
es, two facilities subject to direct financing leases, one medical office building, two mortgages and other investments. The facilities are
and are operated by 38 third-party operators.

2015, we closed a purchase/leaseback transaction (the "Care Homes Transaction") of approximately $193.8 million for 23 care homes l
Kingdom.

to aforementioned acquisitions, we also completed approximately $228.7 million of acquisitions throughout the Unites States. Specifica
SNFs and 4 ALFs with 1,542 operating beds.

· $101.0 million of investments in our capital expenditure programs.

See "*Portfolio and Other Developments*" below for a description of 2015 acquisitions and other i

Financing

HUD Mortgag

ng 2015, we paid approximately $188.5 million to retire 24 mortgage loans guaranteed by U.S. Department of Housing and Urban Dev
he payoffs resulted in a $4.2 million gain on the extinguishment of the debt due to the write-off of approximately $13.3 million of unam
value adjustments recorded at the time of acquisition offset by prepayment fees of approximately $9.

Sen

5, we redeemed all of our outstanding $575 million 6.75% Senior Notes due 2022 (the “2022 Notes”) and our $200 million 7.5% Senio
a result of the redemptions, we recorded approximately $33.0 million in redemption related costs and write-offs, including $26.9 milli
early redemption or call premiums and $6.1 million in net write-offs associated with unamortized deferred financing costs and original
premiums/d

ember 23, 2015, we sold $600 million aggregate principal amount of our 5.250% Senior Notes due 2026 (the “2026 Notes”). The 2026
n issue price of 99.717% of their face value before the initial purchasers’ discount. Our total net proceeds from the offering, after deduct
discounts and other offering expenses, were approximately $594.4 million. On March 18, 2015, we sold $700 million aggregate princip
f our 4.50% Senior Notes due 2027 (the “2027 Notes”). The 2027 Notes were sold at an issue price of 98.546% of their face value befor
s’ discount. Our total net proceeds from the offering, after deducting initial purchasers’ discounts and other offering expenses, were app
$68

During 2015, we paid approximately $1.2 billion to retire debt assumed in the Avi

$250 Million Term Loan

ember 16, 2015, we entered into a $250 million senior unsecured term loan facility (the "2015 Term Loan Facility"). The 2015 Term Lo
nterest at LIBOR plus an applicable percentage (beginning at 180 basis points, with a range of 140 to 235 basis points) based on our rat
Standard & Poor's, Moody's and/or Fit

Unsecured Credi

e 27, 2014, we entered into a credit agreement (as amended, the "2014 Credit Agreement") providing us with $1.2 billion unsecured cre
ed of a $1 billion senior unsecured revolving credit facility (the "Revolving Credit Facility") and a $200 million senior unsecured term l
Loan Facility" or "Tranche A-1 Term Loan Facility," and, collectively, the "2014 Credit Facilities"). The 2014 Credit Facilities replace
previous $700 million senior unsecured credit facility (the "2012 Credi

l 1, 2015, we entered into a First Amendment to Credit Agreement (the "First Amendment to Omega Credit Agreement") which amend
cilities. Under the First Amendment to Omega Credit Agreement, the Company (i) increased the aggregate revolving commitment amo
he Revolving Credit Facility from $1 billion to $1.25 billion and (ii) obtained a $200 million senior unsecured incremental term loan fa
"Acquisition Term Loan Facility" or "Tranche A-2 Term Lo

Omega OP Term Loan

2015, Omega OP entered into a credit agreement (the "Omega OP Credit Agreement") providing it with a $100 million senior unsecure
he "Omega OP Term Loan Facility"). The Omega OP Term Loan Facility bears interest at LIBOR plus an applicable percentage (begin
basis points, with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fit

Issuance of 10.925 Million Shares of Comm

ry 9, 2015, we completed an underwritten public offering of 10.925 million shares of our common stock at $42.00 per share before und
offering expenses. The Company's total net proceeds from the offering were approximately $440 million, after deducting underwriting

and commissions and other estimated offering c

See "*Financing Activities and Borrowing Arrangements*" below for a description of the 2015 financing activities and borrowing arr

Portfolio and Other Devel

ing tables summarize the significant transactions that occurred from 2013 to 2015. The 2015 table excludes the acquisition of Care Hon United Kingdom and the Aviv Merger in the second quarter of 2015, which are discussed separate

2015 Acquisitions a

	Number of Facilities								
Period	SNF	ALF	State	Number of Operating **Beds**	Total Investment		Land	**Building & Site Improvements** **(in millions)**	Furniture & Fixtures
Q1	1	-	TX	93	$ 6.8		$ 0.1	$ 6.1	$ 0.6
Q3	6	-	NE	530	15.0		1.4	12.1	1.5
Q3	1	2	WA	136	18.0		2.2	14.9	0.9
Q3	-	2	GA	125	10.8		1.2	9.0	0.6
Q3	1	-	VA	300	28.5	**(1)**	1.9	24.2	2.4
Q3	2	-	FL	260	32.0	**(4)**	1.4	29.0	1.6
Q3	-	-	NY	-	111.7	**(2)(3)**	111.7	-	-
Q4	1	-	AZ	6	0.6	**(3)**	0.3	0.3	-
Q4	1	-	TX	92	5.3		1.8	3.0	0.5
Total	13	4		1,542	$ 228.7		$ 122.0	$ 98.6	$ 8.1

(1) In July 2015, we leased the facility to a new operator with an initial lease term of 10 years.

24, 2015, we purchased five buildings located in New York City, New York for approximately $111.7 million. We and our operator plar a 201,000 square-foot assisted living and memory care facility. The properties were added to the operator's existing master lease. The l for a 5% annual cash yield on the land during the construction phase. Upon issuance of a certification of occupancy, the annual cash yie o 7% in year one and 8% in year two with annual 2.5% annual escalators thereafter.

(3) Accounted for as an asset acquisition.

pany estimated the fair values of the assets acquired on the acquisition date based on certain valuation analyses that have yet to be final gly, the assets acquired, as detailed, are subject to adjustment one the analyses are completed.

ended December 31, 2015, we recognized revenue attributable to the aforementioned acquisitions of approximately $4.9 million and ne utable to the acquisitions of approximately $2.3 million. Acquisition costs related to the above were expensed as period costs. For the ye December 31, 2015, we expensed $2.2 million of acquisition related costs. No goodwill was recorded in connection with these acq

Acquisition of Care Homes in the United

2015, we closed on a purchase/leaseback Care Homes Transaction for 23 care homes located in the United Kingdom and operated by H
. As part of the transaction, we acquired title to the 23 care homes with 1,018 registered beds and leased them to Healthcare Homes purs
naster lease agreement with an initial annual cash yield of 7%, and annual escalators of 2.5%. The care homes, comparable to ALFs in th
re located throughout the East Anglia region (north of London) of the United Kingdom. Healthcare Homes is headquartered in Colchest
ngland. We recorded approximately $193.8 million of assets consisting of land ($20.7 million), building and site improvements ($152.1
furniture and fixtures ($5.3 million) and goodwill ($15.7

e incurred approximately $3.2 million in acquisition related costs associated with the Care Homes Transaction. For the year ended Dece
2015, we recognized approximately $9.5 million of rental revenue in connection with the Care Homes Tra

Avi

1, 2015, Omega completed the Aviv Merger, which was structured as a stock-for-stock merger. Under the terms of the Merger Agreem
ng share of Aviv common stock was converted into 0.90 of a share of Omega common stock. In connection with the Aviv Merger, Ome
oximately 43.7 million shares of common stock to former Aviv stockholders. As a result of the Aviv Merger, Omega acquired 342 facil
ubject to direct financing leases, one medical office building, two mortgages and other investments. The facilities are located in 31 state
d by 38 third-party operators. Omega also assumed certain outstanding equity awards and other debt and liabilities. Based on the closing
common stock on April, 1, 2015, we estimate the fair value of the consideration exchanged or assumed to be approximately $3.9 billion
fair values of Aviv's assets acquired and liabilities assumed on the Aviv Merger date are determined based on certain valuations and ana
to be finalized including the values of in place lease assets and liabilities, and accordingly, the assets acquired and liabilities assumed, a
below, are subject to adjustment once the analyses are co

The following table highlights the preliminary fair value of the assets acquired and liabilities assumed on Apri

	(in thousands)
Estimated fair value of assets acquired:	
Land and buildings	$ 3,108,078
Investment in direct financing leases	26,823
Mortgages notes receivable	19,246
Other investments	23,619
Total investments	3,177,766
Goodwill	630,404
Accounts receivables and other assets	15,500
Cash acquired	84,858
Fair value of total assets acquired	$ 3,908,528
Estimated fair value of liabilities assumed:	
Accrued expenses and other liabilities	$ 221,631
Debt	1,410,637
Fair value of total liabilities assumed	1,632,268
Value of shares and OP units exchanged[(a)]	2,276,260
Fair value of consideration	$ 3,908,528

(a) Includes the fair value of stock compensation plans

ve incurred approximately $52.1 million in acquisition related costs associated with the Aviv Merger. For the year ended December 31, recognized approximately $188.4 million of total revenue in connection with the Avi

within accrued expenses and other liabilities is a $67.3 million contingent liability related to a leasing arrangement with an operator assu result of the Avi

e fourth quarter of 2015, we adjusted the fair value of the in place lease assets and liabilities that we provisionally recognized on April 1 ion with the Aviv Merger. We increased the fair value of the in place lease assets and in place lease liabilities to $8.2 million and $105.5 ly which resulted in a $79.0 million net increase in goodwill. The change to the provisional amounts resulted in an $8.2 million increase income, of which $2.7 million relates to the second and third quarters of 2015, resp

2014 Acquisitions a

	Number of Facilities			Number of Operating	Total	Land	Building & Site Improvements	Furniture & Fixtures
Period	SNF	ALF	State	Beds	Investment	(in millions)		
Q1	-	1	AZ	90	$ 4.7	$0.4	$ 3.9	$ 0.4
Q2/Q3	3	-	GA, SC	345	34.6	0.9	32.1	1.6
Q3	1	-	TX	125	8.2	0.4	7.4	0.4
Q4	-	4	PA,OR,AR	371	84.2	5.1	76.7	2.4
	4	5		931	$ 131.7	$6.8	$ 120.1	$ 4.8

ar ended December 31, 2014, we recognized revenue attributable to the acquisitions of approximately $3.2 million and net income attrib
the acquisitions of approximately $1.2 million. For the year ended December 31, 2014, we expensed $3.9 million of acquisition rela

Transition of Two West Virginia Facilities to a New

2014, we transitioned two West Virginia SNFs that we previously leased to Diversicare Healthcare Services ("Diversicare" and formerl
) to a new unrelated third party operator. The two facilities represent 150 operating beds. We amended our Diversicare master lease to r
f the two facilities to the new operator and for the year ended December 31, 2014 recorded a $0.8 million provision for uncollectible stra
s receivable. Simultaneous with the Diversicare master lease amendment, we entered into a 12-year master lease with a new third party

$415 Million of Refinancing/Consolidating Mortga

n June 30, 2014, we entered into an agreement to refinance/consolidate $117 million in existing mortgages on 17 facilities into one mort
usly provide mortgage financing for an additional 14 facilities. The new $415 million mortgage is secured by 31 facilities totaling 3,430
ated in the state of Michigan. The new loan bears an initial annual cash interest rate of 9.0% and increases by 0.225% per year (e.g., beg
year 2 the interest rate will be 9.225%, in year 3 the rate will be 9.4

existing mortgages that was refinanced/consolidated into the new $415 million mortgage included annual interest rate escalators and req
agee to pay a prepayment penalty in the event the mortgage was retired early which required us to record an effective yield interest rece
with the refinancing/consolidating transaction which was entered into at market terms, the old mortgage was considered to be retired ea
fications made to the terms of the mortgage were more than minor. As of the date of the refinancing/consolidation transaction, the effec
receivable was approximately $2.0 million. We forgave the prepayment penalty associated with the retired mortgage and recorded a $2.
provision to write-off the effective yield interest receivable related to the retired r

$112.5 Million of New Mortg

r 17, 2014, we entered into a $112.5 million first mortgage loan with an existing operator. The loan is secured by 7 SNFs and 2 ALFs w
erating beds located in Pennsylvania (7) and Ohio (2). The loan is cross-defaulted and cross-collateralized with our existing master lease
operator. The loan bears an initial annual cash interest rate of 9.5% and matures in Janu

2013 Acquisitions a

Period	Number of Facilities SNF	ALF	State	Number of Operating Beds	Total Investment		Land (in millions)	Building & Site Improvements	Furniture & Fixtures
Q4	-	1	FL	97	$ 10.3		$0.6	$ 9.0	$ 0.7
Q4	4	-	IN	384	25.2	**(1)**	0.7	21.8	2.7
Total	4	1		481	$ 35.5		$1.3	$ 30.8	$ 3.4

ber 31, 2013, we recorded approximately $3.0 million to below market leases as a result of the transaction for a total investment of $25.2

sition costs related to the above transactions were expensed as a period cost. For the year ended December 31, 2013, we expensed $0.2 m
acquisition related c

Transition of 11 Arkansas Facilities to a New

August 30, 2013, we transitioned 11 SNFs located in Arkansas that we previously leased to Diversicare Healthcare Services to a new th
The 11 facilities represent 1,084 operating beds. We amended our Diversicare master lease to provide for reduced rent to reflect the tra
the 11 facilities to the new operator, and recorded a $2.3 million provision for uncollectible straight-line rent receivable. Simultaneously
nt to the Diversicare master lease, we entered into a new master lease with the new third party operator of the 11 facilities. The new ma
expires on August 31, 2023 and includes fixed annual rent e

$529 Million Purchase/Leaseback Tra

n November 27, 2013, we closed on an aggregate $529 million purchase/leaseback transaction in connection with the acquisition of Ark
Inc. (“Ark Holding”) by 4 West Holdings Inc. At closing, we acquired 55 SNFs and 1 ALF operated by Ark Holding and leased the fac
k Holding, now known as New Ark Investment Inc. (“New Ark”), pursuant to four 50-year master leases, with rental payments yielding
ver the term of the leases. The purchase/leaseback transaction is being accounted for as a direct financing lease. The 56 facilities repres
nsed beds located in 12 states, predominantly in the southeastern United States. The 56 facilities are separated by region and divided an
ss-defaulted Master Leases. The four regions include the Southeast (39 facilities), the Northwest (7 facilities), Texas (9 facilities) and I
facility). The initial year one contractual rent is $47 million with 2.5% escalators beginning in

ease agreements allow the tenant the right to purchase the facilities for a bargain purchase price plus closing costs at the end of the leas
ommencing in the 41st year of each lease, the tenant will have the right to prepay the remainder of its obligations thereunder for an amo
f the unamortized portion of the original aggregate $529 million investment plus the net present value of the remaining payments under
and closing costs. In the event the tenant exercises either of these options, we have the right to purchase the properties for fair value at

y, in June and July of 2014, we purchased three facilities and subsequently leased them to New Ark under a twelve-year master lease ex
2026. The 2014 three facility lease is being accounted for as an operat

Asset Sales, Impairments a

sold seven SNFs (four previously held-for-sale) for total cash proceeds of approximately $41.5 million, generating a gain of approxima
We also recorded a total of $17.7 million provision for impairment related to six SNFs to reduce their net book value to their estimated
sell. To estimate the fair value of these facilities we utilized a market approach and Level 3 inputs. Two of the facilities are reclassified
held

e sold four SNFs (three previously held-for-sale) and a parcel of land for total cash proceeds of $4.1 million, resulting in a $2.9 million
two SNFs and recorded a $3.7 million provision for impairment related to these facilities. To estimate the fair value of these facilities w
a market approach and Level

In 2013, we sold one SNF and a parcel of land for total cash proceeds of $2.3 million resulting in a $1.2 mil

See “*Note 7 – Assets Held For Sale*” for

As of December 31, 2015, 2014 and 2013, we do not have any material properties or operators with facilities that are not materially c

Results of Op

ollowing is our discussion of the consolidated results of operations, financial position and liquidity and capital resources, which should b
conjunction with our audited consolidated financial statements and accompanyi

Year Ended December 31, 2015 compared to Year Ended December

Operating

ing revenues for the year ended December 31, 2015, were $743.6 million, an increase of $238.8 million over the same period in 2014. F
is a description of certain of the changes in operating revenues for the year ended December 31, 2015 compared

me was $606.0 million, an increase of $217.5 million over the same period in 2014. The increase was the result of the Aviv Merger and
nsaction and other acquisitions and lease amendments made throughout 2014 and 2015.

ncing lease income was $59.9 million, an increase of $3.2 million over the same period in 2014. The increase was primarily related to tw
eases assumed in the Aviv Merger and incremental revenue associated with the New Ark direct financing lease.

nterest income totaled $68.9 million, an increase of $15.9 million over the same period in 2014. The increase was primarily due to timin
nvestments. During the second quarter of 2014, we entered into a $415 million mortgage with an existing operator. See "*Portfolio and C*
nts" above for additional information.

tment income totaled $8.8 million, an increase of $2.2 million over the same period in 2014. The increase was primarily related to inter
om loans related to the Aviv Merger in April 2015.

Operating

expenses for the year ended December 31, 2015, were $332.3 million, an increase of approximately $172.9 million over the same period
Following is a description of certain of the changes in our operating expenses for the year ended December 31, 2015 compared

ation and amortization expense was $210.7 million for the year ended December 31, 2015, compared to $123.3 million for the same pe
ncrease of $87.4 million was primarily due to the Aviv Merger and Care Homes Transaction.

and administrative expense, excluding stock-based compensation expense, was $27.4 million, compared to $17.3 million for the same
ncrease is primarily related to the Aviv Merger.

based compensation expense was $11.1 million, an increase of $2.5 million over the same period in 2014. The increase was primarily du
er.

quisition and merger related costs were $57.5 million, compared to $3.9 million for the same period in 2014. The $53.6 million increase
e result of the Aviv Merger in April 2015 and Care Homes Transaction in May 2015.

recorded $17.7 million of provision for impairment, compared to $3.7 million for the same period in 2014. The 2015 impairment relate
luce their net book values to their estimated fair values less costs to sell. In 2014, we closed two SNFs and recorded a $3.7 million provi
related to these facilities.

on for uncollectible mortgages, notes and accounts receivable was $7.9 million, compared to $2.7 million for the same period in 2014. I
ff $4.7 million of straight line receivable and effective interest balances associated with four leases and three mortgages with an existing
e transitioned the facilities to a new operator in January 2016. We also recorded a $3.0 million provision for a note that we impaired in
corded $2.7 million provision for uncollectible receivables related to (i) a write-off of an effective yield interest receivable related to the
(termination) of a mortgage receivable (see $415 Million of Refinancing/Consolidating Mortgage Loan above) and (ii) a straight-line re
he transition of two facilities from an existing operator to a new operator.

Other Income (

ar ended December 31, 2015, total other expenses were $183.1 million, an increase of approximately $56.3 million over the same perioc
million increase was primarily the result of: (i) a $28.0 million increase in interest expense due to an increase in borrowings outstandin
ments since January 2014 including the April 1, 2015 Aviv Merger and May 1, 2015 Care Homes Transaction and (ii) a $25.8 million in
interest refinancing

20

qualify as a REIT, we generally are not subject to federal income taxes on the REIT taxable income that we distribute to stockholders, s
ceptions. For tax year 2015, we made common dividend payments of $358.2 million to satisfy REIT requirements relating to qualifying
the limitation under the REIT asset test rules, we are permitted to own up to 100% of the stock of one or more taxable REIT subsidiarie
ave elected for two of our subsidiaries to be treated as TRSs. One of our TRSs is subject to federal, state and local income taxes at the a
porate rates and the other is subject to foreign income taxes. As of December 31, 2015, one of our TRSs had a net operating loss carry-fo
imately $0.9 million. The loss carry-forward is fully reserved as of December 31, 2015 with a valuation allowance due to uncertainties r
re

ection with the Care Homes Transaction in May 2015, we acquired 10 legal entities consisting of 23 facilities. The tax basis in these lega
ed for United Kingdom taxes was approximately $82 million less than the purchase price. We recorded a preliminary initial deferred ta
associated with the temporary tax basis difference of approximately $1

year ended December 31, 2015, we recorded approximately $1.0 million of state and local income tax provision and approximately $0.
of provision for foreign inco

Ne

Net income for the year ended December 31, 2015 was $233.3 million compared to $221.3 million for the same perioc

National Association of Real Estate Investment Trusts Funds From Op

nds from operations available to common stockholders (“NAREIT FFO”), for the year ended December 31, 2015, was $455.3 million, c
$345.4 million for the same perioc

calculate and report NAREIT FFO in accordance with the definition of Funds from Operations and interpretive guidelines issued by the
ation of Real Estate Investment Trusts (“NAREIT”), and, consequently, NAREIT FFO is defined as net income available to common st
for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization and impairment on real estate a
at NAREIT FFO is an important supplemental measure of our operating performance. Because the historical cost accounting conventior
assets requires depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predict
while real estate values instead have historically risen or fallen with market conditions. NAREIT FFO was designed by the real estate ir
address this issue. NAREIT FFO herein is not necessarily comparable to NAREIT FFO of other REITs that do not use the same def
implementation guidelines or interpret the standards differently

FO is a non-GAAP financial measure. We use NAREIT FFO as one of several criteria to measure the operating performance of our busi
eve that by excluding the effect of depreciation, amortization, impairment on real estate assets and gains or losses from sales of real est
e based on historical costs and which may be of limited relevance in evaluating current performance, NAREIT FFO can facilitate compa
ng performance between periods and between other REITs. We offer this measure to assist the users of our financial statements in evalu
performance under GAAP, and NAREIT FFO should not be considered a measure of liquidity, an alternative to net income or an indicat
rformance measure determined in accordance with GAAP. Investors and potential investors in our securities should not rely on this mea
substitute for any GAAP measure, including ne

The following table presents our NAREIT FFO results for the years ended December 31, 2015 a

	Year Ended	
	December 31	
	2015	20
	(in thousands	
Net income	$233,315	$
Deduct gain from real estate dispositions	(6,353)	
	226,962	
Elimination of non-cash items included in net income:		
Depreciation and amortization	210,703	
Add back impairments on real estate properties	17,681	
NAREIT FFO [(a)]	$455,346	$

(a) Includes amounts allocated to Omega stockholders and Omega OP Unit holders.

Year Ended December 31, 2014 compared to Year Ended December

Operating

ng revenues for the year ended December 31, 2014, were $504.8 million, an increase of $86.1 million over the same period in 2013. Fol a description of certain of the changes in operating revenues for the year ended December 31, 2014 compared

me was $388.4 million, an increase of $13.3 million over the same period in 2013. The increase was the result of new investments mad nd lease amendments made since January 1, 2013.

ncing lease income was $56.7 million, an increase of $51.5 million over the same period in 2013. The increase was primarily related to t e New Ark transaction. The direct financing lease was entered into in November 2013.

nterest income totaled $53.0 million, an increase of $23.7 million over the same period in 2013. The increase was primarily due to: (a) a $298 million in a new mortgage loan (See $415 Million of Refinancing/Consolidating Mortgage Loans above) we entered into with an the second quarter of 2014 and (b) a $112.5 million mortgage we entered into with an existing operator in the first quarter of 2014.

tment income totaled $6.6 million, a decrease of $2.4 million over the same period in 2013. The decrease was primarily related to inter a mezzanine loan that was paid off in December 2013.

Operating

g expenses for the year ended December 31, 2014, were $159.5 million, an increase of approximately $6.4 million over the same perioc
Following is a description of certain of the changes in our operating expenses for the year ended December 31, 2014 comparec

ation and amortization expense was $123.3 million for the year ended December 31, 2014, compared to $128.6 million for the same pe
lecrease of $5.4 million was primarily due to the acquisition of furniture and fixtures that we acquired several years ago as part of the
rce transaction that are now fully depreciated partially offset by the deprecation on fourth quarter of 2013 and 2014 acquisitions and cap
and improvement program.

and administrative expense, excluding stock-based compensation expense, was $17.3 million, compared to $15.6 million for the same
ncrease is primarily related to development costs related to securing additional beds license for future development.

based compensation expense was $8.6 million, an increase of $2.7 million over the same period in 2013. The increase was primarily due
ocks granted to employees in December 2013 and January 2014.

quisition costs were $3.9 million, compared to $0.2 million for the same period in 2013. The $3.7 million increase was primarily the res
n of acquisition related costs attributed to the Aviv Merger.

recorded $3.7 million of provision for impairment, compared to $0.4 million for the same period in 2013. The $3.2 million increase in
f impairment was primarily the result of two facilities that were closed in 2014.

on for uncollectible mortgages, notes and accounts receivable was $2.7 million, compared to $2.1 million for the same period in 2013.
d $2.7 million provision for uncollectible receivables related to (i) a write-off of an effective yield interest receivable related to the refin
n) of a mortgage receivable (see $415 Million of Refinancing/Consolidating Mortgage Loan above) and (ii) a straight-line receivable rel
on of two facilities from an existing operator to a new operator.

Other Income (

ar ended December 31, 2014, total other expenses were $126.8 million, an increase of approximately $34.8 million over the same period
million increase was primarily the result of: (i) a $19.0 million increase in interest expense due to (a) an increase in borrowings outstan
crease in the average rate of the borrowings due to the repayment of lower cost credit facility debt with higher cost long term bond debt
2 million increase in interest refinancing charge. In 2014, we recorded approximately $3.0 million in refinancing related costs including
e-off of deferred financing costs associated with the termination of our previous $700 million 2012 Credit Facilities, (b) $2.0 million wr
d financing costs associated with the termination of our $200 million unsecured term loan facility and (c) $1.7 million prepayment pena
f HUD debt in June 2014, partially offset by $3.3 million gain related the write-off of premium on the HUD debt paid off in September
2013, we recorded an $11.1 million gain primarily related to write-off of premium associated with HUD debt that was retired in M

20

qualify as a REIT, we generally are not subject to federal income taxes on the REIT taxable income that we distribute to stockholders,
ceptions. For tax year 2014, we made common dividend payments of $258.5 million to satisfy REIT requirements relating to qualifying
y, we have one TRS that is taxable as a corporation and that pays federal, state and local income tax on its net income at the applicable
TRS had a net operating loss carry-forward as of December 31, 2014 of $1.0 million. The loss carry-forward was fully reserved with a
allowance due to uncertainties regarding re

Ne

Net income for the year ended December 31, 2014 was $221.3 million compared to $172.5 million for the same perioc

National Association of Real Estate Investment Trusts Funds From Op

IT FFO, for the year ended December 31, 2014, was $345.4 million, compared to $302.7 million for the same period in 2013. NAREIT
non-GAAP financial measure. See "*National Association of Real Estate Investment Trusts Funds From Operati*

The following table presents our NAREIT FFO results for the years ended December 31, 2014 a

	Year Ended December 31	
	2014	2
	(in thousands	
Net income available to common	$221,349	$
(Deduct gain)/add back loss from real estate dispositions	(2,863)	
	218,486	
Elimination of non-cash items included in net income:		
Depreciation and amortization	123,257	
Add back impairments on real estate properties	3,660	
NAREIT FFO	$345,403	$

Liquidity and Capital R

mber 31, 2015, we had total assets of $8.0 billion, total equity of $4.1 billion and debt of $3.6 billion, with such debt representing appro
46.5% of total capit

The following table shows the amounts due in connection with the contractual obligations described below as of December

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	Mo 5 y
	(in thousands)				
Debt[(1)]	$3,586,204	$1,249	$532,616	$382,782	$2,
Interest payments on long-term debt	1,298,015	140,760	283,360	261,345	6
Operating lease and other obligations	19,183	2,955	5,957	5,366	4,
Total	$4,903,402	$144,964	$821,933	$649,493	$3,

billion of debt outstanding includes: (i) $230.0 million in borrowings under the Revolving Credit Facility due in June 2018; (ii) $200 m
Term Loan Facility due on June 2019, (iii) $200 million under the Acquisition Term Loan Facility due June 2017, (iv) $100 million un
P Term Loan Facility due June 2017, (v) $180 million GE Term Loan due 2019 at 4%; (vi) $250 million under the 2015 Term Loan Fa
mber 2022, (vii) $400 million of 5.875% Senior Notes due 2024; (viii) $400 million of 4.95% Senior Notes due April 2024; (ix) $250 n
enior Notes due January 2025; (x) $600 million of 5.25% Senior Notes due 2026; (xi) $700 million of 4.5% Senior Notes due 2027; (xii
f 9.0% subordinated debt maturing in December 2021 and (xiii) $56 million of HUD debt at 3.06% maturing in July 2044.

Financing Activities and Borrowing Arrar

HUD Loar

ecember 31, 2015, we paid approximately $25.1 million to retire two mortgage loans guaranteed by HUD. The loans were assumed as p
on in a prior year, and had a blended interest rate of 5.5% per annum with maturities on March 1 and April 1, 2036. The payoff resulted
n on the extinguishment of the debt due to the write-off of the $2.1 million unamortized fair value adjustment recorded at the time of ac
offset by a prepayment fee of approximately $1.2

, 2015, we paid approximately $9.1 million to retire one mortgage loan guaranteed by HUD. The loan was assumed as part of an acquis
and had an interest rate of 4.35% per annum with maturity on March 1, 2041. The payoff resulted in a $1.0 million gain on the extinguis
e debt due to the write-off of the $1.5 million unamortized fair value adjustment recorded at the time of acquisition offset by a prepaym
approximately $0.5

31, 2015, we paid approximately $154.3 million to retire 21 mortgage loans guaranteed by HUD, totaling approximately $146.9 million.
n blended interest rate of 5.35% per annum with maturities between January 2040 and January 2045 and three loans had an all-in blende
% per annum with maturities between February 2040 and February 2045. The payoff resulted in a $2.3 million gain on the extinguishm
the write-off of the $9.7 million unamortized debt premium recorded at the time of acquisition offset by a prepayment fee of approxima

$250 Million Term Loan

ember 16, 2015, we entered into a $250 million senior unsecured term loan facility (the "2015 Term Loan Facility"). The 2015 Term Lo
nterest at LIBOR plus an applicable percentage (beginning at 180 basis points, with a range of 140 to 235 basis points) based on our rati
ard & Poor's, Moody's and/or Fitch Ratings. The 2015 Term Loan Facility may be increased to an aggregate amount of $400 million. W
s from this loan to repay existing indebtedness and for general corporate purposes. The 2015 Term Loan Facility matures on December
with interest payments due monthly. We had a total of $250 million outstanding under the 2015 Term Loan Facility as of December

As a result of exposure to interest rate movements associated with the 2015 Term Loan Facility, on December 16, 2015, we entered int
rd-starting interest rate swap arrangements, which effectively converted $250 million of our variable-rate debt based on one-month LIB
fixed rate of approximately 3.8005% effective December 30, 2016. The effective fixed rate achieved by the combination of the 2015 Te
nd the interest rate swaps could vary up by 55 basis points or down by 40 basis points based on future changes to our credit ratings. Each
s on December 30, 2016 and matures on December 15, 2022. On the date of inception, we designated the interest rate swaps as cash flo
ance with accounting guidance for derivatives and hedges and linked the interest rate swaps to the 2015 Term Loan Facility. Because th
f the interest rate swaps and the 2015 Term Loan Facility coincide, the hedges are expected to exactly offset changes in expected cash f
ctuations in 1-month LIBOR over the term of the hedges. The purpose of entering into the swaps was to reduce our exposure to future ch
erest rates. The interest rate swaps settle on a monthly basis when interest payments are made. These settlements will occur through the
2015 Term Loan Facility. The interest rate for the 2015 Term Loan Facility is not hedged for the portion of the term prior to December

$575 Million 6.75% Senior Notes due 2022 Re

er 26, 2015, we redeemed all of our outstanding 6.75% Senior Notes due 2022 (the "2022 Notes"). As a result of the redemption, durin
015, we recorded approximately $21.3 million in redemption related costs and write-offs, including $19.4 million for the early redempti
premiums and $1.9 million in net write-offs associated with unamortized deferred financing costs and original issuance premiums/d

$600 Million 5.25% Senior Notes

ember 23, 2015, we sold $600 million aggregate principal amount of our 5.250% Senior Notes due 2026 (the "2026 Notes"). The 2026
n issue price of 99.717% of their face value before the initial purchasers' discount. Our total net proceeds from the offering, after deduct
s' discounts and other offering expenses, were approximately $594.4 million. The net proceeds of the offering were used to repay our ou
n aggregate principal amount 6.75% Senior Notes due 2022 and for general corporate purposes. The 2026 Notes mature on January 15,
pay interest semi-annually on January 15th and

$500 Million Equity Shelf

mber 3, 2015, we entered into separate Equity Distribution Agreements (collectively, the "Equity Shelf Agreements") to sell shares of o
ing an aggregate gross sales price of up to $500 million (the "2015 Equity Shelf Program") with several financial institutions, each as a
cipal (collectively, the "Managers"). Under the terms of the Equity Shelf Agreements, we may sell shares of our common stock, from ti
gh or to the Managers having an aggregate gross sales price of up to $500 million. Sales of the shares, if any, will be made by means of
' transactions on the New York Stock Exchange at market prices, or as otherwise agreed with the applicable Manager. We will pay each
ation for sales of the shares equal to 2% of the gross sales price per share of shares sold through such Manager under the applicable Equ
Agreement. As of December 31, 2015, we did not issue any shares under the 2015 Equity Shelf

$250 Million Equity Shelf Program Ter

on September 3, 2015, we terminated our $250 million Equity Shelf Program (the "2013 Equity Shelf Program") that we entered into w
financial institutions on March 18, 2013. In 2015, we did not issue any shares under the 2013 Equity Shelf

r ended December 31, 2014, we issued approximately 1.8 million shares under the 2013 Equity Shelf Program, at an average price of $
share, generating gross proceeds of approximately $63.5 million, before $1.5 million of commissions and c

eption of the 2013 Equity Shelf Program, we sold a total of 7.4 million shares of common stock generating total gross proceeds of $233.
program, before $4.7 million of commissions. As a result of the termination of the 2013 Equity Shelf Program, no additional shares we
under the 2013 Equity Shelf

Credit A

e 27, 2014, we entered into a credit agreement (as amended, the "2014 Credit Agreement") providing us with $1.2 billion unsecured cre
ed of a $1 billion senior unsecured revolving credit facility (the "Revolving Credit Facility") and a $200 million senior unsecured term l
(the "Term Loan Facility" or "Tranche A-1 Term Loan Facility," and, collectively, the "2014 Cr

l 1, 2015, we entered into a First Amendment to Credit Agreement (the "First Amendment to Omega Credit Agreement") which amend
cilities. Under the First Amendment to Omega Credit Agreement, the Company (i) increased the aggregate revolving commitment amo
he Revolving Credit Facility from $1 billion to $1.25 billion and (ii) obtained a $200 million senior unsecured incremental term loan fac
"Acquisition Term Loan Facility" or "Tranche A-2 Term Lo

s under the Revolving Credit Facility bear interest at LIBOR plus an applicable percentage (beginning at 130 basis points, with a range o
points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings, plus a facility fee based on the same ratings (initial
with a range of 12.5 to 30 basis points). The Revolving Credit Facility is used for acquisitions and general corporate purposes. At Dece
d a total of $230.0 million borrowings outstanding under the Revolving Credit Facility. The Revolving Credit Facility matures on June
subject to a one-time option by us to extend such maturity date by

he A-1 Term Loan Facility bears interest at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to
ased on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. At December 31, 2015, we had a total of $200.0 million in b
outstanding under the Tranche A-1 Term Loan Facility. The Tranche A-1 Term Loan Facility matures on June

he A-2 Term Loan Facility bears interest at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to
ased on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. At December 31, 2015, we had a total of $200.0 million in b
under the Tranche A-2 Term Loan Facility. The Tranche A-2 Term Loan Facility matures on June 27, 2017, subject to Omega's option
maturity date of the Tranche A-2 Term Loan Facility twice, the first extension until June 27, 2018 and the second extension until June

uary 29, 2016, Omega entered into a Third Amendment to Credit Agreement (the "Third Amendment to Omega Credit Agreement"), wh
ded the First Amendment to Omega Credit Agreement to provide, among other things, for a $350 million senior unsecured incremental t
(the "Tranche A-3 Term Loan Facility," and together with the Tranche A-1 Term Loan Facility and the Tranche A-2 Term Loan Facilit
oan Facilities"), which was borrowed in full at closing. The Tranche A-3 Term Loan Facility matures on January 29, 2021. The proceeds
g were used to pay down the Revolving Credit Facility and for general corporate purposes. The Tranche A-3 Term Loan Facility bears i
us an applicable percentage (beginning at 150 basis points, with a range of 100 to 195 basis points) based on our ratings from Standard
d/or Fitch Ratings. The Third Amendment to Omega Credit Agreement also permits Omega, subject to compliance with customary con
the Revolving Credit Facility or to add one or more tranches of incremental term loans, or both, by an aggregate principal amount not e
$250

Omega OP Term Loan

2015, Omega OP entered into a credit agreement (the "Omega OP Credit Agreement") providing it with a $100 million senior unsecure
he "Omega OP Term Loan Facility"). The Omega OP Term Loan Facility bears interest at LIBOR plus an applicable percentage (begin
, with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The Omega OP
matures on June 27, 2017, subject to Omega OP's option to extend such maturity date twice, the first extension until June 27, 2018 and t
n until June 27, 2019. At December 31, 2015, we had a total of $100.0 million borrowings outstanding under the Omega OP Term Loan

General Electric Te

2015, as a result of the Aviv Merger, we assumed a $180 million secured term loan with General Electric Capital Corporation ("GE").
real estate assets having a net carrying value of $295.5 million at December 31, 2015. On each payment date, we pay interest only (in ar
ding principal balance until February 1, 2017 when principal and interest will be paid in arrears based on a thirty year amortization sche
ate is based on LIBOR, with a floor of 50 basis points, plus a margin of 350 basis points. The interest rate at December 31, 2015 was 4.0
term expires in December 2019 with the full balance of the loan due at

Other Aviv Debt Rep

connection with the Aviv Merger on April 1, 2015, we assumed notes payable with a face amount of $650 million and a revolving cred
an outstanding balance of $525 million. We repaid this debt assumed from Aviv on April 1, 2015. Due to the contractual requirements
nents; we paid approximately $705.6 million to retire the $650 million notes assumed. The amount repaid in connection with the revolvi
facility was $52

Increase of Authorized Omega Comm

ch 27, 2015, we amended our charter to increase the number of authorized shares of Omega capital stock from 220 million to 370 millio
number of authorized shares of Omega common stock from 200 million to 35

$700 Million 4.5% Senior Notes

8, 2015, we sold $700 million aggregate principal amount of our 4.5% Senior Notes due 2027 (the "2027 Notes"). The 2027 Notes wer
e of 98.546% of their face value before the initial purchasers' discount. Our total net proceeds from the offering, after deducting initial p
counts and other offering expenses, were approximately $683 million. The net proceeds of the offering were used for general corporate
luding the repayment of Aviv indebtedness on April 1, 2015 in connection with the Aviv Merger, and repayment of future maturities on
outstanding debt. The 2027 Notes mature on April 1, 2027 and pay interest semi-annually on April 1st and Oc

$200 Million 7.5% Senior Notes due 2020 Re

On March 13, 2015, Omega redeemed all of its outstanding $200 million 7.5% Senior Notes due 2020 (the "2020 Notes") at a redempt
ely $208.7 million, consisting of 103.750% of the principal amount, plus accrued and unpaid interest on such notes to, but not including
of re

ion with the redemption, we recorded approximately $11.7 million redemption related costs and write-offs, including $7.5 million in pr
for early redemption and $4.2 million of write-offs associated with unamortized deferred financing costs and discount. The consideratio
redemption of the 2020 Notes was funded from the net proceeds of the 10.925 million share common stock

Issuance of 10.925 Million Shares of Comm

ry 9, 2015, we completed an underwritten public offering of 10.925 million shares of our common stock at $42.00 per share before und
offering expenses. The Company's total net proceeds from the offering were approximately $440 million, after deducting underwriting
and commissions and other estimated offering

D

to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at leas
m of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain), and (ii)
ne (after tax), if any, from foreclosure property, minus (B) the sum of certain items of non-cash income. In addition, if we dispose of an
t during a recognition period, we will be required to distribute at least 90% of the built-in gain (after tax), if any, recognized on the dispo
Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely fi
r such year and paid on or before the first regular dividend payment after such declaration. In addition, such distributions are required to
th no preference to any share of stock as compared with other shares of the same class, and with no preference to one class of stock as c
er class except to the extent that such class is entitled to such a preference. To the extent that we do not distribute all of our net capital g
te at least 90%, but less than 100% of our "REIT taxable income" as adjusted, we will be subject to tax thereon at regular ordinary and
corporate

In 2015, we paid dividends of $358.2 million to our common stoc

Common D

y 14, 2016, the Board of Directors declared a common stock dividend of $0.57 per share, increasing the quarterly common dividend by
share over the prior quarter, which was paid February 16, 2016 to common stockholders of record on February

r 14, 2015, the Board of Directors declared a common stock dividend of $0.56 per share, increasing the quarterly common dividend by
share over the previous quarter. The common dividends were paid November 16, 2015 to common stockholders of record on November

2015, the Board of Directors declared a common stock dividend of $0.55 per share, increasing the quarterly common dividend rate by
share over the prior quarter, which was paid on August 17, 2015 to common stockholders of record on July

il 15, 2015, the Board of Directors declared a prorated dividend of $0.18 per share of Omega's common stock in view of the recently cl
The per share dividend amount payable by Omega represents dividends for April 2015, at a quarterly dividend rate of $0.54 per share of
ncreasing the quarterly common dividend rate by $0.01 per share over the prior quarter. The $0.18 dividend was paid in cash on May 15
stockholders of record as of the close of business on April

n 5, 2015, the Board of Directors declared a prorated dividend of $0.36 per share of Omega's common stock in view of the pending acq
ant to the Aviv Merger. The per share dividend amount represented dividends for February and March 2015, at a quarterly dividend rate
common stock, increasing the quarterly common dividend rate by $0.01 per share over the prior quarter. The dividend was paid in cash
7, 2015 to stockholders of record as of the close of business on March

14, 2015, the Board of Directors declared a common stock dividend of $0.53 per share, increasing the quarterly common dividend rate
per share over the prior quarter, which was paid February 16, 2015 to common stockholders of record on February

e our liquidity and various sources of available capital, including cash from operations, our existing availability under our 2014 Credit I
d and expected proceeds from mortgage payoffs are more than adequate to finance operations, meet recurring debt service requirements
future investments through the next twelve

arly review our liquidity needs, the adequacy of cash flow from operations, and other expected liquidity sources to meet these needs. W
our principal short-term liquidity needs are

- normal recurring e
- debt service pa
- capital improvement p
- common stock divide
- growth through acquisitions of additional pro

v source of liquidity is our cash flows from operations. Operating cash flows have historically been determined by: (i) the number of fac
e mortgages on; (ii) rental and mortgage rates; (iii) our debt service obligations; and (iv) general and administrative expenses. The timin
of cash flows provided by/used in financing activities and used in investing activities are sensitive to the capital markets environment, e
changes in interest rates. Changes in the capital markets environment may impact the availability of cost-effective capital and affect our
acquisition and disposition

cash equivalents totaled $5.4 million as of December 31, 2015 an increase of $0.9 million as compared to the balance at December 31, 2
following is a discussion of changes in cash and cash equivalents due to operating, investing and financing activities, which are present
Consolidated Statement of Ca

g Activities – Operating activities generated $463.9 million of net cash flow for the year ended December 31, 2015, as compared to $33
e same period in 2014, an increase of $126.4 million. The increase was primarily due to the additional cash flow generated from new inv
primarily the Aviv Merger and Care Homes Transaction, including the facilities acquired and leased throughout 2014 a

ng Activities – Net cash flow from investing activities was an outflow of $397.4 million for the year ended December 31, 2015, as comp
tflow of $547.9 million for the same period in 2014. The $150.5 million decrease in cash outflow from investing activities related prima
ely $84.9 million of cash acquired with the Aviv Merger in 2015; (ii) an increase of $37.5 million in proceeds from the sale of real estat
to the same period in 2014; (iii) $12.7 million of net mortgage investment made in 2015 compared to $406.6 million of net mortgage in
he same period of 2014, offset by (i) an increase of $164.2 million investment in construction in progress in 2015 as compared to the sar
014, (ii) an increase of $162.5 million in acquisitions in 2015 compared to the same period of 2014, (iii) an increase of $8.5 million in o

on program investment compared to the same period of 2014 and (iv) an increase of $6.8 million investment in direct financing leases i
compared to the same period

cing Activities – Net cash flow from financing activities was an outflow of $65.3 million for the year ended December 31, 2015 as comp
y of $212.3 million for the same period in 2014. The $277.6 million change in cash flow from financing activities was primarily a result
of $386 million net proceeds on the credit facility in 2015 compared to the same period in 2014; (ii) an increase in net proceeds of $377.
rom issuance common stock in 2015 as compared to the same period in 2014; (iii) an increase in net proceeds of $79.4 million from our
ment plan in 2015 compared to the same period in 2014, offset by (i) an increase of $948.8 million net payments in long term borrowing
to the same period in 2014;(ii) dividend payments increased by $99.7 million due to an increase in number of shares outstanding and an
per share in the common dividends; (iii) an increase of $37.0 million in refinancing related costs compared to the same period in 2014 a
$11.6 million distributions to Omega OP Uni

Critical Accounting Policies and E

aration of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States requires mar
nates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the d
l statements and the reported amounts of revenues and expenses during the reporting period. Our significant accounting policies are des
ote 2 – Summary of Significant Accounting Policies." These policies were followed in preparing the consolidated financial statements fo
presented. Actual results could differ from those e

entified four significant accounting policies that we believe are critical accounting policies. These critical accounting policies are those
ost impact on the reporting of our financial condition and those requiring significant assumptions, judgments and estimates. With respec
ccounting policies, we believe the application of judgments and assessments is consistently applied and produces financial information t
presents the results of operations for all periods presented. The four critical accounting pol

Lease Ac

eption of the lease and during the amendment process, we evaluate each lease to determine if the lease should be considered an operatin
e lease or direct financing lease. We have determined that all but seven of our leases should be accounted for as operating leases. The ot
leases are accounted for as direct financir

s accounted for as operating leases, we retain ownership of the asset and record depreciation expense. We also record lease revenue bas
ractual terms of the operating lease agreement which often includes annual rent escalators, see "*Revenue Recognition and Allowance fo*
Accounts" below for further discussion regarding the recordation of revenue on our operat

accounted for as direct financing leases, we record the present value of the future minimum lease payments (utilizing a constant interest
the lease agreement) as a receivable and record interest income based on the contractual terms of the lease agreement. As of December
, $3.3 million and $3.4 million, respectively, of unamortized direct costs related to originating the direct financing leases have been def
recorded in our Consolidated Balanc

Revenue Recognition and Allowance for Doubtful A

various different investments that generate revenue, including leased and mortgaged properties, as well as, other investments, including
oans. We recognized rental income and mortgage interest income and other investment income as earned over the terms of the related l

spectively. Interest income is recorded on an accrual basis to the extent that such amounts are expected to be collected using the effectiv
method. In applying the effective interest method, the effective yield on a loan is determined based on its contractual payment terms, adj
prepayme

ially all of our leases contain provisions for specified annual increases over the rents of the prior year and are generally computed in on
pending on specific provisions of each lease as follows: (i) a specific annual increase over the prior year's rent, generally between 2.0%
ase based on the change in pre-determined formulas from year to year (i.e., such as increases in the Consumer Price Index); or (iii) speci
increases over prior years. Revenue under lease arrangements with fixed and determinable increases is recognized over the term of the l
raight-line basis. The authoritative guidance does not provide for the recognition of contingent revenue until all possible contingencies h
inated. We consider the operating history of the lessee, the payment history, the general condition of the industry and various other fact
ting whether all possible contingencies have been eliminated. We do not include contingent rents as income until the contingencies are

of rental revenue recognized on a straight-line basis, we generally record reserves against earned revenues from leases when collection
ble or when negotiations for restructurings of troubled operators result in significant uncertainty regarding ultimate collection. The amou
stimated based on what management believes will likely be collected. We continually evaluate the collectability of our straight-line rent
it appears that we will not collect future rent due under our leases, we will record a provision for loss related to the straight-line r

cord direct financing lease income on a constant interest rate basis over the term of the lease. The costs related to originating the direct
ve been deferred and are being amortized on a straight-line basis as a reduction to income from direct financing leases over the term of
financi

e interest income is recognized as earned over the terms of the related mortgage notes, using the effective yield method. Allowances are
arned revenues from mortgage interest when collection of amounts due becomes questionable or when negotiations for restructurings o
s lead to lower expectations regarding ultimate collection. When collection is uncertain, mortgage interest income on impaired mortga
recognized as received after taking into account application of security

We review our accounts receivable as well as our straight-line rents receivable and lease inducement assets to determine their collectab
ation of collectability of these assets requires significant judgment and is affected by several factors relating to the credit quality of our
ularly monitor, including (i) payment history, (ii) the age of the contractual receivables, (iii) the current economic conditions and reimb
nent, (iv) the ability of the tenant to perform under the terms of their lease and/or contractual loan agreements and (v) the value of the u
the agreement. If we determine collectability of any of our contractual receivables is at risk, we estimate the potential uncollectible am
an allowance. In the case of a lease recognized on a straight-line basis or existence of lease inducements, we generally provide an allo
straight-line accounts receivable and/or the lease inducements when certain conditions or indicators of adverse collectability ar

Gains on sales of real estate assets are recognized in accordance with the authoritative guidance for sales of real estate. The specific tim
of the sale and the related gain is measured against the various criteria in the guidance related to the terms of the transactions and any c
involvement associated with the assets sold. To the extent the sales criteria are not met, we defer gain recognition until the sales criteri

Depreciation and Asset Im

GAAP, real estate assets are stated at the lower of depreciated cost or fair value, if deemed impaired. Depreciation is computed on a str
the estimated useful lives of 20 to 40 years for buildings, eight to 15 years for site improvements, and three to 10 years for furniture, fix
nt. Management evaluates our real estate investments for impairment indicators, including the evaluation of our assets' useful lives. The
he existence of impairment indicators is based on factors such as, but not limited to, market conditions, operator performance and legal
s of impairment are present, management evaluates the carrying value of the related real estate investments in relation to the future und
of the underlying facilities. Provisions for impairment losses related to long-lived assets are recognized when expected future undiscou
are determined to be less than the carrying values of the assets. An adjustment is made to the net carrying value of the leased properties
g-lived assets for the excess of historical cost over fair value**.** The fair value of the real estate investment is determined by market researc
aluing the property as a nursing home as well as other alternative uses. All impairments are taken as a period cost at that time, and depre
adjusted going forward to reflect the new value assigned to

e to sell rental properties or land holdings, we evaluate the recoverability of the carrying amounts of the assets. If the evaluation indicat
value is not recoverable from estimated net sales proceeds, the property is written down to estimated fair value less costs to sell. Our est

and fair values of the properties are based on current market conditions and consider matters such as rental rates and occupancies for co
perties, recent sales data for comparable properties, and, where applicable, contracts or the results of negotiations with purchasers or pr
pu

s ended December 31, 2015, 2014, and 2013, we recognized impairment losses of $17.7 million, $3.7 million and $0.4 million, respecti
impairments are primarily the result of closing facilities or updating the estimated proceeds we expect for the sale of closed

Loan and Direct Financing Lease Im

ment evaluates our outstanding mortgage notes, direct financing leases and other notes receivable. When management identifies potenti
cing lease impairment indicators, such as non-payment under the loan documents, impairment of the underlying collateral, financial dif
or or other circumstances that may impair full execution of the loan documents or direct financing leases, and management believes it is
nounts will not be collected under the contractual terms of the loan or direct financing leases, the loan or direct financing lease is written
value of the expected future cash flows. In cases where expected future cash flows are not readily determinable, the loan or direct financ
tten down to the fair value of the collateral. The fair value of the loan or direct financing leases is determined by market research, which
valuing the property as a nursing home as well as other alterna

rrently account for impaired loans and direct financing leases using (a) the cost-recovery method, and/or (b) the cash basis method. We
ost recovery method for impaired loans or direct financing leases for which impairment reserves were recorded. We utilize the cash basi
ment loans or direct financing leases for which no impairment reserves were recorded because the net present value of the discounted ca
nder the loan or direct financing lease and or the underlying collateral supporting the loan or direct financing lease were equal to or exc
lue of the loans or direct financing leases. Under the cost recovery method, we apply cash received against the outstanding loan balance
leases prior to recording interest income. Under the cash basis method, we apply cash received to principal or interest income based on
ment. As of December 31, 2015 we had $3.0 million of reserves on our loans and no reserves on our direct financing leases. As of Dece
2014, we had no reserves on our loans or direct financi

Item 7A - Quantitative and Qualitative Disclosure about Mar

posed to various market risks, including the potential loss arising from adverse changes in interest rates. We do not enter into derivative
l instruments for trading or speculative purposes, but we seek to mitigate the effects of fluctuations in interest rates by matching the ter
investments with new long-term fixed rate borrowing to the extent

ing disclosures of estimated fair value of financial instruments are subjective in nature and are dependent on a number of important assu
uding estimates of future cash flows, risks, discount rates and relevant comparable market information associated with each financial in
cautioned that many of the statements contained in these paragraphs are forward-looking and should be read in conjunction with our di
the heading “Forward-looking Statements, Reimbursement Issues and Other Factors Affecting Future Results” set forth above. The use
t assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the
presented below are not necessarily indicative of the amounts we would realize in a current market e

e notes receivable - The fair value of mortgage notes receivable is estimated by discounting the future cash flows using the current rates
similar loans would be made to borrowers with similar credit ratings and for the same remaining m

Financing Leases - The fair value of direct financing receivable is estimated by discounting the future cash flows using the current rates
similar leases would be made to borrowers with similar credit ratings and for the same remaining m

able - The fair value of notes receivable is estimated by discounting the future cash flows using the current rates at which similar loans
made to borrowers with similar credit ratings and for the same remaining m

s under variable rate agreements - Our variable rate debt as of December 31, 2015 includes our credit facilities and term loans. The fai
owings under variable rate agreements is estimated using an expected present value technique based on expected cash flows discounted
current credit-adjusted risk-

Senior unsecured notes -The fair value of the senior unsecured notes is estimated based on open market trading activity provided by thir

ket value of our long-term fixed rate borrowings and mortgages is subject to interest rate risks. Generally, the market value of fixed rate
s will decrease as interest rates rise and increase as interest rates fall. The estimated fair value of our total long-term borrowings at Dece
5 was approximately $3.6 billion. A one percent increase in interest rates would result in a decrease in the fair value of long-term borro
mately $182 million at December 31, 2015. The estimated fair value of our total long-term borrowings at December 31, 2014 was appro
on. A one percent increase in interest rates would result in a decrease in the fair value of long-term borrowings by approximately $164
December

ter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate swap agreements, for ex
some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purpo
lation and do not enter into financial instruments for trading purposes. As of December 31, 2015, we were party to interest rate swap ag
ill effectively fix the rate on the 2015 Term Loan Facility at 3.8005% beginning December 2016 through its maturity date and extensio
o adjustments based on our consolidated leverage ratio. The forward-starting swap contract was deemed to be a highly effective cash fl
and we elected to designate the forward-starting swap contract as an accounti

Item 8 - Financial Statements and Supplement

lidated financial statements and the report of Ernst & Young LLP, Independent Registered Public Accounting Firm, on such financial s
s part of this report beginning on page F-1. The summary of unaudited quarterly results of operations for the years ended December 31,
ncluded in "*Note 19 - Summary of Quarterly Results (Unaudited)*" to our audited consolidated financial statements, which is incorporate
reference in response to Item 302 of Regula

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial D

Item 9A - Controls and Pr

Evaluation of Disclosure Controls and Pr

e controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"))
her procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files o
xchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosu
dures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in th
or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and
financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required d

nection with the preparation of our Form 10-K as of and for the year ended December 31, 2015, we evaluated the effectiveness of the d
on of our disclosure controls and procedures as of December 31, 2015. Based on this evaluation, our Chief Executive Officer and Chief
Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of December

Management's Report on Internal Control over Financial

gement is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial
in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, a company's
e and principal financial officers, or persons performing similar functions, and effected by a company's board of directors, management
o provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external pu
accordance with GAAP and includes those policies and proced

he maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the com

sonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally
principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and
the company; and

ovide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's as
uld have a material effect on the financial statements.

nternal control systems, no matter how well designed, have inherent limitations and can provide only reasonable, not absolute, assuranc
s of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the b
ust be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide
nce that all control issues and instances of fraud, if any, within our company have been detected. Therefore, even those systems determi
effective can provide only reasonable assurance with respect to financial statement preparation and pres

nnection with the preparation of our Form 10-K, our management assessed the effectiveness of our internal control over financial repor
ber 31, 2015. In making that assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the T
ssion (COSO) in Internal Control-Integrated Framework (2013 framework). Based on management's assessment, management believes
December 31, 2015, our internal control over financial reporting was effective based on thos

Section 404 of the Sarbanes-Oxley Act of 2002, we have included above a report of management's assessment of the design and effecti
controls as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Our independent registered public ac
reported on the effectiveness of internal control over financial reporting. The independent registered public accounting firm's attestation
n our 2015 financial statements under the caption entitled "Report of Independent Registered Public Accounting Firm" and is incorporat
by r

Changes in Internal Control Over Financial R

re were no changes in our internal control over financial reporting during the quarter ended December 31, 2015 identified in connectio
of our disclosure controls and procedures described above that have materially affected, or are reasonably likely to materially affect, ou
control over financial r

P

Item 10 – Directors, Executive Officers and Corporate Go

nformation required by this item is incorporated herein by reference to our Company's definitive proxy statement for the 2016 Annual M
Stockholders, to be filed with the SEC pursuant to Regula

For information regarding executive officers of our Company, see "*Item 1 – Business – Executive Officers of O*

usiness Conduct and Ethics. We have adopted a written Code of Business Conduct and Ethics ("Code of Ethics") that applies to all of o
employees, including our chief executive officer, chief financial officer, chief accounting officer and controller. A copy of our Code of
ilable on our website at www.omegahealthcare.com, and print copies are available upon request without charge. You can request print c
ur Chief Financial Officer in writing at Omega Healthcare Investors, Inc., 200 International Circle, Suite 3500, Hunt Valley, Maryland
by telephone at 410-427-1700. Any amendment to our Code of Ethics or any waiver of our Code of Ethics will be disclosed on our w
www.omegahealthcare.com promptly following the date of such amendment o

Item 11 - Executive Comp

nformation required by this item is incorporated herein by reference to our Company's definitive proxy statement for the 2016 Annual M
Stockholders, to be filed with the SEC pursuant to Regula

Item 12 - Security Ownership of Certain Beneficial Owners and Man

nformation required by this item is incorporated herein by reference to our Company's definitive proxy statement for the 2016 Annual M
Stockholders, to be filed with the SEC pursuant to Regula

Item 13 - Certain Relationships and Related Transactions, and Director Indep

nation required by this item, if any, is incorporated herein by reference to our Company's definitive proxy statement for the 2016 Annua
of Stockholders, to be filed with the SEC pursuant to Regula

Item 14 - Principal Accounting Fees and

nformation required by this item is incorporated herein by reference to our Company's definitive proxy statement for the 2016 Annual M
Stockholders, to be filed with the SEC pursuant to Regula

P

Item 15 - Exhibits and Financial Statement S

(a)(1) Listing of Consolidated Financial St

Title of Document	Page Number
Reports of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 31, 2015 and 2014	F-3
Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2015, 2014 and 2013	F-4
Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2014 and 2013	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013	F-6
Notes to Consolidated Financial Statements	F-8

(a)(2) Listing of Financial Statement Schedules. The following consolidated financial statement schedules are include

Schedule III – Real Estate and Accumulated Depreciation	F-52
Schedule IV – Mortgage Loans on Real Estate	F-53

chedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not requi instructions or are inapplicable or have been omitted because sufficient information has been included in the notes to the Consolidated St

(a)(3) Listing of Exhibits — See "*Index to Exhibits*" beginning on Page I-1

(b) Exhibits — See "*Index to Exhibits*" beginning on Page I-1

(c) Financial Statement Schedules — The following consolidated financial statement schedules are inclu

Schedule III — Real Estate and Accumulated D

Schedule IV — Mortgage Loans on

Report of Independent Registered Public Account

The Board of Directors and Stockholders of Omega Healthcare Inves

e audited the accompanying consolidated balance sheets of Omega Healthcare Investors, Inc. as of December 31, 2015 and 2014, and th
onsolidated statements of operations and comprehensive income, changes in equity and cash flows for each of the three years in the peri
31, 2015. Our audits also included the financial statement schedules listed in the Index at Item 15(a)(2). These financial statements and s
esponsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules bas

ed our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards re
and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit
ning, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the ac
sed and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that o
provide a reasonable basis for our

pinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Omega H
ors, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in t
mber 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement s
n considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set fort

ave audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Omega Healthcare I
nal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issu
e of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2016 expressed an un
opinion

/s/ Ernst & Yo

Baltimore, I

February

Report of Independent Registered Public Account

The Board of Directors and Stockholders of Omega Healthcare Inves

ave audited Omega Healthcare Investors, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria esta
Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)
eria). Omega Healthcare Investors, Inc.'s management is responsible for maintaining effective internal control over financial reporting,
ment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Co
Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on

cted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards re
l perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in al
r audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exis
ting the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we co
necessary in the circumstances. We believe that our audit provides a reasonable basis for ou

any's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial
eparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's intern
cial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately
transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary
of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company
ly in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prev
ely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial s

f its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any eval
s to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of co
with the policies or procedures may de

nion, Omega Healthcare Investors, Inc. maintained, in all material respects, effective internal control over financial reporting as of Dece
2015, based on the COSO

e audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balan
Healthcare Investors, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensiv
n equity, and cash flows for each of the three years in the period ended December 31, 2015 and our report dated February 26, 2016 exp

unqualified opinion

/s/ Ernst & Yo

Baltimore,

February

OMEGA HEALTHCARE INVESTO

CONSOLIDATED BALANCE S

(in thousands, except per share a

	December 31, 2015	2014
roperties		
ildings	$6,743,958	$3,2
ulated depreciation	(1,019,150)	(82
roperties – net	5,724,808	2,4
in direct financing leases – net	587,701	539
otes receivable	679,795	648
	6,992,304	3,5
ments	89,299	48,
	7,081,603	3,6
for sale – net	6,599	12,
ments	7,088,202	3,6
sh equivalents	5,424	4,4
ash	14,607	29,
ceivable – net	203,862	168
	645,683	—
	61,231	68,
	$8,019,009	$3,9
ES AND EQUITY		
ne of credit	$230,000	$85,
	750,000	200
rowings – net	236,204	25
orrowings – net	2,352,882	1,8
penses and other liabilities	333,706	14
ome taxes	15,352	—
ies	3,918,144	2,5
ck $.10 par value authorized – 350,000 shares, issued and outstanding – 187,399 shares as of December 31, 2015 and f December 31, 2014	18,740	12,
ck – additional paid-in capital	4,609,474	2,1
net earnings	1,372,522	1,1
dividends paid	(2,254,038)	(1,
d other comprehensive loss	(8,712)	—
olders' equity	3,737,986	1,4

ng interest	362,879	—
	4,100,865	1,4
ies and equity	$8,019,009	$3,9

See accompanyi

OMEGA HEALTHCARE INVESTO

CONSOLIDATED STATEMENTS OF OPER

AND COMPREHENSIVE I

(in thousands, except per share a

	Year Ended December 31,		
	2015	2014	20
Revenue			
Rental income	$605,991	$388,443	$3
Income from direct financing leases	59,936	56,719	5
Mortgage interest income	68,910	53,007	2
Other investment income – net	8,780	6,618	9
Total operating revenues	743,617	504,787	4
Expenses			
Depreciation and amortization	210,703	123,257	1
General and administrative	38,568	25,888	2
Acquisition and merger related costs	57,525	3,948	2
Impairment loss on real estate properties	17,681	3,660	4
Provisions for uncollectible mortgages, notes and accounts receivable	7,871	2,723	2
Total operating expenses	332,348	159,476	1
Income before other income and expense	411,269	345,311	2
Other income (expense)			
Interest income	285	44	4
Interest expense	(147,381)	(119,369)	(
Interest – amortization of deferred financing costs	(6,990)	(4,459)	(
Interest – refinancing (costs) gain	(28,837)	(3,041)	1
Realized loss on foreign exchange	(173)	-	-
Total other expense	(183,096)	(126,825)	(
Income before gain (loss) on assets sold	228,173	218,486	1
Gain (loss) on assets sold – net	6,353	2,863	(
Income from continuing operations before income taxes	234,526	221,349	1
Income taxes	(1,211)	-	-
Net income	233,315	221,349	1
Net income attributable to noncontrolling interest	(8,791)	-	-
Net income available to common stockholders	$224,524	$221,349	$1
Net income	$233,315	$221,349	$1
Other comprehensive loss - foreign currency translation	(8,413)	-	-
Other comprehensive loss - cash flow hedges	(718)	-	-
Total comprehensive income	224,184	221,349	1

Add: other comprehensive loss attributable to noncontrolling interest	419	-	-
Comprehensive income attributable to common stockholders	$224,603	$221,349	$1
Income per common share available to common stockholders:			
Basic:			
Net income available to common stockholders	$1.30	$1.75	$1
Diluted:			
Net income	$1.29	$1.74	$1
Weighted-average shares outstanding, basic	172,242	126,550	1
Weighted-average shares outstanding, diluted	180,508	127,294	1

See accompanyi

OMEGA HEALTHCARE INVESTO

CONSOLIDATED STATEMENTS OF CHANGES IN E

(in thousands, except per share a

	Common Stock Par Value	**Additional Paid-in Capital**	Cumulative Net Earnings	Cumulative Dividends Paid	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interest	Tota
ecember 31, 2012 (112,393 res)	$ 11,239	$ 1,664,855	754,128	(1,418,893)	$ —	$ 1,011,329	$ —	$ 1,0
ricted stock to company shares at $30.33 per share)	2	(2)	—	—	—	—	—	—
n of restricted stock	—	5,817	—	—	—	5,817	—	5,8
ock shares surrendered for ing (193 shares)	(19)	(5,755)	—	—	—	(5,774)	—	(5,
nvestment plan (1,930 shares r share)	193	55,632	—	—	—	55,825	—	55
ck as payment of directors s at an average of $31.21 per	—	187	—	—	—	187	—	18
Program (6,504 shares at hare, net of issuance costs)	650	193,149	—	—	—	193,799	—	19
common stock(2,875 shares at hare)	288	84,286	—	—	—	84,574	—	84
vidends ($1.86 per share)	—	—	—	(218,175)	—	(218,175)	—	(21
	—	—	172,521	—	—	172,521	—	17
ecember 31, 2013 (123,530 res)	12,353	1,998,169	926,649	(1,637,068)	—	1,300,103	—	1,3
ricted stock to company shares at $35.79 per share)	1	(1)	—	—	—	—	—	—
n of restricted stock	—	8,382	—	—	—	8,382	—	8,3
estricted stock to company net of tax withholdings (126	13	(3,590)	—	—	—	(3,577)	—	(3,
nvestment plan (2,084 shares r share)	208	71,279	—	—	—	71,487	—	71
ck as payment of directors s at an average of $35.52 per	1	199	—	—	—	200	—	20
Program (1,848 shares at hare, net of issuance costs)	185	61,796	—	—	—	61,981	—	61
vidends ($2.02 per share).	—	—	—	(258,598)	—	(258,598)	—	(25
	—	—	221,349	—	—	221,349	—	22

ecember 31, 2014 (127,606 ares)	12,761	2,136,234	1,147,998	(1,895,666)	—	1,401,327	—	1,4
ricted stock to company shares at $35.70 per share)	2	(2)	—	—	—	—	—	—
n of restricted stock	—	11,133	—	—	—	11,133	—	11,
quity compensation plan, net oldings (941 shares)	94	(26,800)	—	—	—	(26,706)	—	(26
nvestment plan (4,184 shares r share)	418	150,429	—	—	—	150,847	—	150
umed options in Merger	—	109,346	—	—	—	109,346	—	109
umed other equity n plan in Merger	—	12,644	—	—	—	12,644	—	12,
ck as payment of directors s at an average of $35.94 per	1	312	—	—	—	313	—	31
mpensation directors	—	1,444	—	—	—	1,444	—	1,4
common stock (10,925 shares e of $40.32 per share)	1,093	438,229	—	—	—	439,322	—	43
common stock – Merger – 13 shares)	4,371	1,776,505	—	—	—	1,780,876	—	1,7
vidends ($2.18 per share)	—	—	—	(358,372)	—	(358,372)	—	(35
uance (9,165 units)	—	—	—	—	—	—	373,394	37
sion of OP units (209 units)	—	—	—	—	—	—	(7,251)	(7,
tributions	—	—	—	—	—	—	(11,636)	(11
ency translation	—	—	—	—	(8,027)	(8,027)	(386)	(8,
edges	—	—	—	—	(685)	(685)	(33)	(71
	—	—	224,524	—	—	224,524	8,791	23
ecember 31, 2015 (187,399 56 OP Units)	$ 18,740	$4,609,474	$1,372,522	$(2,254,038)	$ (8,712)	$3,737,986	362,879	$4,1

See accompanyi

OMEGA HEALTHCARE INVESTO

CONSOLIDATED STATEMENTS OF CASH

(in th

	Year Ended December 31,		
	2015	2014	20
Cash flows from operating activities			
Net income	$233,315	$221,349	$1
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	210,703	123,257	1
Provision for impairment on real estate properties	17,681	3,660	4
Provision for uncollectible mortgages, notes and accounts receivable	7,871	2,723	2
Amortization of deferred financing costs and refinancing costs	35,827	7,500	(
Accretion of direct financing leases	(11,007)	(9,787)	(
Restricted stock amortization expense	11,133	8,592	5
(Gain) loss on assets sold – net	(6,353)	(2,863)	1
Amortization of acquired in-place leases - net	(13,846)	(4,986)	(
Change in operating assets and liabilities – net of amounts assumed/acquired:			
Accounts receivable, net	248	(2,264)	8
Straight-line rent receivables	(36,057)	(20,956)	(
Lease inducements	994	2,656	3
Effective yield receivable on mortgage notes	(4,065)	(2,878)	(
Other operating assets and liabilities	17,441	11,537	8
Net cash provided by operating activities	463,885	337,540	2
Cash flows from investing activities			
Acquisition of real estate – net of liabilities assumed and escrows acquired	(294,182)	(131,689)	(
Cash acquired in merger	84,858	—	–
Investment in construction in progress	(164,226)	—	–
Investment in direct financing leases	(6,793)	—	(
Placement of mortgage loans	(14,042)	(529,548)	(
Proceeds from sale of real estate investments	41,543	4,077	2
Capital improvements to real estate investments	(26,397)	(17,917)	(
Proceeds from other investments	45,871	13,589	3
Investments in other investments	(65,402)	(9,441)	(
Collection of mortgage principal	1,359	122,984	4
Net cash used in investing activities	(397,411)	(547,945)	(
Cash flows from financing activities			
Proceeds from credit facility borrowings	1,826,000	900,000	5
Payments on credit facility borrowings	(1,681,000)	(1,141,000)	(
Receipts of other long-term borrowings	1,838,124	842,148	1
Payments of other long-term borrowings	(2,187,314)	(242,544)	(
Payments of financing related costs	(54,721)	(17,716)	(
Receipts from dividend reinvestment plan	150,847	71,487	5
Payments for exercised options and restricted stock – net	(26,706)	(3,577)	(

Net proceeds from issuance of common stock	439,322	61,981	2
Dividends paid	(358,232)	(258,501)	(
Distributions to OP Unit Holders	(11,636)	—	–
Net cash (used in) provided by financing activities	(65,316)	212,278	3
Increase in cash and cash equivalents	1,158	1,873	9
Effect of foreign currency translation on cash and cash equivalents	(223)	—	–
Cash and cash equivalents at beginning of year	4,489	2,616	1
Cash and cash equivalents at end of year	$5,424	$4,489	$2
Interest paid during the year, net of amounts capitalized	$145,929	$110,919	$1

Non-cash investing and financing a

	Year Ended December	
	2015	201
Non-cash investing activities		
Non-cash acquisition of business (see Note 3 for details)	$ (3,602,040)	$ –
Total	$ (3,602,040)	$ –
Non-cash financing activities		
Assumed Aviv debt	$ 1,410,637	$ –
Stock exchanged in Merger	1,902,866	–
OP Units exchanged in Merger	373,394	–
Cash flow hedges	718	–
Total	$ 3,687,615	$ –

See accompanyi

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATE

NOTE 1 - ORGANIZATION AND BASIS OF PRESENT

Org

ealthcare Investors, Inc. ("Omega," "we," "our" or the "Company") has one reportable segment consisting of investments in healthcare
s located in the United States and the United Kingdom. Our core business is to provide financing and capital to the long-term healthcare
articular focus on skilled nursing facilities ("SNFs"). Our core portfolio consists of long-term leases and mortgage agreements. All of ou
net" leases, which require the tenants to pay all property-related expenses. Our mortgage revenue derives from fixed rate mortgage loans
secured by first mortgage liens on the underlying real estate and personal property of the m

s formed as a real estate investment trust ("REIT") and incorporated in the State of Maryland on March 31, 1992. In April 2015, Aviv R
Maryland corporation ("Aviv"), merged (the "Aviv Merger") with and into a wholly-owned subsidiary of Omega, pursuant to the terms
ement and Plan of Merger, dated as of October 30, 2014 (the "Merger Agreement"), by and among the Company, Aviv, OHI Healthcare
o, Inc., a Delaware corporation and a direct wholly-owned subsidiary of Omega ("Merger Sub"), OHI Healthcare Properties Limited Pa
Delaware limited partnership ("Omega OP"), and Aviv Healthcare Properties Limited Partnership, a Delaware limited partnership (the

or to April 1, 2015 and in accordance with the Merger Agreement, Omega restructured the manner in which it holds its assets by conver
umbrella partnership real estate investment trust structure (the "UPREIT Conversion"). As a result of the UPREIT Conversion and fo
consummation of the Aviv Merger, substantially all of the Company's assets are held by O

s governed by the Second Amended and Restated Agreement of Limited Partnership of OHI Healthcare Properties Limited Partnership
2015 (the "Partnership Agreement"). Pursuant to the Partnership Agreement, the Company and Merger Sub are the general partners of
xclusive control over Omega OP's day-to-day management. As of December 31, 2015, the Company owned approximately 95% of the i
outstanding units of partnership interest in Omega OP ("Omega OP Units"), and other investors owned approximately 5% of the Omeg

Cons

consolidated financial statements include the accounts of (i) Omega, (ii) Omega OP and (iii) all direct and indirect wholly-owned subsi
l inter-company transactions and balances have been eliminated in consolidation, and our net earnings are reduced by the portion of net
attributable to noncontrolling

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING P

Accounting E

ration of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to mak
assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the
statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those e

Fair Value Meas

ny measures and discloses the fair value of nonfinancial and financial assets and liabilities utilizing a hierarchy of valuation techniques
r the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect ma
d from independent sources, while unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of ob
market data when available. These inputs have created the following fair value h

- Level 1 - quoted prices for identical instruments in active markets;

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

uoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; an
ved valuations in which significant inputs and significant value drivers are observable in active markets; and

evel 3 - fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers
nobservable.

Company measures fair value using a set of standardized procedures that are outlined herein for all assets and liabilities which are requ
ured at fair value. When available, the Company utilizes quoted market prices from an independent third party source to determine fair v
es such items in Level 1. In some instances where a market price is available, but the instrument is in an inactive or over-the-counter m
Company consistently applies the dealer (market maker) pricing estimate and classifies such items in

d market prices or inputs are not available, fair value measurements are based upon valuation models that utilize current market or indep
sourced market inputs, such as interest rates, option volatilities, credit spreads and or market capitalization rates. Items valued u
enerated valuation techniques are classified according to the lowest level input that is significant to the fair value measurement. As a res
be classified in either Level 2 or Level 3 even though there may be some significant inputs that are readily observable. Internal fair valu
and techniques used by the Company include discounted cash flow and Monte Carlo valuation

Risks and Unc

mpany is subject to certain risks and uncertainties affecting the healthcare industry as a result of healthcare legislation and growing regu
ral, state and local governments. Additionally, we are subject to risks and uncertainties as a result of changes affecting operators of nurs
ilities due to the actions of governmental agencies and insurers to limit the rising cost of healthcare services (see Note 9 – Concentratio

Business Com

the purchase of properties to net tangible and identified intangible assets acquired and liabilities assumed at their fair value. In making
alue for purposes of recording the purchase, we utilize a number of sources, including independent appraisals that may be obtained in co
cquisition or financing of the respective property and other market data. We also consider information obtained about each property as a

cquisition due diligence, marketing and leasing activities as well as other critical valuation metrics such as capitalization rates and disco
estimate the fair value of the tangible and intangible assets acquired (Level 3). When liabilities are assumed as part of a transaction, we
ation obtained about the liabilities and use similar valuation metrics (Level 3). In some instances when debt is assumed and an identifial
ket for similar debt is present, we use market interest rates for similar debt to estimate the fair value of the debt assumed (Level 2). The C
determines fair value as

· Land is determined based on third party appraisals.

nd site improvements acquired are valued using a combination of discounted cash flow projections that assume certain future revenues a
r capitalization and discount rates using current market conditions as well as replacement cost analysis.

· Furniture and fixture is determined based on third party appraisals.

ssets acquired are valued using a combination of discounted cash flow projections as well as other valuation techniques based on curren
or the intangible asset being acquired. When evaluating below market leases we consider extension options controlled by the lessee in c
For additional information regarding above and below market leases assumed as part of an acquisition see "In-Place Leases" below.

assets acquired and liabilities assumed are typically valued at stated amounts, which approximate fair value on the date of the acquisitio

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

Assumed debt balances are valued by discounting the remaining contractual cash flows using a current market rate of interest.

· Stock based compensation and noncontrolling interests are valued using a stock price on the acquisition date.

epresents the purchase price in excess of the fair value of assets acquired and liabilities assumed and the cost associated with expanding portfolio. Goodwill is not amortized.

Real Estate Investments and Dep

of significant improvements, renovations and replacements, including interest are capitalized. In addition, we capitalize leasehold impro certain criteria are met, including when we supervise construction and will own the improvement. Expenditures for maintenance and r charged to operations as they are

epreciation is computed on a straight-line basis over the estimated useful lives ranging from 20 to 40 years for buildings, eight to 15 yea ents, and three to 10 years for furniture, fixtures and equipment. Leasehold interests are amortized over the shorter of the estimated use term of

f December 31, 2015 and 2014, we had identified conditional asset retirement obligations primarily related to the future removal and di hat is contained within certain of our real estate investment properties. The asbestos is appropriately contained, and we believe we are c rrent environmental regulations. If these properties undergo major renovations or are demolished, certain environmental regulations are fy the manner in which asbestos must be handled and disposed. We are required to record the fair value of these conditional liabilities i reasonably estimated. As of December 31, 2015 and 2014, sufficient information was not available to estimate our liability for conditi rement obligations as the obligations to remove the asbestos from these properties have indeterminable settlement dates. As such, no lia conditional asset retirement obligations was recorded on our accompanying Consolidated Balance Sheets as of December 31, 2015 a

Lease Ac

ception of the lease and during the amendment process, we evaluate each lease to determine if the lease should be considered an operat
lease, or direct financing lease. We have determined that all but seven of our leases should be accounted for as operating leases. The ot
leases are accounted for as direct financi

accounted for as operating leases, we retain ownership of the asset and record depreciation expense, see "Business Combinations" and
nents and Depreciation" above for additional information regarding our investment in real estate leased under operating lease agreement
se revenue based on the contractual terms of the operating lease agreement which often includes annual rent escalators, see "Revenue R
below for further discussion regarding the recordation of revenue on our operati

accounted for as direct financing leases, we record the present value of the future minimum lease payments (utilizing a constant interest
of the lease agreement) as a receivable and record interest income based on the contractual terms of the lease agreement. Certain direct
ses include annual rent escalators; see "Revenue Recognition" below for further discussion regarding the recording of interest income o
ncing leases. As of December 31, 2015 and 2014, $3.3 and $3.4 million, respectively, of unamortized direct costs related to originating
financing leases have been deferred and recorded in our Consolidated Balanc

In-Plac

lease assets and liabilities result when we assume a lease as part of a facility purchase or business combination. The fair value of in-pla
of the following components, as applicable (1) the estimated cost to replace the leases, and (2) the above or below market cash flow of th
d by comparing the projected cash flows of the leases in place at the time of acquisition to projected cash flows of comparable market-r
as Lease Intangibles). Lease Intangible assets and liabilities are classified as lease contracts above and below market value, respectivel
nd "accrued expenses and other liabilities," and amortized on a straight-line basis as decreases and increases, respectively, to rental inc
nated remaining term of the underlying leases. Should a tenant terminate the lease, the unamortized portion of the Lease Intangible is re
immediately as income or

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

December 31, 2015 and 2014, we had $110.2 million and $20.4 million, respectively, of below market lease liabilities and $7.8 million on, respectively, of above market lease assets recorded on our Consolidated Balance Sheets. We expect net amortization of the in-place increase rental in

	(in n
2016	$ 16
2017	14
2018	13
2019	12
2020	11
Thereafter	34
Total	$ 10

ears ended December 31, 2015, 2014 and 2013, we have amortized $13.8 million, $5.0 million and $5.1 million, respectively, as a net in ental income. Amounts presented above include the preliminary purchase accounting for the Aviv Merger, see Note 3 - Properties. For a information, see Note 8 – I

Asset Im

nt evaluates our real estate investments for impairment indicators, including the evaluation of our assets' useful lives. The judgment reg of impairment indicators is based on factors such as, but not limited to, market conditions, operator performance and legal structure. If i nt are present, management evaluates the carrying value of the related real estate investments in relation to the future undiscounted cash derlying facilities. Provisions for impairment losses related to long-lived assets are recognized when expected future undiscounted cash d to be less than the carrying values of the assets. An adjustment is made to the net carrying value of the real estate investments for the ue over fair value**.** The fair value of the real estate investment is determined by market research, which includes valuing the property as vell as other alternative uses. All impairments are taken as a period cost at that time, and depreciation is adjusted going forward to reflec value assigned to

cide to sell real estate properties or land holdings, we evaluate the recoverability of the carrying amounts of the assets. If the evaluation the carrying value is not recoverable from estimated net sales proceeds, the property is written down to estimated fair value less costs to f cash flows and fair values of the properties are based on current market conditions and consider matters such as rental rates and occupa

nparable properties, recent sales data for comparable properties, and, where applicable, contracts or the results of negotiations with purc
prospective pu

rs ended December 31, 2015, 2014 and 2013, we recognized impairment losses of $17.7 million, $3.7 million and $0.4 million, respecti
pairments are primarily the result of closing facilities or updating the estimated proceeds we expect to receive for the sale of closed faci
additional information, see Note 3 – Properties and Note 7 – Assets He

Loan and Direct Financing Lease Im

ement evaluates our outstanding mortgage notes, direct financing leases and other notes receivable for impairment. When management
ial loan or direct financing lease impairment indicators, such as non-payment under the loan documents, impairment of the underlying c
lifficulty of the operator or other circumstances that may impair full execution of the loan documents or direct financing leases, and ma
s it is probable that all amounts will not be collected under the contractual terms of the loan or direct financing lease, the loan or direct
tten down to the present value of the expected future cash flows. In cases where expected future cash flows are not readily determinable
rect financing lease is written down to the fair value of the collateral. The fair value of the loan or direct financing lease is determined b
research, which includes valuing the property as a nursing home as well as other alterna

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

ount for impaired loans and direct financing leases using (a) the cost-recovery method, and/or (b) the cash basis method. We generally u
recovery method for impaired loans or direct financing leases for which impairment reserves were recorded. We utilize the cash basis m
aired loans or direct financing leases for which no impairment reserves were recorded because the net present value of the discounted ca
nder the loan or direct financing lease and or the underlying collateral supporting the loan or direct financing lease were equal to or exce
lue of the loans or direct financing leases. Under the cost-recovery method, we apply cash received against the outstanding loan balance
ase prior to recording interest income. Under the cash basis method, we apply cash received to principal or interest income based on the
ment. As of December 31, 2015 we had $3.0 million of reserves on our loans and no reserves on our direct financing leases. As of Dece
had no reserves on our loans or direct financing leases. For additional information, see Note 4 – Direct Financing Leases, Note 5 – Mor
Receivable and Note 6 – Other In

Assets Held

er properties to be assets held for sale when (1) management commits to a plan to sell the property; (2) it is unlikely that the disposal pla
tly modified or discontinued; (3) the property is available for immediate sale in its present condition; (4) actions required to complete th
perty have been initiated; (5) sale of the property is probable and we expect the completed sale will occur within one year; and (6) the pr
eing marketed for sale at a price that is reasonable given our estimate of current market value. Upon designation of a property as an asse
ecord the property's value at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and we cease deprecia
additional information, see Note 7 – Assets Hel

Cash and Cash Eq

h and cash equivalents consist of cash on hand and highly liquid investments with a maturity date of three months or less when purchase
nvestments are stated at cost, which approximates fair value. The majority of our cash and cash equivalents are held at major commerci

Restric

d cash consists primarily of funds escrowed for tenants' security deposits required by us pursuant to certain contractual terms (see Note
and Mortgage I

Accounts R

nts receivable includes: contractual receivables, effective yield interest receivables, straight-line rent receivables and lease inducements, d provision for losses related to uncollectible and disputed accounts. Contractual receivables relate to the amounts currently owed to us he lease agreement. Effective yield interest receivables relate to the difference between the interest income recognized on an effective y r the term of the loan agreement and the interest currently due to us according to the contractual agreement. Straight-line receivables rel ence between the rental revenue recognized on a straight-line basis and the amounts due to us contractually. Lease inducements result fr ded by us to the lessee at the inception or renewal of the lease are amortized as a reduction of rental revenue over the non cancellable le

a quarterly basis, we review our accounts receivable to determine their collectability. The determination of collectability of these assets udgment and is affected by several factors relating to the credit quality of our operators that we regularly monitor, including (i) paymen age of the contractual receivables, (iii) the current economic conditions and reimbursement environment, (iv) the ability of the tenant to under the terms of their lease and/or contractual loan agreements and (v) the value of the underlying collateral of the agreement. If we d y of any of our contractual receivables is at risk, we estimate the potential uncollectible amounts and provide an allowance. In the case ized on a straight-line basis or existence of lease inducements, we generally provide an allowance for straight-line accounts receivable a lease inducements when certain conditions or indicators of adverse collectability ar

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

A summary of our net receivables by type is as

	December 31,	
	2015	2014
	(in thousands)	
Contractual receivables	$8,452	$4,799
Effective yield interest receivables	9,028	6,232
Straight-line receivables	175,709	143,652
Lease inducements	10,982	13,571
Allowance	(309)	(78)
Accounts receivable – net	$203,862	$168,176

nuously evaluate the payment history and financial strength of our operators and have historically established allowance reserves for stra
ables from operators that do not meet our requirements. We consider factors such as payment history, the operator's financial condition
current and future anticipated operating trends when evaluating whether to establish allowance

e wrote-off $3.2 million of straight-line rent receivables and $1.5 million of effective yield interest receivables associated with four faci
will transition to a new operator and three mortgages that will be repaid prior to their maturity. This transaction closed

e wrote-off (i) $0.8 million of straight-line rent receivables associated with a lease amendment to an existing operator for two facilities
oned to a new operator and (ii) $2.0 million of effective yield interest receivables associated with the termination of a mortgage note tha
November 2021. See Note 3 – Properties and Note 5 – Mortgage Notes Receivable for additional i

Goodwill Imp

goodwill for potential impairment during the fourth quarter of each fiscal year, or during the year if an event or other circumstance indi
ot be able to recover the carrying amount of the net assets of the reporting unit. In evaluating goodwill for impairment, we first assess q
o determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the reporting unit is les

ing amount. If we conclude that it is more likely than not that the fair value of the reporting unit is less than its carrying value, then we p
oodwill impairment test to identify potential impairment and measure the amount of impairment we will recognize, if any. We do not ex
of the goodwill to be deductible for tax

t step of the two-step goodwill impairment test ("Step 1"), we compare the fair value of the reporting unit to its net book value, includin
ompany has only one reporting unit, the fair value of the reporting unit is determined by reference to the market capitalization of the Co
through quoted market prices and adjusted for other relevant factors. A potential impairment exists if the fair value of the reporting uni
book value. The second step ("Step 2") of the process is only performed if a potential impairment exists, and it involves determining th
e fair value of the reporting unit's net assets other than goodwill and the fair value of the reporting unit. If the difference is less than the
ue of goodwill, impairment exists and is recorded. In the event that the Company determines that the value of goodwill has become imp
ill record an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made. The Compan
ed to perform Step 2 of the process because the fair value of the reporting unit has significantly exceeded its book value at the measurem
There was no impairment of goodwill dur

Inco

rganized to qualify for taxation as a REIT under Section 856 through 860 of the Internal Revenue Code ("Code"). As long as we qualify
t be subject to federal income taxes on the REIT taxable income that we distributed to stockholders, subject to certain exceptions. Howe
certain of our subsidiaries that have elected to be treated as taxable REIT subsidiaries ("TRSs"), we record income tax expense or bene
entities are subject to federal income tax similar to regular corp

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

account for deferred income taxes using the asset and liability method and recognize deferred tax assets and liabilities for the expected
es of events that have been included in our financial statements or tax returns. Under this method, we determine deferred tax assets and
on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in
es are expected to reverse. Any increase or decrease in the deferred tax liability that results from a change in circumstances, and that ca
ur judgment about expected future tax consequences of events, is included in the tax provision when such changes occur. Deferred inco
ect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if we believe it is more likely than not
on of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circu
uses us to change our judgment about the realizability of the related deferred tax asset, is included in the tax provision when such chang
For additional information on income taxes, see Note 1

Revenue Re

various different investments that generate revenue, including leased and mortgaged properties, as well as other investments, including
. We recognize rental income and other investment income as earned over the terms of the related leases and notes, respectively. Intere
rded on an accrual basis to the extent that such amounts are expected to be collected using the effective interest method. In applying the
interest method, the effective yield on a loan is determined based on its contractual payment terms, adjusted for prepayme

lly all of our operating leases contain provisions for specified annual increases over the rents of the prior year and are generally comput
ethods depending on specific provisions of each lease as follows: (i) a specific annual increase over the prior year's rent, generally betw
; (ii) an increase based on the change in pre-determined formulas from year to year (e.g. increases in the Consumer Price Index); or (ii
ases over prior years. Revenue under lease arrangements with minimum fixed and determinable increases is recognized over the non-ca
term of the lease on a straight-line basis. The authoritative guidance does not provide for the recognition of contingent revenue until a
cies have been eliminated. We consider the operating history of the lessee, the payment history, the general condition of the industry an
other factors when evaluating whether all possible contingencies have been eliminated. We do not recognize contingent rents as income
contingencies have been

of rental revenue recognized on a straight-line basis, we generally record reserves against earned revenues from leases when collection
ble or when negotiations for restructurings of troubled operators result in significant uncertainty regarding ultimate collection. The amo
stimated based on what management believes will likely be collected. We continually evaluate the collectability of our straight-line ren
it appears that we will not collect future rent due under our leases, we will record a provision for loss related to the straight-line

cord direct financing lease income on a constant interest rate basis over the term of the lease. The costs related to originating the direct
ve been deferred and are being amortized on a straight-line basis as a reduction to income from direct financing leases over the term of
financi

e interest income is recognized as earned over the terms of the related mortgage notes, using the effective yield method. Allowances are
arned revenues from mortgage interest when collection of amounts due becomes questionable or when negotiations for restructurings o
s lead to lower expectations regarding ultimate collection. When collection is uncertain, mortgage interest income on impaired mortga
recognized as received after taking into account application of security

Gains on sales of real estate assets are recognized in accordance with the authoritative guidance for sales of real estate. The specific tim
of the sale and the related gain is measured against the various criteria in the guidance related to the terms of the transactions and any c
involvement associated with the assets sold. To the extent the sales criteria are not met, we defer gain recognition until the sales criteri

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

Stock-Based Comp

e recognize stock-based compensation expense adjusted for estimated forfeitures to employees and directors, in "general and administra lidated Statements of Operations and Comprehensive Income on a straight-line basis over the requisite service period of the awards, see Stock-Based Compensation for addition

Deferred Financing Costs and Original Issuance Premium and/or Discounts for Debt

al costs incurred from placement of our debt are capitalized and amortized on a straight-line basis over the terms of the related borrowin ates the effective interest method. The deferred financing costs are included in "other assets" in our Consolidated Balance Sheets. Origin or discounts reflect the difference between the face amount of the debt issued and the cash proceeds received and are amortized on a stra the term of the related borrowings. All premium and discounts are recorded as an addition to or reduction from debt in our Consolidated ortization of financing costs and original issuance premium or discounts total $7.0 million, $4.5 million and $2.8 million in 2015, 2014 a ctively, and are classified as "interest - amortization of deferred financing costs" in our Consolidated Statements of Operations and Com When financings are terminated, unamortized deferred financing costs and unamortized premium or discounts, as well as charges incurre tion, are recognized as expense or income at the time the termination is made. Gains and losses from the extinguishment of debt are pre "interest-refinancing (costs) gain" in our Consolidated Statements of Operations and Comprehens

Earnings P

nings per common share ("EPS") is computed by dividing net income available to common stockholders by the weighted-average numb f common stock outstanding during the year. Diluted EPS is computed using the treasury stock method, which is net income divided by ghted-average number of common outstanding shares plus the effect of dilutive common equivalent shares during the respective period mon shares reflect the assumed issuance of additional common shares pursuant to certain of our share-based compensation plans, includ restricted stock and performance restricted stock units and the assumed issuance of additional shares related to Omega OP Units held b All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends or dividend equivalents that part ted earnings with common stockholders are considered participating securities that shall be included in the two-class method of comput EPS. The impact of the two class method is immaterial. For additional information, see Note 20 – Earnings

Redeemable Limited Partnership Unitholder Interests and Noncontrolling

April 1, 2015 and after giving effect to the Aviv Merger, the Company owned approximately 138.8 million Omega OP Units and Aviv C
ely 52.9 million Omega OP Units. Each of the Omega OP Units (other than the Omega OP Units owned by Omega) is redeemable at the
a OP Unit holder for cash equal to the then-fair market value of one share of Omega common stock, par value $0.10 per share (“Omega
ubject to the Company’s election to exchange the Omega OP Units tendered for redemption for unregistered shares of Omega Common
for-one basis, subject to adjustment as set forth in the Partnership Agreement. Effective June 30, 2015, the Company (through Merger S
as the general partner of Aviv OP) caused Aviv OP to make a distribution of Omega OP Units held by Aviv OP (or equivalent value) to
(the “Aviv OP Distribution”) in connection with the liquidation of Aviv OP. As a result of the Aviv OP Distribution, Omega directly an
pproximately 95% of the outstanding Omega OP Units, and the other investors own approximately 5% of the outstanding Omega OP U
t of the Aviv OP Distribution, Omega settled approximately 0.2 million units via cash settlement. As of December 31, 2015, Omega dir
wns approximately 95% of the outstanding Omega OP Units, and the other investors own approximately 5% of the outstanding Omega C

Noncontrolling

lling interests is the portion of equity in the Omega OP not attributable to the Company. We present the portion of any equity that we do
ated entities as noncontrolling interests and classify those interests as a component of total equity, separate from total stockholders’ equ
d Balance Sheets. We include net income attributable to the noncontrolling interests in net income in our Consolidated Statements of O
and Comprehensive

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

wnership of a controlled subsidiary increases or decreases, any difference between the aggregate consideration paid to acquire the nonco ts and our noncontrolling interest balance is recorded as a component of equity in additional paid-in capital, so long as we maintain a co ownershi

Foreign O

.S. dollar is the functional currency for our consolidated subsidiaries operating in the United States. The functional currency for our con ies operating in countries other than the United States is the principal currency in which the entity primarily generates and expends cash d subsidiaries whose functional currency is not the U.S. dollar, we translate their financial statements into the U.S. dollar. We translate a at the exchange rate in effect as of the financial statement date. Gains and losses resulting from this translation are included in accumula hensive loss ("AOCL") as a separate component of equity and a proportionate amount of gain or loss is allocated to noncontrolling inter eet items, primarily equity and capital-related accounts, are reflected at the historical exchange rate. Revenue and expense accounts are t using an average exchange rate for th

d certain of our consolidated subsidiaries may have intercompany and third-party debt that is not denominated in the entity's functional en the debt is remeasured against the functional currency of the entity, a gain or loss can result. The resulting adjustment is reflected in operations, unless it is intercompany debt that is deemed to be long-term in nature and then the adjustments are included i

Derivative Ins

our normal course of business, we may use certain types of derivative instruments for the purpose of managing interest rate and currency hedge accounting, derivative instruments used for risk management purposes must effectively reduce the risk exposure that they are de e. In addition, at inception of a qualifying cash flow hedging relationship, the underlying transaction or transactions, must be, and are ex pable of occurring in accordance with the Company's related assertions. The Company recognizes all derivative instruments, including ives required to be bifurcated, as assets or liabilities in the Consolidated Balance Sheets at their fair value. Changes in the fair value of d ts that are not designated in hedging relationships or that do not meet the criteria of hedge accounting are recognized in earnings. For de ated as qualifying cash flow hedging relationships, the change in fair value of the effective portion of the derivatives is recognized in A ate component of equity and a proportionate amount of gain or loss is allocated to noncontrolling interest, whereas the change in fair va effective portion is recognized in earnings. We formally document all relationships between hedging instruments and hedged items, as w anagement objectives and strategy for undertaking various hedge transactions. This process includes designating all derivatives that are

relationship to specific forecasted transactions as well as recognized obligations or assets in the Consolidated Balance Sheets. We also a
nent, both at inception of the hedging relationship and on a quarterly basis thereafter, whether the derivatives are highly effective in offs
ignated risks associated with the respective hedged items. If it is determined that a derivative ceases to be highly effective as a hedge, or
ble the underlying forecasted transaction will not occur, we discontinue hedge accounting prospectively and record the appropriate adju
ased on the current fair value of the derivative. As a matter of policy, we do not use derivatives for trading or speculative purposes. At D
, we had $0.7 million of qualifying cash flow hedges recorded at fair value in accrued expenses and other liabilities on our Consolidated

Related Party Tra

any has a policy which generally requires related party transactions to be approved or ratified by the Audit Committee. As part of our ac
es owning 143 skilled nursing facilities in June 2010, we acquired entities owning skilled nursing facilities with existing leases in place
ties, LLC ("LHCC") a subsidiary of Laurel Healthcare Holdings, Inc. ("Laurel"). A member of the Board of Directors of the Company,
nbers of his immediate family, beneficially owned approximately 34% of the equity of Laurel. Our lease with LHCC generated approxi
llion of rental income in both 2014 and 2013. In connection with the Aviv Merger, we acquired operating leases with LHCC for an add
Together, our leases with LHCC generated approximately $23.0 million of rental income in 2015. In 2016, the Company acquired 10 S
an unrelated third party acquired all of the outstanding equity interests of Laurel, including the interests previously owned by the direct
family as further described within Note 22 –Subseque

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

Reclass

Certain prior year amounts have been reclassified to conform with the current year pres

Recent Accounting Pronou

e Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts w* 014-09"), which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AS that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consi ntity expects to be entitled in exchange for those goods or services." While ASU 2014-09 specifically references contracts with custom certain other transactions such as the sale of real estate or equipment. ASU 2014-09 is effective for the Company beginning January 1, uing to evaluate this guidance; however, we do not expect its adoption to have a significant impact on our consolidated financial statem substantial portion of our revenue consists of rental income from leasing arrangements, which are specifically excluded from ASU

uary 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis* ("ASU 2015-02"), which makes certain changes able interest model and the voting model, including changes to (1) the identification of variable interests (fees paid to a decision maker o ider), (2) the variable interest entity characteristics for a limited partnership or similar entity and (3) the primary beneficiary determinat is effective for the Company beginning January 1, 2016. We are continuing to evaluate this guidance; however, we do not expect its ad have a significant impact on our consolidated financial st

15, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires that debt iss a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consis counts. The recognition and measurement guidance for debt issuance costs are not affected. Upon adoption, we will apply the new guid spective basis and adjust the balance sheet of each individual period presented to reflect the period-specific effects of applying the new g ly, since ASU 2015-03 did not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangem ed ASU 2015-15, *Interest—Imputation of Interest* ("ASU 2015-15") in August 2015. Under ASU 2015-15, an entity may present debt i d to a line-of-credit arrangement as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line gement. This guidance is effective for the Company beginning January 1, 2016. We are continuing to evaluate this guidance; however, v expect its adoption to have a significant impact on our consolidated financial st

st 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"), which eli
ent that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will re
ement-period adjustment during the period in which it determines the amount of the adjustment. The acquirer must still disclose the am
s for adjustments to provisional amounts and the amount of the adjustment reflected in the current-period income statement that would h
gnized in previous periods if the adjustment to provisional amounts had been recognized as of the acquisition date. We adopted ASU 2
December 2015, and disclosed the impact of measurement-period adjustments resulting from a business combination in Note 3 –

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 3 - PROP

Leased

eased real estate properties, represented by 782 SNFs, 85 ALFs, 16 specialty facilities and one medical office building at December 31,
der provisions of single leases and master leases with initial terms typically ranging from 5 to 15 years, plus renewal options. Substanti
ases and master leases provide for minimum annual rentals that are typically subject to annual increases. Under the terms of the leases, t
is responsible for all maintenance, repairs, taxes and insurance on the leased p

A summary of our investment in leased real estate properties is as

	December 31,	
	2015	2014
	(in thousands)	
Buildings	$5,514,820	$2,745,872
Site improvements and equipment	558,222	227,411
Land	670,916	250,502
	6,743,958	3,223,785
Less accumulated depreciation	(1,019,150)	(821,712)
Total	$5,724,808	$2,402,073

ber 31, 2015, we have approximately $194.3 million of projects currently under development which includes $3.7 million of capitalized

The future minimum estimated contractual rents due for the remainder of the initial terms of the leases are as follows at December

	(in thousands)
2016	$ 628,906

2017	638,232
2018	619,251
2019	592,657
2020	600,652
Thereafter	3,198,157
Total	$ 6,277,855

ing tables summarize the significant transactions that occurred from 2013 to 2015. The 2015 table excludes the acquisition of Care Hon
United Kingdom and the Aviv Merger in the second quarter of 2015, which are discussed separate

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

2015 Acquisitions a

	Number of Facilities			Number of Operating	**Total**		Land	Building & Site Improvements	Furniture & Fixtures
Period	SNF	ALF	State	**Beds**	Investment		**(in millions)**		
Q1	1	-	TX	93	$ 6.8		$0.1	$ 6.1	$ 0.6
Q3	6	-	NE	530	15.0		1.4	12.1	1.5
Q3	1	2	WA	136	18.0		2.2	14.9	0.9
Q3	-	2	GA	125	10.8		1.2	9.0	0.6
Q3	1	-	VA	300	28.5	**(1)**	1.9	24.2	2.4
Q3	2	-	FL	260	32.0	**(4)**	1.4	29.0	1.6
Q3	-	-	NY	-	111.7	**(2)(3)**	111.7	-	-
Q4	1	-	AZ	6	0.6	**(3)**	0.3	0.3	-
Q4	1	-	TX	92	5.3		1.8	3.0	0.5
Total	13	4		1,542	$ 228.7		$122.0	$ 98.6	$ 8.1

(1) In July 2015, we leased the facility to a new operator with an initial lease term of 10 years.
24, 2015, we purchased five buildings located in New York City, New York for approximately $111.7 million. We and our operator pla a 201,000 square-foot assisted living and memory care facility. The properties were added to the operator's existing master lease. The for a 5% annual cash yield on the land during the construction phase. Upon issuance of a certification of occupancy, the annual cash yie o 7% in year one and 8% in year two with annual 2.5% annual escalators thereafter.
(3) Accounted for as an asset acquisition.
pany estimated the fair value of the assets acquired on the acquisition date based on certain valuation analyses that have yet to be finaliz gly, the assets acquired, as detailed, are subject to adjustment one the analyses are completed.

ended December 31, 2015, we recognized revenue attributable to the aforementioned acquisitions of approximately $4.9 million and ne utable to the acquisitions of approximately $2.3 million. Acquisition costs related to the above were expensed as period costs. For the ye December 31, 2015, we expensed $2.2 million of acquisition related costs. No goodwill was recorded in connection with these acq

Acquisition of Care Homes in the United

May 1, 2015, we closed on a purchase/leaseback Care Homes Transaction (the “Care Homes Transaction”) for 23 care homes located in
and operated by Healthcare Homes Holding Limited (“Healthcare Homes”). As part of the transaction, we acquired title to the 23 care
stered beds and leased them back to Healthcare Homes pursuant to a 12-year master lease agreement with an initial annual cash yield of
l escalators of 2.5%. The care homes, comparable to assisted living facilities (“ALFs”) in the United States, are located throughout the
orth of London) of the United Kingdom. Healthcare Homes is headquartered in Colchester (Essex County), England. We recorded appro
3.8 million of assets consisting of land ($20.7 million), building and site improvements ($152.1 million), furniture and fixtures ($5.3 mil
goodwill ($15.7

e incurred approximately $3.2 million in acquisition related costs associated with the Care Homes Transaction. For the year ended Dece
2015, we recognized approximately $9.5 million of rental revenue in connection with the Care Homes Tra

Avi

1, 2015, Omega completed the Aviv Merger, which was structured as a stock-for-stock merger. Under the terms of the Merger Agreem
ng share of Aviv common stock was converted into 0.90 of a share of Omega common stock. In connection with the Aviv Merger, Ome
oximately 43.7 million shares of common stock to former Aviv stockholders. As a result of the Aviv Merger, Omega acquired 342 facil
ubject to direct financing leases, one medical office building, two mortgages and other investments. The facilities are located in 31 state
d by 38 third-party operators. Omega also assumed certain outstanding equity awards and other debt and liabilities. Based on the closing
common stock on April, 1, 2015, we estimate the fair value of the consideration exchanged or assumed to be approximately $3.9 billion
air values of Aviv’s assets acquired and liabilities assumed on the Aviv Merger date are determined based on certain valuations and ana
as not yet finalized its analysis of the fair value of acquired land and buildings and intangible assets and liabilities. As such the amounts
below for those items are subject to further adjustment. Any change may have an impact on the reported

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

The following table highlights the preliminary fair value of the assets acquired and liabilities assumed on Apri

	(in thousands)
Estimated fair value of assets acquired:	
Land and buildings	$ 3,108,078
Investment in direct financing leases	26,823
Mortgages notes receivable	19,246
Other investments	23,619
Total investments	3,177,766
Goodwill	630,404
Accounts receivables and other assets	15,500
Cash acquired	84,858
Fair value of total assets acquired	$ 3,908,528
Estimated fair value of liabilities assumed:	
Accrued expenses and other liabilities	$ 221,631
Debt	1,410,637
Fair value of total liabilities assumed	1,632,268
Value of shares and OP units exchanged[(a)]	2,276,260
Fair value of consideration	$ 3,908,528

(a) Includes the fair value of stock compensation plans as

ve incurred approximately $52.1 million in acquisition related costs associated with the Aviv Merger. For the year ended December 31, recognized approximately $188.4 million of total revenue in connection with the Aviv

within accrued expenses and other liabilities is a $67.3 million contingent liability related to a leasing arrangement with an operator assu result of the Aviv

fourth quarter of 2015, we adjusted the preliminary fair value of the in place lease assets and liabilities that we provisionally recognized connection with the Aviv Merger. We increased the fair value of the in place lease assets and in place lease liabilities to $8.2 million ar

spectively which resulted in a $79.0 million net increase in goodwill (see Note 8 – Intangibles). The change to the provisional amounts
an $8.2 million increase in rental income, of which $2.7 million relates to the second and third quarters of 2015, resp

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

2014 Acquisitions a

Period	Number of Facilities SNF	ALF	State	Number of Operating Beds	Total Investment	Land (in millions)	Building & Site Improvements	Furniture & Fixtures
Q1	-	1	AZ	90	$ 4.7	$0.4	$ 3.9	$ 0.4
Q2/Q3	3	-	GA, SC	345	34.6	0.9	32.1	1.6
Q3	1	-	TX	125	8.2	0.4	7.4	0.4
Q4	-	4	PA,OR,AR	371	84.2	5.1	76.7	2.4
	4	5		931	$ 131.7	$6.8	$ 120.1	$ 4.8

ar ended December 31, 2014, we recognized revenue attributable to the acquisitions of approximately $3.2 million and net income attrib acquisitions of approximately $1.2 million. Acquisition costs related to the above transactions were expensed as period costs. For the ye December 31, 2014, we expensed $3.9 million of acquisition rela

Transition of Two West Virginia Facilities to a New

2014, we transitioned two West Virginia SNFs that we previously leased to Diversicare Healthcare Services ("Diversicare" and formerl) to a new unrelated third party operator. The two facilities represent 150 operating beds. We amended our Diversicare master lease to r f the two facilities to the new operator and for the year ended December 31, 2014 recorded a $0.8 million provision for uncollectible stra s receivable. Simultaneous with the Diversicare master lease amendment, we entered into a 12-year master lease with a new third party

2013 Acquisitions a

Number of Facilities	Number of Operating	Total	Land	Building & Site Improvements	Furniture & Fixtures

Period	SNF	ALF	State	**Beds**	Investment		**(in millions)**		
Q4	-	1	FL	97	$ 10.3		$0.6	$ 9.0	$ 0.7
Q4	4	-	IN	384	25.2	**(1)**	0.7	21.8	2.7
Total	4	1		481	$ 35.5		$1.3	$ 30.8	$ 3.4

ber 31, 2013, we recorded approximately $3.0 million to below market leases as a result of the transaction for a total investment of $25.

sition costs related to the above transactions were expensed as a period cost. For the year ended December 31, 2013, we expensed $0.2 r
acquisition rela

Transition of 11 Arkansas Facilities to a New

August 30, 2013, we transitioned 11 SNFs located in Arkansas that we previously leased to Diversicare Healthcare Services to a new th
The 11 facilities represent 1,084 operating beds. We amended our Diversicare master lease to provide for reduced rent to reflect the tra
the 11 facilities to the new operator, and recorded a $2.3 million provision for uncollectible straight-line rent receivable. Simultaneously
nt to the Diversicare master lease, we entered into a new master lease with the new third party operator of the 11 facilities. The new ma
expires on August 31, 2023 and includes fixed annual rent e

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

Pro Forma Acquisitio

ities acquired in 2015 and 2014 are included in our results of operations from the dates of acquisition. The following unaudited pro forr e impact of the acquisitions as if they occurred on January 1, 2014. In the opinion of management, all significant necessary adjustments the effect of the acquisitions have been made. The following pro forma information is not indicative of future op

	Pro Forma Year Ended December 31,	
	2015	2014
	(in thousands, except per share amounts, unaudited)	
Pro forma revenues	$ 817,642	$ 789,270
Pro forma net income	$ 258,927	$ 318,271
Earnings per share – diluted:		
Net income – as reported	$ 1.29	$ 1.74
Net income – pro forma	$ 1.33	$ 1.74

Asset Sales, Impairments a

sold seven SNFs (four previously held-for-sale) for total cash proceeds of approximately $41.5 million, generating a gain of approxima We also recorded a total of $17.7 million provision for impairment related to six SNFs to reduce their net book value to their estimated sell. To estimate the fair value of these facilities we utilized a market approach and Level 3 inputs. Two of the facilities are reclassified held

e sold four SNFs (three previously held-for-sale) and a parcel of land for total cash proceeds of $4.1 million, resulting in a $2.9 million two SNFs and recorded a $3.7 million provision for impairment related to these facilities. To estimate the fair value of these facilities w a market approach and Level 3 inputs. See Note 7 – Assets Held For Sale for mo

In 2013, we sold one SNF and a parcel of land for total cash proceeds of $2.3 million resulting in a $1.2 mil

NOTE 4 – DIRECT FINANCING

The components of investment in direct financing leases consist of the f

	December 31,	
	2015	2014
	(in thousands)	
Minimum lease payments receivable	$4,320,876	$4,244,067
Less unearned income	(3,733,175)	(3,704,835)
Investment in direct financing leases - net	$587,701	$539,232
Properties subject to direct financing leases	59	56

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

nber 31, 2015 and 2014 we had seven direct financing leases with four different operators. The following table summarizes the investm
direct financing leases by

	December 31,	
	2015	2014
	(in thousands)	
New Ark	$560,308	$539,232
Reliance Health Care Management, Inc.	15,509	-
Sun Mar Healthcare	11,381	-
Markleysburg Healthcare Investors, LP	503	-
Investment in direct financing leases - net	$587,701	$539,232

New Ark Invest

nber 27, 2013, we closed an aggregate $529 million purchase/leaseback transaction in connection with the acquisition of Ark Holding C
Ark Holding") by 4 West Holdings Inc. At closing, we acquired 55 SNFs and 1 ALF operated by Ark Holding and leased the facilities
now known as New Ark Investment Inc. ("New Ark"), pursuant to four 50-year master leases with rental payments yielding 10.6% per
the term of the leases. The purchase/leaseback transaction is being accounted for as a direct financ

ease agreements allow the tenant the right to purchase the facilities for a bargain purchase price plus closing costs at the end of the lease
ommencing in the 41st year of each lease, the tenant will have the right to prepay the remainder of its obligations thereunder for an amo
f the unamortized portion of the original aggregate $529 million investment plus the net present value of the remaining payments under
and closing costs. In the event the tenant exercises either of these options, we have the right to purchase the properties for fair value at

ities represent 5,623 licensed beds located in 12 states, predominantly in the southeastern United States. The 56 facilities are separated
d divided amongst four cross-defaulted master leases. The four regions include the Southeast (39 facilities), the Northwest (7 facilities),
facilities) and Indiana (1

y, in June and July of 2014, we purchased three facilities and subsequently leased them to New Ark under a twelve-year master lease ex
2026. The 2014 three facility lease is being accounted for as an operat

Avi

On April 1, 2015, we acquired two additional direct financing leases as a result of the Avi

As of December 31, 2015, the following minimum rents are due under our direct financing leases for the next five years (in th

Year 1	Year 2	Year 3	Year 4	Year 5
$50,141	$50,647	$51,905	$53,180	$54,475

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 5 - MORTGAGE NOTES RECE

ecember 31, 2015, mortgage notes receivable relate to 26 fixed rate mortgages on 58 long-term care facilities. The mortgage notes are se
rtgage liens on the borrowers' underlying real estate and personal property. The mortgage notes receivable relate to facilities located in t
ated by eight independent healthcare operating companies. We monitor compliance with mortgages and when necessary have initiated c
foreclosure and other proceedings with respect to certain outstandi

The outstanding principal amounts of mortgage notes receivable, net of allowances, were as

	December 31	
	2015	2
	(in thousands	
Mortgage note due 2023; interest at 11.00%	$69,928	$
Mortgage note due 2024; interest at 9.64%	112,500	
Mortgage note due 2029; interest at 9.23%	413,399	
Other mortgage notes outstanding [(1)]	83,968	
Mortgage notes receivable, gross	679,795	
Allowance for loss on mortgage notes receivable	—	
Total mortgages — net	$679,795	$

Other mortgage notes outstanding have stated interest rates ranging from 8.35% to 12.0% and maturity dates through 2046.

Mortgage Note

9.9 million mortgage note is secured by seven facilities located in Maryland. The interest rate will accrue at a fixed rate of 11% per yea
April 2018. After April 2018, the interest rate will increase to 13.75% per year. The mortgage note matures in Decem

$112.5 Million of Mortgage Note

17, 2014, we entered into a $112.5 million first mortgage loan with an existing operator. The loan is secured by 7 SNFs and 2 ALFs tot
erating beds located in Pennsylvania (7) and Ohio (2). The loan is cross-defaulted and cross-collateralized with our existing master lease

$415 Million of Refinancing/Consolidating Mortgage Loans

, 2014, we entered into an agreement to refinance/consolidate $117 million in existing mortgages with maturity dates ranging from 202
ties into one mortgage and simultaneously provide mortgage financing for an additional 14 facilities. The new $415 million mortgage m
secured by 31 facilities totaling 3,430 licensed beds all located in the state of Michigan. The new loan bore an initial annual cash intere
9.0% and increases by 0.225% per year (e.g., beginning in year 2 the interest rate will be 9.225%, in year 3 the rate will be 9.4

existing mortgages that was refinanced/consolidated into the new $415 million mortgage included annual interest rate escalators and req
e to pay a prepayment penalty in the event the mortgage was retired early which resulted in us recording an effective yield interest rece
with the refinancing/consolidating transaction which was entered into at market terms, the old mortgage was considered to be retired ea
fications made to the terms of the mortgage were more than minor. As of the date of the refinancing/consolidation transaction, the effec
receivable was approximately $2.0 million. We forgave the prepayment penalty associated with the retired mortgage and recorded a $2.
provision to write-off the effective yield interest receivable related to the retired r

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 6 - OTHER INVEST

A summary of our other investments is as

	December 2015 (in thousan
Other investment note due 2015; interest at 10.00%	$—
Other investment note due 2020; interest at 10.00%	23,000
Other investment note due 2023; interest at 9.00%	5,470
Other investment note due 2030; interest at 6.66%	26,966
Other investment notes outstanding [(1)]	36,823
Other investments, gross	92,259
Allowance for loss on other investments	(2,960)
Total other investments	$ 89,299

(1) Other investment notes have maturity dates through 2027 and interest rates ranging from 6.50% to 12.0%.

Other Investment Note

mber 2015, we amended our five year $28.0 million loan agreement with an existing operator. The amendment permits the operator to r under the original loan agreement. Omega funded $6.0 million to the operator in December 2015. The loan bears interest at 10% per ar the maturity date was extended from 2017 to 2020. As of December 31, 2015, approximately $23.0 million remains out

Other Investment Note

0, 2015, we entered into a $50.0 million revolving credit facility with an operator. The note bears interest at approximately 6.66% and m 2030. As of December 31, 2015, approximately $27.0 million has been drawn and remains out

NOTE 7 – ASSETS HELD F

	Properties Held-F		
	Number of Properties	**Net Book (in thous**	
December 31, 2013 (1)	4	$	1,356
Properties sold (2)	(3)		(686
Properties added	3		12,122
December 31, 2014 (1)	4	$	12,792
Properties sold/other (3)	(5)		(16,87
Properties added (4)	4		10,684
December 31, 2015 (5)	3	$	6,599

(1) Includes one parcel of land and three fa

(2) In 2014, we sold these facilities for approximately $2.8 million in net proceeds recognizing a gain on sale of approximately $2.0 mil
ne parcel of land was reclassified to closed facilities. In addition, we sold four facilities for approximately $25.5 million in net proceeds
g a gain on sale of approximately $8.8 million.
e recorded a $3.0 million impairment charge on a SNF in New Mexico to reduce its net book value to its estimated fair value less costs

(5) Includes three f

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 8 – INTA

The following is a summary of our intangibles as of December 31, 2015 a

	December 31,	
	2015	2014
	(in thousands)	
Assets:		
Goodwill	$645,683	$—
Above market lease intangibles	$21,901	14,576
In-place lease intangibles	386	—
Accumulated amortization	(14,162)	(12,166)
Net intangible assets	$8,125	$2,410
Liabilities:		
Below market lease intangibles	$165,331	$59,785
Accumulated amortization	(55,131)	(39,352)
Net intangible liabilities	$110,200	$20,433

will was recorded in connection with the Aviv Merger and Care Homes Transaction and is shown as a separate line on our Consolidated . Above market lease intangibles and in-place lease intangibles, net of accumulated amortization, are included in other assets on our Con heets. Below market lease intangibles are included in accrued expenses and other liabilities on our Consolidated Balance Sheets. As dis Note 3 – Properties, the amounts presented above are subject to further adjustment upon completion of purchase accounting for the Av

the years ended December 31, 2015, 2014 and 2013, our net amortization related to intangibles was $13.9 million, $5.0 million and $5. . The estimated net amortization related to these intangibles for the subsequent five years is as follows: 2016 – $16.1 million; 2017 – $1 – $13.1 million; 2019 – $12.0 million and 2020 - $11.7 million. As of December 31, 2015 the weighted average remaining amortization place lease assets and in place lease liabilities is 5.6 years and 8.2 years, resp

The following is a reconciliation of our goodwill as of December

	(in tho
Balance as of December 31, 2014	$ —
Balance as of March 31, 2015	—
Add: Aviv Merger	526,
Add: acquisition of Care Homes	15,7
Add: foreign currency translation	585
Balance as of June 30, 2015	543,
Add: additional valuation adjustments related to preliminary valuations (see Note 3 – Aviv Merger)	12,2
Less: foreign currency translation	(605
Balance as of September 30, 2015	554,
Add: additional valuation adjustments related to preliminary valuations (see Note 3 – Aviv Merger)	91,3
Add: additional valuation adjustments related to preliminary valuations (see Note 3 – Care Homes acquisition)	5
Less: foreign currency translation	(407
Balance as of December 31, 2015	$ 645,

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 9 - CONCENTRATION O

mber 31, 2015, our portfolio of real estate investments consisted of 949 healthcare facilities, located in 42 states and the United Kingdon
perated by 83 third party operators. Our gross investment in these facilities, net of impairments and before reserve for uncollectible loan
ely $8.0 billion at December 31, 2015, with approximately 99% of our real estate investments related to long-term care facilities. Our po
of 782 SNFs, 85 ALFs, 16 specialty facilities, one medical office building, fixed rate mortgages on 56 SNFs and two ALFs, and seven S
ed/held-for-sale. At December 31, 2015, we also held miscellaneous investments of approximately $89.3 million, consisting primarily o
loans to third-party operators of our

er 31, 2015, the three states in which we had our highest concentration of investments were Ohio (10%), Texas (9%) and Florida (9%).
operator or manager generated more than 8% of our total revenues for the year ended December

NOTE 10 - LEASE AND MORTGAGE DE

n liquidity deposits, security deposits and letters of credit from most operators pursuant to our lease and mortgage agreements with the o
se generally represent the rental and mortgage interest for periods ranging from three to six months with respect to certain of our investr
1, 2015, we held $5.8 million in liquidity deposits, $50.6 million in security deposits and $68.7 million in letters of credit. The liquidity
eposits and the letters of credit may be used in the event of lease and or loan defaults, subject to applicable limitations under bankruptcy
o operators filing under Chapter 11 of the United States Bankruptcy Code. Liquidity deposits are recorded as restricted cash on our Con
heets with the offset recorded as a liability in accrued expenses and other liabilities on our Consolidated Balance Sheets. Security deposi
ceived from the operator are recorded in accrued expenses and other liabilities on our Consolidated Balance Sheets. Additional security
ge interest revenue from operators is provided by covenants regarding minimum working capital and net worth, liens on accounts recei
other operating assets of the operators, provisions for cross default, provisions for cross-collateralization and by corporate or personal gu

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 11 - BORROWING ARRANGE

The following is a summary of our long-term bo

	Maturity	**Rate as of December 31,** 2015		December 31, 2015	201
				(in thousands)	
Secured borrowings:					
GE term loan	2019	4.00	%	$180,000	$—
HUD mortgages assumed June 2010	—	—		—	12
HUD mortgages assumed October 2011	—	—		—	24
HUD mortgages assumed December 2011[1]	2044	3.06	%	56,204	57
HUD mortgages assumed December 2012	—	—		—	35
				236,204	23
Premium – net				—	13
Total secured borrowings				236,204	25
Unsecured borrowings:					
Revolving line of credit	2018	1.72	%	230,000	85
Tranche A-1 term loan	2019	1.92	%	200,000	20
Tranche A-2 term loan	2017	1.77	%	200,000	—
Omega OP term loan	2017	1.77	%	100,000	—
2015 term loan	2022	2.14	%	250,000	—
				980,000	28
2020 notes	—	—		—	20
2022 notes	—	—		—	57
2024 notes	2024	5.875	%	400,000	40
2024 notes	2024	4.95	%	400,000	40
2025 notes	2025	4.50	%	250,000	25
2026 notes	2026	5.25	%	600,000	—
2027 notes	2027	4.50	%	700,000	—
Subordinated debt	2021	9.00	%	20,000	20
				2,370,000	1,

Discount - net	(17,118)	(2
Total unsecured borrowings	3,332,882	2,
Total – net	$3,569,086	$2,

Reflects the weighted average annual contractual interest rate on the mortgages at December 31, 2015 excluding a third-party administ
fee of approximately 0.5%. Secured by real estate assets with a net carrying value of $95.4 million.

Secured Bo

General Electric T

2015, as a result of the Aviv Merger, we assumed a $180 million secured term loan with General Electric Capital Corporation (“GE”).
real estate assets having a net carrying value of $295.5 million at December 31, 2015. On each payment date, we pay interest only (in ar
ding principal balance until February 1, 2017 when principal and interest will be paid in arrears based on a thirty year amortization sche
ate is based on LIBOR, with a floor of 50 basis points, plus a margin of 350 basis points. The interest rate at December 31, 2015 was 4.
initial term expires in December 2019 with the full balance of the loan due at

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

HUD Mortgages Loa

December 31, 2015, we paid approximately $25.1 million to retire two mortgage loans guaranteed by the U.S. Department of Housing a nt ("HUD"). The loans were assumed as part of an acquisition in a prior year, and had a blended interest rate of 5.5% per annum with m d April 1, 2036. The payoff resulted in a $0.9 million gain on the extinguishment of the debt due to the write-off of the $2.1 million una fair value adjustment recorded at the time of acquisition offset by a prepayment fee of approximately $1.

, 2015, we paid approximately $9.1 million to retire one mortgage loan guaranteed by HUD. The loan was assumed as part of an acquis and had an interest rate of 4.35% per annum with maturity on March 1, 2041. The payoff resulted in a $1.0 million gain on the extinguis e debt due to the write-off of the $1.5 million unamortized fair value adjustment recorded at the time of acquisition offset by a prepaym approximately $0.

1, 2015, we paid approximately $154.3 million to retire 21 mortgage loans guaranteed by HUD, totaling approximately $146.9 million. blended interest rate of 5.35% per annum with maturities between January 2040 and January 2045 and three loans had an all-in blende % per annum with maturities between February 2040 and February 2045. The payoff resulted in a $2.3 million gain on the extinguishm the write-off of the $9.7 million unamortized debt premium recorded at the time of acquisition offset by a prepayment fee of approxima

Unsecured Bo

Unsecured Credi

e 27, 2014, we entered into a credit agreement (as amended, the "2014 Credit Agreement") providing us with $1.2 billion unsecured cre ed of a $1 billion senior unsecured revolving credit facility (the "Revolving Credit Facility") and a $200 million senior unsecured term Loan Facility" or "Tranche A-1 Term Loan Facility," and, collectively, the "2014 Credit Facilities"). The 2014 Credit Facilities replace previous $700 million senior unsecured credit facility (the "2012 Credi

l 1, 2015, we entered into a First Amendment to Credit Agreement (the "First Amendment to Omega Credit Agreement") which amend
cilities. Under the First Amendment to Omega Credit Agreement, the Company (i) increased the aggregate revolving commitment amo
he Revolving Credit Facility from $1 billion to $1.25 billion and (ii) obtained a $200 million senior unsecured incremental term loan fac
"Acquisition Term Loan Facility" or "Tranche A-2 Term Lo

s under the Revolving Credit Facility bear interest at LIBOR plus an applicable percentage (beginning at 130 basis points, with a range o
points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings, plus a facility fee based on the same ratings (initial
a range of 12.5 to 30 basis points). The Revolving Credit Facility is used for acquisitions and general corporate purposes. The Revolvi
Facility matures on June 27, 2018, subject to a one-time option by us to extend such maturity date by

he A-1 Term Loan Facility bears interest at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to
nts) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The Tranche A-1 Term Loan Facility matures on Jun

he A-2 Term Loan Facility bears interest at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to
sed on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The Tranche A-2 Term Loan Facility matures on June 27, 20
s option to extend the maturity date of the Tranche A-2 Term Loan Facility twice, the first extension until June 27, 2018 and the second
until June

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

Omega OP Term Loa

2015, Omega OP entered into a credit agreement (the "Omega OP Credit Agreement") providing it with a $100 million senior unsecure he "Omega OP Term Loan Facility"). The Omega OP Term Loan Facility bears interest at LIBOR plus an applicable percentage (begin , with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The Omega OP natures on June 27, 2017, subject to Omega OP's option to extend such maturity date twice, the first extension until June 27, 2018 and t extension until June

$250 Million Term Loa

ember 16, 2015, we entered into a $250 million senior unsecured term loan facility (the "2015 Term Loan Facility"). The 2015 Term Lo nterest at LIBOR plus an applicable percentage (beginning at 180 basis points, with a range of 140 to 235 basis points) based on our rati rd & Poor's, Moody's and/or Fitch Ratings. The 2015 Term Loan Facility may be increased to an aggregate amount of $400 million. W s from this loan to repay existing indebtedness and for general corporate purposes. The 2015 Term Loan Facility matures on December

As a result of exposure to interest rate movements associated with the 2015 Term Loan Facility, on December 16, 2015, we entered int rd-starting interest rate swap arrangements, which effectively converted $250 million of our variable-rate debt based on one-month LIB fixed rate of approximately 3.8005% effective December 30, 2016. The effective fixed rate achieved by the combination of the 2015 Te nd the interest rate swaps could vary up by 55 basis points or down by 40 basis points based on future changes to our credit ratings. Each s on December 30, 2016 and matures on December 15, 2022. On the date of inception, we designated the interest rate swaps as cash flo ance with accounting guidance for derivatives and hedges and linked the interest rate swaps to the 2015 Term Loan Facility. Because th he interest rate swaps and 2015 Term Loan Facility coincide, the hedges are expected to exactly offset changes in expected cash flows a ctuations in 1-month LIBOR over the term of the hedges. The purpose of entering into the swaps was to reduce our exposure to future ch erest rates. The interest rate swaps settle on a monthly basis when interest payments are made. These settlements will occur through the 2015 Term Loan Facility. The interest rate for the 2015 Term Loan Facility is not hedged for the portion of the term prior to December

$575 Million 6.75% Senior Notes due 2022 Re

per 26, 2015, we redeemed all of our outstanding 6.75% Senior Notes due 2022 (the "2022 Notes"). As a result of the redemption, durin
015, we recorded approximately $21.3 million in redemption related costs and write-offs, including $19.4 million for the early redempti
premiums and $1.9 million in net write-offs associated with unamortized deferred financing costs and original issuance premiums/d

$600 Million 5.25% Senior Notes

ember 23, 2015, we sold $600 million aggregate principal amount of our 5.250% Senior Notes due 2026 (the "2026 Notes"). The 2026
n issue price of 99.717% of their face value before the initial purchasers' discount. Our total net proceeds from the offering, after deduct
s' discounts and other offering expenses, were approximately $594.4 million. The net proceeds of the offering were used to repay our ou
n aggregate principal amount 6.75% Senior Notes due 2022 and for general corporate purposes. The 2026 Notes mature on January 15,
pay interest semi-annually on January 15th and

cember 31, 2015, our subsidiaries that are not guarantors of our 5.25% Senior Notes due 2026 accounted for approximately $598.6 milli
tot

$700 Million 4.5% Senior Notes

8, 2015, we sold $700 million aggregate principal amount of our 4.5% Senior Notes due 2027 (the "2027 Notes"). The 2027 Notes wer
e of 98.546% of their face value before the initial purchasers' discount. Our total net proceeds from the offering, after deducting initial p
counts and other offering expenses, were approximately $683 million. The net proceeds of the offering were used for general corporate
luding the repayment of Aviv indebtedness on April 1, 2015 in connection with the Aviv Merger, and repayment of future maturities on
outstanding debt. The 2027 Notes mature on April 1, 2027 and pay interest semi-annually on April 1st and Oc

ecember 31, 2015, our subsidiaries that are not guarantors of our 4.5% Senior Notes due 2027 accounted for approximately $598.6 milli
tot

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

$200 Million 7.5% Senior Notes due 2020 Re

On March 13, 2015, Omega redeemed all of its outstanding $200 million 7.5% Senior Notes due 2020 (the "2020 Notes") at a redempt
ely $208.7 million, consisting of 103.750% of the principal amount, plus accrued and unpaid interest on such notes to, but not including
of rec

ion with the redemption, we recorded approximately $11.7 million redemption related costs and write-offs, including $7.5 million in pre
for early redemption and $4.2 million of write-offs associated with unamortized deferred financing costs and discount. The consideratio
on of the 2020 Notes was funded from the net proceeds of the 10.925 million share common stock offering. See Note 15 – Stockholders
additiona

$250 Million 4.5% Senior Notes

nber 11, 2014, we sold $250 million aggregate principal amount of our 4.5% Senior Notes due 2025 (the "2025 Notes"). The 2025 Note
price of 99.131% of their face value before the initial purchasers' discount resulting in gross proceeds of approximately $247.8 million.
Notes mature on January 15, 2025 and pay interest semi-annually on January 15 and July 15 of e

of December 31, 2015, our subsidiaries that are not guarantors of the 2025 Notes accounted for approximately $598.6 million of our to

$400 Million 4.95% Senior Notes

h 11, 2014, we sold $400 million aggregate principal amount of our 4.95% Senior Notes due 2024 (the "2024 Notes"). These notes wer
e price of 98.58% of the principal amount of the notes, before the initial purchasers' discount resulting in gross proceeds of approximate
million. The 2024 Notes mature on April 1, 2024 and pay interest semi-annually on April 1 and October 1 of e

of December 31, 2015, our subsidiaries that are not guarantors of the 2024 Notes accounted for approximately $598.6 million of our tot

$400 Million 5.875% Senior Notes

19, 2012, we issued $400 million aggregate principal amount of our 5.875% Senior Notes due 2024. These notes mature on March 15,
pay interest semi-annually on March 15 and September 15 of e

s of December 31, 2015, our subsidiaries that are not guarantors of the $400 million 5.875% Senior Notes due 2024 accounted for appro
$598.6 million of our to

Other Debt Re

ion with the Aviv Merger on April 1, 2015, we assumed notes payable with a face amount of $650 million and a revolving credit facilit
g balance of $525 million. In connection with the Aviv Merger, we repaid this debt assumed from Aviv on April 1, 2015. Due to the co
uirements for early repayments; the Company paid approximately $705.6 million to retire the $650 million notes assumed. The amount
connection with the revolving credit facility was $52

of our other secured and unsecured borrowings are subject to customary affirmative and negative covenants, including financial covenan
ember 31, 2015 and 2014, we were in compliance with all affirmative and negative covenants, including financial covenants, for our sec
unsecured bo

e required principal payments, excluding the premium or discount on our secured and unsecured borrowings, for each of the five years f
December 31, 2015 and the aggregate due thereafter are set for

	(in thousands)
2016	$ 1,249
2017	301,288
2018	231,328
2019	381,370
2020	1,412
Thereafter	2,669,557

Totals	$ 3,586,204

The following summarizes the refinancing rela

	Year Ended Decemb		
	2015	2014	2
	(in thousands)		
Write off of deferred financing cost and unamortized premiums due to refinancing [1] [2][3]	$(7,134)	$1,180	$
Prepayment and other costs associated with refinancing [4]	35,971	1,861	
Total debt extinguishment costs (gain)	$28,837	$3,041	$

we recorded: (a) $4.2 million of write-offs of unamortized deferred financing costs and discount associated with the early redemption o
es, (b) $1.9 million in net write-offs associated with unamortized deferred financing costs and original issuance premiums/discounts as
early redemption of our 2022 Notes, offset by (c) $13.2 million gain related to the early extinguishment of debt from the write off of
zed premium on the HUD debt paid off in March, April and December 2015.
we recorded: (a) $2.6 million write-off of deferred financing costs associated with the termination of the 2012 Credit Facilities, (b) $2.0
of deferred financing costs associated with the termination of our 2013 Term Loan Facility offset by (c) $3.5 million gain related to the
hment of debt from the write off of unamortized premium on the HUD debt paid off in September and December 2014.

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

we recorded an $11.3 million interest refinancing gain associated with the write-off of the unamortized premium for debt assumed on 1
loans that we paid off in May 2013.

we made: (a) $7.5 million of prepayment penalties associated with the early redemption of our 2020 Notes, (b) $19.4 million of prepayn
associated with the early redemption of our 2022 Notes and (c) $9.1 million of prepayment penalties associated with 24 HUD mortgage
aid off in March, April and December 2015. In 2014, we made prepayment penalties of $1.9 million associated with five HUD mortgag
aid off in September and October 2014. In 2013, we made prepayment penalties of $0.2 million associated with 11 HUD mortgage loan
n May 2013.

NOTE 12 - FINANCIAL INSTRU

At December 31, 2015 and 2014, the carrying amounts and fair values of our financial instruments were as

	2015		2014	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fai Va**
	(in thousands)			
Assets:				
Cash and cash equivalents	$5,424	$5,424	$4,489	$4,
Restricted cash	14,607	14,607	29,076	29
Investments in direct financing leases – net	587,701	584,358	539,232	53
Mortgage notes receivable – net	679,795	687,130	648,079	64
Other investments – net	89,299	90,745	48,952	49
Totals	$1,376,826	$1,382,264	$1,269,828	$1,
Liabilities:				
Revolving line of credit	$230,000	$230,000	$85,000	$85
Tranche A-1 term loan	200,000	200,000	200,000	20
Tranche A-2 term loan	200,000	200,000	—	—
Omega OP term loan	100,000	100,000	—	—
2015 term loan	250,000	250,000	—	—
7.50% notes due 2020 – net	—	—	198,235	20
6.75% notes due 2022 – net	—	—	580,410	67
5.875% notes due 2024 – net	400,000	429,956	400,000	44
4.95% notes due 2024 – net	395,333	403,064	394,768	41

4.50% notes due 2025 – net	248,099	242,532	247,889	24
5.25% notes due 2026 – net	598,343	612,760	—	—
4.50% notes due 2027 – net	690,494	667,651	—	—
GE term loan due 2019	180,000	180,000	—	—
HUD debt – net	56,204	52,678	251,454	26
Subordinated debt – net	20,613	24,366	20,747	26
Totals	$3,569,086	$3,593,007	$2,378,503	$2,

value estimates are subjective in nature and are dependent on a number of important assumptions, including estimates of future cash flo
unt rates and relevant comparable market information associated with each financial instrument (see Note 2 – Summary of Significant A
The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value

The following methods and assumptions were used in estimating fair value disclosures for financial ins

ash equivalents and restricted cash: The carrying amount of cash and cash equivalents and restricted cash reported in the Consolidated B
oximates fair value because of the short maturity of these instruments (i.e., less than 90 days) (Level 1).

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

ncing leases: The fair value of the investments in direct financing leases are estimated using a discounted cash flow analysis, using intere
ed for similar leases to borrowers with similar credit ratings (Level 3).

otes receivable: The fair value of the mortgage notes receivables are estimated using a discounted cash flow analysis, using interest rate
similar loans to borrowers with similar credit ratings (Level 3).

tments: Other investments are primarily comprised of notes receivable. The fair values of notes receivable are estimated using a discoun
is, using interest rates being offered for similar loans to borrowers with similar credit ratings (Level 3).

ine of credit and term loans: The fair value of our borrowings under variable rate agreements are estimated using an expected present va
ased on expected cash flows discounted using the current market rates (Level 3).

s and subordinated debt: The fair value of our borrowings under fixed rate agreements are estimated using an expected present value tec
pen market trading activity provided by a third party (Level 2).

The fair value of our borrowings under HUD debt agreements are estimated using an expected present value technique based on quotes
bt brokers (Level 2).

NOTE 13

rganized, have operated, and intend to continue to operate in a manner that enables us to qualify for taxation as REIT under Sections 85
the Internal Revenue Code of 1986, as amended (the "Code"). On a quarterly and annual basis we perform several analyses to test our
the REIT taxation rules. In order to qualify as a REIT, in addition to other requirements, we must: (i) distribute dividends (other than ca
to our stockholders in an amount at least equal to (A) the sum of (a) 90% of our "REIT taxable income" (computed without regard to th
ction and our net capital gain), and (b) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certai
income on an annual basis, (ii) ensure that at least 75% and 95%, respectively of our gross income is generated from qualifying source
n the REIT tax law, (iii) ensure that at least 75% of our assets consist of qualifying assets, such as real property, mortgages, and other q
escribed in the REIT tax law, (iv) ensure that we do not own greater than 10% in voting power or value of securities of any one issuer, (
not own either debt or equity securities of another company that are in excess of 5% of our total assets and (vi) ensure that no more tha
are invested in one or more taxable REIT subsidiaries (and with respect to taxable years beginning after December 31, 2017, no more th
to the above requirements, the REIT rules require that no less than 100 stockholders own shares or an interest in the REIT and that five
als do not own (directly or indirectly) more than 50% of the shares or proportionate interest in the REIT. If we fail to meet the above or

nts for qualification as a REIT in any tax year, we will be subject to federal income tax on our taxable income at regular corporate rates
to qualify as a REIT for the four subsequent years, unless we qualify for certain relief provisions that are available in the event we fail
any of these requir

also subject to federal taxation of 100% of the derived net income if we sell or dispose of property, other than foreclosure property, tha
rily for sale to customers in the ordinary course of a trade or business. We believe that we do not hold assets for sale to customers in the
f business and that none of the assets currently held for sale or that have been sold would be considered a prohibited transaction within
taxat

s we qualify as a REIT under the Code, we generally will not be subject to federal income taxes on the REIT taxable income that we dis
stockholders, subject to certain exceptions. In 2015 and 2014, we distributed dividends in excess of our taxable

ear 2000, the definition of foreclosure property has included any "qualified health care property," as defined in Code Section 856(e)(6)
ult of the termination or expiration of a lease of such property. We have from time to time operated qualified healthcare facilities acquir
for up to two years (or longer if an extension was granted). Properties that we had taken back in a foreclosure or bankruptcy and operate
t were treated as foreclosure properties for income tax purposes, pursuant to Code Section 856(e). Gross income from foreclosure prope
"good income" for purposes of the annual REIT income tests upon making the election on the tax return. Once made, the income was c
" for a period of three years, or until the properties were no longer operated for our own account. In all cases of foreclosure property, we
endent contractor to conduct day-to-day operations to maintain REIT status. In certain cases, we operated these facilities through a taxa
For those properties operated through the taxable REIT subsidiary, we formed a new entity (TC Healthcare) on our behalf through the
eligible independent contractor to conduct day-to-day operations to maintain REIT status. As a result of the foregoing, we do not believ
ion in the operation of nursing homes increased the risk that we would fail to qualify as a REIT. Through our 2015 taxable year, we had
any tax on our foreclosure property because those properties had been producin

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

lt of our UPREIT Conversion, our Company and its subsidiaries may be subject to income or franchise taxes in certain states and munic
esult of our UPREIT Conversion, we created five subsidiary REITs that are subject to all of the REIT qualification rules set forth in the
December 2015, we consolidated the five subsidiary REITs into one subsidia

the limitation under the REIT asset test rules, we are permitted to own up to 100% of the stock of one or more taxable REIT subsidiarie
cted for two of our active subsidiaries to be treated as TRSs. One of our TRSs is subject to federal, state and local income taxes at the a
ates and the other is subject to foreign income taxes. As of December 31, 2015, our TRS that is subject to federal, state and local incom
ble corporate rates had a net operating loss carry-forward of approximately $0.9 million. The loss carry-forward is fully reserved as of D
31, 2015 with a valuation allowance due to uncertainties regarding re

ion with our acquisition of Care Homes in May 2015, we acquired 10 legal entities consisting of 23 facilities. The tax basis in these lega
r United Kingdom taxes was approximately $82 million less than the purchase price. We recorded an initial deferred tax liability associ
the temporary tax basis difference of approximately $1

year ended December 31, 2015, we recorded approximately $1.0 million of state and local income tax provision and approximately $0.
of provision for foreign inco

NOTE 14 - RETIREMENT ARRANGE

npany has a 401(k) Profit Sharing Plan covering all eligible employees. Under this plan, employees are eligible to make contributions, a
our discretion, may match contributions and make a profit sharing contribution. Amounts charged to operations with respect to these r
arrangements totaled approximately $0.4 million, $0.3 million, $0.2 million in 2015, 2014 and 2013, resp

on, we have a deferred stock compensation plan that allows employees and directors the ability to defer the receipt of stock awards. The
ds (units) participate in future dividends as well as the change in the value of the Company's common stock. As of December 31, 2015
the Company had 400,814 and 398,373 deferred stock units out

NOTE 15 – STOCKHOLDERS

$500 Million Equity Shelf

mber 3, 2015, we entered into separate Equity Distribution Agreements (collectively, the "Equity Shelf Agreements") to sell shares of o
ing an aggregate gross sales price of up to $500 million (the "2015 Equity Shelf Program") with several financial institutions, each as a
cipal (collectively, the "Managers"). Under the terms of the Equity Shelf Agreements, we may sell shares of our common stock, from ti
gh or to the Managers having an aggregate gross sales price of up to $500 million. Sales of the shares, if any, will be made by means of
' transactions on the New York Stock Exchange at market prices, or as otherwise agreed with the applicable Manager. We will pay each
ation for sales of the shares equal to 2% of the gross sales price per share of shares sold through such Manager under the applicable Equ
Agreements. As of December 31, 2015, we did not issue any shares under the 2015 Equity Shelf

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

$250 Million Equity Shelf Program Te

on September 3, 2015, we terminated our $250 million Equity Shelf Program (the "2013 Equity Shelf Program") that we entered into w
financial institutions on March 18, 2013. In 2015, we did not issue any shares under the 2013 Equity Shelf

r ended December 31, 2014, we issued approximately 1.8 million shares under the 2013 Equity Shelf Program, at an average price of $
share, generating gross proceeds of approximately $63.5 million, before $1.5 million of commissions and

eption of the 2013 Equity Shelf Program, we sold a total of 7.4 million shares of common stock generating total gross proceeds of $233.
rogram, before $4.7 million of commissions. As a result of the termination of the 2013 Equity Shelf Program, no additional shares will
under the 2013 Equity Shelf

$245 Million Equity Shelf Program Te

arch 18, 2013, we terminated our previous $245 million Equity Shelf Program (the "2012 Equity Shelf Program") that we entered into w
al institutions on June 19, 2012. For the year ended December 31, 2013, we issued approximately 1.0 million shares under the 2012 Equ
an average price of $28.29 per share, generating gross proceeds of approximately $27.8 million, before $0.6 million of commissions. A
of the termination of the 2012 Equity Shelf Program, no additional shares will be issued under the 2012 Equity Shelf

Increase of Authorized Omega Comm

h 27, 2015, we amended our charter to increase the number of authorized shares of Omega capital stock from 220 million to 370 millio
number of authorized shares of Omega common stock from 200 million to 350

10.925 Million Common Stock

ry 9, 2015, we completed an underwritten public offering of 10.925 million shares of our common stock at $42.00 per share before und
offering expenses. The Company's total net proceeds from the offering were approximately $440 million, after deducting underwriting
and commissions and other estimated offering e

2.875 Million Common Stock

tober 7, 2013, we sold 2.875 million shares of common stock in an underwritten public offering at a price of $29.48 per share, after und
unts but before expenses. Our total net proceeds from the offering, after underwriting discounts and expenses were approximately $84.6

Dividend Reinvestment and Common Stock Purch

Dividend Reinvestment and Common Stock Purchase Plan (the "DRSPP") that allows for the reinvestment of dividends and the option
ommon stock. For the year ended December 31, 2015, we issued 4.2 million shares of common stock for gross proceeds of approximate
or the year ended December 31, 2014, we issued 2.1 million shares of common stock for gross proceeds of approximately $71.5 millio
year ended December 31, 2013, we issued 1.9 million shares of common stock for gross proceeds of approximately $55.8

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 16 – STOCK-BASED COMPEN

Restricted Stock and Restricted St

estricted stock and restricted stock units ("RSUs") are subject to forfeiture if the holder's service to us terminates prior to vesting, subje
for certain qualifying terminations of employment or a change in control of the Company. Prior to vesting, ownership of the shares/uni
sferred. The restricted stock has the same dividend and voting rights as our common stock. RSUs accrue dividend equivalents but have
estricted stock and RSUs are valued at the price of our common stock on the date of grant. We expense the cost of these awards ratably
vestin

SUs assumed from Aviv as part of the Aviv Merger were valued at the closing price of our stock on the date of the transaction. The port
accruing prior to the acquisition was recorded as part of the purchase price consideration. The expense associated with the vesting that
after the date of the transaction will be recorded as stock compensation expense ratably over the remaining life of t

The following table summarizes the activity in restricted stock and RSUs for the years ended December 31, 2013, 2014 a

	Number of Shares/Units	Weighted - Average Grant-Date Fair Value per Share	Compe Cost [(1] (in mil
Non-vested at December 31, 2012	459,502	$ 22.33	
Granted during 2013	241,699	29.87	$ 7.2
Vested during 2013	(444,003)	22.38	
Non-vested at December 31, 2013	257,198	$ 29.32	
Granted during 2014	143,637	30.70	$ 4.4
Vested during 2014	(90,901)	28.87	
Non-vested at December 31, 2014	309,934	$ 30.08	

Granted during 2015	232,533	39.25	$	9.1
Assumed in Aviv Merger [2]	38,268	23.50	$	0.9
Cancelled during 2015	(61,911)	33.77		
Vested during 2015	(106,146)	28.72		
Non-vested at December 31, 2015	412,678	$ 34.44		

Total compensation cost to be recognized on the awards based on grant date fair value, which is based on the market price of the Comp common stock on the date of grant.

ock price on April 1, 2015 was $40.74. The weighted average stock price indicated in the table above represents the expense per unit th rd related to the assumed Aviv RSUs.

Performance Restricted St

e restricted stock units ("PRSUs") and long term incentive plan units ("LTIP Units") are subject to forfeiture if the performance require ved or if the holder's service to us terminates prior to vesting, subject to certain exceptions for certain qualifying terminations of employ n control of the Company. The PRSUs awarded in January 2011, January 2013, December 2013, January 2014, March 2015, April 2015 e LTIP Units awarded in March 2015, April 2015 and July 2015 have varying degrees of performance requirements to achieve vesting, U and LTIP Units award represents the right to a variable number of shares of common stock or partnership units (each LTIP Unit once ible into one Omega OP Unit in Omega OP, subject to certain conditions). The vesting requirements are based on either the (i) total sha R") of Omega or (ii) Omega's TSR relative to other real estate investment trusts in the MSCI U.S. REIT Index ("Relative TSR"). We ex of these awards ratably over their servic

ing and the distribution of shares, ownership of the PRSUs cannot be transferred. The dividends on the PRSUs accumulate and if vested e shares are distributed to the employee. While each LTIP Unit is unearned, the employee receives a partnership distribution equal to 1 rterly approved regular periodic distributions per Omega OP Unit. The remaining partnership distributions (which in the case of norma ons is equal to the total approved quarterly dividend on Omega's common stock) on the LTIP Units accumulate, and if the LTIP Units a the accumulated distributions

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

e used a Monte Carlo model to estimate the fair value for the PRSUs and LTIP Units granted to the employees. The following are the s
assumptions used in estimating the value of the awards for grants made on the followi

	January 1, 2012	January 1, 2013	December 31, 2013 and January 1, 2014	March 31, 2015	April 1, 2015	July 31, 2015
e on date of grant	$19.35	$23.85	$29.80	$40.57	$40.74	$36.26
eld	8.27%	4.24%	6.44%	5.23%	5.20%	6.07%
erest rate at time of	0.03% to 0.35%	0.05% to 0.43%	0.04% to 0.86%	0.10% to 0.94%	0.09% to 0.91%	0.13% to
latility	35.64% to 38.53%	15.56% to 23.83%	24.16% to 25.86%	20.06% to 21.09%	20.06% to 21.08%	20.06% t 20.21%

The following table summarizes the activity in PRSUs for the years ended December 31, 2013, 2014 a

	Number of Shares	**Weighted-Average Grant-Date Fair Value per Share**	**Compe Cost (1) (in mil**
Non-vested at December 31, 2012	372,735	$ 11.36	
Granted during 2013	665,289	10.36	$ 6.9
Vested during 2013 (2)	-	-	
Non-vested at December 31, 2013	1,038,024	$ 10.72	
Granted during 2014	309,168	11.46	$ 3.5
Vested during 2014 (2)	(496,979)	10.75	
Non-vested at December 31, 2014	850,213	$ 10.97	
Granted during 2015	537,923	18.51	$ 10.
Cancelled during 2015	(165,570)	14.11	
Forfeited during 2015	(128,073)	12.04	
Vested during 2015(2)	(181,406)	10.10	
Non-vested at December 31, 2015	913,087	$ 14.87	

Total compensation cost to be recognized on the awards was based on the grant date fair value or the modification date fair value. PRSUs are shown as vesting in the year that the Compensation Committee determines the level of achievement of the applicable perfo
measures.

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

wing table summarizes our total unrecognized compensation cost as of December 31, 2015 associated with restricted stock, restricted sto
PRSU awards, and LTIP Unit awards to en

	Grant Year	Shares/ Units	Grant Date Average Fair Value Per Unit/ Share	**Total Compensation Cost (in millions)** (1)	Weighted Average Period of Expense Recognition (in months)	Unrecognized Compensation Cost (in millions)	Performance Period	Vesting Dates
	2013	195,822	$ 29.80	$ 5.8	36	$ 1.9	N/A	12/31/14 -
	2014	106,778	29.80	3.2	36	1.1	N/A	12/31/2016
J	2015	109,585	40.57	4.4	33	3.2	N/A	12/31/2017
	2015	39,914	40.74	1.6	33	1.2	N/A	12/31/2017
viv RSU	2015	10,644	12.36	0.1	9	-	N/A	12/31/2015
viv RSU	2015	19,825	24.92	0.5	21	0.3	N/A	12/31/2016
viv RSU	2015	7,799	35.08	0.3	33	0.2	N/A	12/31/15-1
J	2015	23,902	36.26	0.9	5	-	N/A	12/31/2015
tock Units Total		514,269	$ 32.78	$ 16.8		$ 7.9		
and LTIP Units								
tion TSR (2)	2013	67,885	7.47	0.5	24	-	12/31/2013-12/31/2015	12/31/2015
tion TSR	2013	101,591	8.67	0.9	36	0.3	12/31/2013-12/31/2016	12/31/2016
	2014	135,634	8.67	1.2	48	0.6	1/1/2014-12/31/2016	Quarterly i
7 LTIP Units	2015	137,249	14.66	2.0	45	1.6	1/1/2015-12/31/2017	Quarterly i
17 LTIP Units	2015	54,151	14.80	0.8	45	0.6	1/1/2015-12/31/2017	Quarterly i
5 Transition TSR	2015	9,484	27.20	0.3	5	-	12/31/2013-12/31/2015	12/31/2015
6 Transition TSR	2015	22,091	18.51	0.4	5	-	12/31/2013-12/31/2016	12/31/2016
7 LTIP Units	2015	5,823	8.78	0.1	5	-	1/1/2015-12/31/2017	12/31/2017
& LTIP Total		533,908	$ 11.42	$ 6.2		$ 3.1		
R PRSUs								
tion Relative TSR	2013	67,884	13.05	0.9	24	-	12/31/2013-12/31/2015	12/31/2015
tion Relative TSR	2013	101,588	14.24	1.4	36	0.5	12/31/2013-12/31/2016	12/31/2016
e TSR	2014	135,634	14.24	1.9	48	1.0	1/1/2014-12/31/2016	Quarterly i
7 Relative TSR	2015	137,249	22.50	3.1	45	2.5	1/1/2015-12/31/2017	Quarterly i

17 Relative TSR	2015	54,151	22.91	1.2	45	1.0	1/1/2015-12/31/2017	Quarterly i
5 Relative TSR	2015	9,484	18.85	0.2	5	-	1/1/2014-12/31/2015	12/31/2015
6 Relative TSR	2015	22,100	19.60	0.4	5	-	1/1/2014-12/31/2016	12/31/2016
7 Relative TSR	2015	5,826	17.74	0.1	5	-	1/1/2015-12/31/2017	12/31/2017
R PRSUs Total		533,916	$ 17.44	$ 9.2		$ 5.0		
		1,582,093	$ 20.39	$ 32.2		$ 16.0		

(1) Total compensation costs are net of shares cancelled.

shares/unit information includes 30,872 shares/units that were determined to be forfeited because the performance goal was not achieve

e shares/unit information includes 4,231 shares/units that were determined to be forfeited because the performance goal was not achieve

shares/unit information includes 67,884 shares/units that were determined to be forfeited because the performance goal was not achieve

e shares/unit information includes 9,484 shares/units that were determined to be forfeited because the performance goal was not achieve

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

Stock Options and Tax Wit

t of the Aviv Merger, we assumed approximately 5.7 million Aviv employee stock options that were fully vested prior to the merger. O viv stock options were converted into Omega stock options at an exchange ratio of 0.9 resulting in issuance of approximately 5.1 millio stock options. The intrinsic value of the stock option assumed on April 1, 2015 was approximately $99.2 million and was recorded as p on provided in the merger. For the year ended December 31, 2015, approximately 2.6 million options have been exercised at a weighte e of $19.38 per share. At December 31, 2015, approximately 2.5 million options remain outstanding and exercisable. Options outstandi ed average exercise price of $19.38. The aggregate intrinsic value of these options is $39.2 million and represents the total pre-tax intrin n the difference between the Company's closing stock price on the last trading day of 2015 of $34.98 and the exercise price) for all in-th options as of December 31, 2015. Options outstanding have no contractual term li

withheld to pay minimum statutory tax withholdings for equity instruments granted under stock-based payment arrangements for the ye December 31, 2015, 2014 and 2013, was $26.7 million, $3.6 million and $5.8 million, res

Shares Available for Issuance for Compensation

2013, at our Company’s Annual Meeting, our stockholders approved the 2013 Stock Incentive Plan (the “2013 Plan”), which amended mpany’s 2004 Stock Incentive Plan. The 2013 Plan is a comprehensive incentive compensation plan that allows for various types of eq ation, including restricted stock units (including performance-based restricted stock units and LTIP units), stock awards, deferred restric centive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights and certain cash-based awards (performance-based cash awards). The 2013 Plan increased the number of shares reserved for issuance for compensation purposes by 3

f December 31, 2015, 2,139,785 shares of common stock were reserved for issuance to our employees, directors and consultants under plans. Awards under our stock incentive plans may be in the form of stock, stock options, restricted stock, and performance restricted st

Director Restricted Stoc

13, 2014 and 2015, we issued 27,958, 21,500 and 30,500 shares of restricted stock to members of our Board of Directors. The fair valu
was approximately $0.8 million, $0.8 million and $1.1 million, respectively, for 2013, 2014 and 2015. As of December 31, 2015, we ha
restricted stock outstanding to directors. The directors' restricted shares are scheduled to vest over the next three years. As of December
the unrecognized compensation cost associated with outstanding director restricted stock grants is approximately $1.

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 17 - DIV

Common D

y 14, 2016, the Board of Directors declared a common stock dividend of $0.57 per share, increasing the quarterly common dividend by
share over the prior quarter, which was paid February 16, 2016 to common stockholders of record on February

r 14, 2015, the Board of Directors declared a common stock dividend of $0.56 per share, increasing the quarterly common dividend by
share over the previous quarter. The common dividends were paid November 16, 2015 to common stockholders of record on November

2015, the Board of Directors declared a common stock dividend of $0.55 per share, increasing the quarterly common dividend rate by
share over the prior quarter, which was paid on August 17, 2015 to common stockholders of record on July

il 15, 2015, the Board of Directors declared a prorated dividend of $0.18 per share of Omega's common stock in view of the recently cl
The per share dividend amount payable by Omega represents dividends for April 2015, at a quarterly dividend rate of $0.54 per share of
ncreasing the quarterly common dividend rate by $0.01 per share over the prior quarter. The $0.18 dividend was paid in cash on May 15
stockholders of record as of the close of business on April

h 5, 2015, the Board of Directors declared a prorated dividend of $0.36 per share of Omega's common stock in view of the pending acq
ant to the Aviv Merger. The per share dividend amount represented dividends for February and March 2015, at a quarterly dividend rate
common stock, increasing the quarterly common dividend rate by $0.01 per share over the prior quarter. The dividend was paid in cash
7, 2015 to stockholders of record as of the close of business on March

14, 2015, the Board of Directors declared a common stock dividend of $0.53 per share, increasing the quarterly common dividend rate
per share over the prior quarter, which was paid February 16, 2015 to common stockholders of record on February

Per Share Dist

Per share distributions by our Company were characterized in the following manner for income tax purposes (un

	Year Ended December 31,		
	2015	2014	2013
Common			
Ordinary income	$ 1.133	$ 1.834	$ 1.536
Return of capital	1.047	0.186	0.324
Total dividends paid	$ 2.180	$ 2.020	$ 1.860

For additional information regarding dividends, see Note 1

NOTE 18 - LITIG

bject to various legal proceedings, claims and other actions arising out of the normal course of business. While any legal proceeding or c
ment of uncertainty, management believes that the outcome of each lawsuit, claim or legal proceeding that is pending or threatened, or al
combined, will not have a material adverse effect on our consolidated financial position or results of op

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 19 - SUMMARY OF QUARTERLY RESULTS (UNAU

The following summarizes quarterly results of operations for the years ended December 31, 2015 a

	March 31	June 30	September 30	Dece
	(in thousands, except per share amounts)			
2015				
Revenues	$133,420	$197,711	$ 201,974	$ 210
Net income	43,052	43,466	83,254	63,
Net income available to common stockholders	43,052	41,428	79,402	60,
Net income available to common per share:				
Basic	$0.32	$0.23	$ 0.43	$ 0.3
Net income per share:				
Diluted	$0.32	$0.22	$ 0.43	$ 0.3
Cash dividends paid on common stock	$0.53	$0.54	$ 0.55	$ 0.5
2014				
Revenues	$121,001	$121,800	$ 130,665	$ 131
Net income	55,829	46,817	61,713	56,
Net income available to common stockholders	55,829	46,817	61,713	56,
Net income available to common per share:				
Basic	$0.45	$0.37	$ 0.48	$ 0.4
Net income per share:				
Diluted	$0.45	$0.37	$ 0.48	$ 0.4
Cash dividends paid on common stock	$0.49	$0.50	$ 0.51	$ 0.5

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 20 - EARNINGS PER

The following tables set forth the computation of basic and diluted earnings p

	Year Ended December 31,		
	2015	2014	201
	(in thousands, except per share an		
Numerator:			
Net income	$ 233,315	$ 221,349	$ 17
Less: Net income attributable to noncontrolling interests	(8,791)	—	—
Net income available to common stockholders	$ 224,524	$ 221,349	$ 17
Denominator:			
Denominator for basic earnings per share	172,242	126,550	11
Effect of dilutive securities:			
Common stock equivalents	1,539	744	84
Noncontrolling interest – OP units	6,727	—	—
Denominator for diluted earnings per share	180,508	127,294	11
Earnings per share - basic:			
Net income available to common stockholders	$ 1.30	$ 1.75	$ 1.
Earnings per share - diluted:			
Net income	$ 1.29	$ 1.74	$ 1.

NOTE 21– CONSOLIDATING FINANCIAL STAT

cember 31, 2015, we had outstanding: (i) $400 million 5.875% Senior Notes due 2024, (ii) $400 million 4.95% Senior Notes due 2024, .5% Senior Notes due 2025, (iv) $600 million 5.25% Senior Notes due 2026 and (v) $700 million 4.5% Senior Notes due 2027 (collect r Notes"). The Senior Notes are fully and unconditionally guaranteed, jointly and severally, by each of our 100% owned subsidiaries tha edness of Omega or any of the subsidiary guarantors. All of our subsidiaries that guarantee the Senior Notes also guarantee amounts ou under the 2014 Credit

owing summarized condensed consolidating financial information segregates the financial information of the non-guarantor subsidiaries
nformation of Omega Healthcare Investors, Inc. and the subsidiary guarantors under the Senior Notes. Our non-guarantor subsidiaries i
s securing secured debt that is currently outstanding and our U.K. subsidiaries. The results and financial position of acquired entities are
from the dates of their respective acq

nd 2014 financial statements presented below have been adjusted to reflect our current guarantor and non-guarantor relationships as of D

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

OMEGA HEALTHCARE INVESTO

CONSOLIDATING BALANCE

(in thousands, except per share a

	December 31, 2015			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Cons
ASSETS				
Real estate properties				
Land and buildings	$ 6,152,779	$ 591,179	$ —	$ 6,74
Less accumulated depreciation	(984,947)	(34,203)	—	(1,0
Real estate properties – net	5,167,832	556,976	—	5,72
Investment in direct financing leases	587,701	—	—	587
Mortgage notes receivable – net	679,795	—	—	679
	6,435,328	556,976	—	6,99
Other investments – net	89,299	—	—	89,2
	6,524,627	556,976	—	7,08
Assets held for sale – net	6,599	—	—	6,59
Total investments	6,531,226	556,976	—	7,08
Cash and cash equivalents	1,592	3,832	—	5,42
Restricted cash	7,068	7,539	—	14,6
Accounts receivable – net	196,107	7,755	—	203
Goodwill	630,404	15,279	—	645
Investment in affiliates	340,850	—	(340,850)	—
Other assets	54,055	7,176	—	61,2
Total assets	$ 7,761,302	$ 598,557	$ (340,850)	$ 8,01
LIABILITIES AND EQUITY				
Revolving line of credit	$ 230,000	$ —	$ —	$ 230
Term loan	750,000	—	—	750
Secured borrowings	—	361,460	(125,256)	236
Unsecured borrowings – net	2,352,882	—	—	2,35
Accrued expenses and other liabilities	326,815	6,891	—	333

Deferred income taxes	—	15,352	—	15,3
Intercompany payable	740	36,299	(37,039)	—
Total liabilities	3,660,437	420,002	(162,295)	3,91
Stockholders' equity:				
Common stock	18,740	—	—	18,7
Equity investment in affiliates	—	156,507	(156,507)	—
Common stock – additional paid-in capital	4,609,474	—	—	4,60
Cumulative net earnings	1,372,522	21,971	(21,971)	1,37
Cumulative dividends paid	(2,254,038)	—	—	(2,2
Accumulated other comprehensive income (loss)	(8,712)	77	(77)	(8,7
Total stockholders' equity	3,737,986	178,555	(178,555)	3,73
Noncontrolling interest	362,879	—	—	362
Total equity	4,100,865	178,555	(178,555)	4,10
Total liabilities and equity	$ 7,761,302	$ 598,557	$ (340,850)	$ 8,01

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

OMEGA HEALTHCARE INVESTO

CONSOLIDATING BALANCE

(in thousands, except per share a

	December 31, 2014			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Cons
ASSETS				
Real estate properties				
Land and buildings	$ 3,108,597	$ 115,188	$ —	$ 3,22
Less accumulated depreciation	(805,679)	(16,033)	—	(82
Real estate properties – net	2,302,918	99,155	—	2,40
Investments in direct financing leases	539,232	—	—	539
Mortgage notes receivable	648,079	—	—	648
	3,490,229	99,155	—	3,58
Other investments	48,952	—	—	48,9
	3,539,181	99,155	—	3,63
Assets held for sale – net	12,792	—	—	12,7
Total investments	3,551,973	99,155	—	3,65
Cash and cash equivalents	4,489	—	—	4,48
Restricted cash	21,943	7,133	—	29,0
Accounts receivable – net	163,610	4,566	—	168
Investment in affiliates	28,687	—	(28,687)	—
Other assets	60,820	7,956	—	68,7
Total assets	$ 3,831,522	$ 118,810	$ (28,687)	$ 3,92
LIABILITIES AND EQUITY				
Revolving line of credit	$ 85,000	$ —	$ —	$ 85,0
Term loan	200,000	—	—	200
Secured borrowings – net	167,379	84,075	—	251
Unsecured borrowings – net	1,842,049	—	—	1,84
Accrued expenses and other liabilities	135,767	6,048	—	141
Intercompany payable	—	17,096	(17,096)	—

Total liabilities	2,430,195	107,219	(17,096)	2,52
Equity:				
Common stock	12,761	—	—	12,7
Common stock – additional paid-in capital	2,136,234	—	—	2,13
Cumulative net earnings	1,147,998	11,591	(11,591)	1,14
Cumulative dividends paid	(1,895,666)	—	—	(1,8
Total stockholders' equity	1,401,327	11,591	(11,591)	1,40
Total liabilities and equity	$3,831,522	$ 118,810	$ (28,687)	$3,92

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

OMEGA HEALTHCARE INVESTO

CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE I

(in thousands, except per share a

	Year Ended December 31, 2015			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Cons
Revenue				
Rental income	$560,211	$ 45,780	$ -	$ 605
Income from direct financing leases	59,936	-	-	59,
Mortgage interest income	68,910	-	-	68,
Other investment income – net	8,780	-	-	8,7
Total operating revenues	697,837	45,780	-	743
Expenses				
Depreciation and amortization	192,375	18,328	-	210
General and administrative	38,140	428	-	38,
Acquisition costs	55,012	2,513	-	57,
Impairment loss on real estate properties	17,681	-	-	17,
Provisions for uncollectible mortgages, notes and accounts receivable	5,966	1,905	-	7,8
Total operating expenses	309,174	23,174	-	332
Income before other income and expense	388,663	22,606	-	411
Other income (expense):				
Interest income	269	16	-	285
Interest expense	(134,478)	(12,903)	-	(14
Interest – amortization of deferred financing costs	(6,969)	(21)	-	(6,9
Interest – refinancing costs	(29,714)	877	-	(28
Realized loss on foreign exchange	(173)	-	-	(17
Equity in earnings	10,380	-	(10,380)	-
Total other expense	(160,685)	(12,031)	(10,380)	(18
Income before gain on assets sold	227,978	10,575	(10,380)	228
Gain on assets sold - net	6,353	-	-	6,3
Income from continuing operations before income taxes	234,331	10,575	(10,380)	234

Income taxes	(1,016)	(195)	-	(1,2
Net income	233,315	10,380	(10,380)	233
Net income attributable to noncontrolling interest	(8,791)	-	-	(8,7
Net income available to common stockholders	$ 224,524	$ 10,380	$ (10,380)	$ 224
Net income	$ 233,315	$ 10,380	$ (10,380)	$ 233
Other comprehensive loss – foreign currency translation	(8,413)	-	-	(8,4
Other comprehensive loss – cash flow hedges	(718)	-	-	(71
Total comprehensive income	224,184	10,380	(10,380)	224
Add: comprehensive income attributable to noncontrolling interest	419	-	-	419
Comprehensive income attributable to common stockholders	$ 224,603	$ 10,380	$ (10,380)	$ 224

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

OMEGA HEALTHCARE INVESTO

CONSOLIDATING STATEMENT OF OPER

(in thousands, except per share a

	Year Ended December 31, 2014			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Cons
Revenue				
Rental income	$375,279	$ 13,164	$ -	$ 388
Income from direct financing leases	56,719	-	-	56,
Mortgage interest income	53,007	-	-	53,(
Other investment income – net	6,618	-	-	6,6
Total operating revenues	491,623	13,164	-	504
Expenses				
Depreciation and amortization	117,976	5,281	-	123
General and administrative	25,759	129	-	25,
Acquisition costs	3,948	-	-	3,9
Impairment loss on real estate properties	3,660	-	-	3,6
Provisions for uncollectible mortgages, notes and accounts receivable	2,723	-	-	2,7
Total operating expenses	154,066	5,410	-	159
Income before other income and expense	337,557	7,754	-	345
Other income (expense):				
Interest income	29	15	-	44
Interest expense	(116,075)	(3,294)	-	(11
Interest – amortization of deferred financing costs	(4,437)	(22)	-	(4,4
Interest – refinancing costs	(3,041)	-	-	(3,0
Equity in earnings	4,453	-	(4,453)	-
Total other expense	(119,071)	(3,301)	(4,453)	(12
Income before gain on assets sold	218,486	4,453	(4,453)	218
Gain on assets sold - net	2,863	-	-	2,8
Net income available to common stockholders	$221,349	$ 4,453	$ (4,453)	$ 221

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

OMEGA HEALTHCARE INVESTO

CONSOLIDATING STATEMENT OF OPER

(in thousands, except per share a

	Year Ended December 31, 2013			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Cons
Revenue				
Rental income	$362,033	$ 13,102	$ -	$ 375
Income from direct financing leases	5,203	-	-	5,2
Mortgage interest income	29,351	-	-	29,
Other investment income – net	9,025	-	-	9,0
Total operating revenues	405,612	13,102	-	418
Expenses				
Depreciation and amortization	123,443	5,203	-	128
General and administrative	21,466	122	-	21,
Acquisition costs	245	-	-	245
Impairment loss on real estate properties	415	-	-	415
Provisions for uncollectible mortgages, notes and accounts receivable	2,141	-	-	2,1
Total operating expenses	147,710	5,325	-	153
Income before other income and expense	257,902	7,777	-	265
Other income (expense):				
Interest income	26	15	-	41
Interest expense	(96,673)	(3,708)	-	(10
Interest – amortization of deferred financing costs	(2,763)	(16)	-	(2,
Interest – refinancing gain	11,112	-	-	11,
Equity in earnings	4,068	-	(4,068)	-
Total other expense	(84,230)	(3,709)	(4,068)	(92
Income before gain (loss) on assets sold	173,672	4,068	(4,068)	173
Loss on assets sold - net	(1,151)	-	-	(1,1
Net income available to common stockholders	$172,521	$ 4,068	$ (4,068)	$ 172

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

OMEGA HEALTHCARE INVESTO

CONSOLIDATED STATEMENTS OF CASH

(in th

	Year Ended December 31, 2015			
	Issuer & Subsidiary Guarantors	Non-Guarantor Subsidiaries	Elimination	Cons
Cash flows from operating activities				
Net income	$233,315	$ 10,380	$ (10,380)	$233
Adjustment to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	192,375	18,328	—	210
Provision for impairment on real estate properties	17,681	—	—	17,6
Provision for uncollectible mortgages, notes and accounts receivable	5,966	1,905	—	7,87
Amortization of deferred financing and refinancing costs	36,683	(856)	—	35,8
Accretion of direct financing leases	(11,007)	—	—	(11.
Stock-based compensation	11,133	—	—	11,1
Gain on assets sold – net	(6,353)	—	—	(6,3
Amortization of acquired in-place leases - net	(13,846)	—	—	(13.
Change in operating assets and liabilities – net of amounts assumed/acquired:				
Accounts receivable, net	248	—	—	248
Straight-line rent receivables	(32,815)	(3,242)	—	(36.
Lease inducements	994	—	—	994
Effective yield receivable on mortgage notes	(4,065)	—	—	(4,0
Other operating assets and liabilities	(9,654)	16,715	10,380	17,4
Net cash provided by operating activities	420,655	43,230	—	463
Cash flows from investing activities				
Acquisition of real estate – net of liabilities assumed and escrows acquired	(116,698)	(177,484)	—	(294
Cash acquired in merger	84,858	—	—	84,8
Investment in construction in progress	(164,226)	—	—	(164
Investment in U.K. subsidiary	(165,760)	165,760	—	—
Investment in direct financing leases	(6,793)	—	—	(6,7
Placement of mortgage loans	(14,042)	—	—	(14.
Proceeds from sale of real estate investments	41,543	—	—	41,5
Capital improvements to real estate investments	(24,599)	(1,798)	—	(26.
Proceeds from other investments	45,871	—	—	45,8
Investments in other investments	(65,402)	—	—	(65.

Collection of mortgage principal	1,359	—	—	1,35
Net cash used in investing activities	(383,889)	(13,522)	—	(39
Cash flows from financing activities				
Proceeds from credit facility borrowings	1,826,000	—	—	1,82
Payments on credit facility borrowings	(1,681,000)	—	—	(1,6
Receipts of other long-term borrowings	1,838,124	—	—	1,83
Payments of other long-term borrowings	(2,161,661)	(25,653)	—	(2,1
Payments of financing related costs	(54,721)	—	—	(54
Receipts from dividend reinvestment plan	150,847	—	—	150
Payments for exercised options and restricted stock – net	(26,706)	—	—	(26
Net proceeds from issuance of common stock	439,322	—	—	439
Dividends paid	(358,232)	—	—	(35
Distributions to OP Unit holders	(11,636)	—	—	(11
Net cash used in financing activities	(39,663)	(25,653)	—	(65
(Decrease) increase in cash and cash equivalents	(2,897)	4,055	—	1,15
Effect of foreign currency translation on cash and cash equivalents	—	(223)	—	(22
Cash and cash equivalents at beginning of period	4,489	—	—	4,48
Cash and cash equivalents at end of period	$ 1,592	$ 3,832	$ —	$ 5,42

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

OMEGA HEALTHCARE INVESTO

CONSOLIDATED STATEMENTS OF CASH

(in th

	Year Ended December 31, 2014			
	Issuer & Subsidiary Guarantors	Non-Guarantor Subsidiaries	Elimination	Cons
Cash flows from operating activities				
Net income	$ 221,349	$ 4,453	$ (4,453)	$ 221
Adjustment to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	117,976	5,281	—	123
Provision for impairment on real estate properties	3,660	—	—	3,66
Provision for uncollectible mortgages, notes and accounts receivable	2,723	—	—	2,72
Amortization of deferred financing and refinancing costs	7,479	21	—	7,50
Accretion of direct financing leases	(9,787)	—	—	(9,7
Stock-based compensation	8,592	—	—	8,59
Gain on assets sold – net	(2,863)	—	—	(2,8
Amortization of acquired in-place leases - net	(4,986)	—	—	(4,9
Change in operating assets and liabilities – net of amounts assumed/acquired:				
Accounts receivable, net	(2,264)	—	—	(2,2
Straight-line rent receivables	(19,750)	(1,206)	—	(20,
Lease inducements	2,656	—	—	2,65
Effective yield receivable on mortgage notes	(2,878)	—	—	(2,8
Other operating assets and liabilities	11,432	(4,348)	4,453	11,5
Net cash provided by operating activities	333,339	4,201	—	337
Cash flows from investing activities				
Acquisition of real estate – net of liabilities assumed and escrows acquired	(131,689)	—	—	(13
Placement of mortgage loans	(529,548)	—	—	(529
Proceeds from sale of real estate investments	4,077	—	—	4,07
Capital improvements to real estate investments	(15,526)	(2,391)	—	(17,
Proceeds from other investments	13,589	—	—	13,5
Investments in other investments	(9,441)	—	—	(9,4
Collection of mortgage principal	122,984	—	—	122
Net cash used in investing activities	(545,554)	(2,391)	—	(547
Cash flows from financing activities				
Proceeds from credit facility borrowings	900,000	—	—	900

Payments on credit facility borrowings	(1,141,000)	—	—	(1,1
Receipts of other long-term borrowings	842,148	—	—	842
Payments of other long-term borrowings	(240,734)	(1,810)	—	(24
Payments of financing related costs	(17,716)	—	—	(17,
Receipts from dividend reinvestment plan	71,487	—	—	71,4
Payments for exercised options and restricted stock – net	(3,577)	—	—	(3,5
Net proceeds from issuance of common stock	61,981	—	—	61,9
Dividends paid	(258,501)	—	—	(25
Net cash provided by (used in) financing activities	214,088	(1,810)	—	212
Increase in cash and cash equivalents	1,873	—	—	1,87
Cash and cash equivalents at beginning of period	2,616	—	—	2,61
Cash and cash equivalents at end of period	$4,489	$ —	$ —	$4,48

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

OMEGA HEALTHCARE INVESTO

CONSOLIDATED STATEMENTS OF CASH

(in th

	Year Ended December 31, 2013			
	Issuer & Subsidiary Guarantors	Non-Guarantor Subsidiaries	Elimination	Cons
Cash flows from operating activities				
Net income	$172,521	$ 4,068	$ (4,068)	$ 172
Adjustment to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	123,443	5,203	—	128
Provision for impairment on real estate properties	415	—	—	415
Provision for uncollectible mortgages, notes and accounts receivable	2,141	—	—	2,1
Amortization of deferred financing and refinancing costs	(8,349)	16	—	(8,3
Accretion of direct financing leases	(770)	—	—	(77
Stock-based compensation	5,942	—	—	5,9
Loss on assets sold – net	1,151	—	—	1,1
Amortization of acquired in-place leases - net	(5,083)	—	—	(5,0
Change in operating assets and liabilities – net of amounts assumed/acquired:				
Accounts receivable, net	867	—	—	867
Straight-line rent receivables	(25,402)	(1,497)	—	(26
Lease inducements	3,080	—	—	3,0
Effective yield receivable on mortgage notes	(1,757)	—	—	(1,7
Other operating assets and liabilities	10,854	(6,894)	4,068	8,0
Net cash provided by operating activities	279,053	896	—	279
Cash flows from investing activities				
Acquisition of real estate – net of liabilities assumed and escrows acquired	(32,515)	—	—	(32
Investment in direct financing leases	(528,675)	—	—	(52
Placement of mortgage loans	(3,378)	—	—	(3,3
Proceeds from sale of real estate investments	2,292	—	—	2,2
Capital improvements to real estate investments	(31,347)	—	—	(31
Proceeds from other investments	30,962	—	—	30,
Investments in other investments	(36,655)	—	—	(36
Collection of mortgage principal	485	—	—	485
Net cash used in investing activities	(598,831)	—	—	(59
Cash flows from financing activities				

Proceeds from credit facility borrowings	511,000	—	—	511
Payments on credit facility borrowings	(343,000)	—	—	(34
Receipts of other long-term borrowings	159,355	—	—	159
Payments of other long-term borrowings	(113,746)	(896)	—	(11
Payments of financing related costs	(3,234)	—	—	(3,2
Receipts from dividend reinvestment plan	55,825	—	—	55,
Payments for exercised options and restricted stock – net	(5,774)	—	—	(5,7
Net proceeds from issuance of common stock	278,373	—	—	278
Dividends paid	(218,116)	—	—	(21
Net cash provided by (used in) financing activities	320,683	(896)	—	319
Increase in cash and cash equivalents	905	—	—	905
Cash and cash equivalents at beginning of period	1,711	—	—	1,7
Cash and cash equivalents at end of period	$2,616	$ —	$ —	$ 2,6

OMEGA HEALTHCARE INVESTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - C

NOTE 22– SUBSEQUENT

January 29, 2016, we entered into a Third Amendment to Credit Agreement (the "Third Amendment to Omega Credit Agreement"), w ded the First Amendment to Omega Credit Agreement to provide, among other things, for a $350 million senior unsecured incremental (the "Tranche A-3 Term Loan Facility," and together with the Tranche A-1 Term Loan Facility and the Tranche A-2 Term Loan Facilit oan Facilities"), which was borrowed in full at closing. The Tranche A-3 Term Loan Facility matures on January 29, 2021. The proceeds g were used to pay down the Revolving Credit Facility and for general corporate purposes. The Tranche A-3 Term Loan Facility bears i us an applicable percentage (beginning at 150 basis points, with a range of 100 to 195 basis points) based on our ratings from Standard 's and/or Fitch Ratings. The Third Amendment to Omega Credit Agreement also permits us, subject to compliance with customary con the Revolving Credit Facility or to add one or more tranches of incremental term loans, or both, by an aggregate principal amount not e $25

February 1, 2016, we acquired 10 SNFs from Laurel for approximately $169.0 million in cash and leased them to an unrelated existing diately following our acquisition, the unrelated existing operator acquired all of the outstanding equity interests of Laurel, including the usly held by a director of the Company and his family. The director, together with certain members of his immediate family, beneficial mately 34% of the equity of Laurel prior to the transaction. The SNFs, consisting of 985 operating beds are located in Ohio (6), Virgin n (1). The new master lease has an initial annual cash yield of 8.5% and annual escalators of 2.0% and is cross defaulted to the operator mas

OMEGA HEALTHCARE INVESTO

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPREC

OMEGA HEALTHCARE INVESTO

December

Initial Cost to Company Buildings and Land Improvements	Cost Capitalized Subsequent to Acquisition Improvements	Impairment	Other	(3) Gross Amount at Which Carried at Close of Period Buildings and Land Improvements Total	(4) Accumulated Depreciation	Date of Construction	Date Acquired	Life on Wh Depreciatio in Latest Income Sta is Compute
$238,354,341	$1,800,767	$-	$-	$240,155,108	$4,620,737	1968-2015	2015	40 years
89,889,681	23,799,252	-	-	113,688,933	1,583,999	1988-1994	2015	30 years to
-	116,423,931	-	-	116,423,931	-	-	2015	-
11,863,638	12,115,202	-	-	23,978,840	193,134	1999	2015	40 years
340,107,660	154,139,152	-	-	494,246,812	6,397,870			
341,097,695	5,534,280	-	-	346,631,975	14,909,229	1955-2015	2010-2015	20 years to
16,599,859	-	-	-	16,599,859	591,701	1967-1992	2015	26 years to
357,697,554	5,534,280	-	-	363,231,834	15,500,930			
23,584,956	6,523,220	-	-	30,108,176	16,153,134	1964-1974	1997	33 years
15,618,263	26,652	-	-	15,644,915	8,181,493	1927-1972	1997	33 years
38,341,877	5,444,311	-	-	43,786,188	12,219,868	1963-1975	2006	39 years
19,491,960	974,012	-	-	20,465,972	5,550,009	1920-1987	1997-2015	20 years to

71,446,102	2,660,093	(8,257,521)	-	65,848,674	21,355,093	1866-1993	1997-2015	20 years to
21,619,503	1,462,797	-	-	23,082,300	7,819,421	1963-1999	1998-2006	33 years to
22,652,488	3,550,986	-	-	26,203,474	16,264,936	1964-1986	1994-1997	30 years to
11,653,451	20,246	-	-	11,673,697	6,217,229	1968-1983	1997	33 years
38,740,812	4,792,882	-	-	43,533,694	14,693,658	1965-1981	2006	25 years to
7,905,139	2,537,508	-	-	10,442,647	6,268,623	1984-1985	1994	30 years
6,322,888	602,296	-	-	6,925,184	2,237,449	1971	2004	39 years
10,000,000	1,798,844	-	-	11,798,844	11,034,888	1965	1995	20 years
44,277,206	6,528,560	-	-	50,805,766	23,068,927	1961-1986	1997-2008	25 years to
331,654,645	36,922,407	(8,257,521)	-	360,319,531	151,064,728			
11,588,534	6,392,567	-	-	17,981,101	12,588,052	1960-1982	1992	31.5 years
133,762,829	5,712,049	(6,603,745)	-	132,871,133	21,508,043	1949-1999	1998-2015	20 years to
201,572,337	13,169,759	(36,350)	-	214,705,746	48,640,738	1960-2009	1992-2015	20 years to
490,902,316	3,492,869	-	-	494,395,185	33,730,723	1938-2013	1997-2015	20 years to
33,527,071	2,346,167	-	-	35,873,238	13,344,365	1958-1973	1998-2011	20 years to
5,324,200	980,393	(5,425,656)	-	878,937	-	1965	1999	N/A
667,833,234	23,362,442	(6,951,897)	(2,784,718)	681,459,061	174,698,077	1925-2009	1992-2015	20 years to
43,096,820	3,950,028	-	-	47,046,848	11,480,058	1964-1998	1998-2015	20 years to years
50,889,041	341,170	-	-	51,230,211	4,238,429	1911-2008	1999-2015	20 years to
118,108,747	510,576	-	-	118,619,323	10,750,250	1926-1990	1996-2015	20 years to
402,853,211	2,332,364	(3,419,264)	(2,296,391)	399,469,920	61,998,182	1923-2008	1992-2015	20 years to
70,549,074	2,084,807	-	-	72,633,881	10,408,588	1961-1998	1997-2015	20 years to
53,836,542	3,453,770	-	-	57,290,312	2,930,226	1957-1985	2010-2015	20 years to
174,052,192	10,314,747	-	-	184,366,939	31,640,307	1917-2002	1994-2015	20 years to
55,046,915	1,748,900	-	-	56,795,815	16,408,775	1957-1983	1997-2006	33 years to
77,361,184	1,787,838	-	-	79,149,022	17,002,780	1921-1985	2010-2011	25 years to
5,804,554	-	-	-	5,804,554	2,015,500	1964	2009	20 years
168,554,079	25,000	-	-	168,579,079	9,134,074	1964-1997	2011-2015	25 years to

61,256,047	160,912	-	-	61,416,959	1,696,595	1958-1983	2015	25 years to
52,416,905	826,654	-	-	53,243,559	12,492,706	1962-1988	2009-2010	20 years to
130,105,483	518,236	(149,386)	(3,189)	130,471,144	9,968,625	1955-1994	1999-2015	20 years to
12,922,122	-	-	-	12,922,122	365,003	1963-1971	2015	28 years to
24,713,411	-	-	-	24,713,411	833,206	1963-1969	2015	20 years to
56,460,311	6,520,453	-	-	62,980,764	7,138,584	1972-2004	2009-2015	26 years to
77,417,687	130,323	-	-	77,548,010	4,505,927	1960-1989	2008-2015	20 years to
102,450,560	-	-	-	102,450,560	10,067,103	1927-1992	2010-2015	25 years to
714,157,279	39,057,863	-	(540,000)	752,675,142	126,494,171	1920-2008	1994-2015	20 years to
45,178,160	-	-	-	45,178,160	6,495,153	1965-2013	2010-2015	20 years to
50,133,027	-	-	-	50,133,027	1,355,373	1959-2004	2014-2015	20 years to
351,858,552	11,281,116	-	-	363,139,668	60,983,104	1873-2012	1998-2015	20 years to
57,482,493	-	-	-	57,482,493	3,000,884	1959-1990	2014-2015	20 years to
98,233,849	8,046,100	-	-	106,279,949	35,719,553	1958-1983	1992-2015	20 years to
348,007,669	15,500,178	(2,079,893)	(1,820,356)	359,607,598	55,453,711	1952-2014	1997-2015	20 years to
177,484,058	-	-	(7,784,463)	169,699,595	3,639,903	1750-2000	2015	30 years
3,620,000	-	-	-	3,620,000	124,908	1977	2015	24 years
32,642,987	-	-	-	32,642,987	550,145	1995	2015	35 years to
152,778,525	65,607	-	-	152,844,132	6,493,557	1930-2004	1999-2015	20 years to
24,641,423	348,642	-	-	24,990,065	6,690,397	1961-1996	1994-2011	33 years to
60,601,506	2,369,865	-	(1,500)	62,969,871	9,600,375	1930-1994	2009-2015	20 years to
5,399,224,934	166,831,395	(24,666,191)	(15,230,617)	5,526,159,521	846,186,150			
$6,428,684,793	$363,427,234	$(32,923,712)	$(15,230,617)	$6,743,957,698	$1,019,149,678			

estate included in this schedule is being used in either the operation of skilled nursing facilities (SNF), assisted living facilities (AL), ent living facilities (ILF), tramatic brain injury (TBI), medical office building (MOB) or specialty hospitals (SH) located in the states in

(2) Certain of the real estate indicated are security for the HUD loan borrowings totaling $56,204,170 at December 31, 2

(3)	Year Ended December 31, 2013	2014	2015
Balance at beginning of period	$3,038,552,898	$3,099,547,182	$3,223,
Acquisitions	35,529,419	131,689,483	3,371,
Impairment	(414,687)	(3,660,381)	(12,91
Improvements	31,346,919	17,916,855	220,27
Disposals/other	(5,467,367)	(21,707,844)	(58,41
Balance at close of period	$3,099,547,182	$3,223,785,295	$6,743,

(4)	2013	2014	2015
Balance at beginning of period	$580,373,211	$707,409,888	$821,71
Provisions for depreciation	128,523,788	123,141,880	210,55
Dispositions/other	(1,487,111)	(8,839,777)	(13,11
Balance at close of period	$707,409,888	$821,711,991	$1,019,

5) The reported amount of our real estate at December 31, 2015 is greater than the tax basis of the real estate by approximately $1.1 bill

OMEGA HEALTHCARE INVESTO

SCHEDULE IV MORTGAGE LOANS ON REAL I

OMEGA HEALTHCARE INVESTO

December

Description (1)	Interest Rate		Final Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages (2) (3)	Pr Ar of Su to De Pr or In
Florida (3 SNF facilities)	11.04	%	2030	Interest payable monthly	None	$ 15,900,000	$ 15,780,156	
Louisiana (1 AL facility)	8.75	%	2018	Interest payable monthly	None	2,939,312	2,939,312	
Maryland (7 SNF facilities)	11.00	%	2023	Interest payable monthly	None	74,927,751	69,927,759	
Maryland (1 SNF facility)	12.00	%	2046	Interest payable monthly	None	10,000,000	10,000,000	
Maryland (1 SNF facility)	12.00	%	2046	Interest payable monthly	None	9,500,000	9,500,000	
Maryland (1 SNF facility)	12.00	%	2046	Interest payable monthly	None	5,500,000	5,500,000	
Michigan (31 SNF facilities)	9.23	%	2029	Interest plus $96,000 of principal payable monthly	None	415,000,000	413,399,042	
Michigan (1 SNF facility)	10.51	%	2021	Interest payable monthly	None	3,382,260	3,382,260	
Michigan (1 SNF facility)	10.00	%	2029	Interest payable monthly	None	692,446	692,446	
Michigan (1 SNF facility)	10.00	%	2029	Interest payable monthly	None	439,925	439,925	
Michigan (1 SNF facility)	10.25	%	2021	Interest payable monthly	None	3,521,113	3,521,113	
Michigan (1 SNF facility)	10.00	%	2029	Interest payable monthly	None	175,900	175,900	
Michigan (1 SNF facility)	10.00	%	2029	Interest payable monthly	None	49,008	49,008	
Michigan (1 SNF facility)	10.00	%	2029	Interest payable monthly	None	66,087	66,087	
Michigan (1 SNF facility)	10.00	%	2029	Interest payable monthly	None	674,541	674,541	
Michigan (1 SNF facility)	10.00	%	2029	Interest payable monthly	None	384,343	384,343	
Michigan (1 SNF facility)	12.00	%	2046	Interest payable monthly	None	1,500,000	1,500,000	
Missouri (1 SNF facility) and Tennessee (1 SNF facility)	8.35	%	2015	Interest plus $8,800 of principal payable monthly	None	6,997,610	6,445,399	
Ohio (2 SNF facilities) and Pennsylvania (5 SNF	9.64	%	2024	Interest payable monthly	None	112,500,000	112,500,000	

nd 2 AL facilities)							
Ohio (1 SNF acility)	12.00	%	2022	Interest plus $2,400 of principal payable monthly	None	6,112,406	6,023,197
	12.00	%	2022	Interest payable monthly	None	345,011	345,011
	12.00	%	2022	Interest payable monthly	None	796,397	796,397
	12.00	%	2022	Interest payable monthly	None	112,100	112,100
	12.00	%	2022	Interest payable monthly	None	194,806	194,806
Ohio (1 SNF facility)	11.42	%	2018	Interest payable monthly	None	11,874,013	12,508,966
South Carolina (1 AL acility)	8.75	%	2018	Interest payable monthly	None	1,134,935	1,134,935
Virginia (1 AL facility)	8.75	%	2018	Interest payable monthly	None	1,802,533	1,802,533
						$ 686,522,497	$ 679,795,236

e loans included in this schedule represent first mortgages on facilities used in the delivery of long-term healthcare of which such faciliti
n the states indicated.

(2) The aggregate cost for federal income tax purposes is equal to the carrying an

(3)	Year Ended December 31, 2013	2014	2015
Balance at beginning of period	$238,621,161	$241,514,812	$648,
Additions during period - Placements	3,378,357	529,547,836	33,2
Deductions during period - collection of principal/other	(484,706)	(122,984,098)	(1,5
Balance at close of period	$241,514,812	$648,078,550	$679,

INDEX TO EXHIBITS TO 2015 FO

ESCRIPTION

greement and Plan of Merger, dated as of October 30, 2014, by and among Omega Healthcare Investors, Inc., OHI Healthcare Properti
oldco, Inc., OHI Healthcare Properties Limited Partnership, L.P., Aviv REIT, Inc., and Aviv Healthcare Properties Limited Partnership
ncorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed on November 5, 2014).
mended and Restated Bylaws. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on April
rticles of Amendment and Restatement of Omega Healthcare Investors, Inc., as amended. (Incorporated by reference to Exhibit 4.1 to t
ompany's Registration Statement on Form S-3ASR filed on September 3, 2015).
ee Exhibits 3.1 to 3.2.
ndenture, dated as of March 19, 2012, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed therein and U.S
ational Association, as trustee, relating to the 5.875% Senior Notes due 2024. (Incorporated by reference to Exhibit 4.2 to the Company
urrent Report on Form 8-K, filed on March 19, 2012).
orm of 5.875% Senior Notes due 2024. (Incorporated by reference to Exhibit A of Exhibit 4.2 to the Company's Current Report on For
led on March 19, 2012).
orm of Subsidiary Guarantee relating to the 5.875% Senior Notes due 2024. (Incorporated by reference to Exhibit E of Exhibit 4.2 to th
ompany's Current Report on Form 8-K, filed on March 19, 2012).
irst Supplemental Indenture, dated as of July 2, 2012, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed
nd U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes due 2024, including the Form of 5.875% Senior Note
orm of Subsidiary Guarantee related thereto , that certain Second Supplemental Indenture, dated as of August 9, 2012, among Omega
ealthcare Investors, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 5
enior Notes due 2024, including the Form of 5.875% Senior Notes and Form of Subsidiary Guarantee related thereto, that certain Third
upplemental Indenture, dated as of September 24, 2012, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors list
herein and U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes due 2024, including the Form of 5.875% Seni
nd Form of Subsidiary Guarantee related thereto, and that certain Fourth Supplemental Indenture, effective as of December 31, 2012, ar
mega Healthcare Investors, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related
875% Senior Notes due 2024, including the Form of 5.875% Senior Notes and Form of Subsidiary Guarantee related thereto (Incorpora
eference to Exhibit 4.1C to the Company's Annual Report on Form 10-K, filed on February 28, 2013).
ifth Supplemental Indenture, dated as of August 1, 2013, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors lis
herein and U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes due 2024, including the Form of 5.875% Seni
nd Form of Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form
led on November 7, 2013) and that certain Sixth Supplemental Indenture, dated as of October 23, 2013 among Omega Healthcare Inves
nc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes d
ncluding the Form of 5.875% Senior Notes and Form of Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.1D
ompany's Annual Report on Form 10-K, filed on February 11, 2014).
eventh Supplemental Indenture, dated as of February 14, 2014, among Omega Healthcare Investors, Inc., each of the subsidiary guarant
sted therein and U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes due 2024, including the Form of 5.875%
otes and Form of Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.3A to the Company's Quarterly Report o
0-Q, filed on August 6, 2014) and that certain Eighth Supplemental Indenture, dated as of June 27, 2014, among Omega Healthcare Inv
nc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes d
ncluding the Form of 5.875% Senior Notes and Form of Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.3B
ompany's Quarterly Report on Form 10-Q, filed on August 6, 2014).

Supplemental Indenture, dated as of November 25, 2014, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors list
and U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes due 2024, including the Form of 5.875% Senior No
f Subsidiary Guarantee related thereto and that certain Tenth Supplemental Indenture, dated as of January 23, 2015, among Omega Hea
rs, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 5.875% Senior No
ncluding the Form of 5.875% Senior Notes and Form of Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.1F
ny's Annual Report on Form 10-K, filed on February 27, 2015).
th Supplemental Indenture, dated effective as of March 2, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guaran
herein and U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes due 2024, including the Form of 5.875% Sen
rm of Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.2B to the Company's Quarterly Report on Form 10-C
2015).
Supplemental Indenture, dated as of April 1, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed t
S. Bank National Association, as trustee, related to the 5.875% Senior Notes due 2024, including the Form of 5.875% Senior Notes and
ary Guarantee related thereto (Incorporated by reference to Exhibit 4.2C to the Company's Quarterly Report on Form 10-Q, filed on M

nth Supplemental Indenture, dated as of August 4, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors lis
and U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes due 2024, including the Form of 5.875% Senior No
f Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q, file
ber 6, 2015).
nth Supplemental Indenture, dated as of November 9, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors
and U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes due 2024, including the Form of 5.875% Senior No
f Subsidiary Guarantee related thereto.*
re, dated as of March 11, 2014, by and among Omega, the guarantors named therein, and U.S. Bank National Association, as trustee re
50% Senior Notes due 2024, including the Form of 4.95% Senior Notes and Form of Subsidiary Guarantee related thereto. (Incorporated
ce to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on March 11, 2014).
upplemental Indenture, dated as of June 27, 2014, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed the
ank National Association, as trustee, related to the 4.950% Senior Notes due 2024, including the Form of 4.950% Senior Notes and For
ary Guarantee related thereto (Incorporated by reference to Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q, filed on Aug

Supplemental Indenture, dated as of November 25, 2014, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors l
and U.S. Bank National Association, as trustee, related to the 4.950% Senior Notes due 2024, including the Form of 4.950% Senior No
f Subsidiary Guarantee related thereto and that certain Third Supplemental Indenture, dated as of January 23, 2015, among Omega Hea
rs, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 4.950% Senior No
ncluding the Form of 4.950% Senior Notes and Form of Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.4F
ny's Annual Report on Form 10-K, filed on February 27, 2015).
Supplemental Indenture, dated effective as of March 2, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guaranto
and U.S. Bank National Association, as trustee, related to the 4.950% Senior Notes due 2024, including the Form of 4.950% Senior No
f Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.3B to the Company's Quarterly Report on Form 10-Q, fil
2015).
upplemental Indenture, dated as of April 1, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed the
ank National Association, as trustee, related to the 4.950% Senior Notes due 2024, including the Form of 4.950% Senior Notes and For
ary Guarantee related thereto (Incorporated by reference to Exhibit 4.3C to the Company's Quarterly Report on Form 10-Q, filed on M

upplemental Indenture, dated as of August 4, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed th
S. Bank National Association, as trustee, related to the 4.950% Senior Notes due 2024, including the Form of 4.950% Senior Notes and
ary Guarantee related thereto (Incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q, filed on Nov

n Supplemental Indenture, dated as of November 9, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors li
and U.S. Bank National Association, as trustee, related to the 4.950% Senior Notes due 2024, including the Form of 4.950% Senior No
f Subsidiary Guarantee related thereto.*
re, dated as of September 11, 2014, by and among Omega, the subsidiary guarantors named therein, and U.S. Bank National Associatio
related to the 4.50% Senior Notes due 2025, including the Form of 4.50% Senior Notes and Form of Subsidiary Guarantee related there
orated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on September 11, 2014).
upplemental Indenture, dated as of November 25, 2014, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors liste
S. Bank National Association, as trustee, related to the 4.50% Senior Notes due 2024, including the Form of 4.50% Senior Notes and Fo
ary Guarantee related thereto and that certain Second Supplemental Indenture, dated as of January 23, 2015, among Omega Healthcare
rs, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 4.50% Senior Not
ncluding the Form of 4.50% Senior Notes and Form of Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.5A
ny's Annual Report on Form 10-K, filed on February 27, 2015).
upplemental Indenture, dated effective as of March 2, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors
and U.S. Bank National Association, as trustee, related to the 4.50% Senior Notes due 2025, including the Form of 4.50% Senior Notes
f Subsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.2B to the Company's Registration Statement on Form S-
6, 2015).
Supplemental Indenture, dated as of April 1, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed th
ank National Association, as trustee, related to the 4.50% Senior Notes due 2025, including the Form of 4.50% Senior Notes and Form o
ary Guarantee related thereto (Incorporated by reference to Exhibit 4.2B to the Company's Registration Statement on Form S-4, filed o
5).
upplemental Indenture, dated as of August 4, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed th
ank National Association, as trustee, related to the 4.50% Senior Notes due 2025, including the Form of 4.50% Senior Notes and Form o
ary Guarantee related thereto (Incorporated by reference to Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q, filed on Nov

upplemental Indenture, dated as of November 9, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors liste
S. Bank National Association, as trustee, related to the 4.50% Senior Notes due 2025, including the Form of 4.50% Senior Notes and Fo
ary Guarantee related thereto.*
re, dated as of March 18, 2015, by and among Omega Healthcare Investors, Inc., the subsidiary guarantors named therein and U.S. Ban
al Association, as trustee, related to the 4.500% Senior Notes due 2027, including the Form of 4.500% Senior Notes and Form of Subsid
tee related thereto (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on March 24, 2015).
upplemental Indenture, dated as of April 1, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed there
ank National Association, as trustee, related to the 4.500% Senior Notes due 2027, including the Form of 4.500% Senior Notes and Forr
ary Guarantee related thereto (Incorporated by reference to Exhibit 4.5A to the Company's Quarterly Report on Form 10-Q, filed on M

Supplemental Indenture, dated as of August 4, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed
S. Bank National Association, as trustee, related to the 4.500% Senior Notes due 2027, including the Form of 4.500% Senior Notes and
ary Guarantee related thereto (incorporated by reference to Exhibit 4.2A to Omega's Registration Statement on Form S-4 filed on Octo

upplemental Indenture, dated as of November 9, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors liste
S. Bank National Association, as trustee, related to the 4.500% Senior Notes due 2027, including the Form of 4.500% Senior Notes and
ary Guarantee related thereto. (incorporated by reference to Exhibit 4.2B to the Amendment to Omega's Registration Statement on For
n November 10, 2015).
re, dated as of September 23, 2015 by and among Omega, the subsidiary guarantors named therein, and U.S. Bank National Associatio
(incorporated by reference to Exhibit 4.1 to Omega's Current Report on Form 8-K, filed with SEC on September 29, 2015).

Supplemental Indenture, dated as of November 9, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors liste
.S. Bank National Association, as trustee, related to the 5.250% Senior Notes due 2026, including the Form of 5.250% Senior Notes and
bsidiary Guarantee related thereto (Incorporated by reference to Exhibit 4.1A to the Company's Registration Statement on Form S-4, fil
mber 12, 2015).
of Directors and Officers Indemnification Agreement. (Incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report o
filed on August 14, 2000).
of Officers' Multi-Year Performance Restricted Stock Unit Award for 2011 to 2014 (Incorporated by reference to Exhibit 10.12 of the
any's Annual Report on Form 10-K, filed on February 27, 2012).+
ded and Restated Deferred Stock Plan, dated October 16, 2012, and forms of related agreements (Incorporated by reference to Exhibit 1
ompany's Quarterly Report on Form 10-Q, filed November 7, 2012).
Agreement, dated as of June 27, 2014, among Omega Healthcare Investors, Inc., certain subsidiaries of Omega Healthcare Investors, I
fied therein as guarantors, the lenders named therein and Bank of America, N.A., as administrative agent for such lenders. (Incorporated
nce to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 2, 2014).
Amendment dated April 1, 2015 to the Credit Agreement dated June 27, 2014 by and between Omega Healthcare Investors Inc., the sub
ntors listed therein, a syndicate of financial institutions, as Lenders, and Bank of America, N.A., as Administrative Agent (Incorporated
nce to Exhibit 10.12 to the Company's Current Report on Form 8-K, filed on April 3, 2015).
d Amendment to Credit Agreement, dated as of August 7, 2015, among Omega Healthcare Investors, Inc., certain subsidiaries of Omeg
hcare Investors, Inc. identified therein as guarantors, the lenders named therein and Bank of America, N.A., as administrative agent for s
s (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed December 22, 2015).
Amendment to Credit Agreement, dated as of January 29, 2016, among Omega Healthcare Investors, Inc., certain subsidiaries of Omeg
hcare Investors, Inc. identified therein as guarantors, the lenders named therein and Bank of America, N.A., as administrative agent for s
s (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed February 3, 2016).
Agreement, dated as of December 16, 2015, among Omega Healthcare Investors, Inc., certain subsidiaries of Omega Healthcare Invest
fied therein as guarantors, the lenders named therein and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent for such lend
porated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 22, 2015).
d Amended and Restated Agreement of Limited Partnership by and among Omega Healthcare Investors, Inc., OHI Healthcare Propertie
o, Inc., and Aviv Healthcare Properties Limited Partnership (Incorporated by reference to Exhibit 10.11 to the Company's Current Repo
8-K, filed on April 3, 2015).
Agreement dated as of April 1, 2015, by and between OHI Healthcare Properties Limited Partnership, each of the subsidiary guarantor
n, a syndicate of financial institutions as listed therein as Lenders, and Bank of America, N.A., as Administrative Agent (Incorporated b
nce to Exhibit 10.13 to the Company's Current Report on Form 8-K, filed on April 3, 2015).
Amendment to Credit Agreement, dated as of August 7, 2015, among Omega Healthcare Properties Limited Partnership, certain subsidi
a Healthcare Properties Limited Partnership identified therein as guarantors, the lenders named therein and Bank of America, N.A., as
istrative agent for such lenders (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January
of Equity Distribution Agreement dated September 3, 2015, entered into by and between Omega Healthcare Investors, Inc. and each of
l Markets, a division of BB&T Securities, LLC, Capital One Securities, Inc., Credit Agricole Securities (USA) Inc., J.P. Morgan Secur
Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities (USA), Inc., Morgan Stanley & Co. LLC, RBC Capital
ets, LLC, Stifel, Nicolaus & Company, Incorporated, SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC (incorporate
nce to Exhibit 1.1 to Omega's Current Report on Form 8-K filed with the SEC on September 4, 2015).
a Healthcare Investors, Inc. 2013 Stock Incentive Plan (Incorporated by reference to Annex A to the Registrant's Proxy Statement on S
iled on April 22, 2013). +
dment to 2013 Stock Incentive Plan (Incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K, filed o
. +
of Officer Deferred Performance Restricted Stock Unit Agreement (Incorporated by reference to Exhibit 10.2 of the Company's Quarte
t on Form 10-Q, filed on August 5, 2013). +

loyment Agreement, dated November 15, 2013, between Omega Healthcare Investors, Inc. and C. Taylor Pickett (Incorporated by refer
bit 10.1 of the Company’s Current Report on Form 8-K, filed on November 19, 2013). +
loyment Agreement, dated November 15, 2013, between Omega Healthcare Investors, Inc. and Daniel Booth (Incorporated by referenc
bit 10.2 of the Company’s Current Report on Form 8-K, filed on November 19, 2013). +
loyment Agreement, dated April 1, 2015, between Omega Healthcare Investors, Inc. and Steven J. Insoft (incorporated by reference to I
to Company's Current Report on Form 8-K filed with the SEC on April 3, 2015).
loyment Agreement, dated November 15, 2013, between Omega Healthcare Investors, Inc. and Robert O. Stephenson (Incorporated by
ence to Exhibit 10.3 of the Company’s Current Report on Form 8-K, filed on November 19, 2013). +
loyment Agreement, dated November 15, 2013, between Omega Healthcare Investors, Inc. and R. Lee Crabill (Incorporated by referenc
bit 10.4 of the Company’s Current Report on Form 8-K, filed on November 19, 2013). +
sulting Agreement, effective as of August 1, 2015, among Omega Healthcare Investors, Inc., Omega Asset Management LLC and R. Le
ill, Jr. (incorporated by reference to Exhibit 3.1 to Omega’s Current Report on Form 8-K filed with the SEC on July 31, 2015). +
loyment Agreement, dated November 15, 2013, between Omega Healthcare Investors, Inc. and Michael Ritz (Incorporated by reference
bit 10.5 of the Company’s Current Report on Form 8-K, filed on November 19, 2013). +
n of Time-Based Restricted Stock Unit Agreement for Transition Grants (2013) (Incorporated by reference to Exhibit 10.6 of the Compa
ent Report on Form 8-K, filed on November 19,2013). +
n of Time-Based Restricted Stock Unit Agreement for 2015 Grants (Incorporated by reference to Exhibit 10.7 to the Company’s Curren
orm 8-K, filed on April 3, 2015). +
n of Performance-Based Restricted Stock Unit Agreement for Transition Grants (2013) (Incorporated by reference to Exhibit 10.7 of the
pany’s Current Report on Form 8-K, filed on November 19, 2013). +
n of Performance-Based Restricted Stock Unit Agreement for 2015 Grants (Incorporated by reference to Exhibit 10.8 to the Company’s
ort on Form 8-K, filed on April 3, 2015). +
n of Time-Based Restricted Stock Unit Agreement for Annual Grants (commencing 2014) (Incorporated by reference to Exhibit 10.8 of
pany’s Current Report on Form 8-K, filed on November 19, 2013). +
n of Performance-Based Restricted Stock Unit Agreement for Annual Grants (commencing 2014) (Incorporated by reference to Exhibit
Company’s Current Report on Form 8-K, filed on November 19, 2013). +
ership Limit Waiver Agreement, dated as of October 30, 2014, by and between Omega Healthcare Investors, Inc. and LG Aviv L.P.
rporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed on November 5, 2014).
n of Performance-Based LTIP Unit Agreement for 2015 Grants (Incorporated by reference to Exhibit 10.9 to the Company’s Current Re
n 8-K, filed on April 3, 2015). +
REIT, Inc. 2010 Management Incentive Plan (Incorporated by reference to Exhibit 10.3 to the Aviv REIT, Inc.’s Registration Statemen
n S-4, filed on May 2, 2011). +
Amendment to the Aviv REIT, Inc. 2010 Management Incentive Plan (Incorporated by reference to Exhibit 4.5 to Aviv REIT, Inc.’s
stration Statement on Form S-8, filed on March 25, 2013). +
nd Amendment to the Aviv REIT, Inc. 2010 Management Incentive Plan (Incorporated by reference to Exhibit 4.3 to the Company’s
stration Statement on Form S-8, filed on April 2, 2015). +
n of Time-Based Nonqualified Stock Option Award Agreement under the Aviv REIT, Inc. 2010 Management Incentive Plan (Incorpora
ence to Exhibit 10.4 to Aviv REIT, Inc.’s Registration Statement on Form S-4, filed on May 2, 2011). +
n of Nonlimited Performance-Based Nonqualified Stock Option Award Agreement under the Aviv REIT, Inc. 2010 Management Incent
rporated by reference to Exhibit 10.5 to Aviv REIT, Inc.’s Registration Statement on Form S-4 filed on May 2, 2011). +
REIT, Inc. 2013 Long-Term Incentive Plan (Incorporated by reference to Exhibit 4.3 to Aviv REIT, Inc.’s Registration Statement on F
on March 25, 2013). +
ndment to the Aviv REIT, Inc. 2013 Long-Term Incentive Plan (Incorporated by reference to Exhibit 4.5 to the Company’s Registratio
ment on Form S-8, filed on April 2, 2015). +

rm of Restricted Stock Unit Award Agreement for time-based restricted stock units under the Aviv REIT, Inc. 2013 Long-Term Incenti
corporated by reference to Exhibit 10.2 to Aviv REIT, Inc.'s Current Report on Form 8-K, filed on July 15, 2013). +
nended and Restated Phantom Partnership Unit Award Agreement, dated as of September 17, 2010, among Aviv Asset Management, L
even J. Insoft and Aviv Healthcare Properties Limited Partnership, (Incorporated by reference to Exhibit 10.8 to Aviv REIT, Inc.'s Regi
atement on Form S-4, filed on May 2, 2011). +
tio of Earnings to Fixed Charges.*
tio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.*
bsidiaries of the Registrant.*
nsent of Independent Registered Public Accounting Firm.
rtification of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.*
rtification of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.*
rtification of the Chief Executive Officer under Section 906 of the Sarbanes- Oxley Act of 2002.*
rtification of the Chief Financial Officer under Section 906 of the Sarbanes- Oxley Act of 2002.*
BRL Instance Document.
BRL Taxonomy Extension Schema Document.
BRL Taxonomy Extension Calculation Linkbase Document.
BRL Taxonomy Extension Definition Linkbase Document.
BRL Taxonomy Extension Label Linkbase Document.
BRL Taxonomy Extension Presentation Linkbase Document.

* Exhibits that are filed

+ Management contract or compensatory plan, contract or arra

SIGNA

to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be sig
behalf by the undersigned, thereunto duly au

OMEGA HEALT
INVESTORS, INC

By: /s/C. Taylor Pi
C. Taylor Pick
Chief Executiv

Date: February

the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registra
the capacities on the date i

Signatures	Title	Date
PRINCIPAL EXECUTIVE OFFICER		
/s/ C. Taylor Pickett C. Taylor Pickett	Chief Executive Officer	February 26, 2016
PRINCIPAL FINANCIAL OFFICER		
/s/ Robert O. Stephenson Robert O. Stephenson	Chief Financial Officer	February 26, 2016
/s/ Michael D.Ritz Michael D. Ritz	Chief Accounting Officer	February 26, 2016
DIRECTORS		
/s/ Bernard J. Korman Bernard J. Korman	Chairman of the Board	February 26, 2016
/s/ Craig M. Bernfield Craig M. Bernfield	Director	February 26, 2016

/s/ Norman Bobins Norman Bobins	Director	February 26, 2016
/s/ Craig R. Callen Craig R. Callen	Director	February 26, 2016
/s/ Thomas F. Franke Thomas F. Franke	Director	February 26, 2016
/s/ Barbara B. Hill Barbara B. Hill	Director	February 26, 2016
/s/ Harold J. Kloosterman Harold J. Kloosterman	Director	February 26, 2016
/s/ Edward Lowenthal Edward Lowenthal	Director	February 26, 2016
/s/ C. Taylor Pickett C. Taylor Pickett	Director	February 26, 2016
/s/ Ben W. Perks Ben W. Perks	Director	February 26, 2016
/s/ Stephen D. Plavin Stephen D. Plavin	Director	February 26, 2016