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

FORM 10-Q

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

For the quarterly period ended June 30, 2013

or

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

For the transition period from _______________ to _______________

Commission file number 1-11316

OMEGA HEALTHCARE INVESTORS, INC.
(Exact name of Registrant as specified in its charter)

Maryland	38-3041398
(State of incorporation)	(IRS Employer Identification No.)

200 International Circle, Suite 3500, Hunt Valley, MD 21030
(Address of principal executive offices)

(410) 427-1700
(Telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one:)

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of July 29 , 2013.

Common Stock, $.10 par value	117,155,264
(Class)	(Number of shares)

OMEGA HEALTHCARE INVESTORS, INC.
FORM 10-Q
June 30, 2013

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PART I – FINANCIAL INFORMATION

Item 1 - Financial Statements

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Real estate properties		
Land and buildings	$ 3,051,363	$ 3,038,553
Less accumulated depreciation	(643,514)	(580,373)
Real estate properties – net	2,407,849	2,458,180
Mortgage notes receivable – net	241,254	238,621
	2,649,103	2,696,801
Other investments – net	74,646	47,339
	2,723,749	2,744,140
Assets held for sale – net	1,020	1,020
Total investments	2,724,769	2,745,160
Cash and cash equivalents	7,039	1,711
Restricted cash	40,127	36,660
Accounts receivable – net	138,059	125,180
Other assets	69,802	73,294
Total assets	$ 2,979,796	$ 2,982,005
LIABILITIES AND STOCKHOLDERS' EQUITY		
Revolving line of credit	$ 5,000	$ 158,000
Term loan	200,000	100,000
Secured borrowings	301,526	366,538
Unsecured borrowings – net	1,200,139	1,200,394
Accrued expenses and other liabilities	135,835	145,744
Total liabilities	1,842,500	1,970,676
Stockholders' equity:		
Common stock $.10 par value 200,000 shares authorized — 117,152 shares as of June 30, 2013 and 112,393 as of December 31, 2012 issued and outstanding	11,715	11,239
Common stock – additional paid-in capital	1,807,201	1,664,855
Cumulative net earnings	841,306	754,128
Cumulative dividends paid	(1,522,926)	(1,418,893)
Total stockholders' equity	1,137,296	1,011,329
Total liabilities and stockholders' equity	$ 2,979,796	$ 2,982,005

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Revenue				
Rental income	$ 93,069	$ 75,228	$ 186,178	$ 151,203
Mortgage interest income	7,435	7,404	14,781	14,740
Other investment income – net	1,860	1,165	3,166	2,295
Miscellaneous	151	28	151	102
Total operating revenues	102,515	83,825	204,276	168,340
Expenses				
Depreciation and amortization	32,225	27,199	64,184	54,346
General and administrative	5,483	4,954	10,680	10,480
Acquisition costs	9	98	143	203
Impairment loss on real estate properties	-	-	-	272
Provisions for uncollectible mortgages, notes and accounts receivable	65	-	65	-
Total operating expenses	37,782	32,251	75,072	65,301
Income before other income and expense	**64,733**	**51,574**	**129,204**	**103,039**
Other income (expense)				
Interest income	14	9	17	16
Interest expense	(24,952)	(24,009)	(50,624)	(46,976)
Interest – amortization of deferred financing costs	(698)	(668)	(1,380)	(1,297)
Interest – refinancing gain (costs)	11,112	1,698	11,112	(5,410)
Total other expense	(14,524)	(22,970)	(40,875)	(53,667)
Income before gain on assets sold	**50,209**	**28,604**	**88,329**	**49,372**
(Loss) gain on assets sold – net	(1,151)	1,968	(1,151)	7,284
Net income available to common stockholders	**$ 49,058**	**$ 30,572**	**$ 87,178**	**$ 56,656**
Income per common share available to common shareholders:				
Basic:				
Net income	$ 0.42	$ 0.29	$ 0.76	$ 0.54
Diluted:				
Net income	$ 0.42	$ 0.29	$ 0.76	$ 0.54
Dividends declared and paid per common share	$ 0.46	$ 0.42	$ 0.91	$ 0.83
Weighted-average shares outstanding, basic	116,199	105,717	114,491	104,736
Weighted-average shares outstanding, diluted	117,022	106,033	115,273	105,023

See notes to consolidated financial statements .

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Unaudited
(in thousands, except per share amounts)

	Common Stock Par Value	Additional Paid-in Capital	Cumulative Net Earnings	Cumulative Dividends	Total
Balance at December 31, 2012 (112,393 common shares)	$ 11,239	$ 1,664,855	$ 754,128	$ (1,418,893)	$ 1,011,329
Issuance of common stock:					
Grant of restricted stock to company directors (15 shares at $30.33 per share)	2	(2)	—	—	—
Amortization of restricted stock	—	2,883	—	—	2,883
Dividend reinvestment plan (1,462 shares at $28.46 per share)	146	41,442	—	—	41,588
Grant of stock as payment of directors fees (3 shares at an average of $32.17 per share)	—	87	—	—	87
Equity Shelf Program (3,279 shares at $30.69 per share, net of issuance costs)	328	97,936	—	—	98,264
Net income	—	—	87,178	—	87,178
Common dividends ($0.91 per share)	—	—	—	(104,033)	(104,033)
Balance at June 30, 2013 (117,152 common shares)	$ 11,715	$ 1,807,201	$ 841,306	$ (1,522,926)	$ 1,137,296

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited (in thousands)

	Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities		
Net income	$ 87,178	$ 56,656
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	64,184	54,346
Impairment on real estate properties	—	272
Provision for uncollectible mortgages, notes and accounts receivable	65	—
Amortization of deferred financing and debt extinguishment (gain)/costs	(9,732)	6,707
Restricted stock amortization expense	2,924	2,971
Loss (gain) on assets sold – net	1,151	(7,284)
Amortization of acquired in-place leases - net	(2,503)	(2,852)
Other	—	(75)
Change in operating assets and liabilities – net of amounts assumed/acquired:		
Accounts receivable, net	147	370
Straight-line rent	(13,702)	(13,120)
Lease inducement	1,685	1,684
Effective yield receivable on mortgage notes	(1,074)	(1,113)
Other operating assets and liabilities	(8,995)	(4,138)
Net cash provided by operating activities	121,328	94,424
Cash flows from investing activities		
Acquisition of real estate – net of liabilities assumed and escrows acquired	—	(26,922)
Placement of mortgage loans	(2,869)	(4,955)
Proceeds from sale of real estate investments	2,288	22,006
Capital improvements to real estate investments	(17,307)	(14,207)
Proceeds from other investments	2,942	10,040
Investments in other investments	(30,248)	(3,558)
Collection of mortgage principal	237	243
Net cash used in investing activities	(44,957)	(17,353)
Cash flows from financing activities		
Proceeds from credit facility borrowings	201,000	92,000
Payments on credit facility borrowings	(254,000)	(362,500)
Receipts of other long-term borrowings	59,355	400,000
Payments of other long-term borrowings	(112,208)	(188,674)
Payments of financing related costs	(1,032)	(12,920)
Receipts from dividend reinvestment plan	41,588	68,976
Net proceeds from issuance of common stock	98,264	15,574
Dividends paid	(104,010)	(87,017)
Net cash used in financing activities	(71,043)	(74,561)
Increase in cash and cash equivalents	5,328	2,510
Cash and cash equivalents at beginning of period	1,711	351
Cash and cash equivalents at end of period	$ 7,039	$ 2,861
Interest paid during the period, net of amounts capitalized	$ 51,397	$ 46,323

See notes to consolidated financial statements.

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Overview

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

Basis of Presentation

The accompanying unaudited consolidated financial statements for Omega have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the interim periods reported herein are not necessarily indicative of results to be expected for the full year. We have evaluated all subsequent events through the date of the filing of this Form 10-Q. These unaudited consolidated financial statements should be read in conjunction with the financial statements and the footnotes thereto included in our latest Annual Report on Form 10-K.

Our consolidated financial statements include the accounts of (i) Omega, (ii) all direct and indirect wholly owned subsidiaries of Omega, and (iii) TC Healthcare, a variable interest entity ("VIE") that we consolidate as the primary beneficiary. All inter-company accounts and transactions have been eliminated in consolidation of the financial statements.

Accounts Receivable

Accounts receivable includes: contractual receivables, effective yield interest receivables, straight-line rent receivables and lease inducements, net of an estimated provision for losses related to uncollectible and disputed accounts. Contractual receivables relate to the amounts currently owed to us under the terms of our lease and loan agreements. Effective yield interest receivables relate to the difference between the interest income recognized on an effective yield basis over the term of the loan agreement and the interest currently due to us according to the contractual agreement. Straight-line receivables relate to the difference between the rental revenue recognized on a straight-line basis and the amounts currently due to us according to the contractual agreement. Lease inducements result from value provided by us to the lessee at the inception or renewal of the lease and will be amortized as a reduction of rental revenue over the non cancellable lease term.

On a quarterly basis, we review our accounts receivable to determine their collectability. The determination of collectability of these assets requires significant judgment and is affected by several factors relating to the credit quality of our operators that we regularly monitor, including (i) payment history, (ii) the age of the contractual receivables, (iii) the current economic conditions and reimbursement environment, (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 underlying collateral of the agreement. If we determine collectability of any of our contractual receivables is at risk, we estimate the potential uncollectible amounts and provide an allowance. In the case of a lease recognized on a straight-line basis or existence of lease inducements, we generally provide an allowance for straight-line accounts receivable and/or the lease inducements when certain conditions or indicators of adverse collectability are present.

A summary of our net receivables by type is as follows:

	June 30, 2013	December 31, 2012
	(in thousands)	
Contractual receivables	$ 3,757	$ 3,963
Effective yield interest receivables	4,650	3,576
Straight-line receivables	112,610	98,973
Lease inducements	17,622	19,307
Allowance	(580)	(639)
Accounts receivable – net	$ 138,059	$ 125,180

We continuously evaluate the payment history and financial strength of our operators and have historically established allowance reserves for straight-line rent adjustments for operators that do not meet our requirements. We consider factors such as payment history and the operator's financial condition as well as current and future anticipated operating trends when evaluating whether to establish allowance reserves.

NOTE 2 – PROPERTIES AND INVESTMENTS

In the ordinary course of our business activities, we periodically evaluate investment opportunities and extend credit to customers. We also regularly engage in lease and/or loan extensions and modifications. Additionally, we actively monitor and manage our investment portfolio with the objectives of improving credit quality and increasing investment returns. In connection with our portfolio management, we may engage in various collection and foreclosure activities.

If we acquire real estate pursuant to a foreclosure or bankruptcy proceeding, the assets will initially be included on the consolidated balance sheet at the lower of cost or estimated fair value.

Leased Property

Our leased real estate properties, represented by 417 SNFs, 16 assisted living facilities ("ALFs") and 11 specialty facilities at June 30, 2013, are leased under provisions of single or master leases with initial terms typically ranging from 5 to 15 years, plus renewal options. Substantially all of our leases contain provisions for specified annual increases over the rents of the prior year and are generally computed in one of three methods depending on specific provisions of each lease as follows: (i) a specific annual percentage increase over the prior year's rent, generally 2.5%; (ii) an increase based on the change in pre-determined formulas from year to year (i.e., such as increases in the Consumer Price Index ("CPI")); or (iii) specific dollar increases over prior years. Under the terms of the leases, the lessee is responsible for all maintenance, repairs, taxes and insurance on the leased properties.

The facilities acquired in 2012 are included in our results of operations from the date of acquisition. The following unaudited pro forma results of operations reflect the impact of the transactions as if they occurred on January 1, 2012. In the opinion of management, all significant necessary adjustments to reflect the effect of the acquisitions have been made. The following pro forma information is not indicative of future operations.

	Pro Forma			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands, except per share amount, unaudited)			
Revenues	$ 102,515	$ 97,331	$ 204,276	$ 195,352
Net income available to common stockholders	$ 49,058	$ 36,178	$ 87,178	$ 67,868
Earnings per share – diluted:				
Net income available to common stockholders – as reported	$ 0.42	$ 0.29	$ 0.76	$ 0.54
Net income available to common stockholders – pro forma	$ 0.42	$ 0.34	$ 0.76	$ 0.65

Assets Sold or Assets Held for Sale

Assets Sold

In the three-month period ended June 30, 2013, we sold one facility in Texas for total cash proceeds of $2.2 million, resulting in a $1.2 million loss. Also, in April 2013, we sold a parcel of undeveloped land to a third party for approximately $0.1 million.

Assets Held for Sale

At June 30, 2013, we had two SNFs and one parcel of land classified as held-for-sale with an aggregate net book value of approximately $1.0 million.

Mortgage Notes Receivables

Our mortgage notes receivables relate to 14 fixed-rate mortgages on 33 long-term care facilities. The mortgage notes are secured by first mortgage liens on the borrowers' underlying real estate and personal property. The mortgage notes receivable relate to facilities located in five (5) states, which are operated by five (5) independent healthcare operating companies. We monitor compliance with mortgages and when necessary have initiated collection, foreclosure and other proceedings with respect to certain outstanding loans. As of June 30, 2013, none of our mortgages were in default or in foreclosure proceedings. Where appropriate, the mortgage properties are generally cross-collateralized with the master lease agreement with the same operator.

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

NOTE 3 – OTHER INVESTMENTS

A summary of our other investments is as follows:

	June 30, 2013	December 31, 2012
	(in thousands)	
Other Investment note due 2015	$ 2,418	$ 2,518
Other Investment notes due 2021 - 2023	12,061	9,775
Other Investment note due 2013	559	1,018
Other Investment note due 2014	438	812
$28.0 Million Other Investment note due 2017	25,250	26,500
$6.0 Million Other Investment note due 2013	5,439	3,450
Other Investment note due 2013	-	261
$1.3 Million Other Investment note due 2017	965	425
$25.0 Million Other Investment note due 2017	24,936	-
Notes receivable, gross [1]	72,066	44,759
Allowance for loss on notes receivable	(1,977)	(1,977)
Notes receivable, net	70,089	42,782
Marketable securities and other	4,557	4,557
Total other investments	$ 74,646	$ 47,339

[1] The majority of these notes bear interest at approximately 10% annually.

$25 million Other Investment note due 2017

On May 2, 2013, we invested $24.9 million in a mezzanine loan with a third party. The loan bears interest at 12% per annum and matures in December 2017.

NOTE 4 – CONCENTRATION OF RISK

As of June 30, 2013, our portfolio of real estate investments consisted of 480 healthcare facilities, located in 34 states and operated by 47 third-party operators. Our gross investment in these facilities, net of impairments and before reserve for uncollectible loans, totaled approximately $3.3 billion at June 30, 2013, with approximately 99% of our real estate investments related to long-term care facilities. Our portfolio is made up of 417 SNFs, 16 ALFs, 11 specialty facilities, fixed rate mortgages on 33 SNFs and three SNFs that are closed/held-for-sale. At June 30, 2013, we also held miscellaneous investments of approximately $74.6 million, consisting primarily of secured loans to third-party operators of our facilities.

At June 30, 2013, we had investments with two operators and/or managers that exceeded 10% of our total investment: (i) Genesis Healthcare ("Genesis") (11%), and (ii) CommuniCare Health Services, Inc. ("CommuniCare") (10%). The three states in which we had our highest concentration of investments were Florida (18%), Ohio (11%) and Indiana (10%) at June 30, 2013.

For the three-month period ended June 30, 2013, our revenues from operations totaled $102.5 million, of which approximately $13.8 million were from Genesis (13%) and $11.1 million were from CommuniCare (11%). No other operator generated more than 10% of our revenues from operations for the three-month period ended June 30, 2013.

For the six-month period ended June 30, 2013, our revenues from operations totaled $204.3 million, of which approximately $27.6 million were from Genesis (14%) and $22.2 million were from CommuniCare (11%). No other operator generated more than 10% of our revenues from operations for the six-month period ended June 30, 2013.

NOTE 5 – DIVIDENDS

Common dividends

On July 16, 2013, the Board of Directors declared a common stock dividend of $0.47 per share, increasing the quarterly common dividend by $0.01 per share over the prior quarter. The common dividends are to be paid August 15, 2013 to common stockholders of record on July 31, 2013.

On April 16, 2013, the Board of Directors declared a common stock dividend of $0.46 per share, increasing the quarterly common dividend by $0.01 per share over the prior quarter, which was paid May 15, 2013 to common stockholders of record on April 30, 2013.

On January 16, 2013, the Board of Directors declared a common stock dividend of $0.45 per share, increasing the quarterly common dividend by $0.01 per share over the prior quarter, which was paid February 15, 2013 to common stockholders of record on January 31, 2013.

NOTE 6 – TAXES

So long as we qualify as a real estate investment trust ("REIT") under the Internal Revenue Code (the "Code"), we generally will not be subject to federal income taxes on the REIT taxable income that we distribute to stockholders, subject to certain exceptions. On a quarterly and annual basis, we test our compliance within the REIT taxation rules to ensure that we were in compliance with the rules.

Subject to 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 subsidiaries ("TRSs"). Currently, 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 corporate rates. As of June 30, 2013, the TRS had a net operating loss carry-forward of $1.1 million. The loss carry-forward is fully reserved with a valuation allowance as of June 30, 2013.

NOTE 7 – STOCK-BASED COMPENSATION

On June 6, 2013, at our Company's Annual Meeting, our stockholders approved the 2013 Stock Incentive Plan (the "2013 Plan"), which amended and restated the Company's 2004 Stock Incentive Plan. The 2013 Plan is a comprehensive incentive compensation plan that allows for various types of equity-based compensation, including restricted stock units (including performance-based restricted stock units), stock awards, deferred restricted stock units, incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights and certain cash-based awards (including performance-based cash awards). The 2013 Plan increased the number of shares reserved for issuance for compensation purposes by 3,000,000.

The following is a summary of our stock-based compensation expense for the three- and six- month periods ended June 30, 2013 and 2012, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
	(in thousands)			
Stock-based compensation expense	$ 1,472	$ 1,486	$ 2,924	$ 2,971

Stock Awards

Effective January 2011, we granted 428,503 shares of restricted stock and 496,977 performance restricted stock units ("PRSUs") to six employees. In each of January 2012 and 2013, we granted an additional 124,244 PRSUs to six employees.

Restricted Stock Awards

The restricted stock awards vest 100% on December 31, 2013, subject to continued employment on the vesting date and subject to certain exceptions for certain qualifying terminations of employment or a change in control of the Company. As of June 30, 2013, no shares of restricted stock have vested under these restricted stock awards.

Performance Restricted Stock Units

Effective January 1, 2011, we awarded three types of PRSUs to the six employees: (i) 124,244 annual total shareholder return ("TSR") PRSUs for the year ended December 31, 2011 ("2011 Annual TSR PRSUs"); (ii) 279,550 multi-year absolute TSR PRSUs and (iii) 93,183 multi-year relative TSR PRSUs. On January 1, 2012 and 2013, we awarded to the six employees 124,244 annual TSR PRSUs for the year ended December 31, 2012 and 2013 (the "2012 Annual TSR PRSUs" and the "2013 Annual TSR PRSUs").

Annual TSR PRSUs

The number of shares earned under the annual TSR PRSUs depends generally on the level of achievement of TSR for the year. The annual TSR PRSUs vest on December 31 of the year, subject to continued employment on the vesting date and subject to certain exceptions for certain qualifying terminations of employment or a change in control of the Company. The 2011 Annual TSR PRSUs were forfeited because the required TSR for 2011 was not achieved. The performance requirement for the 2012 Annual TSR PRSUs was achieved and the 124,244 shares vested and were distributed to the employees at December 31, 2012. As of June 30, 2013, the 2013 annual TSR PRSUs have not been earned.

Multi-year Absolute TSR PRSUs

The number of shares earned under the multi-year absolute TSR PRSUs depends generally on the level of achievement of TSR for the three-years ending December 31, 2013. The multi-year absolute TSR PRSUs vest 25% on the last day of each calendar quarter in 2014, subject to continued employment on the vesting date and subject to certain exceptions for certain qualifying terminations of employment or a change in control of the Company.

Multi-year Relative TSR PRSUs

The number of shares earned under the multi-year relative TSR PRSUs depends generally on the level of achievement of TSR relative to other real estate investment trusts in the MSCI U.S. REIT Index for the three-years ending December 31, 2013. The multi-year relative TSR PRSUs vest 25% on the last day of each calendar quarter in 2014, subject to continued employment on the vesting date and subject to certain exceptions for certain qualifying terminations of employment or a change in control of the Company.

The PRSU awards have varying degrees of performance requirements to achieve vesting, and each PRSU award represents the right to a variable number of shares of common stock and related dividend equivalents based on dividends paid to stockholders during the applicable performance period.

As of June 30, 2013, none of the PRSUs are vested or earned.

The following table summarizes our total unrecognized compensation cost as of June 30, 2013 associated with outstanding restricted stock and PRSU awards to employees:

	Shares/ Units	Grant Date Average Fair Value Per Unit/ Share	Total Compensation Cost (in millions)	Weighted Average Period of Expense Recognition (in months)	Unrecognized Compensation Cost (in millions)
Restricted stock	428,503	$ 22.44	$ 9.6	36	$ 1.6
2013 Annual PRSUs	124,244	$ 8.92	1.1	12	0.6
Multi-year absolute TSR PRSUs	279,550	$ 11.06	3.1	44	0.9
Multi-year relative TSR PRSUs	93,183	$ 12.26	1.1	44	0.3
Total	925,480	$ 14.93	$ 14.9		$ 3.4

We used a Monte Carlo model to estimate the fair value for PRSUs granted to the employees.

Director Restricted Stock Grants

As of June 30, 2013, we had 43,457 shares of restricted stock outstanding to directors. The directors' restricted shares are scheduled to vest over the next three years. As of June 30, 2013, the unrecognized compensation cost associated with outstanding director restricted stock grants is approximately $0.6 million.

NOTE 8 – FINANCING ACTIVITIES AND BORROWING ARRANGEMENTS

Secured and Unsecured Borrowings

The following is a summary of our long-term borrowings:

	Maturity	Current Rate	June 30, 2013	December 31, 2012
			(in thousands)	
Secured borrowings:				
HUD Berkadia mortgages assumed June 2010	2036 - 2040	-	$ —	$ 62,921
HUD Capital Funding mortgages assumed June 2010 (1)	2040 - 2045	4.85%	129,773	130,887
HUD mortgages assumed October 2011 (1)	2036 - 2040	4.87%	31,571	31,991
HUD mortgages assumed December 2011 (1)	2044	3.06%	59,166	58,884
HUD mortgages assumed December 2012 (1)	2031 - 2045	5.50%	81,016	81,855
Total secured borrowings			301,526	366,538
Unsecured borrowings:				
Revolving line of credit	2016	1.69%	$ 5,000	$ 158,000
Term Loan	2017	1.94%	200,000	100,000
			205,000	258,000
2020 Notes	2020	7.50%	200,000	200,000
2022 Notes	2022	6.75%	575,000	575,000
2024 Notes	2024	5.875%	400,000	400,000
Subordinated debt	2021	9.00%	20,969	21,049
			1,195,969	1,196,049
Premium - net			4,170	4,345
Total unsecured borrowings			1,405,139	1,458,394
Totals – net			$ 1,706,665	$ 1,824,932

(1) Reflects the weighted average annual interest rate on the mortgages.

Certain of our other secured and unsecured borrowings are subject to customary affirmative and negative covenants, including financial covenants. As of December 31, 2012 and June 30, 2013, we were in compliance with all affirmative and negative covenants, including financial covenants, for our secured and unsecured borrowings.

Bank Credit Agreements

We have a $700 million unsecured credit facility that we entered into on December 6, 2012, comprised of a $500 million unsecured revolving credit facility (the "2012 Revolving Credit Facility") and a $200 million unsecured, term loan (the "2012 Term Loan Facility" and, together with the 2012 Revolving Credit Facility, collectively, the "2012 Credit Facilities").

The 2012 Credit Facilities include an "accordion feature" that permits us to expand our borrowing capacity thereunder by a combined $300 million, to a total of $1 billion.

At June 30, 2013, we had $5.0 million outstanding under the 2012 Revolving Credit Facility, and no letters of credit outstanding, leaving availability of $495 million. The 2012 Revolving Credit Facility matures on December 6, 2016, with an option by us to extend the maturity one additional year. The 2012 Revolving Credit Facility is priced at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to 190 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings, plus a facility fee based on the same ratings (initially 30 basis points, with a range of 15 to 45 basis points).

At June 30, 2013, the full $200 million was outstanding under the 2012 Term Loan Facility. The 2012 Term Loan Facility is also priced at LIBOR plus an applicable percentage (beginning at 175 basis points, with a range of 110 to 230 basis points) based our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The 2012 Term Loan Facility matures on December 6, 2017.

HUD Loans Payoff

On May 31, 2013, we paid approximately $51.0 million to retire 11 mortgages guaranteed by U.S. Department of Housing and Urban Development ("HUD") that were assumed in connection with our acquisition of certain subsidiaries of CapitalSource in June 2010. The retirement of the 11 HUD mortgages resulted in a net gain of approximately $11.1 million. The net gain included the write-off of approximately $11.3 million related to the premium for recording the debt at fair value at the time of the transaction offset by a prepayment fee of approximately $0.2 million.

HUD Mortgage Debt Refinancing

On March 26, 2013, we refinanced existing HUD mortgage debt on 12 properties in Arkansas for approximately $59.4 million including closing costs that were added to the outstanding balance. The annual interest rate for the refinanced debt decreased from 5.55% to approximately 3.06%, with the term of the refinanced mortgages remaining unchanged. For the three months ended March 31, 2013, we paid off a total of $58.9 million, including routine principal payments on the 12 Arkansas mortgage debts.

$250 Million Equity Shelf Program

On March 18, 2013, we entered into separate Equity Distribution Agreements (collectively, the "2013 Agreements") to sell shares of our common stock having an aggregate gross sales price of up to $250 million (the "2013 ESP") with several financial institutions, each as a sales agent and/or principal (collectively, the "Managers"). Under the terms of the 2013 Agreements, we may sell shares of our common stock, from time to time, through or to the Managers having an aggregate gross sales price of up to $250 million. Sales of the shares will be made by means of ordinary brokers' transactions on the New York Stock Exchange at market prices, or as otherwise agreed with the applicable Manager. We will pay each Manager compensation for sales of the shares equal to 2% of the gross sales price per share of shares sold through such Manager under the applicable 2013 Agreement. We are not obligated to sell and the Managers are not obligated to buy or sell any shares under the 2013 Agreements. No assurance can be given that we will sell any shares under the 2013 Agreements, or, if we do, as to the price or amount of shares that we sell, or the dates when such sales will take place.

For the three months ended June 30, 2013, we sold 0.8 million shares under the 2013 ESP, at an average price of $35.74 per share, generating gross proceeds of approximately $30.0 million, before $0.6 million of commissions. For the six months ended June 30, 2013, we sold approximately 2.3 million shares under the 2013 ESP, at an average price of $31.72 per share, generating gross proceeds of approximately $72.8 million, before $1.5 million of commissions.

Termination of $245 Million Equity Shelf Program

On March 18, 2013, we terminated our $245 million Equity Shelf Program (the "2012 ESP") that we entered into with several financial institutions on June 19, 2012. For the three months ended March 31, 2013, we issued approximately 1.0 million shares under the 2012 ESP at an average price of $28.29 per share, generating gross proceeds of approximately $27.8 million, before $0.6 million of commissions.

Since inception of the 2012 ESP, we have sold a total of 3.6 million shares of common stock generating total gross proceeds of $91.4 million under the program, before $1.9 million of commissions. As a result of the termination of the 2012 ESP, no additional shares were issued under the 2012 ESP.

Dividend Reinvestment and Common Stock Purchase Plan

For the three-month period ended June 30, 2013, approximately 0.1 million shares of our common stock at an average price of $35.89 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for net proceeds of approximately $5.3 million. For the six-month period ended June 30, 2013, approximately 1.5 million shares of our common stock at an average price of $28.46 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for net proceeds of approximately $41.6 million.

NOTE 9 – FINANCIAL INSTRUMENTS

At June 30, 2013 and December 31, 2012, the carrying amounts and fair values of our financial instruments were as follows:

	June 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:	(in thousands)			
Cash and cash equivalents	$ 7,039	$ 7,039	$ 1,711	$ 1,711
Restricted cash	40,127	40,127	36,660	36,660
Mortgage notes receivable – net	241,254	239,346	238,621	235,705
Other investments – net	74,646	71,596	47,339	44,077
Totals	$ 363,066	$ 358,108	$ 324,331	$ 318,153
Liabilities:				
Revolving line of credit	$ 5,000	$ 5,000	$ 158,000	$ 158,000
Term loan	200,000	200,000	100,000	100,000
7.50% Notes due 2020 – net	197,718	228,267	197,546	252,363
6.75% Notes due 2022 – net	581,452	648,030	581,799	724,240
5.875% Notes due 2024 – net	400,000	424,311	400,000	441,761
HUD debt	301,526	304,041	366,538	433,803
Subordinated debt	20,969	25,118	21,049	27,896
Totals	$ 1,706,665	$ 1,834,767	$ 1,824,932	$ 2,138,063

Fair value estimates are subjective in nature and are dependent on a number of important assumptions, including estimates of future cash flows, risks, discount rates and relevant comparable market information associated with each financial instrument (see Note 2 – Summary of Significant Accounting Policies in our 2012 Annual Report on Form 10-K). The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts.

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

- Cash and cash equivalents and restricted cash: The carrying amount of cash and cash equivalents and restricted cash reported in the balance sheet approximates fair value because of the short maturity of these instruments (i.e., less than 90 days).

- Mortgage notes receivable: The fair values of the mortgage notes receivables are estimated using a discounted cash flow analysis, using interest rates being offered for similar loans to borrowers with similar credit ratings (Level 3).

- Other investments: Other investments are primarily comprised of: (i) notes receivable and (ii) an investment in a redeemable non-convertible preferred security of an unconsolidated business accounted for using the cost method of accounting. The fair values of notes receivable are estimated using a discounted cash flow analysis, using interest rates being offered for similar loans to borrowers with similar credit ratings (Level 3). The fair value of the investment in the unconsolidated business is estimated using quoted market value and considers the terms of the underlying arrangement (Level 3).

- Revolving line of credit: The fair value of our borrowings under variable rate agreements are estimated using an expected present value technique based on expected cash flows discounted using the current market rates (Level 2).

- Senior notes and other long-term borrowings: The fair value of our borrowings under fixed rate agreements are estimated based on open market trading activity provided by a third party (Level 2).

NOTE 10 – LITIGATION

We are subject to various legal proceedings, claims and other actions arising out of the normal course of business. While any legal proceeding or claim has an element of uncertainty, management believes that the outcome of each lawsuit, claim or legal proceeding that is pending or threatened, or all of them combined, will not have a material adverse effect on our consolidated financial position or results of operations.

NOTE 11 – EARNINGS PER SHARE

The computation of basic earnings per share ("EPS") is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the relevant period. Diluted EPS is computed using the treasury stock method, which is net income available to common stockholders divided by the total weighted-average number of common outstanding shares plus the effect of dilutive common equivalent shares during the respective period. Dilutive common shares reflect the assumed issuance of additional common shares pursuant to certain of our share-based compensation plans, including stock options, restricted stock and performance restricted stock units.

The following tables set forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands, except per share amounts)			
Numerator:				
Net income	$ 49,058	$ 30,572	$ 87,178	$ 56,656
Numerator for net income available to common per share - basic and diluted	$ 49,058	$ 30,572	$ 87,178	$ 56,656
Denominator:				
Denominator for basic earnings per share	116,199	105,717	114,491	104,736
Effect of dilutive securities:				
Restricted stock	786	299	750	270
Deferred stock	37	17	32	17
Denominator for diluted earnings per share	117,022	106,033	115,273	105,023
Earnings per share – basic:				
Net income – basic	$ 0.42	$ 0.29	$ 0.76	$ 0.54
Earnings per share – diluted:				
Net income – diluted	$ 0.42	$ 0.29	$ 0.76	$ 0.54

NOTE 12 – CONSOLIDATING FINANCIAL STATEMENTS

As of June 30, 2013, we had outstanding (i) $200 million 7.5% Senior Notes due 2020, (ii) $575 million 6.75% Senior Notes due 2022 and (iii) $400 million 5.875% Senior Notes due 2024, which we collectively refer to as the Senior Notes. The Senior Notes are fully and unconditionally guaranteed, jointly and severally, by each of our subsidiaries that guarantee other indebtedness of Omega or any of the subsidiary guarantors. Any subsidiary that we properly designate as an "unrestricted subsidiary" under the indentures governing the Senior Notes will not provide guarantees of the Senior Notes.

As of and prior to March 31, 2010, the non-subsidiary guarantors were minor and insignificant. On June 29, 2010, we designated as "unrestricted subsidiaries" the 39 subsidiaries we acquired from CapitalSource subject to HUD indebtedness. During the fourth quarter of 2011, we designated as "unrestricted subsidiaries" 20 subsidiaries we acquired subject to HUD indebtedness, of which five (5) subsidiaries were removed in July 2012 due to the retirement of the HUD related mortgages. During the fourth quarter of 2012, we designated as "unrestricted subsidiaries" eight (8) subsidiaries we acquired subject to HUD indebtedness.

For the six months ended June 30, 2013 and 2012, the operating cash flow of the non-guarantor subsidiaries approximated net income of the non-guarantor subsidiaries, adjusted for depreciation and amortization expense. On March 26, 2013, the non-guarantor subsidiaries refinanced existing HUD mortgage debt on 12 properties in Arkansas for approximately $59.4 million. The refinanced amount included $58.9 million related to retiring the old HUD debt and $0.5 million of closing costs that were added to the new (refinanced) HUD debt. On May 31, 2013, we retired 11 HUD mortgages of $62.3 million ($51.0 million related to the outstanding principal of the 11 HUD mortgages and $11.3 million related to the unamortized premium for marking the debt to market on the date the debt was assumed and $0.2 million in prepayment fees). In addition, the non-guarantor subsidiaries also made $2.5 million of routine principal payments during the six months ended June 30, 2013. For the six-month period ended June 30, 2012, the non-guarantor subsidiaries have not engaged in investing or financing activities other than the principal payment of $2.0 million for the HUD mortgages on the facilities owned by the non-guarantor subsidiaries. All of the subsidiary and non-subsidiary guarantors of our outstanding senior notes are 100% owned by Omega.

The following summarized condensed consolidating financial information segregates the financial information of the non-guarantor subsidiaries from the financial information of Omega Healthcare Investors, Inc. and the subsidiary guarantors under the Senior Notes. The results and financial position of acquired entities are included from the dates of their respective acquisitions.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATING BALANCE SHEETS
Unaudited
(in thousands, except per share amounts)

	June 30, 2013			
	Issuer & Subsidiary Guarantors	Non-Guarantor Subsidiaries	Elimination Company	Consolidated
ASSETS				
Real estate properties				
Land and buildings	$ 2,479,752	$ 571,611	$ -	$ 3,051,363
Less accumulated depreciation	(585,589)	(57,925)	-	(643,514)
Real estate properties – net	1,894,163	513,686	-	2,407,849
Mortgage notes receivable – net	241,254	-	-	241,254
	2,135,417	513,686	-	2,649,103
Other investments – net	74,646	-	-	74,646
	2,210,063	513,686	-	2,723,749
Assets held for sale – net	1,020	-	-	1,020
Total investments	2,211,083	513,686	-	2,724,769
Cash and cash equivalents	7,039	-	-	7,039
Restricted cash	6,677	33,450	-	40,127
Accounts receivable – net	129,141	8,918	-	138,059
Investment in affiliates	222,047	-	(222,047)	-
Other assets	35,234	34,568	-	69,802
Total assets	$ 2,611,221	$ 590,622	$ (222,047)	$ 2,979,796
LIABILITIES AND STOCKHOLDERS' EQUITY				
Revolving line of credit	$ 5,000	$ -	$ -	$ 5,000
Term loan	200,000	-	-	200,000
Secured borrowings	-	301,526	-	301,526
Unsecured borrowings – net	1,179,170	20,969	-	1,200,139
Accrued expenses and other liabilities	89,755	46,080	-	135,835
Intercompany payable	-	181,624	(181,624)	-
Total liabilities	1,473,925	550,199	(181,624)	1,842,500
Stockholders' equity:				
Common stock	11,715	-	-	11,715
Common stock – additional paid-in capital	1,807,201	-	-	1,807,201
Cumulative net earnings	841,306	40,423	(40,423)	841,306
Cumulative dividends paid	(1,522,926)	-	-	(1,522,926)
Total stockholders' equity	1,137,296	40,423	(40,423)	1,137,296
Total liabilities and stockholders' equity	$ 2,611,221	$ 590,622	(222,047)	$ 2,979,796

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATING BALANCE SHEETS
(in thousands, except per share amounts)

	December 31, 2012			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination Company	Consolidated
ASSETS				
Real estate properties				
Land and buildings	$ 2,466,866	$ 571,687	$ —	$ 3,038,553
Less accumulated depreciation	(535,223)	(45,150)	—	(580,373)
Real estate properties – net	1,931,643	526,537	—	2,458,180
Mortgage notes receivable – net	238,621	—	—	238,621
	2,170,264	526,537	—	2,696,801
Other investments – net	47,339	—	—	47,339
	2,217,603	526,537	—	2,744,140
Assets held for sale – net	1,020	—	—	1,020
Total investments	2,218,623	526,537	—	2,745,160
Cash and cash equivalents	1,711	—	—	1,711
Restricted cash	7,078	29,582	—	36,660
Accounts receivable – net	118,473	6,707	—	125,180
Investment in affiliates	163,610	—	(163,610)	—
Other assets	38,224	35,070	—	73,294
Total assets	$ 2,547,719	$ 597,896	(163,610)	$ 2,982,005
LIABILITIES AND STOCKHOLDERS' EQUITY				
Revolving line of credit	$ 158,000	$ —	$ —	$ 158,000
Term loan	100,000	—	—	100,000
Secured borrowings	—	366,538	—	366,538
Unsecured borrowings – net	1,179,345	21,049	—	1,200,394
Accrued expenses and other liabilities	99,045	46,699	—	145,744
Intercompany payable	—	143,158	(143,158)	—
Total liabilities	1,536,390	577,444	(143,158)	1,970,676
Stockholders' equity:				
Common stock	11,239	—	—	11,239
Common stock – additional paid-in-capital	1,664,855	—	—	1,664,855
Cumulative net earnings	754,128	20,452	(20,452)	754,128
Cumulative dividends paid	(1,418,893)	—	—	(1,418,893)
Total stockholders' equity	1,011,329	20,452	(20,452)	1,011,329
Total liabilities and stockholders' equity	$ 2,547,719	$ 597,896	$ (163,610)	$ 2,982,005

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS
Unaudited
(in thousands, except per share amounts)

	Three Months Ended June 30, 2013				Six Months Ended June 30, 2013			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Consolidated	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Consolidated
Revenue								
Rental income	$ 77,602	$ 15,467	$ -	$ 93,069	$ 155,243	$ 30,935	$ -	$ 186,178
Mortgage interest income	7,435	-	-	7,435	14,781	-	-	14,781
Other investment income – net	1,860	-	-	1,860	3,166	-	-	3,166
Miscellaneous	151	-	-	151	151	-	-	151
Total operating revenues	87,048	15,467	-	102,515	173,341	30,935	-	204,276
Expenses								
Depreciation and amortization	25,834	6,391	-	32,225	51,409	12,775	-	64,184
General and administrative	5,400	83	-	5,483	10,482	198	-	10,680
Acquisition costs	9	-	-	9	143	-	-	143
Provision for uncollectible mortgages, notes and accounts receivable	65	-	-	65	65	-	-	65
Total operating expenses	31,308	6,474	-	37,782	62,099	12,973	-	75,072
Income before other income and expense	**55,740**	**8,993**	**-**	**64,733**	**111,242**	**17,962**	**-**	**129,204**
Other income (expense):								
Interest income	6	8	-	14	1	16	-	17
Interest expense	(20,736)	(4,216)	-	(24,952)	(41,510)	(9,114)	-	(50,624)
Interest – amortization of deferred financing costs	(693)	(5)	-	(698)	(1,375)	(5)	-	(1,380)
Interest – refinancing gain (costs)	-	11,112	-	11,112	-	11,112	-	11,112
Equity in earnings	15,892	-	(15,892)	-	19,971	-	(19,971)	-
Total other expense	(5,531)	6,899	(15,892)	(14,524)	(22,913)	2,009	(19,971)	(40,875)
Income before gain on assets sold	**50,209**	**15,892**	**(15,892)**	**50,209**	**88,329**	**19,971**	**(19,971)**	**88,329**
Loss on assets sold – net	(1,151)	-	-	(1,151)	(1,151)	-	-	(1,151)
Net income available to common stockholders	**$ 49,058**	**$ 15,892**	**$ (15,892)**	**$ 49,058**	**$ 87,178**	**$ 19,971**	**$ (19,971)**	**$ 87,178**

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS
Unaudited
(in thousands, except per share amounts)

	Three Months Ended June 30, 2012				Six Months Ended June 30, 2012			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination Company	Consolidated	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination Company	Consolidated
Revenue								
Rental income	$ 63,216	$ 12,012	$ -	$ 75,228	$ 127,180	$ 24,023	$ -	$ 151,203
Mortgage interest income	7,404	-	-	7,404	14,740	-	-	14,740
Other investment income – net	1,165	-	-	1,165	2,295	-	-	2,295
Miscellaneous	28	-	-	28	102	-	-	102
Total operating revenues	71,813	12,012	-	83,825	144,317	24,023	-	168,340
Expenses								
Depreciation and amortization	21,889	5,310	-	27,199	43,788	10,558	-	54,346
General and administrative	4,829	125	-	4,954	10,243	237	-	10,480
Acquisition costs	98	-	-	98	203	-	-	203
Impairment loss on real estate properties	-	-	-	-	272	-	-	272
Total operating expenses	26,816	5,435	-	32,251	54,506	10,795	-	65,301
Income before other income and expense	**44,997**	**6,577**	**-**	**51,574**	**89,811**	**13,228**	**-**	**103,039**
Other income (expense):								
Interest income	2	7	-	9	2	14	-	16
Interest expense	(20,137)	(3,872)	-	(24,009)	(39,244)	(7,732)	-	(46,976)
Interest – amortization of deferred financing costs	(668)	-	-	(668)	(1,297)	-	-	(1,297)
Interest – refinancing gain (costs)	1,698	-	-	1,698	(5,410)	-	-	(5,410)
Equity in earnings	2,712	-	(2,712)	-	5,510	-	(5,510)	-
Total other expense	(16,393)	(3,865)	(2,712)	(22,970)	(40,439)	(7,718)	(5,510)	(53,667)
Income before gain on assets sold	**28,604**	**2,712**	**(2,712)**	**28,604**	**49,372**	**5,510**	**(5,510)**	**49,372**
Gain on assets sold – net	1,968	-	-	1,968	7,284	-	-	7,284
Net income available to common stockholders	**$ 30,572**	**$ 2,712**	**$ (2,712)**	**$ 30,572**	**$ 56,656**	**$ 5,510**	**$ (5,510)**	**$ 56,656**

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

Forward-looking Statements, Reimbursement Issues and Other Factors Affecting Future Results

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this document, including statements regarding potential future changes in reimbursement. This document contains forward-looking statements within the meaning of the federal securities laws. These statements relate to our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events, performance and underlying assumptions and other statements other than statements of historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology including, but not limited to, terms such as "may," "will," "anticipates," "expects," "believes," "intends," "should" or comparable terms or the negative thereof. These statements are based on information available on the date of this filing and only speak as to the date hereof and no obligation to update such forward-looking statements should be assumed. Our actual results may differ materially from those reflected in the forward-looking statements contained herein as a result of a variety of factors, including, among other things:

- (i) those items discussed under "Risk Factors" in Item 1A to our annual report on Form 10-K for the year ended December 31, 2012, and in Part II, Item 1A of our Quarterly Report on From 10-Q for the three months ended March 31, 2013 and in Part II, Item 1A of this report;
- (ii) uncertainties relating to the business operations of the operators of our assets, including those relating to reimbursement by third-party payors, regulatory matters and occupancy levels;
- (iii) the ability of any operators in bankruptcy to reject unexpired lease obligations, modify the terms of our mortgages and impede our ability to collect unpaid rent or interest during the process of a bankruptcy proceeding and retain security deposits for the debtors' obligations;
- (iv) 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; and
- (xvi) our ability to maintain our status as a real estate investment trust.

Overview

We have one reportable segment consisting of investments in healthcare related real estate properties. Our core business is to provide financing and capital to the long-term healthcare industry with a particular focus on skilled nursing facilities ("SNFs") located in the United States. Our core portfolio consists of long-term leases and mortgage agreements. All of our leases are "triple-net" leases, which require the tenants to pay all property-related expenses. Our mortgage revenue derives from fixed-rate mortgage loans, which are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor.

Our portfolio of investments at June 30, 2013, consisted of 480 healthcare facilities (including three facilities that are closed/held for sale), located in 34 states and operated by 47 third-party operators. Our gross investment in these facilities totaled approximately $3.3 billion at June 30, 2013, with 99% of our real estate investments related to long-term healthcare facilities. Our portfolio is made up of (i) 417 SNFs, (ii) 16 assisted living facilities (“ALFs”), (iii) 11 specialty facilities, (iv) fixed rate mortgages on 33 SNFs and (v) three SNFs that are closed/held for sale. At June 30, 2013, we also held other investments of approximately $74.6 million, consisting primarily of secured loans to third-party operators of our facilities.

Our consolidated financial statements include the accounts of (i) Omega, (ii) all direct and indirect wholly owned subsidiaries of Omega and (iii) TC Healthcare, a variable interest entity (“VIE”) that we consolidate as the primary beneficiary. All inter-company accounts and transactions have been eliminated in consolidation of the financial statements.

Taxation

We have elected to be taxed as a Real Estate Investment Trust (“REIT”), under Sections 856 through 860 of the Internal Revenue Code (the “Code”), beginning with our taxable year ended December 31, 1992. We believe that we have been organized and operated in such a manner as to qualify for taxation as a REIT. We intend to continue to operate in a manner that will maintain our qualification as a REIT, but no assurance can be given that we have operated or will be able to continue to operate in a manner so as to qualify or remain qualified as a REIT. Under the Code, we generally are not subject to federal income tax on taxable income distributed to stockholders if certain distribution, income, asset and stockholder tests are met, including a requirement that we must generally distribute at least 90% of our annual taxable income, excluding any net capital gain, to stockholders. If we fail to qualify as a REIT in any taxable year, we may be subject to federal income taxes on our taxable income for that year and for the four years following the year during which qualification is lost, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to our stockholders. For further information, see “Taxation” in Item 1 of our annual report on Form 10-K for the year ended December 31, 2012.

Government Regulation and Reimbursement

The following is a description of certain of the laws and regulations and reimbursement policies and programs affecting our business and the businesses conducted by our operators. The following description should be read in conjunction with the risk factors described under “*Item 1A – Risk Factors*.”

Healthcare Reform. The Patient Protection and Affordable Care Act and accompanying Healthcare and Education Affordability and Reconciliation Act of 2010 (the “Healthcare Reform Law”) were signed into law in March 2010. This legislation represents the most comprehensive change to healthcare benefits since the inception of the Medicare program in 1965 and will affect reimbursement for governmental programs, private insurance and employee welfare benefit plans in various ways. Significant rule making and regulation promulgated under the Healthcare Reform Law has already occurred, and we expect additional rules, regulations and interpretation that may materially affect the operations of our operators.

On June 28, 2012, the U.S. Supreme Court upheld all of the Healthcare Reform Law except for the requirement that states expand Medicaid beginning in 2014. However, the Healthcare Reform Law and the implementation thereof continue to receive challenge and scrutiny from Congress, state attorneys general and legislators, and private individuals and organizations. For example, several congressional bills and budget proposals have sought to repeal or change certain provisions of the law.

In addition, certain measures recently taken under the authority of, or in connection with, the Healthcare Reform Law may lead to additional modification and/or clarification in the future, including the following:

- On January 3, 2013, a new federal Commission on Long-Term Care was established and tasked with developing a plan for the establishment, implementation and financing of a high-quality system to provide long-term care services.

- The Healthcare Reform Law requires private health insurers that sell policies to individuals and small businesses to provide, starting in 2014, a set of "essential health benefits" in ten categories, including prescription drugs, rehabilitative and habilitative services, and chronic disease management. As required under the law, states define the essential health benefits. States are now submitting their essential health benefit packages to the Department of Health and Human Services (HHS). How these benefits are established will affect payments for long term care facilities.

- The Healthcare Reform Law requires SNFs to implement a compliance and ethics program by March 23, 2013 that is effective in preventing and detecting criminal, civil and administrative violations and in promoting quality of care. HHS has not yet issued the proposed regulations to implement this law that were due in March 2012. It is unclear whether this provision of the law will be enforced until the regulations are issued.

Given the complexity of the Healthcare Reform Law and the substantial requirements for regulation thereunder, the impact of the Healthcare Reform Law on our operators or their ability to meet their obligations to us is uncertain. The Healthcare Reform Law could result in decreases in payments to our operators or otherwise adversely affect the financial condition of our operators, thereby negatively impacting our financial condition. The efforts of our operators to modify their operations to lessen the impact of any increased costs or other adverse effects resulting from changes in governmental programs, private insurance and/or employee welfare benefit plans may not be successful. The impact of the Healthcare Reform Law on each of our operators will vary depending on payor mix, resident conditions and a variety of other factors. In addition to the provisions relating to reimbursement, other provisions of the Healthcare Reform Law may impact our operators as employers (e.g., requirements related to providing health insurance for employees). We anticipate that many of the provisions in the Healthcare Reform Law may be subject to further clarification and modification during the rule making process.

Reimbursement Generally. A significant portion of our operators' revenue is derived from governmentally-funded reimbursement programs, primarily Medicare and Medicaid. In recent years, the federal government and many state governments are currently focusing on reducing expenditures under Medicare and Medicaid programs, resulting in significant cost-cutting at both the federal and state levels. These cost-cutting measures, together with the implementation of changes in reimbursement rates such as those described below, could result in a significant reduction of reimbursement rates to our operators under both the Medicare and Medicaid programs.

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

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

The Healthcare Reform Law provided for Medicaid coverage to be expanded to all individuals under age 65 with incomes up to 133% of the federal poverty level, beginning January 1, 2014. The federal government will pay the entire cost for Medicaid coverage for newly eligible beneficiaries for 3 years (2014 through 2016). In 2017, the federal share declines to 95%; in 2018, to 94%; in 2019, to 93%; and in 2020 and subsequent years, to 90%. States may delay Medicaid expansion after 2014 but the federal payment rates will be less. However, on June 28, 2012, the Supreme Court ruled that states could not be required to expand Medicaid or risk losing federal funding of their existing Medicaid programs. Currently, 24 states and the District of Columbia have decided to expand Medicaid coverage as contemplated by the Healthcare Reform Law, with many of the remaining states involved in a variety of legislative proposals or discussions. The U.S. Department of Health and Human Services has stated that it will consider a limited number of premium assistance demonstration programs from states that want to privatize Medicaid expansion. States must provide a choice between at least two qualified health plans that offer very similar benefits as those required by the health insurance exchanges. Arkansas, Tennessee, and Indiana are exploring alternative solutions with CMS.

Medicare. For the federal fiscal year 2014, CMS proposes to increase SNF payment rates by 1.4% (2.3% market basket update minus adjustments), which amounts to an estimated $500 million increase in payments to SNFs beginning October 1, 2013.

Provisions contained in the American Taxpayer Relief Act (ATRA) of 2012, known colloquially as the fiscal cliff deal, are designed to reduce Medicare payments to SNFs by an estimated $600 million during 2012 to 2022. It also reduces payments for multiple procedures or therapies provided on the same day, which will result in approximately $1.8 billion savings to Medicare over the next 10 years, which will impact SNFs as well. Under the ATRA, sequestration cuts impacting domestic and defense spending became effective March 1, 2013. Although Medicaid is exempted from the sequestration cuts, they include a 2% cut in payments to Medicare providers and suppliers, which will amount to an estimated $11.3 billion in cuts in fiscal year 2013. We cannot predict whether Congress will take any action to change the automatic spending cuts under sequestration, nor how states will react to any changes at the federal level.

The Middle Class Tax Relief and Job Creation Act of 2012 was signed into law on February 22, 2012 and extended the Medicare Part B Outpatient Therapy Cap Exceptions Process through December 31, 2012. The statutory Medicare Part B outpatient cap for occupational therapy is $1,900 for 2013, and the combined cap for physical therapy and speech therapy is also $1,900 for 2013. These caps do not apply to therapy services covered under Medicare Part A for SNFs, although the caps apply in most other instances involving patients in SNFs or long-term care facilities who receive therapy services covered under Medicare Part B. Congress implemented a temporary therapy cap exceptions process, which permits medically necessary therapy services to exceed the payment limits. Expiration of the therapy cap exceptions process in the future could have a material adverse effect on our operators' financial condition and operations, which could adversely impact their ability to meet their 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 that could affect our operators. For instance, in December 2008, the CMS released quality ratings for all of the nursing homes that participate in Medicare or Medicaid. Facility rankings, ranging from five stars ("much above average") to one star ("much below average") are updated on a monthly basis. SNFs are required to provide information for the CMS Nursing Home Compare website regarding staffing and quality measures. Based on this data and the results of state health inspections, SNFs are then rated based on the five-star rating system. We cannot predict what changes, if any, CMS will make to the rating system. It is possible that this or any other ranking system could lead to future reimbursement policies that reward or penalize facilities on the basis of the reported quality of care parameters.

CMS has incorporated hospital readmissions review into the Quality Indicators Survey. Under Medicare's Inpatient Prospective Payment System, CMS began adjusting payments to hospitals for excessive readmissions of patients for heart attacks, heart failure, and pneumonia during fiscal years beginning on and after October 1, 2012. Long term care facilities will be under increased scrutiny to prevent residents from being readmitted to hospitals for these conditions in particular, and have an opportunity to demonstrate their quality of care by reducing their hospital readmission rates. It is anticipated that hospital readmissions will be a consideration in the future in the CMS five-star rating system.

Office of the Inspector General Activities. The Office of Inspector General's (OIG) Work Plan for government fiscal year 2013, which describes projects that the OIG plans to address during the fiscal year, includes a number of projects related to nursing homes. Reviews of Medicare Part A and Part B payments and services for SNFs will focus on the following: (1) adverse events in post-acute care; (2) Medicare requirements for quality of care; (3) verification of state agency identified deficiencies' corrections; (4) oversight of poorly performing SNFs; (5) use of atypical antipsychotic drugs; (6) hospitalizations of SNF residents; (7) questionable billing practices for Part B services; and (8) oversight of the accuracy and completeness of MDS data. Medicaid reviews will focus on communicable diseases and MDS data. The OIG plans to continue its efforts in addressing fraud and abuse. While we cannot predict the results of the OIG's activities, the projects could result in further scrutiny and/or oversight of nursing homes.

Fraud and Abuse. There are various federal and state civil and criminal laws and regulations governing a wide array of healthcare provider referrals, relationships and arrangements, including laws and regulations prohibiting fraud by healthcare providers. Many of these complex laws raise issues that have not been clearly interpreted by the relevant governmental authorities and courts. In addition, federal and state governments are devoting increasing attention and resources to anti-fraud initiatives against healthcare providers.

The federal anti-kickback statute is a criminal statute that prohibits the knowing and willful offer, payment, solicitation or receipt of any remuneration in return for, to induce or to arrange for the referral of individuals for any item or service payable by a federal or state healthcare program. There is also a civil analogue. States also have enacted similar statutes covering Medicaid payments, and some states have broader statutes. Some enforcement efforts have targeted relationships between SNFs and ancillary providers, relationships between SNFs and referral sources for SNFs and relationships between SNFs and facilities for which the SNFs serve as referral sources. The federal self-referral law, commonly known as the "Stark Law," is a civil statute that prohibits a physician from making referrals to an entity for "designated health services" if the physician has a financial relationship with the entity. Some of the services provided in SNFs are classified as designated health services. There are also criminal provisions that prohibit filing false claims or making false statements to receive payment or certification under Medicare and Medicaid, as well as failing to refund overpayments or improper payments. Violation of the anti-kickback statute or Stark Law may form the basis for a federal False Claims Act violation. In addition, the federal False Claims Act allows a private individual with knowledge of fraud to bring a claim on behalf of the federal government and earn a percentage of the federal government's recovery. Because of these incentives, these so-called "whistleblower" suits have become more frequent. The violation of any of these laws or regulations by an operator may result in the imposition of fines or other penalties, including exclusion from Medicare, Medicaid and all other federal and state healthcare programs.

Privacy. Our operators are subject to various federal, state and local laws and regulations designed to protect the confidentiality and security of patient health information, including the federal Health Insurance Portability and Accountability Act of 1996, as amended, and the corresponding regulations promulgated thereunder ("HIPAA"). On January 25, 2013, the Office for Civil Rights (OCR) issued a final rule modifying HIPAA which will require our operators to expend significant time and money to implement. Some of the new requirements include, among other things: making business associates subject to the HIPAA Privacy and Security Rules which will require new business associate agreements; changes in determining whether a breach of unsecured protected health information occurred; new requirements for the Notice of Privacy Practices; and decreasing the time to disclose protected health information and requiring disclosures to be electronic under certain conditions.

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

Licensing and Certification. Our operators and facilities are subject to various federal, state and local licensing and certification laws and regulations, including laws and regulations under Medicare and Medicaid requiring operators of SNFs and ALFs to comply with extensive standards governing operations. Governmental agencies administering these laws and regulations regularly inspect our operators' facilities and investigate complaints. Our operators and their managers receive notices of observed violations and deficiencies from time to time, and sanctions have been imposed from time to time on facilities operated by them.

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

General and Professional Liability. Although arbitration agreements have been effective in limiting general and professional liabilities for long term care providers, there have been national efforts to outlaw the use of pre-dispute arbitration agreements in long term care settings. At least one state is allowing residents to sue a SNF for failing to comply with staffing quality measures. All of these factors have a potential impact on liability costs of our operators, which could adversely affect our operators' ability to meet their obligations to us.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), and a summary of our significant accounting policies is included in Note 2 – Summary of Significant Accounting Policies to our Annual Report on Form 10-K for the year ended December 31, 2012. Our preparation of the financial statements requires us to make estimates and assumptions about future events that affect the amounts reported in our financial statements and accompanying footnotes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such difference may be material to the consolidated financial statements. We have described our most critical accounting policies in our 2012 Annual Report on Form 10-K in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

The following is our discussion of the consolidated results of operations, financial position and liquidity and capital resources, which should be read in conjunction with our unaudited consolidated financial statements and accompanying notes.

Three Months Ended June 30, 2013 and 2012

Operating Revenues

Our operating revenues for the three months ended June 30, 2013, totaled $102.5 million, an increase of $18.7 million over the same period in 2012. The $18.7 million increase was primarily the result of additional rental income associated with acquisitions made throughout 2012 and a lease amendment/extension with an operator. We recorded approximately $13.5 million of rental revenue associated with the 2012 acquisitions during the second quarter of 2013. The 2012 acquisitions occurred on or after June 30, 2012, accordingly we recorded no rental revenue associated with the 2012 acquisition during the second quarter of 2012. In addition, on December 1, 2012, two of our operators combined. In connection with the combination, we entered into a new master lease covering all of the facilities previously leased to the two operators. The new master lease (i) increased contractual rent when compared to the combined contractual rent of the prior leases of the two operators, (ii) extended of the expiration date and (iii) included annual rent escalators. As a result of the new master lease, we recorded approximately $2.9 million of additional rental revenue during the second quarter of 2013 compared to the same period in 2012 for the prior leases.

Operating Expenses

Operating expenses for the three months ended June 30, 2013, totaled $37.8 million, an increase of approximately $5.5 million over the same period in 2012. The increase was primarily due to an increase of $5.0 million of depreciation and amortization associated with acquisitions made throughout 2012 and an increase of $0.5 million in general and administrative expense.

Other Income (Expense)

For the three months ended June 30, 2013, total other expenses were $14.5 million, a decrease of approximately $8.4 million over the same period in 2012. The decrease was primarily the result of an increase of approximately $0.9 million in interest expense due to an increase in borrowings outstanding, including debt assumed or incurred to finance 2012 acquisitions offset by a $9.4 million decrease of refinancing costs over the same period in 2012. The $11.1 million interest refinancing gain in 2013 was related to the write-off of the premium for above market value debt assumed on 11 HUD loans that we paid off in May 2013. The 2012 refinancing gain of $1.7 million was related to the write-off of the premium for above market value debt assumed on four (4) HUD loans that were paid off during the second quarter of 2012.

Six Months Ended June 30, 2013 and 2012

Operating Revenues

Our operating revenues for the six months ended June 30, 2013, totaled $204.3 million, an increase of $35.9 million over the same period in 2012. The $35.9 million increase was primarily the result of: (i) additional $35.0 million rental income associated with acquisitions made throughout 2012, (ii) a lease amendment/extension with an operator and (iii) a $0.9 million increase in other investment income related to the new $24.9 million investment in May 2013. We recorded approximately $27.0 million of rental revenue associated with the 2012 acquisitions for the six-months ended June 30, 2013. The 2012 acquisitions occurred on or after June 30, 2012, accordingly we recorded no rental revenue associated with the 2012 acquisition for the six-months ended June 30, 2012. In addition, on December 1, 2012, two of our operators combined. In connection with the combination, we entered into a new master lease covering all of the facilities previously leased to the two operators. The new master lease (i) increased contractual rent when compared to the combined contractual rent of the prior leases of the two operators, (ii) extended of the expiration date and (iii) included annual rent escalators. As a result of the new master lease, the Company recorded approximately $5.9 million of additional rental revenue for the six-months ended June 30, 2013 compared to the same period in 2012 for the prior leases.

Operating Expenses

Operating expenses for the six months ended June 30, 2013, totaled $75.1 million, an increase of approximately $9.8 million over the same period in 2012. The increase was primarily due to (i) an increase of $9.8 million of depreciation and amortization associated with acquisitions made throughout 2012, (ii) an increase of $0.2 million in general and administrative expense and (iii) an increase of $0.1 million of provision for uncollectible straight line receivable, offset by a $0.3 million impairment charge for two held-for-sale facilities that were sold in 2012.

Other Income (Expense)

For the six months ended June 30, 2013, total other expenses were $40.9 million, a decrease of approximately $12.8 million over the same period in 2012. The $12.8 million decrease was primarily the result of a $3.6 million increase in interest expense due to an increase in borrowings outstanding, including debt assumed or incurred to finance 2012 acquisitions, offset by a $16.5 million decrease in interest refinancing costs. In the second quarter of 2013, we recorded $11.1 million in interest refinancing gain associated with the write-off of the premium for above market value debt assumed on 11 HUD mortgage loans that we paid off in May 2013. During the first quarter of 2012, we recorded $7.1 million in interest refinancing cost including prepayment penalties of approximately $4.5 million, write-off of deferred costs of $2.2 million and $0.4 million of expenses associated with the tender offer and redemption of our outstanding $175 million 7% 2016 Notes. This was partially offset by a $1.7 million write-off of the premium for above market value debt assumed on four HUD loans that were paid off early during the second quarter of 2012.

Funds From Operations

Our funds from operations available to common stockholders (“FFO”), for the three months ended June 30, 2013, was $82.4 million, compared to $55.8 million, for the same period in 2012. Our FFO, for the six months ended June 30, 2013, was $152.5 million, compared to $104.0 million, for the same period in 2012.

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

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

The following table presents our FFO results for the three- and six- months periods ended June 30, 2013 and 2012:

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(in thousands)			
Net income available to common stockholders	$ 49,058	$ 30,572	$ 87,178	$ 56,656
Add back loss (deduct gain) from real estate dispositions	1,151	(1,968)	1,151	(7,284)
Sub-total	50,209	28,604	88,329	49,372
Elimination of non-cash items included in net income:				
Depreciation and amortization	32,225	27,199	64,184	54,346
Add back impairments on real estate properties	—	—	—	272
Funds from operations available to common stockholders	$ 82,434	$ 55,803	$ 152,513	$ 103,990

Portfolio and Recent Developments

During the first six months of 2013, we did not acquire any facilities.

Assets Sold

In the three-month period ended June 30, 2013, we sold one facility in Texas for total cash proceeds of $2.2 million, resulting in a $1.2 million loss. Also, in April 2013, we sold a parcel of undeveloped land to a third party for approximately $0.1 million.

Assets Held for Sale

At June 30, 2013, we had two SNFs and one parcel of land classified as held-for-sale with an aggregate net book value of approximately $1.0 million.

Liquidity and Capital Resources

At June 30, 2013, we had total assets of $3.0 billion, stockholders' equity of $1.1 billion and debt of $1.7 billion, representing approximately 60.0% of total capitalization.

Financing Activities and Borrowing Arrangements

Certain of our other secured and unsecured borrowings are subject to customary affirmative and negative covenants, including financial covenants. As of December 31, 2012 and June 30, 2013, we were in compliance with all affirmative and negative covenants, including financial covenants, for our secured and unsecured borrowings.

Bank Credit Agreements

We have a $700 million unsecured credit facility that we entered into on December 6, 2012, comprised of a $500 million unsecured revolving credit facility (the "2012 Revolving Credit Facility") and a $200 million unsecured, term loan (the "2012 Term Loan Facility" and, together with the 2012 Revolving Credit Facility, collectively, the "2012 Credit Facilities").

The 2012 Credit Facilities include an "accordion feature" that permits us to expand our borrowing capacity thereunder by a combined $300 million, to a total of $1 billion.

At June 30, 2013, we had $5.0 million outstanding under the 2012 Revolving Credit Facility, and no letters of credit outstanding, leaving availability of $495 million. The 2012 Revolving Credit Facility matures on December 6, 2016, with an option by us to extend the maturity one additional year. The 2012 Revolving Credit Facility is priced at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to 190 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings, plus a facility fee based on the same ratings (initially 30 basis points, with a range of 15 to 45 basis points).

At June 30, 2013, the full $200 million was outstanding under the 2012 Term Loan Facility. The 2012 Term Loan Facility is also priced at LIBOR plus an applicable percentage (beginning at 175 basis points, with a range of 110 to 230 basis points) based our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The 2012 Term Loan Facility matures on December 6, 2017.

HUD Loans Payoff

On May 31, 2013, we paid approximately $51.0 million to retire 11 mortgages guaranteed by HUD that were assumed in connection with our acquisition of certain subsidiaries of CapitalSource in June 2010. The retirement of the 11 HUD mortgages resulted in a net gain of approximately $11.1 million. The net gain included the write-off of approximately $11.3 million related to the premium for recording the debt at fair value at the time of the transaction offset by a prepayment fee of approximately $0.2 million.

HUD Mortgage Debt Refinancing

On March 26, 2013, we refinanced existing HUD mortgage debt on 12 properties in Arkansas for approximately $59.4 million including closing costs that were added to the outstanding balance. The annual interest rate for the refinanced debt decreased from 5.55% to approximately 3.06%, with the term of the refinanced mortgages remaining unchanged. For the three months ended March 31, 2013, we paid off a total of $58.9 million, including routine principal payments on the 12 Arkansas mortgage debts.

$250 Million Equity Shelf Program

On March 18, 2013, we entered into separate Equity Distribution Agreements (collectively, the "2013 Agreements") to sell shares of our common stock having an aggregate gross sales price of up to $250 million (the "2013 ESP") with several financial institutions, each as a sales agent and/or principal (collectively, the "Managers"). Under the terms of the 2013 Agreements, we may sell shares of our common stock, from time to time, through or to the Managers having an aggregate gross sales price of up to $250 million. Sales of the shares will be made by means of ordinary brokers' transactions on the New York Stock Exchange at market prices, or as otherwise agreed with the applicable Manager. We will pay each Manager compensation for sales of the shares equal to 2% of the gross sales price per share of shares sold through such Manager under the applicable 2013 Agreement. We are not obligated to sell and the Managers are not obligated to buy or sell any shares under the 2013 Agreements. No assurance can be given that we will sell any shares under the 2013 Agreements, or, if we do, as to the price or amount of shares that we sell, or the dates when such sales will take place.

For the three months ended June 30, 2013, we sold 0.8 million shares under the 2013 ESP, at an average price of $35.74 per share, generating gross proceeds of approximately $30.0 million, before $0.6 million of commissions. For the six months ended June 30, 2013, we sold approximately 2.3 million shares under the 2013 ESP, at an average price of $31.72 per share, generating gross proceeds of approximately $72.8 million, before $1.5 million of commissions.

Termination of $245 Million Equity Shelf Program

Also on March 18, 2013, we terminated our $245 million Equity Shelf Program (the “2012 ESP”) that we entered into with several financial institutions on June 19, 2012. For the three months ended March 31, 2013, we issued approximately 1.0 million shares under the 2012 ESP at an average price of $28.29 per share, generating gross proceeds of approximately $27.8 million, before $0.6 million commissions.

Since inception of the 2012 ESP, we have sold a total of 3.6 million shares of common stock generating total gross proceeds of $91.4 million under the program, before $1.9 million of commissions. As a result of the termination of the 2012 ESP, no additional shares were issued under the 2012 ESP.

Dividend Reinvestment and Common Stock Purchase Plan

For the three-month period ended June 30, 2013, approximately 0.1 million shares of our common stock at an average price of $35.89 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for net proceeds of approximately $5.3 million. For the six-month period ended June 30, 2013, approximately 1.5 million shares of our common stock at average of $28.46 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for net proceeds of approximately $41.6 million.

Dividends

In order to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to (A) the sum of (i) 90% of our “REIT taxable income” (computed without regard to the dividends paid deduction and our net capital gain), and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of non-cash income. In addition, if we dispose of any built-in gain asset 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 disposition of such asset. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration. In addition, such distributions are required to be made pro rata, with 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 compared with another 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 gain or do distribute 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 capital gain corporate tax rates.

In addition, our 2012 Credit Agreement has certain financial covenants that limit the distribution of dividends paid during a fiscal quarter to no more than 95% of our aggregate cumulative FFO as defined in the credit agreement, unless a greater distribution is required to maintain REIT status. Solely for purposes of the credit agreement, FFO is defined as net income (or loss) plus depreciation and amortization, adjusted to take into account our interests in unconsolidated partnerships and joint ventures, and further adjusted to exclude gains or losses resulting from: (i) restructuring our debt; (ii) sales of property; (iii) sales or redemptions of preferred stock; (iv) revenue or expenses related to owned and operated assets; (v) revenues or expenses related to FIN 46 consolidation requirements, (vi) cash litigation charges up to $10.0 million over the term of the credit agreement; (vii) non-cash charges associated with the write-down of accounts due to straight-line rent; (viii) other non-cash charges for accounts and notes receivable up to $20.0 million over the term of the credit agreement; (ix) certain non-cash compensation related expenses; (x) non-cash real property impairment charges; (xi) non-cash charges associated with the sale or settlement of derivative instruments; and (xii) charges related to acquisition deal-related costs.

For the three- and six- months ended June 30, 2013, we paid total dividends of $53.4 million and $104.0 million, respectively.

On July 16, 2013, the Board of Directors declared a common stock dividend of $0.47 per share, increasing the quarterly common dividend by $0.01 per share over the previous quarter. The common dividends are to be paid August 15, 2013 to common stockholders of record on July 31, 2013.

Liquidity

We believe our liquidity and various sources of available capital, including cash from operations, our existing availability under our 2012 Credit Facilities and expected proceeds from mortgage payoffs are adequate to finance operations, meet recurring debt service requirements and fund future investments through the next twelve months.

We regularly review our liquidity needs, the adequacy of cash flow from operations, and other expected liquidity sources to meet these needs. We believe our principal short-term liquidity needs are to fund:

- normal recurring expenses;
- debt service payments;
- common stock dividends; and
- growth through acquisitions of additional properties.

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

Cash and cash equivalents totaled $7.0 million as of June 30, 2013, an increase of $5.3 million as compared to the balance at December 31, 2012. The following is a discussion of changes in cash and cash equivalents due to operating, investing and financing activities, which are presented in our Consolidated Statements of Cash Flows.

Operating Activities – Operating activities generated $121.3 million of net cash flow for the six months ended June 30, 2013, as compared to $94.4 million for the same period in 2012, an increase of $26.9 million. The increase was primarily due to the additional cash flow from the facilities acquired and leased throughout 2012.

Investing Activities – Net cash flow from investing activities was an outflow of $45.0 million for the six months ended June 30, 2013, as compared to an outflow of $17.4 million for the same period in 2012. The $27.6 million increase in cash outflow from investing activities relates primarily to (i) a net cash outflow of $27.3 million from other investments – net in 2013 and (ii) an additional $3.1 million of investments in capital improvements projects compared to the same period in 2012. Offsetting increases of the cash outflow were: (i) $26.9 million in acquisitions, including a $1.9 million purchase of land in the first quarter of 2012 and a $25.1 million purchase of five SNFs in the second quarter of 2012; (ii) a decrease in net proceeds of $19.7 million from the sale of real estate as compared to the same period in 2012; (iii) a net cash inflow of $6.5 million from other investments – net in 2012 and iv) a net decrease of $2.1 million investment in mortgage placement of loans compared to the same period in 2012.

Financing Activities – Net cash flow from financing activities was an outflow of $71.0 million for the six months ended June 30, 2013 as compared to an outflow of $74.6 million for the same period in 2012. The $3.5 million decrease in cash outflow from financing activities was primarily a result of: (i) a net payment of $53 million on the 2012 Credit Facility for the first six months of 2013 compared to $270.5 million of net payments on the 2011 Credit Facility for the same period in 2012; (ii) a $112.2 million HUD mortgages payoff including routine HUD debt principal payments for the first six months of 2013 compared to $188.7 million payments including: (a) $175.0 million tender offer and redemption payments for our outstanding $175 million 2016 Notes, (b) $11.7 million early retirement of four HUD mortgages and (c) $2.0 million in routine HUD debt principal payments for the same period in 2012; (iii) $59.4 million proceeds from HUD debt refinancing during the first quarter of 2013 compared to the issuance of our $400 million 2024 Notes in March 2012; (iv) a decrease in net payment of $11.9 million in refinancing costs for the first six months of 2013 compared to the same period of 2012 primarily associated with (a) the tender offer and redemption of our $175 million 2016 Notes in the first quarter of 2012,(b) the issuance of our $400 million 2024 Notes in the first quarter of 2012 and (c) prepayment penalty for the extinguishment of the HUD debt in the second quarter of 2012 and (v) a decrease in net proceeds of $27.4 million from our dividend reinvestment plan for the first six months of 2013 compared to the same period in 2012. Offsetting these decreases were: (i) an increase in net proceeds of $82.7 million from our common stock issued through our Equity Shelf Program for the first six months of 2013 compared to the same period in 2011 and (ii) an increase in dividend payments of $17.0 million related to an increase in number of shares outstanding and an increase of $0.08 per share in the dividends in the first six months of 2013 compared to the same period in 2012.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our primary market risk exposures or how those exposures are managed from the information disclosed under Item 7A of our annual report on Form 10-K for the year ended December 31, 2012.

Item 4 – Controls and Procedures

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

In connection with the preparation of this Form 10-Q, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2013. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of June 30, 2013.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this report identified in connection with the evaluation of our disclosure controls and procedures described above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

See Note 10 – Litigation to the Consolidated Financial Statements in Part I, Item 1 hereto, which is hereby incorporated by reference in response to this item.

Item 1A – Risk Factors

We filed our Annual Report on Form 10-K for the year ended December 31, 2012, with the Securities and Exchange Commission on February 28, 2013, which sets forth our risk factors in Item 1A therein. We have not experienced any material changes from the risk factors previously described therein.

Item 6–Exhibits

Exhibit No.		
10.1		Omega Healthcare Investors, Inc. 2013 Stock Incentive Plan (incorporated by reference to Annex A to the Registrant's Proxy Statement on Schedule 14A filed on April 22, 2013).
10.2		Form of Officer Deferred Performance Restricted Stock Unit Agreement.*
31.1		Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2		Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
32.1		Section 1350 Certification of the Chief Executive Officer.
32.2		Section 1350 Certification of the Chief Financial Officer.
101.INS		XBRL Instance Document.**
101.SCH		XBRL Taxonomy Extension Schema Document.**
101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document.**
101.DEF		XBRL Taxonomy Extension Definition Linkbase Document.**
101.LAB		XBRL Taxonomy Extension Label Linkbase Document.**
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document.**

* Exhibits that are filed herewith.

**In accordance with Rule 406T of Regulation S-T, this XBRL-related information shall be deemed to be "furnished" and not "filed."

SIGNATURES

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

OMEGA HEALTHCARE INVESTORS, INC.
Registrant

Date: August 5, 2013

By: /S/ C. TAYLOR PICKETT
C. Taylor Pickett
Chief Executive Officer

Date: August 5, 2013

By: /S/ ROBERT O. STEPHENSON
Robert O. Stephenson
Chief Financial Officer

Exhibit 10.2

FOR EXECUTIVE OFFICER
2011 MULTI-YEAR GRANT AND
2013 ANNUAL GRANT

DEFERRED PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN

THIS AGREEMENT (this "Agreement") is made as of _________________, 20____ (the "Effective Date"), by Omega Healthcare Investors, Inc. (the "Company") and ____________________________________ (the "Officer").

This Agreement includes the Terms and Conditions, which are part of this Agreement.

A. Effect of Agreement: This Agreement relates to the grants of performance restricted stock units specified in paragraph D below.

This election will be given effect only to the extent that the compensation to be deferred satisfies the requirements for performance-based compensation under Treas. Reg. Section 1.409A-2(a)(8), including Treas. Reg. Section 1.409A-1(e).

If the Officer wishes to revoke or modify this election, he may submit a written election to do so to the Company's Chief Financial Officer by June 30, 2013, provided that the compensation continues not to be readily ascertainable as of the date the election is submitted.

B. "Plan": (under which the "Shares" (as defined below) will be issued) Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.

C. "Deferred Stock Plan": Omega Healthcare Investors, Inc. Deferred Stock Plan, to which this Agreement is also subject.

D. "Stock Units": This Agreement relates to the percentage or number of Stock Units issuable pursuant to the grants of performance restricted stock units with respect to the Company's common stock specified below. (You must check the box(es) that apply):

[ ] ___% or ________ [if you checked the box, you must either fill in the percentage or insert the number of Stock Units to be deferred] of the multi-year performance restricted stock unit grant for the performance period 2011 – 2013.

[ ] ___% or ________ [if you checked the box, you must either fill in the percentage or insert the number of Stock Units to be deferred] of the annual performance restricted stock unit grant for the 2013 performance period.

In lieu of receiving payment for such Stock Units according to the terms of the applicable original agreement providing for such grants (the "Original Agreement"), the Officer will be credited on the date that payment would otherwise have been made under the Original Agreement (the "Original Payment Date") with a number of Stock Units that is equal to the number of Shares that would otherwise have been paid to the Officer as of such date (the "Applicable Payment Date"). The number of Stock Units will be increased by the number of Stock Units attributable to the Converted Dividend Equivalents if the Officer elects paragraph E.1. below. Each Stock Unit represents the Company's unsecured obligation to issue one share of Stock and the related Deferred Dividend Equivalents or Current Dividend Equivalents (if selected in paragraph E) in accordance with this Agreement. The shares of Stock represented by the Stock Units shall be referred to as the "Shares."

E. "Dividend Equivalents": Each Stock Unit shall accrue an amount equal to the dividends per share payable on Common Stock to shareholders of record in accordance with the terms of the Original Agreement through the Original Payment Date and thereafter through the day before the date the Shares are issued.

You must check either paragraph 1, 2 or 3 below:

1. [ ] "Converted Dividend Equivalents": The Dividend Equivalents will be converted into a number of Stock Units equal to (a) the amount of the Dividend Equivalents that are accrued under the Original Agreement as of the date that payment would otherwise have been made under the Original Agreement, divided by the closing price per share of Stock on such date, plus (b) the amount of the Dividend Equivalents that are accrued thereafter as of each dividend payment date, divided by the closing price per share of Stock on such date. Such Stock Units shall also accrue future Dividend Equivalents that shall be converted into Stock Units in accordance with the preceding formula in subparagraph (b). The Stock Units under this paragraph shall be paid on the date the Shares are payable to the Officer; or

2. [ ] "Deferred Dividend Equivalents": The Dividend Equivalents shall be paid to the Officer, with interest accrued on a quarterly basis from the Original Payment Date at a rate equal to the Company's average borrowing rate for the preceding calendar quarter, as determined in the sole discretion of the Committee, on the date the Shares are payable to the Officer; or

3. [ ] "Current Dividend Equivalents": The Dividend Equivalents that are accrued as of the Original Payment Date shall be paid to the Officer on the Original Payment Date and the Dividend Equivalents thereafter will be paid on the same date that the dividends per share are paid to shareholders.

F. "Deferral Period": The Officer has elected to defer receipt of the Shares (and Converted Dividend Equivalents or Deferred Dividend Equivalents if paragraph E.1. or E.2. was elected) until the dates or events set forth below:

You must complete either paragraph 1 or 2 below, but you may complete other paragraphs as well.

1. If you complete this paragraph 1, you must complete A or B below:

A. [ ] in one lump sum in the month of ___________, 20___ (specify month and year); or

B. [ ] in annual ratable installments over __ calendar years (specify number of calendar years) with the first payment being made in the month of ___________, 20___ (specify month and year) and each subsequent payment being made in the month of _________ (specify month) of each calendar year thereafter.

2. If you complete this paragraph 2, you must check A or B below, but not both:

A. [ ] upon the date that is six(6) months following the Officer's Separation from Service; or

B. [ ] in the month of _____________ (specify month) of the __________ (specify number, first, second, etc.) calendar year following the calendar year of the Officer's Separation from Service (but not earlier than six (6) months following the Officer's Separation from Service.

The balance in paragraph 2A or 2B will be paid (check (i) or (ii) but not both):

(i) [ ] in one lump sum; or

(ii) [ ] in annual ratable installments over __ calendar years (specify number of calendar years), with each payment after the first payment being made in the month of ____________ (specify month) of each calendar year.

3. [ ] the earlier of paragraph 1 or 2 above.

4. [ ] the later of paragraph 1 or 2 above.

5. [ ] If a Change in Control occurs before the date payment is required to be made pursuant to the elections above, payment shall be made in one lump sum upon the Change in Control.

6. [ ] If the Officer becomes subject to a Disability before the date payment is required to be made pursuant to the elections above, payment shall be made in one lump sum upon the Disability.

The Officer may elect to change the timing of payment in paragraph F only under the following conditions:

(i) the election shall not take effect until twelve (12) months after the date the written election is submitted to the Company;

(ii) in the case of an election related to a payment date or event other than Disability, the election must defer payment for at least five (5) years from the date payment would otherwise have been made under this Agreement (i.e., date of lump sum or first installment payment); and

(iii) in the case of a payment at a specified date, the election must be submitted at least twelve (12) months before the date payment (i.e. lump sum or first installment payment) was previously scheduled to be made under this Agreement.

Notwithstanding the foregoing, the Shares (and Converted Dividend Equivalents or Deferred Dividend Equivalents if paragraph E.1. or E.2. was elected) shall be payable upon the Officer's death.

IN WITNESS WHEREOF, the Company and the Officer have executed this Agreement as of the Effective Date set forth above.

OFFICER

____
[Signature]

OMEGA HEALTHCARE INVESTORS, INC.

By: ______________________________

Title: ______________________________

TERMS AND CONDITIONS TO THE
DEFERRED PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN

1 . Payment for Stock Units. The Company shall deliver a share certificate representing the number of Shares attributable to the Stock Units (and the amount of the Deferred Dividend Equivalents, if applicable) to the Officer within sixty (60) days following the date(s) specified in paragraph F.

2. Unforeseeable Emergency. In the event of an Unforeseeable Emergency, the Officer may terminate the Deferral Period but only to the extent of the number of Shares (and Deferred Dividend Equivalents, if applicable) necessary to meet the emergency (which may include amounts necessary to pay Federal, state, local, or foreign taxes or penalties reasonably anticipated to result from the distribution), and only to the extent that the hardship is not or cannot be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the Officer's assets to the extent such liquidation would not itself cause severe financial hardship, or by cessation of future deferrals.

3 . Restrictions on Transfer of Stock Units and Shares . Except for the transfer by bequest or inheritance, the Officer shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to any Stock Units or Shares until issued. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

4 . Legend on Stock Certificates. If certificates evidencing the Shares are issued, the certificates shall have noted conspicuously any legends required when applicable securities laws are otherwise determined by the Company to be appropriate, such as:

TRANSFER IS RESTRICTED

THE SECURITIES EVIDENCED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, OR HYPOTHECATED UNLESS (1) THERE IS AN EFFECTIVE REGISTRATION UNDER SUCH ACT COVERING SUCH SECURITIES, (2) THE TRANSFER IS MADE IN COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR (3) THE ISSUER RECEIVES AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT.

5. Change in Capitalization.

(a) The number and kind of Shares shall be proportionately adjusted for any nonreciprocal transaction between the Company and holders of capital stock of the Company that causes the per share value of the Shares underlying the Restricted Units to change, such as a stock dividend, stock split, spin-off, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring").

(b) In the event of a merger, consolidation, extraordinary dividend, sale of substantially all of the Company's assets or other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, or other reorganization of the Company, that in each case is not an Equity Restructuring, the Committee shall take such action and make such adjustments with respect to the Shares or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Agreement, or substituting cash, other securities, or other property to replace the award payable under the Agreement, or terminating the Agreement in exchange for the cash value (as determined by the Committee) of the Shares (and the Deferred Dividend Equivalents, if applicable).

(c) Notwithstanding the foregoing or any other provisions of this Agreement, if a Change in Control of the type described in Section 15(a)(i) occurs and if the Officer has not elected to end the Deferral Period as of the date of the Change in Control, the Company shall pay the Deferred Dividend Equivalents, if applicable, to the Officer within ninety (90) days following the date of the Change in Control subject to the requirements of paragraph F and Treas. Reg. Section 1.409A-2(b), and shall pay the same amount of consideration per Share attributable to the Stock Units as is paid to each holder of a share of Common Stock in connection with the Change in Control and on the same schedule and under the same terms and conditions, provided that payment must be completed within five (5) years after the Change in Control.

(d) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Officer. Any action taken by the Committee need not treat all recipients of awards under the Plan or the Deferred Stock Plan equally.

(e) The existence of the Plan, the Deferred Stock Plan, and this Agreement shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Agreement shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which the Officer resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed party at the last known address of the party. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. This Agreement is subject to the terms and conditions of the Plan and the Deferred Stock Plan, and in the event of a conflict, such plans shall control. Subject to the terms and conditions of the Plan and the Deferred Stock Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter. This Agreement supersedes any inconsistent terms of the Original Agreement.

11. Interpretation. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. This Agreement is intended to comply with Section 409A of the Internal Revenue Code and the regulations thereunder ("Section 409A.") Therefore, all provisions of this Agreement shall be interpreted consistently with this intent. To that end, all provisions of this Agreement shall be subject to the requirements of Section 409A, and to the extent permissible under Section 409A, any provisions that are inconsistent with such requirements shall be deemed to be excised and inoperable.

12. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

13. No Right to Continued Retention. Neither the establishment of the Plan, nor the Deferred Stock Plan, nor this Agreement shall be construed as giving the Officer the right to continued service with the Company or an Affiliate.

14. Termination of Agreement. The Company reserves the right to accelerate the time of payment under this Agreement pursuant to a termination and liquidation of the award under this Agreement, to the extent permitted under Treas. Reg. Section 1.409A-3, notwithstanding any election made by the Officer or any other provisions of this Agreement.

15. Definitions. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Deferred Stock Plan, or if not defined there in the Plan. When used in this Agreement, the following terms have the meanings set forth below:

(a) "Change in Control" means:

i. "A change in the ownership of the corporation,"

ii. "A change in the effective control of the corporation," or

iii. "A change in the ownership of a substantial portion of the assets of the corporation,"

in each case within the meaning of Treas. Reg. Section 1.409A-3; provided, however, that for purposes of determining a "substantial portion of the assets of the corporation" "eighty-five percent (85%)" shall be used instead of "forty percent (40%)." For purposes of this subsection (a), the "corporation" refers to the Company. Notwithstanding the foregoing, in the event of a merger, consolidation, reorganization, share exchange or other transaction as to which the holders of the capital stock of the Company before the transaction continue after the transaction to hold, directly or indirectly, shares of capital stock of the Company (or other surviving company) representing more than fifty percent (50%) of the value or ordinary voting power to elect directors of the capital stock of the Company (or other surviving company), such transaction shall not constitute a Change in Control.

(b) "Disability" means any condition that would constitute a "disability" under the Deferred Stock Plan.

(c) "Separation from Service" means a "separation from service" within the meaning of Treas. Reg. Section 1.409A-1.

(d) "Unforeseeable Emergency" means an "unforeseeable emergency" within the meaning of Treas. Reg. Section 1.409A-3.

Exhibit 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Certification

I, C. Taylor Pickett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Omega Healthcare Investors, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2013

/S/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

Exhibit 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER

Certifications

I, Robert O. Stephenson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Omega Healthcare Investors, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2013

/S/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer

EXHIBIT 32.1

SECTION 1350 CERTIFICATION
OF THE CHIEF EXECUTIVE OFFICER

I, C. Taylor Pickett, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the three months ended June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: August 5, 2013

/S/ C. TAYLOR PICKETT
C. Taylor Pickett
Chief Executive Officer

EXHIBIT 32.2

SECTION 1350 CERTIFICATION
OF THE CHIEF FINANCIAL OFFICER

I, Robert O. Stephenson, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the three months ended June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: August 5, 2013

/S/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer