

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 September 30, 2015

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  
(State of incorporation)

38-3041398  
(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 October 30, 2015.

Common Stock, \$.10 par value  
(Class)

187,043,489  
(Number of shares)

OMEGA HEALTHCARE INVESTORS, INC.  
FORM 10-Q  
September 30, 2015

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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)

	<b>September 30,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
Real estate properties		
Land and buildings	\$ 6,723,479	\$ 3,223,785
Less accumulated depreciation	(958,533)	(821,712)
Real estate properties – net	<u>5,764,946</u>	<u>2,402,073</u>
Investments in direct financing leases – net	584,333	539,232
Mortgage notes receivable	673,759	648,079
	<u>7,023,038</u>	<u>3,589,384</u>
Other investments	84,684	48,952
	<u>7,107,722</u>	<u>3,638,336</u>
Assets held for sale – net	10,371	12,792
Total investments	<u>7,118,093</u>	<u>3,651,128</u>
Cash and cash equivalents	15,319	4,489
Restricted cash	23,399	29,076
Accounts receivable – net	198,857	168,176
Goodwill	554,749	—
Other assets (see Note 12)	683,066	68,776
Total assets	<u>\$ 8,593,483</u>	<u>\$ 3,921,645</u>
<b>LIABILITIES AND EQUITY</b>		
Revolving line of credit	\$ 550,000	\$ 85,000
Term loans	500,000	200,000
Secured borrowings – net	262,559	251,454
Unsecured borrowings – net	2,932,358	1,842,049
Accrued expenses and other liabilities	267,690	141,815
Deferred income taxes	16,225	—
Total liabilities	<u>4,528,832</u>	<u>2,520,318</u>
Equity:		
Common stock \$.10 par value authorized – 350,000 shares, issued and outstanding – 184,954 shares as of September 30, 2015 and 127,606 as of December 31, 2014	18,495	12,761
Common stock – additional paid-in capital	4,521,448	2,136,234
Cumulative net earnings	1,311,880	1,147,998
Cumulative dividends paid	(2,148,833)	(1,895,666)
Accumulated other comprehensive loss	(3,950)	—
Total stockholders' equity	<u>3,699,040</u>	<u>1,401,327</u>
Noncontrolling interest	365,611	—
Total equity	<u>4,064,651</u>	<u>1,401,327</u>
Total liabilities and equity	<u>\$ 8,593,483</u>	<u>\$ 3,921,645</u>

See notes to consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<b>Revenue</b>				
Rental income	\$ 166,623	\$ 97,536	\$ 430,699	\$ 289,696
Income from direct financing leases	15,216	14,211	44,582	42,441
Mortgage interest income	17,195	16,883	51,336	36,132
Other investment income – net	2,940	2,035	6,488	5,197
Total operating revenues	<u>201,974</u>	<u>130,665</u>	<u>533,105</u>	<u>373,466</u>
<b>Expenses</b>				
Depreciation and amortization	60,143	30,111	149,909	92,856
General and administrative	10,160	5,987	26,482	18,781
Acquisition and merger related costs	3,555	259	55,507	399
Impairment loss on real estate properties	1,743	2,102	14,641	3,660
Provisions for uncollectible mortgages, notes and accounts receivable	301	(15)	292	2,730
Total operating expenses	<u>75,902</u>	<u>38,444</u>	<u>246,831</u>	<u>118,426</u>
<b>Income before other income and expense</b>	<b>126,072</b>	<b>92,221</b>	<b>286,274</b>	<b>255,040</b>
<b>Other income (expense)</b>				
Interest income	5	11	205	36
Interest expense	(38,169)	(30,873)	(108,776)	(87,401)
Interest – amortization of deferred financing costs	(1,857)	(1,243)	(5,036)	(3,111)
Interest – refinancing gain (costs)	-	1,617	(8,361)	(3,068)
Total other expense	<u>(40,021)</u>	<u>(30,488)</u>	<u>(121,968)</u>	<u>(93,544)</u>
<b>Income before gain (loss) on assets sold</b>	<b>86,051</b>	<b>61,733</b>	<b>164,306</b>	<b>161,496</b>
(Loss) gain on assets sold – net	<u>(2,391)</u>	<u>(20)</u>	<u>6,411</u>	<u>2,863</u>
<b>Income from continuing operations before income taxes</b>	<b>83,660</b>	<b>61,713</b>	<b>170,717</b>	<b>164,359</b>
Income taxes	<u>(406)</u>	<u>-</u>	<u>(945)</u>	<u>-</u>
<b>Net income</b>	<b>83,254</b>	<b>61,713</b>	<b>169,772</b>	<b>164,359</b>
<b>Net income attributable to noncontrolling interest</b>	<b>(3,852)</b>	<b>-</b>	<b>(5,890)</b>	<b>-</b>
<b>Net income available to common stockholders</b>	<b>\$ 79,402</b>	<b>\$ 61,713</b>	<b>\$ 163,882</b>	<b>\$ 164,359</b>
<b>Net income</b>	<b>\$ 83,254</b>	<b>\$ 61,713</b>	<b>\$ 169,772</b>	<b>\$ 164,359</b>
Other comprehensive loss - foreign currency translation	<u>(6,789)</u>	<u>-</u>	<u>(3,950)</u>	<u>-</u>
<b>Total comprehensive income</b>	<b>76,465</b>	<b>61,713</b>	<b>165,822</b>	<b>164,359</b>
Add: comprehensive income attributable to noncontrolling interest	315	-	182	-
<b>Comprehensive income attributable to common stockholders</b>	<b>\$ 76,780</b>	<b>\$ 61,713</b>	<b>\$ 166,004</b>	<b>\$ 164,359</b>
<b>Income per common share available to common stockholders:</b>				
<b>Basic:</b>				
Net income available to common stockholders	<u>\$ 0.43</u>	<u>\$ 0.48</u>	<u>\$ 0.98</u>	<u>\$ 1.30</u>
<b>Diluted:</b>				
Net income	<u>\$ 0.43</u>	<u>\$ 0.48</u>	<u>\$ 0.97</u>	<u>\$ 1.30</u>
Dividends declared and paid per common share	<u>\$ 0.55</u>	<u>\$ 0.51</u>	<u>\$ 1.62</u>	<u>\$ 1.50</u>
Weighted-average shares outstanding, basic	<u>184,739</u>	<u>127,464</u>	<u>167,261</u>	<u>126,132</u>
Weighted-average shares outstanding, diluted	<u>195,183</u>	<u>128,428</u>	<u>174,824</u>	<u>126,895</u>

See notes to consolidated financial statements.

**OMEGA HEALTHCARE INVESTORS, INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**Unaudited**  
**(in thousands, except per share amounts)**

	Common Stock Par Value	Additional Paid-in Capital	Cumulative Net Earnings	Cumulative Dividends Paid	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling interest	Total Equity
Balance at December 31, 2014 (127,606 common shares)	\$ 12,761	\$ 2,136,234	\$ 1,147,998	\$ (1,895,666)	\$ —	\$ 1,401,327	\$ —	\$ 1,401,327
Grant of restricted stock to company directors (21 shares at \$35.70 per share)	2	(2)	—	—	—	—	—	—
Amortization of restricted stock	—	6,682	—	—	—	6,682	—	6,682
Vesting of equity compensation plan, net of tax withholdings (890 shares)	89	(26,257)	—	—	—	(26,168)	—	(26,168)
Dividend reinvestment plan (1,794 shares at an average of \$36.62 per share)	179	65,486	—	—	—	65,665	—	65,665
Value of assumed options in merger	—	109,346	—	—	—	109,346	—	109,346
Value of assumed other equity compensation plan in merger	—	13,219	—	—	—	13,219	—	13,219
Grant of stock as payment of directors fees (6 shares at an average of \$37.38 per share)	—	225	—	—	—	225	—	225
Deferred compensation directors	—	1,365	—	—	—	1,365	—	1,365
Issuance of common stock (10,925 shares at an average of \$40.32 per share)	1,093	438,645	—	—	—	439,738	—	439,738
Issuance of common stock – merger – related (43,713 shares)	4,371	1,776,505	—	—	—	1,780,876	—	1,780,876
Common dividends declared (\$1.62 per share)	—	—	—	(253,167)	—	(253,167)	—	(253,167)
OP Units issuance (9,165 units)	—	—	—	—	—	—	373,394	373,394
Cash conversion of OP Units (204 units)	—	—	—	—	—	—	(7,075)	(7,075)
OP units distributions	—	—	—	—	—	—	(6,598)	(6,598)
OP units earnings	—	—	—	—	—	—	5,890	5,890
Foreign currency translation	—	—	—	—	(3,950)	(3,950)	—	(3,950)
Net income	—	—	163,882	—	—	163,882	—	163,882
Balance at September 30, 2015 (184,954 shares & 8,961 OP Units)	\$ 18,495	\$ 4,521,448	\$ 1,311,880	\$ (2,148,833)	\$ (3,950)	\$ 3,699,040	\$ 365,611	\$ 4,064,651

See notes to consolidated financial statements.

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

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 169,772	\$ 164,359
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	149,909	92,856
Provision for impairment on real estate properties	14,641	3,660
Provision for uncollectible mortgages, notes and accounts receivable	292	2,730
Amortization of deferred financing costs and refinancing costs	13,397	6,179
Accretion of direct financing leases	(8,124)	(7,242)
Stock-based compensation	6,682	6,570
Gain on assets sold – net	(6,411)	(2,863)
Amortization of acquired in-place leases - net	(4,264)	(3,779)
Change in operating assets and liabilities – net of amounts assumed/acquired:		
Accounts receivable	315	(2,252)
Straight-line rent receivables	(26,565)	(15,919)
Lease inducements	347	2,009
Effective yield receivable on mortgage notes	(3,159)	(1,731)
Other operating assets and liabilities	15,972	15,017
Net cash provided by operating activities	<u>322,804</u>	<u>259,594</u>
<b>Cash flows from investing activities</b>		
Acquisition of real estate – net of liabilities assumed and escrows acquired	(288,290)	(47,500)
	84,858	—
Cash acquired in merger		
Investment in construction in progress	(145,276)	—
Investment in direct financing leases	(6,793)	—
Placement of mortgage loans	(7,601)	(528,780)
Proceeds from sale of real estate investments	41,541	4,054
Capital improvements to real estate investments	(18,154)	(12,684)
Proceeds from other investments	37,428	7,952
Investments in other investments	(49,489)	(6,711)
Collection of mortgage principal	1,025	122,705
Net cash used in investing activities	<u>(350,751)</u>	<u>(460,964)</u>
<b>Cash flows from financing activities</b>		
Proceeds from credit facility borrowings	1,704,000	756,000
Payments on credit facility borrowings	(1,239,000)	(1,079,000)
Receipts of other long-term borrowings	1,588,124	842,148
Payments on other long-term borrowings	(1,588,063)	(238,032)
Payments of financing related costs	(30,709)	(17,319)
Escrow deposit for other long-term borrowings (see Note 12)	(614,998)	—
Receipts from dividend reinvestment plan	65,665	66,263
Payments for exercised options and restricted stock	(26,168)	(1,582)
Net proceeds from issuance of common stock	439,738	61,997
Dividends paid	(253,105)	(191,269)
Distributions to OP Unit Holders	(6,598)	—
Net cash provided by financing activities	<u>38,886</u>	<u>199,206</u>
Increase (decrease) in cash and cash equivalents	10,939	(2,164)
Effect of foreign currency translation on cash and cash equivalents	(109)	—
Cash and cash equivalents at beginning of period	4,489	2,616
Cash and cash equivalents at end of period	<u>\$ 15,319</u>	<u>\$ 452</u>
Interest paid during the period, net of amounts capitalized	<u>\$ 90,536</u>	<u>\$ 76,276</u>

**Non-cash investing and financing activities:**

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Non-cash investing activities</b>		
Non-cash acquisition of business (see Note 2 for details)	\$ (3,602,614)	\$ —
Total	<u>\$ (3,602,614)</u>	<u>\$ —</u>
<b>Non-cash financing activities</b>		
Assumed Aviv debt	\$ 1,410,637	\$ —
Stock exchanged in merger	1,903,441	—
OP Units exchanged in merger	373,394	—
Total	<u>\$ 3,687,472</u>	<u>\$ —</u>

See notes to consolidated financial statements .

**OMEGA HEALTHCARE INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**  
**September 30, 2015**

**NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Business Overview and Organization**

Omega Healthcare Investors, Inc. (“Omega,” “we,” “our” or the “Company”) has one reportable segment consisting of investments in healthcare-related real estate properties located in the United States and the United Kingdom. Our core business is to provide financing and capital to the long-term healthcare industry with a particular focus on skilled nursing facilities (“SNFs”). 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 and variable rate mortgage loans, which are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor.

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

Prior to April 1, 2015 and in accordance with the Merger Agreement, Omega restructured the manner in which it holds its assets by converting to an umbrella partnership real estate investment trust structure (the “UPREIT Conversion”). As a result of the UPREIT Conversion and following the consummation of the Aviv Merger, substantially all of the Company’s assets are held by Omega OP.

Omega OP is governed by the Second Amended and Restated Agreement of Limited Partnership of OHI Healthcare Properties Limited Partnership, dated as of April 1, 2015 (the “Partnership Agreement”). Pursuant to the Partnership Agreement, the Company and Merger Sub are the general partners of Omega OP, and have exclusive control over Omega OP’s day-to-day management. As of September 30, 2015, the Company owned approximately 95% of the issued and outstanding units of partnership interest in Omega OP (“Omega OP Units”), and investors owned approximately 5% of the Omega OP Units.

**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) Omega OP, and (iii) all direct and indirect wholly owned subsidiaries of Omega. All intercompany transactions and balances have been eliminated in consolidation, and our net earnings are reduced by the portion of net earnings attributable to noncontrolling interests.

## **Goodwill**

Goodwill represents a purchase price in excess of the fair value of assets acquired and liabilities assumed and the cost associated with expanding our investment portfolio. Goodwill is not amortized. We assess goodwill for potential impairment during the fourth quarter of each fiscal year, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the net assets of the reporting unit. In evaluating goodwill for impairment, we first assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of the reporting unit is less than its carrying value, then we perform a two-step goodwill impairment test to identify potential impairment and measure the amount of impairment we will recognize, if any. We do not expect any of the goodwill to be deductible for tax purposes.

## **Redeemable Limited Partnership Unitholder Interests and Noncontrolling Interests**

As of April 1, 2015 and after giving effect to the Aviv Merger, the Company owned approximately 138.8 million Omega OP Units and Aviv OP owned approximately 52.9 million Omega OP Units. Each of the Omega OP Units (other than the Omega OP Units owned by Omega) is redeemable at the election of the Omega OP Unit holder for cash equal to the then-fair market value of one share of Omega common stock, par value \$0.10 per share ("Omega Common Stock"), subject to the Company's election to exchange the Omega OP Units tendered for redemption for unregistered shares of Omega Common Stock on a one-for-one basis, subject to adjustment as set forth in the Partnership Agreement. Effective June 30, 2015, the Company (through Merger Sub, in its capacity as the general partner of Aviv OP) caused Aviv OP to make a distribution of Omega OP Units held by Aviv OP (or equivalent value) to Aviv OP investors (the "Aviv OP Distribution") in connection with the liquidation of Aviv OP. As a result of the Aviv OP Distribution, Omega directly and indirectly owned approximately 95% of the outstanding Omega OP Units, and the other investors own approximately 5% of the outstanding Omega OP Units. As a part of the Aviv OP Distribution, Omega settled approximately 0.2 million units via cash settlement. As of September 30, 2015, Omega directly and indirectly owns approximately 95% of the outstanding Omega OP Units, and the other investors own approximately 5% of the outstanding Omega OP Units.

## **Noncontrolling Interests**

Noncontrolling interests is the portion of equity in a subsidiary not attributable to a parent. We present the portion of any equity that we do not own in consolidated entities as noncontrolling interests and classify those interests as a component of total equity, separate from total stockholders' equity, on our Consolidated Balance Sheets. We include net income attributable to the noncontrolling interests in net income in our Consolidated Statements of Operations and Comprehensive Income.

As our ownership of a controlled subsidiary increases or decreases, any difference between the aggregate consideration paid to acquire the noncontrolling interests and our noncontrolling interest balance is recorded as a component of equity in additional paid-in capital, so long as we maintain a controlling ownership interest.

## **Foreign Operations**

The U.S. dollar is the functional currency for our consolidated subsidiaries operating in the United States. The functional currency for our consolidated subsidiaries operating in countries other than the United States is the principal currency in which the entity primarily generates and expends cash. For our consolidated subsidiaries whose functional currency is not the U.S. dollar, we translate their financial statements into the U.S. dollar. We translate assets and liabilities at the exchange rate in effect as of the financial statement date. The resulting translation adjustments are included in Accumulated Other Comprehensive Loss ("AOCL") a component of equity in the Consolidated Balance Sheets. Certain balance sheet items, primarily equity and capital-related accounts, are reflected at the historical exchange rate. Revenue and expense accounts are translated using an average exchange rate for the period.

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

## 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 are 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:

	September 30, 2015	December 31, 2014
	(in thousands)	
Contractual receivables	\$ 8,171	\$ 4,799
Effective yield interest receivables	9,391	6,232
Straight-line receivables	169,684	143,652
Lease inducements	11,630	13,571
Allowance	(19)	(78)
Accounts receivable – net	<u>\$ 198,857</u>	<u>\$ 168,176</u>

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.

## Recent Accounting Pronouncements

In 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While ASU 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. ASU 2014-09 is effective for the Company beginning January 1, 2018. We are continuing to evaluate this guidance; however, we do not expect its adoption to have a significant impact on our consolidated financial statements, as a substantial portion of our revenue consists of rental income from leasing arrangements, which are specifically excluded from ASU 2014-09.

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

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

In August 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"), which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The acquirer must still disclose the amounts and reasons for adjustments to provisional amounts and the amount of the adjustment reflected in the current-period income statement that would have been recognized in previous periods if the adjustment to provisional amounts had been recognized as of the acquisition date. This guidance is effective for the Company beginning January 1, 2016. We are continuing to evaluate this guidance; however, we do not expect its adoption to have a significant impact on our consolidated financial statements.

## **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.

### **Leased Property**

Our leased real estate properties, represented by 782 SNFs, 85 assisted living facilities ("ALFs"), 16 specialty facilities and one medical office building at September 30, 2015, 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 (e.g., 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.

## *\$216 Million of New Investments in Q3 2015*

During the three months ended September 30, 2015, we completed six separate transactions totaling approximately \$216.0 million.

*\$32.0 Million Acquisition* – On September 29, 2015, we purchased two SNFs with 260 operating beds located in Florida for total cash consideration of \$32.0 million. These facilities were added to the operator's master lease with an initial annual cash yield of 9%. We recorded approximately \$32.0 million of assets consisting of land (\$1.4 million), building and site improvements (\$29.0 million), and furniture and fixtures (\$1.6 million). We did not record goodwill in connection with this transaction. The Company estimated the fair values of the assets acquired on the acquisition date based on certain valuations and analyses that have yet to be finalized, and accordingly, the assets acquired, as detailed above, are subject to adjustment once the analyses are completed.

*\$28.5 Million Acquisition* – On July 30, 2015, we purchased one SNF with 300 operating beds located in Virginia for total cash consideration of \$28.5 million and leased it to a new third party operator. The master lease has an initial term of 10 years, annual escalators of 2.5% and an initial annual cash yield of 9.25%. We recorded approximately \$28.5 million of assets consisting of land (\$1.9 million), building and site improvements (\$24.2 million), and furniture and fixtures (\$2.4 million). We did not record goodwill in connection with this transaction.

*\$10.8 Million Acquisition* – On July 1, 2015, we purchased two ALFs with 125 operating beds located in Georgia from an unrelated third party for total cash consideration of \$10.8 million and leased it to a new third party operator. The master lease has an initial term of 12 years, annual escalators of approximately 2.5% and an initial annual cash yield of 7% in year one which increases to 8% in year two. We recorded approximately \$10.8 million of assets consisting of land (\$1.2 million), building and site improvements (\$9.0 million), and furniture and fixtures (\$0.6 million). We did not record goodwill in connection with this transaction.

*\$18.0 Million Acquisition* – On July 1, 2015, we purchased one SNF and two ALFs with 136 operating beds located in Washington from an unrelated third party for total cash consideration of \$18.0 million and leased them to an existing operator. These facilities were added to the operator's master lease with an initial annual cash yield of approximately 8%. We recorded approximately \$18.0 million of assets consisting of land (\$2.2 million), building and site improvements (\$14.9 million), and furniture and fixtures (\$0.9 million). We did not record goodwill in connection with this transaction.

*\$15.0 Million Acquisition* – On July 1, 2015, we purchased six SNFs with 530 beds located in Nebraska from an unrelated third party for total cash consideration of \$15.0 million and leased them to an existing operator. These facilities were added to the operator's master lease with an initial annual cash yield of 9%. We recorded approximately \$15.0 million of assets consisting of land (\$1.4 million), building and site improvements (\$12.1 million), and furniture and fixtures (\$1.5 million). We did not record goodwill in connection with this transaction.

### *Asset Acquisition*

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

### *Acquisition of Care Homes in the United Kingdom in Q2 2015*

On May 1, 2015, we closed on a purchase/leaseback transaction (the "Care Homes Transaction") for 23 care homes located in the United Kingdom and operated by Healthcare Homes Holding Limited ("Healthcare Homes"). As part of the transaction, we acquired title to the 23 care homes with 1,018 registered beds and leased them back to Healthcare Homes pursuant to a 12-year master lease agreement with an initial annual cash yield of 7%, and annual escalators of 2.5%. The care homes, comparable to US ALFs, are located throughout the East Anglia region (north of London) of the United Kingdom. Healthcare Homes is headquartered in Colchester (Essex County), England. We recorded approximately \$193.8 million of assets consisting of land (\$20.7 million), building and site improvements (\$152.1 million), furniture and fixtures (\$5.3 million) and goodwill (\$15.7 million). Omega's estimated fair values of the care homes' assets acquired and liabilities assumed at the date of acquisition are determined based on certain valuations and analyses that have yet to be finalized, and accordingly, the assets acquired and liabilities assumed, as detailed above, are subject to adjustment once the analyses are completed.

In 2015, we incurred approximately \$3.2 million in acquisition related costs associated with the Care Homes Transaction.

For the three and nine months ended September 30, 2015, we recognized approximately \$3.6 million and \$6.0 million, respectively, of rental revenue in connection with the Care Homes Transaction.

### *Aviv Merger in Q2 2015*

On April 1, 2015, Omega completed the Aviv Merger, which was structured as a stock-for-stock merger. Under the terms of the Merger Agreement, each outstanding share of Aviv common stock was converted into 0.90 of a share of Omega common stock. In connection with the Aviv Merger, Omega issued approximately 43.7 million shares of common stock to former Aviv stockholders and holders of certain vested equity incentive awards of Aviv. As a result of the Aviv Merger, Omega acquired 342 facilities, two facilities subject to direct financing leases, one medical office building and three mortgages. The facilities are located in 31 states and are operated by 38 third-party operators. Omega also assumed certain outstanding equity awards and other debt and liabilities. Based on the closing price of Omega's common stock on April, 1, 2015, we estimate the fair value of the consideration exchanged or assumed to be approximately \$3.8 billion. Omega's estimated fair values of Aviv's assets acquired and liabilities assumed on the Aviv Merger date are determined based on certain valuations and analyses that have yet to be finalized, and accordingly, the assets acquired and liabilities assumed, as detailed below, are subject to adjustment once the analyses are completed.

The following table highlights the preliminary allocation of the assets acquired and liabilities assumed on April 1, 2015:

	(in thousands)
Estimated fair value of assets acquired:	
Land and buildings	\$ 3,114,906
Investment in direct financing leases	26,823
Mortgages notes receivable	19,246
Other investments	23,619
Total investments	3,184,594
Goodwill	539,068
Accounts receivables and other assets	15,046
Cash acquired	84,858
Fair value of total assets acquired	<u>\$ 3,823,566</u>
Estimated fair value of liabilities assumed:	
Accrued expenses and other liabilities	\$ 136,094
Debt	1,410,637
Fair value of total liabilities assumed	<u>1,546,731</u>
Value of shares and OP units exchanged <sup>(a)</sup>	2,276,835
Fair value of consideration	<u>\$ 3,823,566</u>

(a) Includes the fair value of stock compensation plans assumed.

In 2015, we incurred approximately \$51.1 million in acquisition related costs associated with the Aviv Merger.

For the three and nine months ended September 30, 2015, we recognized approximately \$60.1 million and \$120.2 million, respectively, of total revenue in connection with the Aviv Merger.

#### *\$6.8 Million New Investment in Q1 2015*

On January 28, 2015, we purchased one SNF from an unrelated third party for approximately \$6.3 million in cash and leased it to an existing operator. The purchase and sale agreement includes a provision that requires us to make an additional payment of \$0.5 million to the seller if certain financial metrics of the facility are achieved. We recorded the potential \$0.5 million payment as part of the purchase price. The 93 bed SNF, located in Texas, was added to the operator's existing master lease with an initial annual cash yield of 9.5%. We recorded approximately \$6.8 million of assets consisting of land (\$0.1 million), building and site improvements (\$6.1 million), and furniture and fixtures (\$0.6 million). We did not record goodwill in connection with this transaction.

### Pro Forma Acquisition Results

The facilities acquired in 2015 and 2014 are included in our results of operations from the dates of acquisition. The following unaudited pro forma results of operations reflect the impact of acquisitions from the three and nine month periods of 2015 and 2014 as if they occurred on January 1, 2014. For a list of the 2014 transactions, refer to Note 3 – Properties in our 2014 Form 10-K. In the opinion of management, all significant necessary adjustments to reflect the effect of the acquisitions have been made.

	Pro Forma			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands, except per share amounts, unaudited)			
Pro Forma Revenues	\$ 202,999	\$ 198,781	\$ 604,448	\$ 579,889
Pro Forma Net income	\$ 83,765	\$ 83,136	\$ 192,702	\$ 229,417
Earnings per share – diluted:				
Net income – as reported	\$ 0.43	\$ 0.48	\$ 0.97	\$ 1.30
Net income – pro forma	\$ 0.43	\$ 0.45	\$ 1.10	\$ 1.26

### Asset Sales, Impairments and Other

In the first quarter of 2015, we initiated plans to construct a new single facility with an existing operator that would consolidate and replace three existing facilities. As a result, we recorded a total impairment of approximately \$6.0 million related to three Florida SNFs to reduce their net book values to their estimated fair values. To estimate the fair value of the facilities, we utilized a market approach and Level 3 inputs.

During the second quarter of 2015, we recorded an impairment of approximately \$6.9 million on a Tennessee SNF to reduce its net book value to its estimated fair value less costs to sell. We reclassified this facility to assets held for sale in the third quarter of 2015. To estimate the fair value of the facility, we utilized a market approach and Level 3 inputs.

During the third quarter of 2015, we recorded an impairment of approximately \$1.7 million on a New Mexico SNF to reduce its net book value to its estimated fair value less costs to sell. We reclassified this facility to assets held for sale in the third quarter of 2015. To estimate the fair value of the facility, we utilized a market approach and Level 3 inputs.

In the second quarter of 2015, we sold four facilities for total cash proceeds of approximately \$26.6 million, generating a gain of approximately \$8.8 million. Two of the facilities sold were the result of lessees exercising their purchase option.

In the third quarter of 2015, we sold three facilities for total cash proceeds of approximately \$14.7 million, generating a loss of approximately \$2.4 million.

### NOTE 3 – DIRECT FINANCING LEASES

The components of investments in direct financing leases consist of the following:

	September 30, 2015	December 31, 2014
	(in thousands)	
Minimum lease payments receivable	\$ 4,332,743	\$ 4,244,067
Less unearned income	(3,748,410)	(3,704,835)
Investments in direct financing leases	<u>\$ 584,333</u>	<u>\$ 539,232</u>
Properties subject to direct financing leases	<u>58</u>	<u>56</u>

#### *New Ark Investment Inc.*

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

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

The 56 facilities represent 5,623 licensed beds located in 12 states, predominantly in the southeastern United States. The 56 facilities are separated by region and divided amongst four cross-defaulted master leases. The four regions include the Southeast (39 facilities), the Northwest (7 facilities), Texas (9 facilities) and Indiana (1 facility).

Additionally, in 2014 we purchased 3 facilities and subsequently leased them to New Ark under a twelve-year master lease expiring in 2026. These leases are being accounted for as operating leases.

On July 27, 2015, New Ark and Omega executed an amendment to the Southeast master lease. Pursuant to the amendment, Omega provided funding to New Ark of approximately \$6.8 million for capital expenditures.

As of September 30, 2015 and December 31, 2014, we had deferred costs associated with direct financing leases of approximately \$3.4 million and \$3.4 million, respectively.

#### *Aviv Merger*

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

As of September 30, 2015, the following minimum rents are due under our direct financing leases for the next five years (in thousands):

Year 1	Year 2	Year 3	Year 4	Year 5
\$49,967	\$50,340	\$51,460	\$52,731	\$54,038

#### NOTE 4 – MORTGAGE NOTES RECEIVABLE

As of September 30, 2015, mortgage notes receivable relate to 19 fixed and variable rate mortgages on 58 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 eight states, operated by eight 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.

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.

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

	September 30, 2015	December 31, 2014
	(in thousands)	
Mortgage note due 2015; interest at 8.35%	\$ 6,481	\$ —
Mortgage note due 2018; interest at 8.75%	2,405	—
Mortgage note due 2018; interest at 11.00%	12,572	—
Mortgage note due 2021; interest at 10.25%	2,443	—
Mortgage note due 2021; interest at 10.51%	3,249	1,326
Four mortgage notes due 2022; interest at 12.00%	7,454	7,395
Mortgage note due 2023; interest at 11.00%	69,928	69,928
Mortgage note due 2024; interest at 9.64%	112,500	112,500
Two mortgage notes due 2029; interest at 10.00%	751	—
Mortgage note due 2029; interest at 9.23%	413,696	414,550
Mortgage note due 2030; interest at 10.82%	15,780	15,880
Four mortgage notes due 2046; interest at 12.00%	26,500	26,500
Mortgage notes receivable, gross	673,759	648,079
Allowance for loss on mortgage notes receivable	—	—
Total mortgages — net	<u>\$ 673,759</u>	<u>\$ 648,079</u>

The following is a brief overview of certain mortgages entered into or assumed in 2015 or significant changes to mortgages previously reported.

##### *Mortgage note due 2015*

On April 1, 2015 in connection with the Aviv Merger, we acquired a loan from Aviv with a fair value of approximately \$6.5 million. The loan is with a new operator and is secured by a lien on a 79 bed SNF located in Tennessee and a 32 bed SNF located in Missouri. The loan bears interest at 8.35% per year and matures in 2015.

### *Mortgage note due 2018*

On April 1, 2015 in connection with the Aviv Merger, we acquired a loan from Aviv with a fair value of approximately \$12.6 million. The loan is with a new operator and is secured by a lien on a 100 bed SNF located in Ohio. The loan bears interest at 11.0% per year which increases by 2.0% per year and matures in 2018.

### *Mortgage note due 2018*

In July 2015, we entered into an \$11.7 million construction loan with a new operator to construct a 48 bed ALF in Louisiana. The loan bears interest at an annual rate of 8.75% and matures on July 30, 2018. The loan has a total funding of approximately \$2.4 million as of September 30, 2015.

## **NOTE 5 – OTHER INVESTMENTS**

A summary of our other investments is as follows:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
	(in thousands)	
Other investment note due 2014	\$ —	\$ 1,640
Other investment note due 2015; interest at 6.50%	495	—
Other investment note due 2015; interest at 9.50%	75	891
Other investment note due 2015; interest at 10.00%	5,439	5,439
Other investment note due 2016; interest at 7.25%	739	—
Other investment note due 2016; interest at 10.00%	23	—
Other investment notes due 2017; interest at 10.00%	21,925	24,800
Other investment note due 2018; interest at 10.00%	167	—
Other investment note due 2018; interest at 11.00%	1,013	—
Other investment note due 2018; interest at 12.00%	1,024	—
Other investment note due 2020; interest at 7.50%	4,723	—
Other investment notes due 2020; interest at 8.00%	4,610	—
Other investment note due 2021; interest at 7.00%	75	—
Other investment note due 2021; interest at 11.04%	961	1,053
Other investment note due 2022; interest at 10.77%	1,977	2,110
Other investment notes due 2022; interest at 11.04%	3,789	4,062
Other investment note due 2023; interest at 9.00%	5,468	—
Other investment note due 2023; interest at 10.00%	1,000	1,000
Other investment notes due 2023; interest at 10.25%	1,392	—
Other investment notes due 2023; interest at 10.51%	2,900	1,942
Other investment notes due 2023; interest at 10.77%	7,039	5,705
Other investment note due 2023; interest at 11.04%	292	310
Other investment note due 2030; interest at 6.66%	19,558	—
Notes receivable, gross	84,684	48,952
Allowance for loss on notes receivable	—	—
Total other investments	<u>\$ 84,684</u>	<u>\$ 48,952</u>

The following is a brief overview of certain notes entered into or assumed in 2015 or significant changes to notes previously reported.

Other Investment note due 2030

On June 30, 2015, we entered into a \$50.0 million revolving credit facility with an operator. The note bears interest at approximately 6.66% and matures in 2030. As of September 30, 2015, approximately \$19.6 million has been drawn and is outstanding.

**NOTE 6 – ASSETS HELD FOR SALE**

	<b>Properties Held For Sale</b>	
	<b>Number of Properties</b>	<b>Net Book Value (in thousands)</b>
December 31, 2014 <sup>(1)</sup>	4	\$ 12,792
Properties sold	—	—
Properties added	1	4,085
March 31, 2015 <sup>(2)</sup>	5	16,877
Properties sold	(2)	(6,973)
Properties added	1	5,999
June 30, 2015 <sup>(3)</sup>	4	\$ 15,903
Properties sold/other <sup>(4)</sup>	(3)	(9,904)
Properties added	2	4,372
September 30, 2015 <sup>(5)</sup>	3	\$ 10,371

(1) Includes one parcel of land and three facilities.

(2) Includes one parcel of land and four facilities.

(3) Includes one parcel of land and three facilities.

(4) The parcel of land was reclassified to closed facilities.

(5) Includes three facilities.

In the first quarter of 2015, we reclassified one SNF in Alabama with a carrying value of approximately \$4.1 million to assets held for sale. During the second quarter of 2015, the operator of the facility exercised their purchase option and purchased the facility for approximately \$9.0 million.

In the second quarter of 2015, we reclassified one SNF in Pennsylvania with a carrying value of approximately \$6.0 million to assets held for sale.

In the third quarter of 2015, we reclassified two SNF facilities with a carrying value of approximately \$4.4 million to assets held for sale. The facilities were located in New Mexico and Tennessee. See Note – 2 Asset Sales, Impairments and Other for additional details.

## NOTE 7 – INTANGIBLES

The following is a summary of our intangibles as of September 30, 2015 and December 31, 2014 :

	September 30, 2015	December 31, 2014
	(in thousands)	
Assets:		
Above market lease intangibles	\$ 21,371	\$ 14,576
In-place lease intangibles	386	—
Goodwill	554,749	—
Accumulated amortization	(13,616)	(12,166)
Net intangible assets	<u>\$ 562,890</u>	<u>\$ 2,410</u>
Liabilities:		
Below market lease intangibles	\$ 85,834	\$ 59,785
Accumulated amortization	(45,024)	(39,352)
Net intangible liabilities	<u>\$ 40,810</u>	<u>\$ 20,433</u>

Above market lease intangibles and in-place lease intangibles, net of accumulated amortization, are included in other assets on our Consolidated Balance Sheets. Below market lease intangibles are included in accrued expenses and other liabilities on our Consolidated Balance Sheets. Goodwill was recorded in connection with the Avig Merger and Care Homes Transaction and is shown as a separate line on our Consolidated Balance Sheets.

For the three and nine months ended September 30, 2015 and 2014, our net amortization related to intangibles was \$1.4 million, \$1.2 million, \$4.3 million and \$3.8 million, respectively. The estimated net amortization related to these intangibles for the remainder of 2015 and the subsequent four full years is as follows: remainder of 2015 – \$1.4 million; 2016 – \$5.0 million; 2017 – \$4.0 million; 2018 – \$3.7 million; and 2019 – \$3.9 million.

The following is a reconciliation of our goodwill as of September 30, 2015:

	<u>(in thousands)</u>
Balance as of June 30, 2015	\$ 543,093
Add: additional valuation adjustments related to preliminary valuations	12,261
Less: foreign currency translation	(605)
Balance as of September 30, 2015	<u>\$ 554,749</u>

## NOTE 8 – CONCENTRATION OF RISK

As of September 30, 2015, our portfolio of real estate investments consisted of 947 healthcare facilities, located in 42 states and the United Kingdom and operated by 83 third party operators. Our gross investment in these facilities, net of impairments and before reserve for uncollectible loans, totaled approximately \$8.0 billion at September 30, 2015, with approximately 99% of our real estate investments related to long-term care facilities. Our portfolio is made up of 782 SNFs, 85 ALFs, 16 specialty facilities, one medical office building, fixed and variable rate mortgages on 56 SNFs and two ALFs, and five SNFs that are closed/held-for-sale. At September 30, 2015, we also held miscellaneous investments of approximately \$84.7 million, consisting primarily of secured loans to third-party operators of our facilities.

At September 30, 2015, the three states in which we had our highest concentration of investments were Ohio (10%), Florida (9%) and Texas (9%). No single operator or manager generated more than 10% of our total revenues for the nine months ended September 30, 2015.

## NOTE 9 – DIVIDENDS AND EQUITY

On October 14, 2015, the Board of Directors declared a common stock dividend of \$0.56 per share, increasing the quarterly common dividend by \$0.01 per share over the previous quarter. The common dividends are to be paid November 16, 2015 to common stockholders of record on November 2, 2015.

On July 15, 2015, the Board of Directors declared a common stock dividend of \$0.55 per share, increasing the quarterly common dividend rate by \$0.01 per share over the prior quarter, which was paid on August 17, 2015 to common stockholders of record on July 31, 2015.

On April 15, 2015, the Board of Directors declared a prorated dividend of \$0.18 per share of Omega's common stock in view of the recently closed Aviv Merger. The per share dividend amount payable by Omega represents dividends for April 2015, at a quarterly dividend rate of \$0.54 per share of common stock, increasing the quarterly common dividend rate by \$0.01 per share over the prior quarter. The \$0.18 dividend was paid in cash on May 15, 2015 to stockholders of record as of the close of business on April 30, 2015.

On March 5, 2015, the Board of Directors declared a prorated dividend of \$0.36 per share of Omega's common stock in view of the pending acquisition of Aviv, pursuant to the Aviv Merger. The per share dividend amount represented dividends for February and March 2015, at a quarterly dividend rate of \$0.54 per share of common stock, increasing the quarterly common dividend rate by \$0.01 per share over the prior quarter. The dividend was paid in cash on April 7, 2015 to stockholders of record as of the close of business on March 31, 2015.

On January 14, 2015, the Board of Directors declared a common stock dividend of \$0.53 per share, increasing the quarterly common dividend rate by \$0.01 per share over the prior quarter, which was paid February 16, 2015 to common stockholders of record on February 2, 2015.

### *\$500 Million Equity Shelf Program*

On September 3, 2015, we entered into separate Equity Distribution Agreements (collectively, the "2015 Agreements") to sell shares of our common stock having an aggregate gross sales price of up to \$500 million (the "2015 Equity Shelf Program") with several financial institutions, each as a sales agent and/or principal (collectively, the "Managers"). Under the terms of the 2015 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 \$500 million. Sales of the shares, if any, 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 2015 Agreement. As of September 30, 2015, we did not issue any shares under the 2015 Equity Shelf Program.

### *\$250 Million Equity Shelf Program Termination*

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

Since inception of the 2013 Equity Shelf Program, we sold a total of 7.4 million shares of common stock generating total gross proceeds of \$233.8 million under the program, before \$4.7 million of commissions. As a result of the termination of the 2013 Equity Shelf Program, no additional shares will be issued under the 2013 Equity Shelf Program.

### *Increase of Authorized Omega Common Stock*

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

### *10.925 Million Common Stock Offering*

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

### *Dividend Reinvestment and Common Stock Purchase Plan*

For the three-month period ended September 30, 2015, approximately 1.0 million shares of our common stock at an average price of \$36.25 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for gross proceeds of approximately \$35.6 million. For the nine-month period ended September 30, 2015, approximately 1.8 million shares of our common stock at an average price of \$36.62 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for gross proceeds of approximately \$65.7 million.

See also, Note – 2 Properties and Investments, for stock activity associated with the Aviv Merger.

## **NOTE 10 – TAXES**

Since our inception, we have elected to be taxed as a REIT under the applicable provisions of the Internal Revenue Code (the "Code"). So long as we qualify as a REIT under the Code, we generally will not be subject to federal income taxes on the REIT taxable income that we 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 are in compliance with the REIT rules. We review our distributions and projected distributions each year to ensure we have met and will meet the annual REIT distribution requirements. In 2014 and 2013, we distributed dividends in excess of our taxable income. In 2015, we expect to distribute dividends in excess of our taxable income.

As a result of our UPREIT Conversion, our Company and its subsidiaries may be subject to income or franchise taxes in certain states and municipalities. Also, as a result of our UPREIT Conversion, we created five subsidiary REITs that are subject to all of the REIT qualification rules set forth in the Code.

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"). We have elected for four of our subsidiaries to be treated as TRSs. Three of our TRSs are subject to federal, state and local income taxes at the applicable corporate rates and the fourth is subject to foreign income taxes. As of September 30, 2015, one of our TRSs had a net operating loss carry-forward of approximately \$0.9 million. The loss carry-forward is fully reserved with a valuation allowance as of September 30, 2015.

In connection with our acquisition of Care Homes in May 2015, we acquired 10 legal entities consisting of 23 facilities. The tax basis in these legal entities acquired for United Kingdom taxes was approximately \$82 million less than the purchase price. We recorded a preliminary initial deferred tax liability associated with the temporary tax basis difference of approximately \$16 million.

During the third quarter of 2015, we recorded approximately \$0.1 million of state and local income tax provision and approximately \$0.3 million of provision for foreign income taxes. For the nine months ended September 30, 2015 we recorded approximately \$0.5 million of state and local income tax provision and approximately \$0.4 million of provision for foreign income taxes.

## NOTE 11 – STOCK-BASED COMPENSATION

The following is a summary of our stock-based compensation expense for the three- and nine-month periods ended September 30, 2015 and 2014, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Stock-based compensation expense	\$ 2,199	\$ 2,022	\$ 6,682	\$ 6,570

### **Restricted Stock and Restricted Stock Units**

Restricted stock and restricted stock units (“RSUs”) are subject to forfeiture if the holder’s service to us terminates prior to vesting, subject to certain exceptions for certain qualifying terminations of employment or a change in control of the Company. Prior to vesting, ownership of the shares/units cannot be transferred. The restricted stock has the same dividend and voting rights as our common stock. RSUs accrue dividend equivalents but have no voting rights. Restricted stock and RSUs are valued at the price of our common stock on the date of grant. We expense the cost of these awards ratably over their vesting period.

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

We awarded the following RSUs to employees or assumed them in the Aviv Merger.

<u>Grant/Assumption Date</u>	<u>RSUs Granted</u>
12/31/2013 RSUs	213,741
1/1/2014 RSUs	122,137
3/31/2015 RSUs	123,693
4/1/2015 RSUs	39,914
4/1/2015 Assumed 2015 RSUs	10,644
4/1/2015 Assumed 2016 RSUs	19,825
4/1/2015 Assumed Multi-year RSUs	7,799
7/31/2015 Modified 2013 RSUs	17,919
7/31/2015 Modified 2014 RSUs	15,359
7/31/2015 Modified 2015 RSUs	14,108
	<u>585,139</u>

*December 31, 2013 RSUs* - These RSUs vest ratably over the three year period ended December 31, 2014, 2015 and 2016, respectively. In December 2014, 71,247 shares of restricted stock vested and were distributed to employees. In July 2015, 17,919 shares of restricted stock were cancelled.

*January 1, 2014 RSUs* - These RSUs cliff vest on December 31, 2016. In July 2015, 15,359 shares of restricted stock were cancelled.

*March 31, 2015 RSUs* - These RSUs cliff vest on December 31, 2017. In July 2015, 14,108 shares of restricted stock were cancelled.

*April 1, 2015 RSUs* - These RSUs cliff vest on December 31, 2017.

*April 1, 2015 Assumed 2015 RSUs* - These RSUs were assumed in the Aviv Merger and cliff vest on December 31, 2015.

*April 1, 2015 Assumed 2016 RSUs* - These RSUs were assumed in the Aviv Merger and cliff vest on December 31, 2016.

*April 1, 2015 Assumed Multi-year RSUs* - These RSUs were assumed in the Aviv Merger and vest ratably over the periods ended December 31, 2015, 2016 and 2017, respectively.

*July 31, 2015 Modified 2013 RSUs* - These RSUs cliff vest on December 31, 2015.

*July 31, 2015 Modified 2014 RSUs* - These RSUs cliff vest on December 31, 2015.

*July 31, 2015 Modified 2015 RSUs* - These RSUs cliff vest on December 31, 2015.

#### **Performance Restricted Stock Units and LTIP Units**

Performance restricted stock units ("PRSUs") and long term incentive plan units ("LTIP Units") are subject to forfeiture if the performance requirements are not achieved or if the holder's service to us terminates prior to vesting, subject to certain exceptions for certain qualifying terminations of employment or a change in control of the Company. The PRSUs awarded in January 2011, December 2013, January 2014, and the LTIP Units awarded in March 2015, April 2015 and July 2015 have varying degrees of performance requirements to achieve vesting, and each PRSU and LTIP Units award represents the right to a variable number of shares of common stock or partnership units (each LTIP Unit once earned is convertible into one Omega OP Unit in Omega OP, subject to certain conditions). The vesting requirements are based on either the (i) total shareholders return ("TSR") of Omega or (ii) Omega's TSR relative to other real estate investment trusts in the MSCI U.S. REIT Index ("Relative TSR"). We expense the cost of these awards ratably over their service period.

Prior to vesting and the distribution of shares, ownership of the PRSUs cannot be transferred. The dividends on the PRSUs accumulate and if vested are paid when the shares are distributed to the employee. While each LTIP Unit is unearned, the employee receives a partnership distribution equal to 10% of the quarterly approved regular periodic distributions per Omega OP Unit. The remaining partnership distributions (which in the case of normal periodic distributions is equal to the total approved quarterly dividend on Omega's common stock) on the LTIP Units accumulate, and if the LTIP Units are earned, the accumulated distributions are paid.

The number of shares or units earned under the TSR PRSUs or LTIP Units depends generally on the level of achievement of Omega's TSR over the indicated performance period. We awarded the following TSR PRSUs and LTIP Units to employees:

<b>Name</b>	<b>Grant Date</b>	<b>PRSUs Granted</b>	<b>Performance Period (a)</b>
2013 Multi-Year TSR	1/1/2011	279,550	12/31/2011-12/31/2013
2014 Transition TSR	12/31/2013	77,371	12/31/2013-12/31/2014
2015 Transition TSR	12/31/2013	77,369	12/31/2013-12/31/2015
2016 Transition TSR	12/31/2013	115,785	12/31/2013-12/31/2016
2016 TSR	1/1/2014	154,584	1/1/2014-12/31/2016
2017 LTIP Units	3/31/2015	154,716	1/1/2015-12/31/2017
2017 LTIP Units	4/1/2015	54,151	1/1/2015-12/31/2017
2015 Transition TSR	7/31/2015	9,484	12/31/2013-12/31/2015
2016 Transition TSR	7/31/2015	33,144	12/31/2013-12/31/2016
2017 LTIP Units	7/31/2015	17,467	1/1/2015-12/31/2017
		<u>973,621</u>	

(a) The performance period is the period indicated.

*2013 Multi-Year TSR* - In January 2014, our Compensation Committee reviewed the performance and determined the performance targets were met at the "high" level. The 2013 Multi-Year TSR vested and were distributed 25% per quarter on the last day of each calendar quarter in 2014.

*2014 Transition TSR* - In January 2015, our Compensation Committee reviewed the performance and determined the performance targets were met at the "high" level and the shares were distributed in January 2015.

*2015 Transition TSR* - The number of 2015 Transition TSR PRSUs that are earned based on performance vest on December 31, 2015, 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.

*2016 Transition TSR* - The number of 2016 Transition TSR PRSUs that are earned based on performance vest on December 31, 2016, 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.

*2016 TSR* - The number of 2016 TSR PRSUs that are earned based on performance vest quarterly in 2017 in equal increments at the end of each quarter, 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.

*2017 LTIP Units* - The number of certain 2017 LTIP Units that are earned based on performance vest quarterly in 2018 in equal increments, other 2017 LTIP Units that are earned based on performance vest on December 31, 2017, 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 number of shares earned under the Relative TSR PRSUs depended generally on the level of achievement of Omega's TSR relative to other real estate investment trusts in the MSCI U.S. REIT Index over the performance period indicated. We awarded the following Relative TSR PRSUs to employees:

<b>Name</b>	<b>Grant Date</b>	<b>PRSUs Granted</b>	<b>Performance Period</b>
2013 Relative TSR	1/1/2011	93,184	12/31/2011-12/31/2013
2014 Transition Relative TSR	12/31/2013	77,371	12/31/2013-12/31/2014
2015 Transition Relative TSR	12/31/2013	77,368	12/31/2013-12/31/2015
2016 Transition Relative TSR	12/31/2013	115,781	12/31/2013-12/31/2016
2016 Relative TSR	1/1/2014	154,584	1/1/2014-12/31/2016
2017 Relative TSR	3/31/2015	154,716	1/1/2015-12/31/2017
2017 Relative TSR	4/1/2015	54,151	1/1/2015-12/31/2017
2015 Relative TSR	7/31/2015	9,484	1/1/2014-12/31/2015
2016 Relative TSR	7/31/2015	33,143	1/1/2014-12/31/2016
2017 Relative TSR	7/31/2015	17,467	1/1/2015-12/31/2017
		787,249	

*2013 Relative TSR* - In January 2014, our Compensation Committee reviewed the performance and determined the performance targets were met at the "high" level. The 2013 Relative TSR PRSUs vested and were distributed 25% per quarter on the last day of each calendar quarter in 2014.

*2014 Transition Relative TSR* - The 2014 Transition Relative TSR PRSUs vested on December 31, 2014. In January 2015, our Compensation Committee reviewed the performance and determined that 61,769 shares were earned. The shares were distributed in January 2015.

*2015 Transition Relative TSR* - The number of 2015 Transition Relative TSR PRSUs that are earned based on performance vest on December 31, 2015, 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.

*2016 Transition Relative TSR* - The number of 2016 Transition Relative TSR PRSUs that are earned based on performance vest on December 31, 2016, 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.

*2015 Relative TSR* - The number of 2015 Relative TSR PRSUs that are earned based on performance vest on December 31, 2015, 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.

*2016 Relative TSR* - The number of 2016 Relative TSR PRSUs that are earned based on performance vest quarterly in 2017 in equal increments, 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.

*2017 Relative TSR* - The number of 2017 Relative TSR PRSUs that are earned based on performance vest quarterly in 2018 in equal increments, 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 following table summarizes our total unrecognized compensation cost as of September 30, 2015 associated with restricted stock, restricted stock units, PRSU awards, and LTIP Unit awards to employees:

	Grant Year	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 units	2013	213,741	\$ 29.80	\$ 5.9	36	\$ 2.4
2015 Transition TSR	2013	67,885	7.47	0.5	24	0.1
2016 Transition TSR	2013	101,591	8.67	0.9	36	0.4
2015 Transition Relative TSR	2013	67,884	13.05	0.9	24	0.1
2016 Transition Relative TSR	2013	101,588	14.24	1.4	36	0.6
Restricted stock units	2014	106,778	29.80	3.2	36	1.3
2016 TSR	2014	135,634	8.67	1.2	48	0.7
2016 Relative TSR	2014	135,634	14.24	1.9	48	1.1
2017 Restricted stock units	2015	109,585	40.57	4.4	33	3.6
2017 LTIP Units	2015	137,249	14.66	2.0	45	1.7
2017 Relative TSR	2015	137,249	22.50	3.1	45	2.7
2017 Restricted stock units	2015	39,914	40.74	1.6	33	1.3
2017 LTIP Units	2015	54,151	14.80	0.8	45	0.7
2017 Relative TSR	2015	54,151	22.91	1.2	45	1.1
Restricted stock units	2015	10,644	12.36	0.1	9	0.0
Restricted stock units	2015	19,825	24.92	0.5	21	0.4
Restricted stock units	2015	7,799	35.08	0.3	33	0.2
Restricted stock units	2015	8,960	36.26	0.3	5	0.2
2015 Transition TSR	2015	9,484	27.20	0.3	5	0.2
2015 Relative TSR	2015	9,484	18.85	0.2	5	0.1
2016 Transition TSR	2015	22,091	18.51	0.4	17	0.4
2016 Relative TSR	2015	22,100	19.60	0.4	17	0.4
Restricted stock units	2015	10,239	36.26	0.4	5	0.3
Restricted stock units	2015	4,703	36.26	0.2	5	0.1
2017 LTIP Units	2015	5,823	8.78	0.1	29	0.0
2017 Relative TSR	2015	5,826	17.74	0.1	29	0.1
<b>Total</b>		<b>1,600,012</b>	<b>\$ 20.45</b>	<b>\$ 32.3</b>		<b>\$ 20.2</b>

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

#### **Vesting For Retired Officer Continuing As Consultant**

A former officer of Omega retired on July 31, 2015 and effective August 1, 2015, Omega and the former officer entered into a consulting and non-compete agreement. Pursuant to the consulting and non-compete agreement, the former officer will be entitled to prorated vesting through December 31, 2015 of previously granted equity incentives. In the case of performance-based equity incentives, the prorated portion will be paid only to the extent actually earned based on the performance objectives previously established by the Compensation Committee. The former officer will forfeit any unpaid incentive compensation if he terminates the consulting and non-compete agreement for any reason (excluding termination due to death).

As a result of the officer retirement we reversed all expense associated with the original awards. We estimate the value of the equity incentive awards to be approximately \$2.3 million.

#### **Director Restricted Stock Grants**

As of September 30, 2015, we had 54,149 shares of restricted stock outstanding to directors. The directors' restricted shares are scheduled to vest over the next three years. As of September 30, 2015, the unrecognized compensation cost associated with outstanding director restricted stock grants is approximately \$1.0 million.

## NOTE 12 – BORROWING ACTIVITIES AND ARRANGEMENTS

### Secured and Unsecured Borrowings

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

	Maturity	Rate as of September 30, 2015	September 30, 2015	December 31, 2014
(in thousands)				
Secured borrowings:				
GE Term loan	2019	4.00%	\$ 180,000	\$ —
HUD mortgages assumed June 2010	2040 - 2045	—	—	120,665
HUD mortgages assumed October 2011 <sup>(1)</sup>	2036	4.91%	23,945	24,441
HUD mortgages assumed December 2011 <sup>(1)</sup>	2044	3.06%	56,511	57,416
HUD mortgages assumed December 2012	2041	—	—	35,358
			260,456	237,880
Premium – net			2,103	13,574
Total secured borrowings			262,559	251,454
Unsecured borrowings:				
Revolving line of credit	2018	1.49%	550,000	85,000
Term loan	2019	1.69%	200,000	200,000
Acquisition term loan	2017	1.70%	200,000	—
Omega OP term loan	2017	1.70%	100,000	—
			1,050,000	285,000
2020 notes	2020	—	—	200,000
2022 notes	2022	6.75%	575,000	575,000
2024 notes	2024	5.875%	400,000	400,000
2024 notes	2024	4.95%	400,000	400,000
2025 notes	2025	4.50%	250,000	250,000
2026 notes	2026	5.25%	600,000	—
2027 notes	2027	4.50%	700,000	—
Subordinated debt	2021	9.00%	20,000	20,000
			2,945,000	1,845,000
Discount - net			(12,642)	(2,951)
Total unsecured borrowings			3,982,358	2,127,049
Total – net			\$ 4,244,917	\$ 2,378,503

(1) Reflects the weighted average annual contractual interest rate on the mortgages at September 30, 2015 excluding a third-party administration fee of approximately 0.5%.

Certain of our other secured and unsecured borrowings are subject to customary affirmative and negative covenants, including financial covenants. As of September 30, 2015 and December 31, 2014, we were in compliance with all affirmative and negative covenants, including financial covenants, for our secured and unsecured borrowings.

## **HUD Mortgage Loans Payoff**

On March 31, 2015, we paid approximately \$154.3 million to retire 21 mortgage loans guaranteed by U.S. Department of Housing and Urban Development ("HUD"), totaling approximately \$146.9 million. 18 loans had an all-in blended interest rate of 5.35% per annum with maturities between January 2040 and January 2045 and three loans had an all-in blended interest rate of 5.23% per annum with maturities between February 2040 and February 2045. The payoff resulted in a \$2.3 million gain on the extinguishment of the debt due to the write-off of the \$9.7 million unamortized debt premium recorded at the time of acquisition offset by a prepayment fee of approximately \$7.4 million.

On April 30, 2015, we paid approximately \$9.1 million to retire one mortgage loan guaranteed by HUD. The loan was assumed as part of an acquisition in a prior year, and had an interest rate of 4.35% per annum with maturity on March 1, 2041. The payoff resulted in a \$1.0 million gain on the extinguishment of the debt due to the write-off of the \$1.5 million of fair value adjustment recorded at the time of acquisition offset by a prepayment fee of approximately \$0.5 million.

## **General Electric Term Loan**

On April 1, 2015, as a result of the Aviv Merger, we assumed a \$180 million secured term loan with General Electric Capital Corporation ("GE"). On each payment date, we pay interest only (in arrears) on any outstanding principal balance until February 1, 2017 when principal and interest will be paid in arrears based on a thirty year amortization schedule. The interest rate is based on LIBOR, with a floor of 50 basis points, plus a margin of 350 basis points. The interest rate at September 30, 2015 was 4.00%. The initial term expires in December 2019 with the full balance of the loan due at that time.

## **Bank Credit Facilities**

On June 27, 2014, we entered into a \$1.2 billion unsecured credit facility, comprised of a \$1 billion senior unsecured revolving credit facility (the "Revolving Credit Facility") and a \$200 million senior unsecured term loan facility (the "Term Loan Facility" and, collectively, the "2014 Credit Facilities").

On April 1, 2015, Omega entered into a First Amendment to Credit Agreement (the "First Amendment to Omega Credit Agreement") which amended the 2014 Credit Facilities. Under the First Amendment to Omega Credit Agreement, Omega (i) increased the aggregate revolving commitment amount under the Revolving Credit Facility from \$1 billion to \$1.25 billion and (ii) obtained a \$200 million senior unsecured incremental term loan facility (the "Acquisition Term Loan Facility").

The Revolving Credit Facility is priced at LIBOR plus an applicable percentage (beginning at 130 basis points, with a range of 92.5 to 170 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 25 basis points, with a range of 12.5 to 30 basis points). The Revolving Credit Facility is used for acquisitions and general corporate purposes. At September 30, 2015, we had a total of \$550.0 million borrowings outstanding under the Revolving Credit Facility. The Revolving Credit Facility matures on June 27, 2018, subject to a one-time option by us to extend such maturity date by one year.

The Term Loan Facility is priced at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. At September 30, 2015, we had a total of \$200.0 million in borrowings outstanding under the Term Loan Facility. The Term Loan Facility matures on June 27, 2019.

The Acquisition Term Loan Facility is priced at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. At September 30, 2015, we had a total of \$200.0 million in borrowings outstanding under the Acquisition Term Loan Facility. The Acquisition Term Loan Facility matures on June 27, 2017, subject to Omega's option to extend the maturity date of the Acquisition Term Loan Facility twice, the first extension until June 27, 2018 and the second extension until June 27, 2019.

## **Omega OP Term Loan Facility**

On April 1, 2015, Omega OP entered into a \$100 million senior unsecured term loan facility (the "Omega OP Term Loan Facility"). The Omega OP Term Loan Facility is priced at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The Omega OP Term Loan Facility matures on June 27, 2017, subject to Omega OP's option to extend such maturity date twice, the first extension until June 27, 2018 and the second extension until June 27, 2019. At September 30, 2015, we had a total of \$100.0 million borrowings outstanding under the Omega OP Term Loan Facility.

### **\$200 Million 7.5% Senior Notes due 2020 Redemption**

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

In connection with the redemption, during the first quarter of 2015, we recorded approximately \$11.7 million redemption related costs and write-offs, including \$7.5 million in prepayment fees for early redemption and \$4.2 million of write-offs associated with unamortized deferred financing costs and discount. The consideration for the redemption of the 2020 Notes was funded from the net proceeds of the 10.925 million share common stock offering. See Note 9 – Dividends and Equity for additional details.

### **\$700 Million Senior Notes due 2027**

On March 18, 2015, we sold \$700 million aggregate principal amount of our 4.50% Senior Notes due 2027 (the "2027 Notes"). The 2027 Notes were sold at an issue price of 98.546% of their face value before the initial purchasers' discount. Our total net proceeds from the offering, after deducting initial purchasers' discounts and other offering expenses, were approximately \$683 million. The net proceeds of the offering were used for general corporate purposes, including the repayment of Aviv indebtedness on April 1, 2015 in connection with the Aviv Merger, and repayment of future maturities on Omega's outstanding debt. The 2027 Notes mature on April 1, 2027 and pay interest semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>.

### **\$600 Million Senior Notes due 2026**

On September 23, 2015, we sold \$600 million aggregate principal amount of our 5.250% Senior Notes due 2026 (the "2026 Notes"). The 2026 Notes were sold at an issue price of 99.717% of their face value before the initial purchasers' discount. Our total net proceeds from the offering, after deducting initial purchasers' discounts and other offering expenses, were approximately \$594.4 million. The net proceeds of the offering were used to repay all of our outstanding \$575 million aggregate principal amount 6.75% Senior Notes due 2022 and for general corporate purposes. The 2026 Notes mature on January 15, 2026 and pay interest semi-annually on January 15<sup>th</sup> and July 15<sup>th</sup>.

### **\$575 Million 6.75% Senior Notes due 2022 Redemption**

On October 26, 2015, we redeemed all of our outstanding 6.75% Senior Notes due 2022 (the "2022 Notes"). As a result of the redemption, during the fourth quarter of 2015, we will record approximately \$21.2 million in redemption related costs and write-offs, including \$19.4 million for the early redemption or call premiums and \$1.8 million in net write-offs associated with unamortized deferred financing costs and original issuance premiums/discounts.

In September 2015, we irrevocably deposited approximately \$615.0 million with the trustee of the 2022 Notes. This amount included a redemption premium of 3.375%, the scheduled semi-annual interest payment and additional accrued interest to the redemption date of October 26, 2015. The \$615.0 million is classified in other assets on our Consolidated Balance Sheet as of September 30, 2015.

#### Other Debt Repayments

In connection with the Aviv Merger on April 1, 2015, we assumed notes payable with a face amount of \$650.0 million and a revolving credit facility with an outstanding balance of \$525.0 million. In connection with the Aviv Merger, we repaid this debt assumed from Aviv on April 1, 2015. Due to the contractual requirements for early repayments; the Company paid approximately \$705.6 million for the \$650.0 million notes assumed. The amount repaid in connection with the revolving credit facility was \$525.0 million.

#### NOTE 13 – FINANCIAL INSTRUMENTS

At September 30, 2015 and December 31, 2014, the carrying amounts and fair values of our financial instruments were as follows:

	September 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in thousands)				
<b>Assets:</b>				
Cash and cash equivalents	\$ 15,319	\$ 15,319	\$ 4,489	\$ 4,489
Restricted cash	23,399	23,399	29,076	29,076
Investments in direct financing leases – net	584,333	580,973	539,232	539,232
Mortgage notes receivable – net	673,759	673,843	648,079	642,626
Other investments – net	84,684	85,654	48,952	49,513
Totals	<u>\$ 1,381,494</u>	<u>\$ 1,379,188</u>	<u>\$ 1,269,828</u>	<u>\$ 1,264,936</u>
<b>Liabilities:</b>				
Revolving line of credit	\$ 550,000	\$ 550,000	\$ 85,000	\$ 85,000
Term loan	200,000	200,000	200,000	200,000
Acquisition Term loan	200,000	200,000	—	—
Omega OP Term loan	100,000	100,000	—	—
7.50% notes due 2020 – net	—	—	198,235	264,269
6.75% notes due 2022 – net	579,890	629,995	580,410	677,851
5.875% notes due 2024 – net	400,000	445,243	400,000	449,242
4.95% notes due 2024 – net	395,192	402,223	394,768	410,358
4.50% notes due 2025 – net	248,047	244,966	247,889	244,053
5.25% notes due 2026 – net	598,302	603,471	—	—
4.50% notes due 2027 – net	690,281	675,173	—	—
GE Term loan due 2019	180,000	180,000	—	—
HUD debt – net	82,559	81,158	251,454	266,434
Subordinated debt – net	20,646	24,040	20,747	26,434
Totals	<u>\$ 4,244,917</u>	<u>\$ 4,336,269</u>	<u>\$ 2,378,503</u>	<u>\$ 2,623,641</u>

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 Annual Report on Form 10-K for the year ended December 31, 2014). 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 Consolidated Balance Sheets approximates fair value because of the short maturity of these instruments (i.e., less than 90 days) (Level 1).
- Direct financing leases: The fair value of the investments in direct financing leases are estimated using a discounted cash flow analysis, using interest rates being offered for similar leases to borrowers with similar credit ratings (Level 3).
- Mortgage notes receivable: The fair value 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 notes receivable. 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).
- Revolving line of credit and term loans: 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 3).
- Senior notes and subordinated debt: The fair value of our borrowings under fixed rate agreements are estimated using an expected present value technique based on open market trading activity provided by a third party (Level 2).
- HUD debt: The fair value of our borrowings under HUD debt agreements are estimated using an expected present value technique based on quotes obtained by HUD debt brokers (Level 2).

#### **NOTE 14 – 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.

As previously reported, four putative class actions were filed by purported stockholders of Aviv against Aviv, its directors, the Company and Merger Sub challenging the Aviv Merger and alleging that the disclosures in the Form S-4 filed with the Securities and Exchange Commission in connection with the Aviv Merger were inadequate to allow Aviv shareholders to make an informed decision whether to approve the Aviv Merger. On January 28, 2015, the court entered a stipulated consolidation order consolidating the four lawsuits into a single proceeding and on March 20, 2015, the court granted the defendants' motions to dismiss the consolidated complaint. The time period for taking an appeal of the grant of the motions to dismiss has now expired and, as a result, we believe these matters are now concluded.

In addition to these lawsuits, Omega is aware of a derivative demand letter that was delivered to the Aviv board of directors by Gary Danley ("Danley"), who subsequently filed one of the aforementioned lawsuits. The allegations in the demand letter are substantially similar to the allegations in Danley's complaint.

Omega believes that these actions have no merit and intends to defend vigorously against any further attempts to prosecute these claims.

## NOTE 15 – 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 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 and the assumed issuance of additional shares related to Omega OP Units held by outside investors.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(in thousands, except per share amounts)				
Numerator:				
Net income	\$ 83,254	\$ 61,713	\$ 169,772	\$ 164,359
Less: Net income attributable to noncontrolling interests	(3,852)	—	(5,890)	—
Net income available to common stockholders	<u>\$ 79,402</u>	<u>\$ 61,713</u>	<u>\$ 163,882</u>	<u>\$ 164,359</u>
Denominator:				
Denominator for basic earnings per share	184,739	127,464	167,261	126,132
Effect of dilutive securities:				
Common stock equivalents	1,483	964	1,580	763
Noncontrolling interest – OP units	8,961	—	5,983	—
Denominator for diluted earnings per share	<u>195,183</u>	<u>128,428</u>	<u>174,824</u>	<u>126,895</u>
Earnings per share – basic:				
Net income available to common stockholders	<u>\$ 0.43</u>	<u>\$ 0.48</u>	<u>\$ 0.98</u>	<u>\$ 1.30</u>
Earnings per share – diluted:				
Net income	<u>\$ 0.43</u>	<u>\$ 0.48</u>	<u>\$ 0.97</u>	<u>\$ 1.30</u>

## NOTE 16 – CONSOLIDATING FINANCIAL STATEMENTS

As of September 30, 2015, we had outstanding: (i) \$575 million 6.75% Senior Notes due 2022, (ii) \$400 million 5.875% Senior Notes due 2024, (iii) \$400 million 4.95% Senior Notes due 2024, (iv) \$250 million 4.5% Senior Notes due 2025, (v) \$600 million 5.25% Senior Notes due 2026 and (vi) \$700 million 4.5% Senior Notes due 2027 (collectively, the “Senior Notes”). The Senior Notes are fully and unconditionally guaranteed, jointly and severally, by each of our 100% owned subsidiaries that guarantee other indebtedness of Omega or any of the subsidiary guarantors. All of our subsidiaries that guarantee the Senior Notes also guarantee amounts outstanding under the 2014 Credit Facilities.

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. Our non-guarantor subsidiaries include all subsidiaries securing secured debt that is currently outstanding and our U.K. subsidiaries. The results and financial position of acquired entities are included from the dates of their respective acquisitions.

The 2014 financial statements presented below have been adjusted to reflect our current guarantor and non-guarantor relationships as of September 30, 2015.

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

	September 30, 2015			
	Issuer & Subsidiary Guarantors	Non-Guarantor Subsidiaries	Elimination	Consolidated
<b>ASSETS</b>				
Real estate properties				
Land and buildings	\$ 6,127,862	\$ 595,617	\$ -	\$ 6,723,479
Less accumulated depreciation	(930,028)	(28,505)	-	(958,533)
Real estate properties – net	5,197,834	567,112	-	5,764,946
Investments in direct financing leases – net	584,333	-	-	584,333
Mortgage notes receivable	673,759	-	-	673,759
	6,455,926	567,112	-	7,023,038
Other investments	84,684	-	-	84,684
	6,540,610	567,112	-	7,107,722
Assets held for sale – net	10,371	-	-	10,371
Total investments	6,550,981	567,112	-	7,118,093
Cash and cash equivalents	10,334	4,985	-	15,319
Restricted cash	7,065	16,334	-	23,399
Accounts receivable – net	190,838	8,019	-	198,857
Goodwill	539,068	15,681	-	554,749
Investment in affiliates	335,842	-	(335,842)	-
Other assets	677,453	5,613	-	683,066
Total assets	\$ 8,311,581	\$ 617,744	\$ (335,842)	\$ 8,593,483
<b>LIABILITIES AND EQUITY</b>				
Revolving line of credit	\$ 550,000	\$ -	\$ -	\$ 550,000
Term loans	500,000	-	-	500,000
Secured borrowings – net	-	391,147	(128,588)	262,559
Unsecured borrowings – net	2,932,358	-	-	2,932,358
Accrued expenses and other liabilities	260,622	7,068	-	267,690
Deferred income taxes	-	16,225	-	16,225
Intercompany payable	-	25,281	(25,281)	-
Total liabilities	4,242,980	439,721	(153,869)	4,528,832
Equity:				
Common stock	18,495	-	-	18,495
Equity investment in affiliates	-	162,218	(162,218)	-
Common stock – additional paid-in capital	4,521,448	-	-	4,521,448
Cumulative net earnings	1,311,880	15,761	(15,761)	1,311,880
Cumulative dividends paid	(2,148,833)	-	-	(2,148,833)
Accumulated other comprehensive income (loss)	-	44	(3,994)	(3,950)
Total stockholders' equity	3,702,990	178,023	(181,973)	3,699,040
Noncontrolling interest	365,611	-	-	365,611
Total equity	4,068,601	178,023	(181,973)	4,064,651
Total liabilities and equity	\$ 8,311,581	\$ 617,744	\$ (335,842)	\$ 8,593,483

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

	December 31, 2014			
	Issuer & Subsidiary Guarantors	Non-Guarantor Subsidiaries	Elimination	Consolidated
<b>ASSETS</b>				
Real estate properties				
Land and buildings	\$ 3,108,597	\$ 115,188	\$ —	\$ 3,223,785
Less accumulated depreciation	(805,679)	(16,033)	—	(821,712)
Real estate properties – net	2,302,918	99,155	—	2,402,073
Investments in direct financing leases	539,232	—	—	539,232
Mortgage notes receivable	648,079	—	—	648,079
	3,490,229	99,155	—	3,589,384
Other investments	48,952	—	—	48,952
	3,539,181	99,155	—	3,638,336
Assets held for sale – net	12,792	—	—	12,792
Total investments	3,551,973	99,155	—	3,651,128
Cash and cash equivalents	4,489	—	—	4,489
Restricted cash	15,143	13,933	—	29,076
Accounts receivable – net	163,610	4,566	—	168,176
Investment in affiliates	28,688	—	(28,688)	—
Other assets	60,820	7,956	—	68,776
Total assets	\$ 3,824,723	\$ 125,610	\$ (28,688)	\$ 3,921,645
<b>LIABILITIES AND EQUITY</b>				
Revolving line of credit	\$ 85,000	\$ —	\$ —	\$ 85,000
Term loan	200,000	—	—	200,000
Secured borrowings – net	167,379	84,075	—	251,454
Unsecured borrowings – net	1,842,049	—	—	1,842,049
Accrued expenses and other liabilities	128,968	12,847	—	141,815
Intercompany payable	—	19,742	(19,742)	—
Total liabilities	2,423,396	116,664	(19,742)	2,520,318
Equity:				
Common stock	12,761	—	—	12,761
Common stock – additional paid-in-capital	2,136,234	—	—	2,136,234
Cumulative net earnings	1,147,998	8,946	(8,946)	1,147,998
Cumulative dividends paid	(1,895,666)	—	—	(1,895,666)
Total stockholders' equity	1,401,327	8,946	(8,946)	1,401,327
Total liabilities and equity	\$ 3,824,723	\$ 125,610	\$ (28,688)	\$ 3,921,645

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

	Three Months Ended September 30, 2015				Nine Months Ended September 30, 2015			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Consolidated	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Consolidated
<b>Revenue</b>								
Rental income	\$ 152,053	\$ 14,570	\$ -	\$ 166,623	\$ 399,416	\$ 31,283	\$ -	\$ 430,699
Income from direct financing leases	15,216	-	-	15,216	44,582	-	-	44,582
Mortgage interest income	17,195	-	-	17,195	51,336	-	-	51,336
Other investment income – net	2,940	-	-	2,940	6,488	-	-	6,488
<b>Total operating revenues</b>	<b>187,404</b>	<b>14,570</b>	<b>-</b>	<b>201,974</b>	<b>501,822</b>	<b>31,283</b>	<b>-</b>	<b>533,105</b>
<b>Expenses</b>								
Depreciation and amortization	54,294	5,849	-	60,143	137,379	12,530	-	149,909
General and administrative	10,058	102	-	10,160	26,186	296	-	26,482
Acquisition and merger related costs	3,555	-	-	3,555	52,994	2,513	-	55,507
Impairment loss on real estate properties	1,743	-	-	1,743	14,641	-	-	14,641
Provision for uncollectible mortgages, notes and accounts receivable	301	-	-	301	292	-	-	292
<b>Total operating expenses</b>	<b>69,951</b>	<b>5,951</b>	<b>-</b>	<b>75,902</b>	<b>231,492</b>	<b>15,339</b>	<b>-</b>	<b>246,831</b>
<b>Income before other income and expense</b>	<b>117,453</b>	<b>8,619</b>	<b>-</b>	<b>126,072</b>	<b>270,330</b>	<b>15,944</b>	<b>-</b>	<b>286,274</b>
<b>Other income (expense):</b>								
Interest income	1	4	-	5	193	12	-	205
Interest expense	(33,968)	(4,201)	-	(38,169)	(100,099)	(8,677)	-	(108,776)
Interest – amortization of deferred financing costs	(1,852)	(5)	-	(1,857)	(5,020)	(16)	-	(5,036)
Interest – refinancing costs	-	-	-	-	(8,361)	-	-	(8,361)
Equity in earnings	4,149	-	(4,149)	-	6,815	-	(6,815)	-
<b>Total other expense</b>	<b>(31,670)</b>	<b>(4,202)</b>	<b>(4,149)</b>	<b>(40,021)</b>	<b>(106,472)</b>	<b>(8,681)</b>	<b>(6,815)</b>	<b>(121,968)</b>
<b>Income before gain (loss) on assets sold</b>	<b>85,783</b>	<b>4,417</b>	<b>(4,149)</b>	<b>86,051</b>	<b>163,858</b>	<b>7,263</b>	<b>(6,815)</b>	<b>164,306</b>
(Loss) gain on assets sold – net	(2,391)	-	-	(2,391)	6,411	-	-	6,411
<b>Income from continuing operations before income taxes</b>	<b>83,392</b>	<b>4,417</b>	<b>(4,149)</b>	<b>83,660</b>	<b>170,269</b>	<b>7,263</b>	<b>(6,815)</b>	<b>170,717</b>
Income taxes	(138)	(268)	-	(406)	(497)	(448)	-	(945)
<b>Net income</b>	<b>83,254</b>	<b>4,149</b>	<b>(4,149)</b>	<b>83,254</b>	<b>169,772</b>	<b>6,815</b>	<b>(6,815)</b>	<b>169,772</b>
<b>Net income attributable to noncontrolling interest</b>	<b>(3,852)</b>	<b>-</b>	<b>-</b>	<b>(3,852)</b>	<b>(5,890)</b>	<b>-</b>	<b>-</b>	<b>(5,890)</b>
<b>Net income available to common stockholders</b>	<b>\$ 79,402</b>	<b>\$ 4,149</b>	<b>\$ (4,149)</b>	<b>\$ 79,402</b>	<b>\$ 163,882</b>	<b>\$ 6,815</b>	<b>\$ (6,815)</b>	<b>\$ 163,882</b>

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

	Three Months Ended September 30, 2014				Nine Months Ended September 30, 2014			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Consolidated	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Consolidated
<b>Revenue</b>								
Rental income	\$ 94,241	\$ 3,295	\$ -	\$ 97,536	\$ 279,850	\$ 9,846	\$ -	\$ 289,696
Income from direct financing leases	14,211	-	-	14,211	42,441	-	-	42,441
Mortgage interest income	16,883	-	-	16,883	36,132	-	-	36,132
Other investment income – net	2,035	-	-	2,035	5,197	-	-	5,197
<b>Total operating revenues</b>	<b>127,370</b>	<b>3,295</b>	<b>-</b>	<b>130,665</b>	<b>363,620</b>	<b>9,846</b>	<b>-</b>	<b>373,466</b>
<b>Expenses</b>								
Depreciation and amortization	28,789	1,322	-	30,111	88,927	3,929	-	92,856
General and administrative	5,957	30	-	5,987	18,689	92	-	18,781
Acquisition costs	259	-	-	259	399	-	-	399
Provision for impairment on real estate properties	2,102	-	-	2,102	3,660	-	-	3,660
Provision for uncollectible mortgages, notes and accounts receivable	(15)	-	-	(15)	2,730	-	-	2,730
<b>Total operating expenses</b>	<b>37,092</b>	<b>1,352</b>	<b>-</b>	<b>38,444</b>	<b>114,405</b>	<b>4,021</b>	<b>-</b>	<b>118,426</b>
<b>Income before other income and expense</b>	<b>90,278</b>	<b>1,943</b>	<b>-</b>	<b>92,221</b>	<b>249,215</b>	<b>5,825</b>	<b>-</b>	<b>255,040</b>
<b>Other income (expense):</b>								
Interest income	7	4	-	11	25	11	-	36
Interest expense	(30,057)	(816)	-	(30,873)	(84,920)	(2,481)	-	(87,401)
Interest – amortization of deferred financing costs	(1,238)	(5)	-	(1,243)	(3,095)	(16)	-	(3,111)
Interest – refinancing gain (costs)	1,617	-	-	1,617	(3,068)	-	-	(3,068)
Equity in earnings	1,126	-	(1,126)	-	3,339	-	(3,339)	-
<b>Total other expense</b>	<b>(28,545)</b>	<b>(817)</b>	<b>(1,126)</b>	<b>(30,488)</b>	<b>(87,719)</b>	<b>(2,486)</b>	<b>(3,339)</b>	<b>(93,544)</b>
<b>Income before gain (loss) on assets sold</b>	<b>61,733</b>	<b>1,126</b>	<b>(1,126)</b>	<b>61,733</b>	<b>161,496</b>	<b>3,339</b>	<b>(3,339)</b>	<b>161,496</b>
(Loss) gain on assets sold – net	(20)	-	-	(20)	2,863	-	-	2,863
<b>Net income available to common stockholders</b>	<b>\$ 61,713</b>	<b>\$ 1,126</b>	<b>\$ (1,126)</b>	<b>\$ 61,713</b>	<b>\$ 164,359</b>	<b>\$ 3,339</b>	<b>\$ (3,339)</b>	<b>\$ 164,359</b>

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

	Nine Months Ended September 30, 2015			
	Issuer & Subsidiary Guarantors	Non-Guarantor Subsidiaries	Elimination	Consolidated
<b>Cash flows from operating activities</b>				
Net income	\$ 169,772	\$ 6,815	\$ (6,815)	\$ 169,772
Adjustment to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	137,379	12,530	—	149,909
Provision for impairment on real estate properties	14,641	—	—	14,641
Provision for uncollectible mortgages, notes and accounts receivable	292	—	—	292
Amortization of deferred financing and refinancing costs	13,381	16	—	13,397
Accretion of direct financing leases	(8,124)	—	—	(8,124)
Stock-based compensation	6,682	—	—	6,682
Gain on assets sold – net	(6,411)	—	—	(6,411)
Amortization of acquired in-place leases - net	(4,264)	—	—	(4,264)
Change in operating assets and liabilities – net of amounts assumed/acquired:				
Accounts receivable, net	315	—	—	315
Straight-line rent receivables	(23,091)	(3,474)	—	(26,565)
Lease inducements	347	—	—	347
Effective yield receivable on mortgage notes	(3,159)	—	—	(3,159)
Other operating assets and liabilities	9,511	(354)	6,815	15,972
Net cash provided by operating activities	<u>307,271</u>	<u>15,533</u>	<u>—</u>	<u>322,804</u>
<b>Cash flows from investing activities</b>				
Acquisition of real estate – net of liabilities assumed and escrows acquired	(110,806)	(177,484)	—	(288,290)
Cash acquired in merger	84,858	—	—	84,858
	(145,276)	—	—	(145,276)
Investment in construction in progress	—	—	—	—
Investment in U.K. subsidiary	(170,245)	170,245	—	—
Investment in direct financing leases	(6,793)	—	—	(6,793)
Placement of mortgage loans	(7,601)	—	—	(7,601)
Proceeds from sale of real estate investments	41,541	—	—	41,541
Capital improvements to real estate investments	(16,356)	(1,798)	—	(18,154)
Proceeds from other investments	37,428	—	—	37,428
Investments in other investments	(49,489)	—	—	(49,489)
Collection of mortgage principal	1,025	—	—	1,025
Net cash used in investing activities	<u>(341,714)</u>	<u>(9,037)</u>	<u>—</u>	<u>(350,751)</u>
<b>Cash flows from financing activities</b>				
Proceeds from credit facility borrowings	1,704,000	—	—	1,704,000
Payments on credit facility borrowings	(1,239,000)	—	—	(1,239,000)
Receipts of other long-term borrowings	1,588,124	—	—	1,588,124
Payments of other long-term borrowings	(1,586,661)	(1,402)	—	(1,588,063)
Payments of financing related costs	(30,709)	—	—	(30,709)
Escrow deposit for other long-term borrowing	(614,998)	—	—	(614,998)
Receipts from dividend reinvestment plan	65,665	—	—	65,665
Payments for exercised options and restricted stock – net	(26,168)	—	—	(26,168)
Net proceeds from issuance of common stock	439,738	—	—	439,738
Dividends paid	(253,105)	—	—	(253,105)
Distributions to OP Unit holders	(6,598)	—	—	(6,598)
Net cash provided by (used in) financing activities	<u>40,288</u>	<u>(1,402)</u>	<u>—</u>	<u>38,886</u>
Increase in cash and cash equivalents	5,845	5,094	—	10,939
Effect of foreign currency translation on cash and cash equivalents	—	(109)	—	(109)
Cash and cash equivalents at beginning of period	4,489	—	—	4,489
Cash and cash equivalents at end of period	<u>\$ 10,334</u>	<u>\$ 4,985</u>	<u>\$ —</u>	<u>\$ 15,319</u>

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

	Nine Months Ended September 30, 2014			
	Issuer & Subsidiary Guarantors	Non-Guarantor Subsidiaries	Elimination	Consolidated
<b>Cash flows from operating activities</b>				
Net income	\$ 164,359	\$ 3,339	\$ (3,339)	\$ 164,359
Adjustment to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	88,927	3,929	—	92,856
Provision for impairment on real estate properties	3,660	—	—	3,660
Provision for uncollectible mortgages, notes and accounts receivable	2,730	—	—	2,730
Amortization of deferred financing and refinancing costs	6,163	16	—	6,179
Accretion of direct financing leases	(7,242)	—	—	(7,242)
Stock-based compensation	6,570	—	—	6,570
Gain on assets sold – net	(2,863)	—	—	(2,863)
Amortization of acquired in-place leases - net	(3,779)	—	—	(3,779)
Change in operating assets and liabilities – net of amounts assumed/acquired:				
Accounts receivable, net	(2,252)	—	—	(2,252)
Straight-line rent receivables	(15,003)	(916)	—	(15,919)
Lease inducements	2,009	—	—	2,009
Effective yield receivable on mortgage notes	(1,731)	—	—	(1,731)
Other operating assets and liabilities	15,407	(3,729)	3,339	15,017
Net cash provided by operating activities	256,955	2,639	—	259,594
<b>Cash flows from investing activities</b>				
Acquisition of real estate – net of liabilities assumed and escrows acquired	(47,500)	—	—	(47,500)
Placement of mortgage loans	(528,780)	—	—	(528,780)
Proceeds from sale of real estate investments	4,054	—	—	4,054
Capital improvements to real estate investments	(11,396)	(1,288)	—	(12,684)
Proceeds from other investments	7,952	—	—	7,952
Investments in other investments	(6,711)	—	—	(6,711)
Collection of mortgage principal	122,705	—	—	122,705
Net cash used in investing activities	(459,676)	(1,288)	—	(460,964)
<b>Cash flows from financing activities</b>				
Proceeds from credit facility borrowings	756,000	—	—	756,000
Payments on credit facility borrowings	(1,079,000)	—	—	(1,079,000)
Receipts of other long-term borrowings	842,148	—	—	842,148
Payments of other long-term borrowings	(236,681)	(1,351)	—	(238,032)
Payments of financing related costs	(17,319)	—	—	(17,319)
Receipts from dividend reinvestment plan	66,263	—	—	66,263
Payments for exercised options and restricted stock – net	(1,582)	—	—	(1,582)
Net proceeds from issuance of common stock	61,997	—	—	61,997
Dividends paid	(191,269)	—	—	(191,269)
Net cash provided by (used in) financing activities	200,557	(1,351)	—	199,206
Decrease in cash and cash equivalents	(2,164)	—	—	(2,164)
Cash and cash equivalents at beginning of period	2,616	—	—	2,616
Cash and cash equivalents at end of period	\$ 452	\$ —	\$ —	\$ 452

## 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 Part I, Item 1A to our annual report on Form 10-K for the year ended December 31, 2014, in Part II, Item 1A of our quarterly report on Form 10-Q for the three months ended March 31, 2015 and in Part II, Item 1A of this report (if any);
- (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;
- (xvi) the possibility that we will not realize estimated synergies or growth as a result of our merger with Aviv, or that such benefits may take longer to realize than expected; and
- (xvii) our ability to maintain our status as a real estate investment trust.

### Overview

Omega Healthcare Investors, Inc. ("Omega," "we," "our" or the "Company") has one reportable segment consisting of investments in healthcare-related real estate properties located in the United States and the United Kingdom. Our core business is to provide financing and capital to the long-term healthcare industry with a particular focus on skilled nursing facilities ("SNFs"). 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 and variable rate mortgage loans, which are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor.

Omega was formed as a real estate investment trust ("REIT") and incorporated in the State of Maryland on March 31, 1992. In April 2015, Aviv REIT Inc., a Maryland corporation ("Aviv"), merged (the "Aviv Merger") with and into a wholly owned subsidiary of Omega, pursuant to the terms of that certain Agreement and Plan of Merger, dated as of October 30, 2014 (the "Merger Agreement"), by and among the Company, Aviv, OHI Healthcare Properties Holdco, Inc., a Delaware corporation and a direct wholly-owned subsidiary of Omega ("Merger Sub"), OHI Healthcare Properties Limited Partnership, a Delaware limited partnership ("Omega OP"), and Aviv Healthcare Properties Limited Partnership, a Delaware limited partnership (the "Aviv OP"). As a result of the Aviv Merger, Omega acquired 342 facilities, two facilities subject to direct financing leases, one medical office building and three mortgages. The facilities are located in 31 states and are operated by 38 third-party operators.

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

Omega OP is governed by the Second Amended and Restated Agreement of Limited Partnership of OHI Healthcare Properties Limited Partnership, dated as of April 1, 2015 (the "Partnership Agreement"). Pursuant to the Partnership Agreement, the Company and Merger Sub are the general partners of Omega OP, and have exclusive control over Omega OP's day-to-day management. As of September 30, 2015, the Company owned approximately 95% of the issued and outstanding units of partnership interest in Omega OP ("Omega OP Units"), and investors owned approximately 5% of the Omega OP Units.

Our portfolio of real estate investments at September 30, 2015, consisted of 947 healthcare facilities, located in 42 states and the United Kingdom and operated by 83 third party operators. Our gross investment in these facilities, net of impairments and before reserve for uncollectible loans, totaled approximately \$8.0 billion at September 30, 2015, with approximately 99% of our real estate investments related to long-term care facilities. Our portfolio is made up of: (i) 782 SNFs, (ii) 85 assisted living facilities ("ALFs"), (iii) 16 specialty facilities, (iv) one medical office building, (v) fixed and variable rate mortgages on 56 SNFs and two ALFs and (vi) five SNFs that are closed/held-for-sale. At September 30, 2015, we also held miscellaneous investments of approximately \$84.7 million, consisting primarily of secured loans to third-party operators of our facilities.

As of September 30, 2015 and December 31, 2014 we do not have any material properties or operators with facilities that are not materially occupied.

Our consolidated financial statements include the accounts of (i) Omega, (ii) Omega OP, and (iii) all direct and indirect wholly owned subsidiaries of Omega. All intercompany transactions and balances have been eliminated in consolidation, and our net earnings are reduced by the portion of net earnings attributable to noncontrolling interests.

## **Taxation**

Since our inception, we have elected to be taxed as a REIT under the applicable provisions of the Internal Revenue Code (the "Code"). So long as we qualify as a REIT under the Code, we generally will not be subject to federal income taxes on the REIT taxable income that we 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 are in compliance with the REIT rules. We review our distributions and projected distributions each year to ensure we have met and will meet the annual REIT distribution requirements. In 2014 and 2013, we distributed dividends in excess of our taxable income. In 2015, we expect to distribute dividends in excess of our taxable income.

As a result of our UPREIT Conversion, our Company and its subsidiaries may be subject to income or franchise taxes in certain states and municipalities. Also, as a result of our UPREIT Conversion, we created five subsidiary REITs that are subject to all of the REIT qualification rules set forth in the Code.

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"). We have elected for four of our subsidiaries to be treated as TRSs. Three of our TRSs are subject to federal, state and local income taxes at the applicable corporate rates and the fourth is subject to foreign income taxes. As of September 30, 2015, one of our TRSs had a net operating loss carry-forward of approximately \$0.9 million. The loss carry-forward is fully reserved with a valuation allowance as of September 30, 2015.

In connection with our acquisition of Care Homes in May 2015, we acquired 10 legal entities consisting of 23 facilities. The tax basis in these legal entities acquired for United Kingdom taxes was approximately \$82 million less than the purchase price. We recorded a preliminary initial deferred tax liability associated with the temporary tax basis difference of approximately \$16 million.

During the third quarter of 2015, we recorded approximately \$0.1 million of state and local income tax provision and approximately \$0.3 million of provision for foreign income taxes. For the nine months ended September 30, 2015 we recorded approximately \$0.5 million of state and local income tax provision and approximately \$0.4 million of provision for foreign income taxes.

### **Government Regulation and Reimbursement**

The health care industry is heavily regulated. Our operators are subject to extensive and complex federal, state and local healthcare laws and regulations. These laws and regulations are subject to frequent and substantial changes resulting from the adoption of new legislation, rules and regulations, and administrative and judicial interpretations of existing law. The ultimate timing or effect of these changes, which may be applied retroactively, cannot be predicted. Changes in laws and regulations impacting our operators, in addition to regulatory non-compliance by our operators, can have a significant effect on the operations and financial condition of our operators, which in turn may adversely impact us. See “*Item 1A – Risk Factors*.” to our annual report on Form 10-K for the year ended December 31, 2014 and “*Item 1A – Risk Factors*” to our quarterly report on Form 10-Q for the three months ended March 31, 2015. The following is a discussion of certain laws and regulations generally applicable to our operators, and in certain cases, to us.

**Healthcare Reform.** A substantial amount of rules and regulations have been issued under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education and Reconciliation Act of 2010 (collectively referred to as the “Healthcare Reform Law”). We expect additional rules, regulations and interpretations under the Healthcare Reform Law that may materially affect our operators’ financial condition and operations. For example, although the U.S. Supreme Court has upheld the Healthcare Reform Law (other than the requirement that states expand Medicaid beginning in 2014), 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. 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. In September 2013, the Commission released a report with 38 proposals for legislative and administrative actions to promote the establishment and financing of a long-term care services system that will ensure the availability of such services to those who need them. The Commission recommended creating a national advisory committee and convening a 2015 White House Conference on aging which is now holding regional forums and publishing policy briefs.

- 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, each state has defined the essential health benefits required in that state.

- The Healthcare Reform Law requires SNFs to implement a compliance and ethics program that is effective in preventing and detecting criminal, civil and administrative violations and in promoting quality of care. The Department of Health and Human Services (“HHS”) has not yet issued the proposed regulations to implement this law that were due in March 2012.

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 cannot be predicted. 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. Our operators may not be successful in modifying 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. 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, consisting primarily of Medicare and Medicaid. In recent years, the federal government and many state governments have focused on reducing expenditures under the 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 condition, 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%. Pursuant to the law, 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. Thirty-one states and the District of Columbia have expanded or are expanding Medicaid coverage as contemplated by the Healthcare Reform Law, with many of the remaining states involved in a variety of legislative proposals or discussions. HHS 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 became the first state to obtain federal approval to use Medicaid funding to purchase private insurance for low-income residents. Indiana, Iowa, Michigan, New Hampshire, and Pennsylvania have also secured waivers.

On April 1, 2014, President Obama signed the “Protecting Access to Medicare Act of 2014” which calls for HHS to develop a value based purchasing program for SNFs aimed at lowering readmission rates. Beginning in 2018, 2% of SNFs’ Medicare payments could be withheld and about 70% of those dollars would be distributed to SNFs with reduced hospital readmissions.

On July 30, 2015, the Centers for Medicare & Medicaid Services (“CMS”) issued a final rule outlining the FY 2016 Medicare payment rates for SNFs. Aggregate payments to SNFs are projected to increase by \$430 million, or 1.2%, from payments in FY 2015. This estimated increase is attributable to a 2.3% market basket increase, reduced by a 0.6% forecast error adjustment and further reduced by 0.5% in accordance with the multifactor productivity adjustment required by law. The final rule also includes policies that advance setting measurable goals and timelines for paying SNFs based on the quality rather than the quantity of care to patients.

The “Medicare Access and CHIP Reauthorization Act of 2015” extended the Medicare therapy cap exceptions process through December 31, 2017. The statutory Medicare Part B outpatient cap for occupational therapy is \$1,940 for 2015, and the combined cap for physical therapy and speech therapy is also \$1,940 for 2015. 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. The exception process permits medically necessary therapy services beyond the cap 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 under its “Five Star Quality Rating System.” 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. In 2015, CMS made changes to the rating system including: (1) revising scoring methodology by which quality measure ratings are calculated for SNFs; (2) increasing the number and type of quality measures that are not solely based on self-reported data and (3) adding critical measures to staffing such as turnover and retention. 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 are 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 (the “OIG”) Work Plan for government fiscal year 2015, 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) (new) monitor Part B billings for abuse during non-Part A stays; (2) billing patterns for Part B services; (3) state agency verification of deficiency corrections; (4) background checks for employees; and (5) hospitalization of residents for manageable and preventable conditions. In its Mid-Year Update, the OIG indicated that its priorities are billings for therapy, verification of correction plans for deficiencies and background checks. The OIG will also 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.

The OIG has identified one of its top management and performance challenges as using enforcement actions against SNFs that render substandard care. State Medicaid Fraud Units, which receive oversight and funding from the OIG are devoting substantial resources to investigating and prosecuting abuse and neglect in Medicaid-funded SNFs. To date, the OIG has placed almost 40 nursing home companies (greater than 750 SNFs) under corporate integrity agreements that include quality-monitoring provisions.

**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 ("FCA") violation. With increased frequency, the federal government is relying on a "worthless services" theory of liability in FCA cases. The allegations are that the SNF charged the government for something of value that it knowingly didn't provide.

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, the Health Information Technology for Economic and Clinical Health Act, and the corresponding regulations promulgated thereunder ("HIPAA"). HHS has been conducting audits of covered entities to evaluate compliance with HIPAA, and it will continue its audit program in 2015 which will also include business associates and will focus on security risk assessments.

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, 2014. 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 2014 Annual Report on Form 10-K in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **Goodwill**

Goodwill represents a purchase price in excess of the fair value of assets acquired and liabilities assumed and the cost associated with expanding our investment portfolio. Goodwill is not amortized. We assess goodwill for potential impairment during the fourth quarter of each fiscal year, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the net assets of the reporting unit. In evaluating goodwill for impairment, we first assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of the reporting unit is less than its carrying value, then we perform a two-step goodwill impairment test to identify potential impairment and measure the amount of impairment we will recognize, if any. We do not expect any of the goodwill to be deductible for tax purposes.

### **Recent Accounting Pronouncements**

In 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While ASU 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. ASU 2014-09 is effective for the Company beginning January 1, 2018. We are continuing to evaluate this guidance; however, we do not expect its adoption to have a significant impact on our consolidated financial statements, as a substantial portion of our revenue consists of rental income from leasing arrangements, which are specifically excluded from ASU 2014-09.

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

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

In August 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"), which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The acquirer must still disclose the amounts and reasons for adjustments to provisional amounts and the amount of the adjustment reflected in the current-period income statement that would have been recognized in previous periods if the adjustment to provisional amounts had been recognized as of the acquisition date. This guidance is effective for the Company beginning January 1, 2016. We are continuing to evaluate this guidance; however, we do not expect its adoption to have a significant impact on our consolidated financial statements.

## **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 September 30, 2015 and 2014***

#### *Operating Revenues*

Our operating revenues for the three months ended September 30, 2015, totaled \$202.0 million, an increase of \$71.3 million over the same period in 2014. The \$71.3 million increase was primarily the result of: (i) \$57.8 million of rental income associated with the Aviv Merger; (ii) \$3.6 million of rental income related to the United Kingdom ("U.K.") acquisition, (iii) \$7.7 million of additional rental income associated with other acquisitions and lease amendments made throughout 2014 and 2015 and (iv) \$1.0 million increase in direct financing lease income primarily due to (a) two new direct financing leases assumed in the Aviv Merger and (b) incremental revenue associated with the New Ark direct financing lease.

#### *Operating Expenses*

Operating expenses for the three months ended September 30, 2015, totaled \$75.9 million, an increase of approximately \$37.5 million over the same period in 2014. The increase was primarily due to: (i) a \$30.0 million increase in depreciation and amortization expense due to the Aviv Merger and the U.K. acquisition as well as other acquisitions, (ii) a \$4.2 million increase in general and administrative expenses primarily due to the Aviv Merger and (iii) a \$3.3 million increase in other acquisition costs.

#### *Other Income (Expense)*

For the three months ended September 30, 2015, total other expenses were \$40.0 million, an increase of approximately \$9.5 million over the same period in 2014. The increase was primarily the result of an increase of \$7.3 million in interest expense due to an increase in borrowings outstanding to fund new investments since January 2014, including the April 1, 2015 Aviv Merger and May 1, 2015 U.K. acquisition and a decrease of \$1.6 million in interest refinancing income. In the third quarter of 2014, we recorded a \$1.6 million interest refinancing adjustment (gain) related to the write-off of the unamortized premium net of prepayment penalty on four mortgage loans the Company paid off in September 2014.

#### ***Nine Months Ended September 30, 2015 and 2014***

#### *Operating Revenues*

Our operating revenues for the nine months ended September 30, 2015, totaled \$533.1 million, an increase of \$159.6 million over the same period in 2014. The \$159.6 million increase was primarily the result of: (i) \$115.6 million of rental income associated with Aviv Merger; (ii) \$6.0 million of rental income related to the U.K. acquisition, (iii) \$19.4 million of additional rental income associated with other acquisitions and lease amendments made throughout 2014 and 2015 and (iv) \$15.2 million increase in mortgage interest income primarily due to the \$415 million new multiple facility mortgage we entered into with an existing operator in the second quarter of 2014.

#### *Operating Expenses*

Operating expenses for the nine months ended September 30, 2015, totaled \$246.8 million, an increase of approximately \$128.4 million over the same period in 2014. The increase was primarily due to: (i) a \$57.1 million increase in depreciation and amortization expense due to the Aviv Merger and U.K. acquisition as well as other acquisitions, (ii) a \$55.1 million increase in acquisition costs due to the Aviv Merger, U.K. acquisition and other acquisitions, (iii) an \$11.0 million increase in the provision for impairments on real estate properties and (iv) a \$7.7 million increase in general and administrative expense as a result of the Aviv Merger, offset by a decrease of \$2.4 million in provision for uncollectible mortgages, notes and accounts receivable. In the second quarter 2014, we recorded \$2.7 million provision for uncollectible receivables related to (i) a write-off of an effective yield interest receivable related to the refinancing (termination) of a mortgage receivable and (ii) a straight-line receivable related to the transition of two facilities from an existing operator to a new operator.

#### *Other Income (Expense)*

For the nine months ended September 30, 2015, total other expenses were \$122.0 million, an increase of approximately \$28.4 million over the same period in 2014. The increase was primarily the result of: (i) an increase of \$21.4 million in interest expense due to an increase in borrowings outstanding to fund new investments since January 2014 including the April 1, 2015 Aviv Merger and May 1, 2015 U.K. acquisition and (ii) an increase of approximately \$5.3 million in interest refinancing costs. In 2015, we recorded \$8.4 million of net interest refinancing related costs including: (i) \$11.7 million in costs related to the early redemption of the \$200 million 7.5% Senior Notes due 2020 which consisted of: (a) prepayment penalties of approximately \$7.5 million, (b) the write-off of deferred financing costs of \$2.5 million and (c) the write-off of a discount of \$1.7 million, and (ii) a \$7.9 million expense related to the prepayment fee for the payoff of the 22 U.S. Department of Housing and Urban Development ("HUD") loans. These costs were offset by an \$11.2 million gain on the extinguishment of the debt due to the write-off of the unamortized premium recorded at the time of acquisition. In 2014, we recorded \$3.1 million interest refinancing cost associated with: (i) \$2.6 million write-off of deferred financing costs associated with the termination of our previous \$700 million senior unsecured credit facility (the "2012 Credit Facilities") and (ii) \$2.0 million write-off of deferred financing costs associated with the termination of the \$200 million 2013 term loan facility (the "2013 Term Loan Facility") partially offset by a \$1.6 million interest refinancing adjustment (gain) related to the write-off of the unamortized premium net of prepayment penalty on four mortgage loans the Company paid off in September 2014.

#### ***National Association of Real Estate Investment Trusts Funds From Operations***

Our funds from operations available to common stockholders ("NAREIT FFO"), for the three months ended September 30, 2015, was \$147.5 million, compared to \$93.9 million, for the same period in 2014. Our NAREIT FFO for the nine months ended September 30, 2015 was \$327.9 million, compared to \$258.0 million for the same period in 2014.

We calculate and report NAREIT FFO in accordance with the definition of Funds from Operations and interpretive guidelines issued by the National Association of Real Estate Investment Trusts (“NAREIT”), and, consequently, NAREIT 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 NAREIT 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. NAREIT FFO was designed by the real estate industry to address this issue. NAREIT FFO herein is not necessarily comparable to NAREIT FFO of other REITs that do not use the same definition or implementation guidelines or interpret the standards differently from us.

NAREIT FFO is a non-GAAP financial measure. We use NAREIT FFO as one of several criteria to measure the 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, NAREIT 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 NAREIT 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 NAREIT FFO results for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Net income	\$ 83,254	\$ 61,713	\$ 169,772	\$ 164,359
Add back loss (deduct gain) from real estate dispositions	2,391	20	(6,411)	(2,863)
Sub-total	85,645	61,733	163,361	161,496
Elimination of non-cash items included in net income:				
Depreciation and amortization	60,143	30,111	149,909	92,856
Add back impairments on real estate properties	1,743	2,102	14,641	3,660
NAREIT FFO <sup>(a)</sup>	\$ 147,531	\$ 93,946	\$ 327,911	\$ 258,012

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

## Portfolio and Recent Developments

### **\$216 Million of New Investments in Q3 2015**

During the three months ended September 30, 2015, we completed six separate transactions totaling approximately \$216.0 million.

**\$32.0 Million Acquisition** – On September 29, 2015, we purchased two SNFs with 260 operating beds located in Florida for total cash consideration of \$32.0 million. These facilities were added to the operator’s master lease with an initial annual cash yield of 9%. We recorded approximately \$32.0 million of assets consisting of land (\$1.4 million), building and site improvements (\$29.0 million), and furniture and fixtures (\$1.6 million). We did not record goodwill in connection with this transaction. The Company estimated the fair values of the assets acquired on the acquisition date based on certain valuations and analyses that have yet to be finalized, and accordingly, the assets acquired, as detailed above, are subject to adjustment once the analyses are completed.

**\$28.5 Million Acquisition** – On July 30, 2015, we purchased one SNF with 300 operating beds located in Virginia for total cash consideration of \$28.5 million and leased it to a new third party operator. The master lease has an initial term of 10 years, annual escalators of 2.5% and an initial annual cash yield of 9.25%. We recorded approximately \$28.5 million of assets consisting of land (\$1.9 million), building and site improvements (\$24.2 million), and furniture and fixtures (\$2.4 million). We did not record goodwill in connection with this transaction.

**\$10.8 Million Acquisition** – On July 1, 2015, we purchased two ALFs with 125 operating beds located in Georgia from an unrelated third party for total cash consideration of \$10.8 million and leased it to a new third party operator. The master lease has an initial term of 12 years, annual escalators of approximately 2.5% and an initial annual cash yield of 7% in year one which increases to 8% in year two. We recorded approximately \$10.8 million of assets consisting of land (\$1.2 million), building and site improvements (\$9.0 million), and furniture and fixtures (\$0.6 million). We did not record goodwill in connection with this transaction.

**\$18.0 Million Acquisition** – On July 1, 2015, we purchased one SNF and two ALFs with 136 operating beds located in Washington from an unrelated third party for total cash consideration of \$18.0 million and leased them to an existing operator. These facilities were added to the operator's master lease with an initial annual cash yield of approximately 8%. We recorded approximately \$18.0 million of assets consisting of land (\$2.2 million), building and site improvements (\$14.9 million), and furniture and fixtures (\$0.9 million). We did not record goodwill in connection with this transaction.

**\$15.0 Million Acquisition** – On July 1, 2015, we purchased six SNFs with 530 beds located in Nebraska from an unrelated third party for total cash consideration of \$15.0 million and leased them to an existing operator. These facilities were added to the operator's master lease with an initial annual cash yield of 9%. We recorded approximately \$15.0 million of assets consisting of land (\$1.4 million), building and site improvements (\$12.1 million), and furniture and fixtures (\$1.5 million). We did not record goodwill in connection with this transaction.

#### **Asset Acquisition**

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

#### **Acquisition of Aviv by Merger**

On April 1, 2015, Omega completed the Aviv Merger, which was structured as a stock-for-stock merger. Under the terms of the Merger Agreement, each outstanding share of Aviv common stock was converted into 0.90 of a share of Omega common stock. In connection with the Aviv Merger, Omega issued approximately 43.7 million shares of common stock to former Aviv stockholders and holders of certain vested equity incentive awards of Aviv. As a result of the Aviv Merger, Omega acquired 342 facilities, two facilities subject to direct financing leases, one medical office building and three mortgages. The facilities are located in 31 states and are operated by 38 third-party operators. Omega also assumed certain outstanding equity awards and other debt and liabilities. Based on the closing price of Omega's common stock on April 1, 2015, we estimate the fair value of the consideration exchanged or assumed to be approximately \$3.8 billion. Omega's estimated fair values of Aviv's assets acquired and liabilities assumed on the Aviv Merger date are determined based on certain valuations and analyses that have yet to be finalized, and accordingly, the assets acquired and liabilities assumed, as detailed below, are subject to adjustment once the analyses are completed.

In 2015, we incurred approximately \$51.1 million in acquisition related costs associated with the Aviv Merger.

For the three and nine months ended September 30, 2015, we recognized approximately \$60.1 million and \$120.2 million, respectively, of total revenue in connection with the Aviv Merger.

#### ***Acquisition of \$178 Million of Care Homes in the United Kingdom***

On May 1, 2015, we closed on a \$178 million purchase/leaseback transaction (the "Care Homes Transaction") for 23 care homes located in the United Kingdom and operated by Healthcare Homes Holding Limited ("Healthcare Homes"). As part of the transaction, we acquired title to the 23 care homes with 1,018 registered beds and leased them back to Healthcare Homes pursuant to a 12-year master lease agreement with an initial annual cash yield of 7%, and annual escalators of 2.5%. The care homes, comparable to US ALFs, are located throughout the East Anglia region (north of London) of the United Kingdom. Healthcare Homes is headquartered in Colchester (Essex County), England. We recorded approximately \$193.8 million consisting of land (\$20.7 million), building and site improvements (\$152.1 million), furniture and fixtures (\$5.3 million) and goodwill (\$15.7 million). Omega's estimated fair values of the care homes' assets acquired and liabilities assumed at the date of acquisition are determined based on certain valuations and analyses that have yet to be finalized, and accordingly, the assets acquired and liabilities assumed, as detailed above, are subject to adjustment once the analyses are completed.

In 2015, we incurred approximately \$3.2 million in acquisition related costs associated with the Care Homes Transaction.

For the three and nine months ended September 30, 2015, we recognized approximately \$3.6 million and \$6.0 million, respectively, of rental revenue in connection with the Care Homes Transaction.

#### ***\$6.8 Million New Investment in Q1 2015***

On January 28, 2015, we purchased one SNF from an unrelated third party for approximately \$6.3 million in cash and leased it to an existing operator. The purchase and sale agreement includes a provision that requires us to make an additional payment of \$0.5 million to the seller if certain financial metrics of the facility are achieved. We recorded the potential \$0.5 million payment as part of the purchase price. The 93 bed SNF, located in Texas, was added to the operator's existing master lease with an initial annual cash yield of 9.5%. We recorded approximately \$6.8 million of assets consisting of land (\$0.1 million), building and site improvements (\$6.1 million), and furniture and fixtures (\$0.6 million). We did not record goodwill in connection with this transaction.

#### ***Assets Sales and Impairments***

In the first quarter of 2015, we initiated plans to construct a new single facility with an existing operator that would consolidate and replace three existing facilities. As a result, we recorded a total impairment of approximately \$6.0 million related to three Florida SNFs to reduce their net book values to their estimated fair values. To estimate the fair value of the facilities, we utilized a market approach and Level 3 inputs.

During the second quarter of 2015, we recorded an impairment of approximately \$6.9 million on a Tennessee SNF to reduce its net book value to its estimated fair value less costs to sell. We reclassified this facility to assets held for sale in the third quarter of 2015. To estimate the fair value of the facility, we utilized a market approach and Level 3 inputs.

During the third quarter of 2015, we recorded an impairment of approximately \$1.7 million on a New Mexico SNF to reduce its net book value to its estimated fair value less costs to sell. We reclassified this facility to assets held for sale in the third quarter of 2015. To estimate the fair value of the facility, we utilized a market approach and Level 3 inputs.

In the second quarter of 2015, we sold four facilities for total cash proceeds of approximately \$26.6 million, generating a gain of approximately \$8.8 million. Two of the facilities sold were the result of lessees exercising their purchase option.

In the third quarter of 2015, we sold three facilities for total cash proceeds of approximately \$14.7 million, generating a loss of approximately \$2.4 million.

#### ***Assets Held for Sale***

In the first quarter of 2015, we reclassified one SNF in Alabama with a carrying value of approximately \$4.1 million to assets held for sale. During the second quarter of 2015, the operator of the facility exercised their purchase option and purchased the facility for approximately \$9.0 million.

In the second quarter of 2015, we reclassified one SNF in Pennsylvania with a carrying value of approximately \$6.0 million to assets held for sale.

In the third quarter of 2015, we reclassified two SNF facilities with a carrying value of approximately \$4.4 million to assets held for sale. The facilities were located in New Mexico and Tennessee.

#### **Liquidity and Capital Resources**

At September 30, 2015, we had total assets of \$8.6 billion, total equity of \$4.1 billion and debt of \$4.2 billion, representing approximately 51.1% 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 September 30, 2015 and December 31, 2014, we were in compliance with all affirmative and negative covenants, including financial covenants, for our secured and unsecured borrowings.

#### ***HUD Mortgage Loans Payoff***

On March 31, 2015, we paid approximately \$154.3 million to retire 21 mortgage loans guaranteed by HUD, totaling approximately \$146.9 million. 18 loans had an all-in blended interest rate of 5.35% per annum with maturities between January 2040 and January 2045 and three loans had an all-in blended interest rate of 5.23% per annum with maturities between February 2040 and February 2045. The payoff resulted in a \$2.3 million gain on the extinguishment of the debt due to the write-off of the \$9.7 million unamortized debt premium recorded at the time of acquisition offset by a prepayment fee of approximately \$7.4 million.

On April 30, 2015, we paid approximately \$9.1 million to retire one mortgage loan guaranteed by HUD. The loan was assumed as part of an acquisition in a prior year, and had an interest rate of 4.35% per annum with maturity on March 1, 2041. The payoff resulted in a \$1.0 million gain on the extinguishment of the debt due to the write-off of the \$1.5 million of fair value adjustment recorded at the time of acquisition offset by a prepayment fee of approximately \$0.5 million.

#### ***General Electric Term Loan***

On April 1, 2015, as a result of the Aviv Merger, Omega assumed a \$180 million secured term loan with General Electric Capital Corporation ("GE"). On each payment date, Omega pays interest only in arrears on any outstanding principal balance until February 1, 2017 when principal and interest will be paid in arrears based on a thirty year amortization schedule. The interest rate is based on LIBOR, with a floor of 50 basis points, plus a margin of 350 basis points. The interest rate at September 30, 2015 was 4.00%. The initial term expires in December 2019 with the full balance of the loan due at that time.

### *Bank Credit Facilities*

On June 27, 2014, we entered into a \$1.2 billion unsecured credit facility, comprised of a \$1 billion senior unsecured revolving credit facility (the "Revolving Credit Facility") and a \$200 million senior unsecured term loan facility (the "Term Loan Facility" and, collectively, the "2014 Credit Facilities").

On April 1, 2015, Omega entered into a First Amendment to Credit Agreement (the "First Amendment to Omega Credit Agreement") which amended the 2014 Credit Facilities. Under the First Amendment to Omega Credit Agreement, Omega (i) increased the aggregate revolving commitment amount under the Revolving Credit Facility from \$1 billion to \$1.25 billion and (ii) obtained a \$200 million senior unsecured incremental term loan facility (the "Acquisition Term Loan Facility").

The Revolving Credit Facility is priced at LIBOR plus an applicable percentage (beginning at 130 basis points, with a range of 92.5 to 170 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 25 basis points, with a range of 12.5 to 30 basis points). The Revolving Credit Facility is used for acquisitions and general corporate purposes. At September 30, 2015, we had a total of \$550.0 million borrowings outstanding under the Revolving Credit Facility. The Revolving Credit Facility matures on June 27, 2018, subject to a one-time option by us to extend such maturity date by one year.

The Term Loan Facility is priced at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. At September 30, 2015, we had a total of \$200.0 million in borrowings outstanding under the Term Loan Facility. The Term Loan Facility matures on June 27, 2019.

The Acquisition Term Loan Facility is priced at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. At September 30, 2015, we had a total of \$200.0 million in borrowings outstanding under the Acquisition Term Loan Facility. The Acquisition Term Loan Facility matures on June 27, 2017, subject to Omega's option to extend the maturity date of the Acquisition Term Loan Facility twice, the first extension until June 27, 2018 and the second extension until June 27, 2019.

### *Omega OP Term Loan Facility*

On April 1, 2015, Omega OP entered into a \$100 million senior unsecured term loan facility (the "Omega OP Term Loan Facility"). The Omega OP Term Loan Facility is priced at LIBOR plus an applicable percentage (beginning at 150 basis points, with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The Omega OP Term Loan Facility matures on June 27, 2017, subject to Omega OP's option to extend such maturity date twice, the first extension until June 27, 2018 and the second extension until June 27, 2019. At September 30, 2015, we had a total of \$100.0 million borrowings outstanding under the Omega OP Term Loan Facility.

### *\$200 Million 7.5% Senior Notes due 2020 Redemption*

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

In connection with the redemption, during the first quarter of 2015, we recorded approximately \$11.7 million redemption related costs and write-offs, including \$7.5 million in prepayment fees for early redemption and \$4.2 million of write-offs associated with unamortized deferred financing and discount costs. The consideration for the redemption of the 2020 Notes was funded from the net proceeds of the 10.925 million share common stock offering. See Note – 9 Dividends and Equity in the accompanying consolidated financial statements.

#### *\$700 Million Senior Notes due 2027*

On March 18, 2015, we sold \$700 million aggregate principal amount of our 4.50% Senior Notes due 2027 (the "2027 Notes"). The 2027 Notes were sold at an issue price of 98.546% of their face value before the initial purchasers' discount. Our total net proceeds from the offering, after deducting initial purchasers' discounts and other offering expenses, were approximately \$683 million. The net proceeds of the offering were used for general corporate purposes, including the repayment of Aviv indebtedness on April 1, 2015 in connection with the Aviv Merger, and repayment of future maturities on Omega's outstanding debt. The 2027 Notes mature on April 1, 2027 and pay interest semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>.

#### *\$600 Million of Senior Notes due 2026*

On September 23, 2015, we sold \$600 million aggregate principal amount of our 5.250% Senior Notes due 2026 (the "2026 Notes"). The 2026 Notes were sold at an issue price of 99.717% of their face value before the initial purchasers' discount. Our total net proceeds from the offering, after deducting initial purchasers' discounts and other offering expenses, were approximately \$594.4 million. The net proceeds of the offering were used to repay all of our outstanding \$575 million aggregate principal amount 6.75% Senior Notes due 2022 and for general corporate purposes. The 2026 Notes mature on January 15, 2026 and pay interest semi-annually on January 15<sup>th</sup> and July 15<sup>th</sup>.

#### *\$575 Million 6.75% Senior Notes due 2022 Redemption*

On October 26, 2015, we redeemed all of our outstanding 6.75% Senior Notes due 2022 (the "2022 Notes"). As a result of the redemption, during the fourth quarter of 2015, we will record approximately \$21.2 million in redemption related costs and write-offs, including \$19.4 million for the early redemption or call premiums and \$1.8 million in net write-offs associated with unamortized deferred financing costs and original issuance premiums/discounts.

In September 2015, we irrevocably deposited approximately \$615.0 million with the trustee of the 2022 Notes. This amount included a redemption premium of 3.375%, semi-annual interest and additional accrued interest to the redemption date of October 26, 2015. The \$615.0 million is classified in other assets on our Consolidated Balance Sheet as of September 30, 2015.

#### *Other Debt Repayments*

In connection with the Aviv Merger on April 1, 2015, we assumed notes payable with a face amount of \$650.0 million and a revolving credit facility with an outstanding balance of \$525.0 million. In connection with the Aviv Merger, the Company repaid this debt assumed from Aviv on April 1, 2015. Due to the contractual requirements for early repayments; the Company paid approximately \$705.6 million for the \$650.0 million notes assumed. The amount repaid in connection with the revolving credit facility was \$525.0 million.

#### *\$500 Million Equity Shelf Program*

On September 3, 2015, we entered into separate Equity Distribution Agreements (collectively, the "2015 Agreements") to sell shares of our common stock having an aggregate gross sales price of up to \$500 million (the "2015 Equity Shelf Program") with several financial institutions, each as a sales agent and/or principal (collectively, the "Managers"). Under the terms of the 2015 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 \$500 million. Sales of the shares, if any, 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 2015 Agreement. As of September 30, 2015, we did not issue any shares under the 2015 Equity Shelf Program.

### *\$250 Million Equity Shelf Program Termination*

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

Since inception of the 2013 Equity Shelf Program, we sold a total of 7.4 million shares of common stock generating total gross proceeds of \$233.8 million under the program, before \$4.7 million of commissions. As a result of the termination of the 2013 Equity Shelf Program, no additional shares will be issued under the 2013 Equity Shelf Program.

### *Increase of Authorized Omega Common Stock*

At the Special Meeting held on March 27, 2015, Omega stockholders voted upon and approved a proposal to amend Omega's charter to increase the number of authorized shares of Omega capital stock from 220 million to 370 million and the number of authorized shares of Omega common stock from 200 million to 350 million.

### *10.925 Million Common Stock Offering*

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

### *Dividend Reinvestment and Common Stock Purchase Plan*

For the three month period ended September 30, 2015, approximately 1.0 million shares of our common stock at an average price of \$36.25 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for gross proceeds of approximately \$35.6 million. For the nine-month period ended September 30, 2015, approximately 1.8 million shares of our common stock at an average price of \$36.62 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for gross proceeds of approximately \$65.7 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.

For the three and nine months ended September 30, 2015, we declared and paid total dividends of \$101.6 million and declared and paid \$253.2 million to our common stockholders, respectively.

On October 14, 2015, the Board of Directors declared a common stock dividend of \$0.56 per share, increasing the quarterly common dividend by \$0.01 per share over the previous quarter. The common dividends are to be paid November 16, 2015 to common stockholders of record on November 2, 2015.

On July 15, 2015, the Board of Directors declared a common stock dividend of \$0.55 per share, increasing the quarter common dividend rate by \$0.01 per share over the prior quarter. The common stock dividend was paid on August 17, 2015 to common stockholders of record as of the close of business on July 31, 2015.

On April 15, 2015, our Board of Directors declared a prorated dividend of \$0.18 per share of Omega's common stock in view of the recently closed Aviv Merger. The per share dividend amount payable by Omega represents dividends for April 2015, at a quarterly dividend rate of \$0.54 per share of common stock, increasing the quarterly common dividend rate by \$0.01 per share over the prior quarter. The \$0.18 dividend was paid in cash on May 15, 2015 to stockholders of record as of the close of business on April 30, 2015.

On March 5, 2015, our Board of Directors declared a prorated dividend of \$0.36 per share of Omega's common stock in view of the pending acquisition of Aviv pursuant to the Aviv Merger. The per share dividend amount represented dividends for February and March 2015, at the quarterly rate of \$0.54 per share of common stock, increasing the quarterly common dividend rate by \$0.01 per share over the prior quarter. The dividend was paid in cash on April 7, 2015 to stockholders of record as of the close of business on March 31, 2015.

### **Liquidity**

We believe our liquidity and various sources of available capital, including cash from operations, our existing availability under our 2014 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 \$15.3 million as of September 30, 2015, an increase of \$10.8 million as compared to the balance at December 31, 2014. The following is a discussion of changes in cash and cash equivalents during the nine months ended September 30, 2015 due to operating, investing and financing activities, which are presented in our Consolidated Statements of Cash Flows.

Operating Activities – Operating activities generated \$322.8 million of net cash flow for the nine months ended September 30, 2015, as compared to \$259.6 million for the same period in 2014. The increase was primarily additional cash flow generated from new investments, including the facilities acquired and leased throughout 2014 and 2015.

Investing Activities – Net cash flow from investing activities was an outflow of \$350.8 million for the nine months ended September 30, 2015, as compared to an outflow of \$461.0 million for the same period in 2014. The \$110.2 million decrease in cash outflow from investing activities relates primarily to (i) \$6.6 million of net mortgage investment made in the first nine months of 2015 compared to \$406.1 million of net mortgage investment made in the same period of 2014, (ii) approximately \$84.9 million of cash acquired with the Aviv Merger in 2015 and (iii) \$37.5 million increase in proceeds from the sale of real estate in the first nine months of 2015 compared to the same period in 2014, offset by (i) an increase of \$240.8 million in acquisitions in the first nine months of 2015 compared to the same period of 2014, (ii) an increase of \$150.7 million investment in construction in progress and capital improvements in the first nine months of 2015 as compared to the same period of 2014 and (iii) an increase of \$13.3 million of net investment in other investments in the first nine months of 2015 as compared to the same period of 2014.

*Financing Activities* – Net cash flow from financing activities was an inflow of \$38.9 million for the nine months ended September 30, 2015 as compared to an inflow of \$199.2 million for the same period in 2014. The \$160.3 million decrease in cash inflow from financing activities was primarily a result of the following: (i) an increase of \$1.4 billion in payments of long term borrowings primarily due to (a) the payoff of approximately \$1.2 billion in assumed Aviv debt, (b) early extinguishment of the \$200.0 million Senior Notes due 2020 in the first quarter of 2015, and (c) an increase of \$44.2 million resulting from a \$147.9 million HUD mortgage loans payoff including routine HUD debt principal in the first quarter of 2015, a \$9.1 million HUD mortgage loan payoff in the second quarter of 2015, as compared to the \$200.0 million 2013 Term Loan Facility paid off in March 2014 and \$1.2 million of routine HUD debt principal for the same period in 2014, (ii) a \$615.0 million payment deposited to the trustee to call and redeem our \$575 million 6.75% Senior Notes due 2022 in October 2015 and (iii) dividend payments increased by \$61.8 million due to an increase in number of shares outstanding and an increase of \$0.12 per share in the common stock dividends. Offsetting these decreases were: (i) an increase of \$788.0 million net proceeds on the credit facility in the first nine months of 2015 compared to the same period in 2014, (ii) an increase in proceeds of \$746.0 million in long term borrowings compared to the same period in 2014 and (iii) an increase in net proceeds of \$377.8 million from issuance common stock in the first nine months of 2015 as compared to the same period in 2014.

### **Item 3 – Quantitative and Qualitative Disclosures about Market Risk**

During the quarter ended September 30, 2015, there were 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, 2014.

### **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 September 30, 2015. 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 September 30, 2015.

#### *Internal Control Over Financial Reporting*

On April 1, 2015, we acquired Aviv in a stock-for-stock transaction which added 342 facilities, two facilities subject to direct financing leases, one medical office building and three mortgages. Management considers this transaction to be material to the Company’s consolidated financial statements and believes that the internal controls and procedures of Aviv have a material effect on the Company’s internal control over financial reporting. We are currently in the process of incorporating the internal controls and procedures of Aviv into our internal controls over financial reporting and extending our compliance program under the Sarbanes-Oxley Act of 2002 to include Aviv. The Company will report on its assessment of the consolidated operations within the time period provided by the Act and the applicable SEC rules and regulations concerning business combinations.

Except as described above, during the period covered by this report, 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) 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 14 – 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, 2014, with the Securities and Exchange Commission on February 27, 2015, which sets forth certain risk factors in Part I, Item 1A therein. We filed our Quarterly Report on Form 10-Q for the three months ended March 31, 2015 on May 8, 2015, which sets forth certain additional risk factors in Part II, Item 1A therein. We have not experienced any material changes from the risk factors previously described in our Annual Report on Form 10-K for the year ended December 31, 2014 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.

Item 6—Exhibits

Exhibit No.		
3.1		Articles of Amendment and Restatement of Omega Healthcare Investors, Inc., as amended (incorporated by reference to Exhibit 4.1 to Omega's Registration Statement on Form S-3 filed with the SEC on September 3, 2015).
4.1		Fifteenth Supplemental Indenture, dated as of August 4, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 6.75% Senior Notes due 2022, including the Form of 6.75% Senior Notes and Form of Subsidiary Guarantee related thereto.*
4.2		Thirteenth Supplemental Indenture, dated as of August 4, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 5.875% Senior Notes due 2024, including the Form of 5.875% Senior Notes and Form of Subsidiary Guarantee related thereto.*
4.3		Sixth Supplemental Indenture, dated as of August 4, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 4.950% Senior Notes due 2024, including the Form of 4.950% Senior Notes and Form of Subsidiary Guarantee related thereto.*
4.4		Fifth Supplemental Indenture, dated as of August 4, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 4.50% Senior Notes due 2025, including the Form of 4.50% Senior Notes and Form of Subsidiary Guarantee related thereto.*
4.5		Second Supplemental Indenture, dated as of August 4, 2015, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee, related to the 4.500% Senior Notes due 2027, including the Form of 4.500% Senior Notes and Form of Subsidiary Guarantee related thereto (incorporated by reference to Exhibit 4.2A to Omega's Registration Statement Report on Form S-4 filed on October 6, 2015).
4.6		Indenture, dated as of September 23, 2015 by and among Omega, the subsidiary guarantors named therein, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to Omega's Current Report on Form 8-K, filed with SEC on September 29, 2015).
4.7		Registration Rights Agreement dated as of September 23, 2015, by and among Omega, the guarantors named therein, and with Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC for themselves and on behalf of the Initial Purchasers (incorporated by reference to Exhibit 4.2 to Omega's Current Report on Form 8-K, filed with the SEC on September 29, 2015).
10.1		Form of Equity Distribution Agreement dated September 3, 2015, entered into by and between Omega Healthcare Investors, Inc. and each of BB&T Capital Markets, a division of BB&T Securities, LLC, Capital One Securities, Inc., Credit Agricole Securities (USA) Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities (USA), Inc., Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, Stifel, Nicolaus & Company, Incorporated, SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 1.1 to Omega's Current Report on Form 8-K filed with the SEC on September 4, 2015).

10.2		Consulting Agreement, effective as of August 1, 2015, among Omega Healthcare Investors, Inc. Omega Asset Management LLC and R. Lee Crabill, Jr. (incorporated by reference to Exhibit 3.1 to Omega's Current Report on Form 8-K filed with the SEC on July 31, 2015). +
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.

+ Management contract or compensatory plan, contract or arrangement.

**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: November 6, 2015

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

Date: November 6, 2015

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

**FIFTEENTH SUPPLEMENTAL INDENTURE**  
**(Senior Notes due 2022)**

**THIS FIFTEENTH SUPPLEMENTAL INDENTURE** (this "Fifteenth Supplemental Indenture") is dated as of August 4, 2015, among OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation (the "Issuer"), each of the SUBSIDIARY GUARANTORS listed on Schedule I hereto (collectively, the "Subsidiary Guarantors"), each of the entities listed on Schedule II hereto (collectively, the "New Subsidiaries"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

**WITNESSETH :**

**WHEREAS**, the Issuer and the Subsidiary Guarantors have heretofore executed and delivered to the Trustee an Indenture, dated as of October 4, 2010 (as supplemented by that First Supplemental Indenture, dated as of January 13, 2011, that Second Supplemental Indenture, dated as of June 10, 2011, that Third Supplemental Indenture, dated as of July 2, 2012, that Fourth Supplemental Indenture, dated as of August 9, 2012, that Fifth Supplemental Indenture, dated as of September 24, 2012, that Sixth Supplemental Indenture, effective as of December 31, 2012, that Seventh Supplemental Indenture, dated as of August 1, 2013, that Eighth Supplemental Indenture dated as of October 23, 2013, that Ninth Supplemental Indenture dated as of February 14, 2014, that Tenth Supplemental Indenture dated as of June 27, 2014, that Eleventh Supplemental Indenture dated as of November 25, 2014, that Twelfth Supplemental Indenture dated as of January 23, 2015, that Thirteenth Supplemental Indenture effective as of March 2, 2015, and that Fourteenth Supplemental Indenture dated as of April 1, 2015; the "Indenture") providing for the issuance of the Issuer's 6-3/4% Senior Notes due 2022 (the "Notes");

**WHEREAS**, Section 9.01 of the Indenture authorizes the Issuer, the Subsidiary Guarantors and the Trustee, together, to amend or supplement the Indenture, without notice to or consent of any Holder of the Notes, for the purpose of making any change that would not materially adversely affect the rights of any Holder of the Notes;

**WHEREAS**, the Issuer has re-designated certain of the New Subsidiaries (formerly Unrestricted Subsidiaries) as Restricted Subsidiaries under the Indenture and now wishes to cause the New Subsidiaries to become Subsidiary Guarantors pursuant to Section 4.14 of the Indenture;

**WHEREAS**, the Issuer has also created or acquired the other New Subsidiaries, which are required to become Subsidiary Guarantors pursuant to Section 4.14 and/or 5.01(b) of the Indenture;

**WHEREAS**, in Section 1.01 of the Indenture, the term "Subsidiary Guarantors" is defined to include all Persons that become a Subsidiary Guarantor by the terms of the Indenture after the Closing Date; and

**WHEREAS**, Section 10.01 of the Indenture provides that each Subsidiary Guarantor shall be a guarantor of the Issuer's obligations under the Notes, subject to the terms and conditions described in the Indenture.

**NOW, THEREFORE**, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuer, the Subsidiary Guarantors, the New Subsidiaries and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. **CAPITALIZED TERMS.** Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. **AMENDMENT TO GUARANTEE.** The New Subsidiaries hereby agree, jointly and severally with all other Subsidiary Guarantors, to guarantee the Issuer's obligations under the Notes on the terms and subject to the conditions set forth in the Indenture, and to be bound by, and to receive the benefit of, all other applicable provisions of the Indenture as Subsidiary Guarantors. Such guarantee shall be evidenced by the New Subsidiaries' execution of Subsidiary Guarantees, the form of which is attached as Exhibit E to the Indenture, and shall be effective as of the date hereof.
3. **NO RECOURSE AGAINST OTHERS.** No past, present or future director, officer, employee, incorporator, stockholder, member or manager of the New Subsidiaries, as such, shall have any liability for any obligations of the Issuer or any Subsidiary Guarantor under the Notes, any Guarantees, the Indenture or this Fifteenth Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes, by accepting and holding a Note, waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Notes.
4. **NEW YORK LAW TO GOVERN.** The laws of the State of New York shall govern and be used to construe this Fifteenth Supplemental Indenture.
5. **COUNTERPARTS.** The parties may sign any number of copies of this Fifteenth Supplemental Indenture. Each signed copy shall be an original, but all of them together shall represent the same agreement.
6. **EFFECT OF HEADINGS.** The Section headings herein are for convenience only and shall not affect the construction hereof.
7. **THE TRUSTEE.** The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fifteenth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Issuer, the Subsidiary Guarantors and the New Subsidiaries.

**[Remainder of Page Intentionally Left Blank]**

**IN WITNESS WHEREOF**, the parties hereto have caused this Fifteenth Supplemental Indenture to be duly executed, all as of the date first above written.

**ISSUER:**

**OMEGA HEALTHCARE INVESTORS, INC.**,  
a Maryland corporation

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

**SUBSIDIARY GUARANTORS:**

**OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP**

By: OHI Healthcare Properties Holdco, Inc., as its Principal General Partner

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

**ON BEHALF OF EACH OF THE OTHER SUBSIDIARY GUARANTORS LISTED  
ON SCHEDULE I**

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

[Signatures continued on the following page]

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**NEW SUBSIDIARIES:**

**ON BEHALF OF EACH OF THE NEW SUBSIDIARIES LISTED ON SCHEDULE II**

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

[Signatures continued on the following page]

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**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

By: /s/ David Ferrell  
Name: David Ferrell  
Title: Vice President

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## Schedule I

### SUBSIDIARY GUARANTORS

1. 48 High Point Road, LLC
2. 245 East Wilshire Avenue, LLC
3. 446 Sycamore Road, L.L.C.
4. 523 Hayes Lane, LLC
5. 637 East Romie Lane, LLC
6. 1200 Ely Street Holdings Co. LLC
7. 1628 B Street, LLC
8. 2400 Parkside Drive, LLC
9. 2425 Teller Avenue, LLC
10. 3806 Clayton Road, LLC
11. 11900 East Artesia Boulevard, LLC
12. 13922 Cerise Avenue, LLC
13. 42235 County Road Holdings Co. LLC
14. Alamogordo Aviv, L.L.C.
15. Albany Street Property, L.L.C.
16. Arizona Lessor - Infinia, LLC
17. Arkansas Aviv, L.L.C.
18. Arma Yates, L.L.C.
19. Avery Street Property, L.L.C
20. Aviv Asset Management, L.L.C.
21. Aviv Financing I, L.L.C.
22. Aviv Financing II, L.L.C.
23. Aviv Financing III, L.L.C.
24. Aviv Financing IV, L.L.C.
25. Aviv Financing V, L.L.C.
26. Aviv Foothills, L.L.C.
27. Aviv Healthcare Capital Corporation
28. Aviv Healthcare Properties Operating Partnership I, L.P.
29. Aviv Liberty, L.L.C.
30. Avon Ohio, L.L.C.
31. Bala Cynwyd Real Estate, LP
32. Bayside Colorado Healthcare Associates, LLC
33. Bayside Street II, LLC
34. Bayside Street, LLC (f/k/a Bayside Street, Inc.)
35. Belleville Illinois, L.L.C.
36. Bellingham II Associates, L.L.C.
37. Bethel ALF Property, L.L.C.
38. BHG Aviv, L.L.C.
39. Biglerville Road, L.L.C.
40. Bonham Texas, L.L.C.
41. Bradenton ALF Property, L.L.C.
42. Burton NH Property, L.L.C.

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

43. California Aviv Two, L.L.C.
44. California Aviv, L.L.C.
45. Camas Associates, L.L.C.
46. Canton Health Care Land, LLC (f/k/a Canton Health Care Land, Inc.)
47. Carnegie Gardens LLC
48. Casa/Sierra California Associates, L.L.C.
49. CFG 2115 Woodstock Place LLC
50. Champaign Williamson Franklin, L.L.C.
51. Chardon Ohio Property Holdings, L.L.C.
52. Chardon Ohio Property, L.L.C.
53. Chatham Aviv, L.L.C.
54. Chippewa Valley, L.L.C.
55. Clarkston Care, L.L.C.
56. Clayton Associates, L.L.C.
57. Colonial Gardens, LLC
58. Colonial Madison Associates, L.L.C.
59. Colorado Lessor - Conifer, LLC
60. Columbus Texas Aviv, L.L.C.
61. Columbus Western Avenue, L.L.C.
62. Colville Washington Property, L.L.C.
63. Commerce Nursing Homes, L.L.C.
  
64. Commerce Sterling Hart Drive, L.L.C.
65. Conroe Rigby Owen Road, L.L.C.
66. CR Aviv, L.L.C.
67. Crete Plus Five Property, L.L.C.
68. Crooked River Road, L.L.C.
69. CSE Albany LLC
70. CSE Amarillo LLC
71. CSE Arden L.P.
72. CSE Augusta LLC
73. CSE Bedford LLC
74. CSE Blountville LLC
75. CSE Bolivar LLC
76. CSE Cambridge LLC
77. CSE Cambridge Realty LLC
78. CSE Camden LLC
79. CSE Canton LLC
80. CSE Casablanca Holdings II LLC
81. CSE Casablanca Holdings LLC
82. CSE Cedar Rapids LLC
83. CSE Centennial Village, LP
84. CSE Chelmsford LLC
85. CSE Chesterton LLC
86. CSE Claremont LLC
87. CSE Corpus North LLC
88. CSE Denver Iliff LLC

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

89. CSE Denver LLC
90. CSE Douglas LLC
91. CSE Elkton LLC
92. CSE Elkton Realty LLC
93. CSE Fairhaven LLC
94. CSE Fort Wayne LLC
95. CSE Frankston LLC
96. CSE Georgetown LLC
97. CSE Green Bay LLC
98. CSE Hilliard LLC
99. CSE Huntingdon LLC
100. CSE Huntsville LLC
101. CSE Indianapolis-Continental LLC
102. CSE Indianapolis-Greenbriar LLC
103. CSE Jacinto City LLC
104. CSE Jefferson City LLC
105. CSE Jeffersonville-Hillcrest Center LLC
106. CSE Jeffersonville-Jennings House LLC
107. CSE Kerrville LLC
108. CSE King L.P.
109. CSE Kingsport LLC
110. CSE Knightdale L.P.
111. CSE Lake City LLC
112. CSE Lake Worth LLC
113. CSE Lakewood LLC
114. CSE Las Vegas LLC
115. CSE Lawrenceburg LLC
116. CSE Lenoir L.P.
117. CSE Lexington Park LLC
118. CSE Lexington Park Realty LLC
119. CSE Ligonier LLC
120. CSE Live Oak LLC
121. CSE Lowell LLC
122. CSE Marianna Holdings LLC
123. CSE Memphis LLC
124. CSE Mobile LLC
125. CSE Moore LLC
126. CSE North Carolina Holdings I LLC
127. CSE North Carolina Holdings II LLC
128. CSE Omro LLC
129. CSE Orange Park LLC
130. CSE Orlando-Pinar Terrace Manor LLC
131. CSE Orlando-Terra Vista Rehab LLC
132. CSE Pennsylvania Holdings, LP
133. CSE Piggott LLC
134. CSE Pilot Point LLC

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

135. CSE Pine View LLC
136. CSE Ponca City LLC
137. CSE Port St. Lucie LLC
138. CSE Richmond LLC
139. CSE Ripley LLC
140. CSE Ripon LLC
141. CSE Safford LLC
142. CSE Salina LLC
143. CSE Seminole LLC
144. CSE Shawnee LLC
145. CSE Spring Branch LLC
146. CSE Stillwater LLC
147. CSE Taylorsville LLC
148. CSE Texarkana LLC
149. CSE Texas City LLC
150. CSE The Village LLC
151. CSE Upland LLC
152. CSE Walnut Cove L.P.
153. CSE West Point LLC
154. CSE Whitehouse LLC
155. CSE Williamsport LLC
156. CSE Winter Haven LLC
157. CSE Woodfin L.P.
158. CSE Yorktown LLC
159. Cuyahoga Falls Property, L.L.C.
160. Dallas Two Property, L.L.C.
161. Danbury ALF Property, L.L.C.
162. Darien ALF Property, L.L.C.
163. Delta Investors I, LLC
164. Delta Investors II, LLC
165. Denison Texas, L.L.C.
166. Desert Lane LLC
167. Dixie White House Nursing Home, LLC (f/k/a Dixie White House Nursing Home, Inc.)
168. Dixon Health Care Center, LLC (f/k/a Dixon Health Care Center, Inc.)
169. East Rollins Street, L.L.C.
170. Edgewood Drive Property, L.L.C.
171. Effingham Associates, L.L.C.
172. Elite Mattoon, L.L.C.
173. Elite Yorkville, L.L.C.
174. Encanto Senior Care, LLC
175. Falcon Four Property Holding, L.L.C.
176. Falcon Four Property, L.L.C.
177. Falfurrias Texas, L.L.C.
178. Florida ALF Properties, L.L.C.
179. Florida Four Properties, L.L.C.

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

180. Florida Lessor – Meadowview, LLC
181. Florida Real Estate Company, LLC
182. Fort Stockton Property, L.L.C.
183. Four Fountains Aviv, L.L.C.
184. Fredericksburg South Adams Street, L.L.C.
185. Freewater Oregon, L.L.C.
186. Fullerton California, L.L.C.
187. Gardnerville Property, L.L.C.
188. Georgia Lessor - Bonterra/Parkview, LLC
189. Germantown Property, L.L.C.
190. Giltex Care, L.L.C.
191. Glendale NH Property, L.L.C.
192. Golden Hill Real Estate Company, LLC
193. Gonzales Texas Property, L.L.C.
194. Great Bend Property, L.L.C.
195. Greenbough, LLC
196. Greenville Kentucky Property, L.L.C.
197. Heritage Monterey Associates, L.L.C.
198. HHM Aviv, L.L.C.
199. Hidden Acres Property, L.L.C.
200. Highland Leasehold, L.L.C.
201. Hobbs Associates, L.L.C.
202. Hot Springs Atrium Owner, LLC
203. Hot Springs Aviv, L.L.C.
204. Hot Springs Cottages Owner, LLC
205. Hot Springs Marina Owner, LLC
206. Houston Texas Aviv, L.L.C.
207. Hutchinson Kansas, L.L.C.
208. Hutton I Land, LLC (f/k/a Hutton I Land, Inc.)
209. Hutton II Land, LLC (f/k/a Hutton II Land, Inc.)
210. Hutton III Land, LLC (f/k/a Hutton III Land, Inc.)
211. Idaho Associates, L.L.C.
212. Illinois Missouri Properties, L.L.C.
213. Indiana Lessor – Wellington Manor, LLC
  
214. Iowa Lincoln County Property, L.L.C.
215. Jasper Springhill Street, L.L.C.
216. Kansas Five Property, L.L.C.
217. Karan Associates Two, L.L.C.
218. Karan Associates, L.L.C.
219. Karissa Court Property, L.L.C.
220. KB Northwest Associates, L.L.C.
221. Kentucky NH Properties, L.L.C.
222. Kingsville Texas, L.L.C.
223. LAD I Real Estate Company, LLC
224. Leatherman 90-1, LLC (f/k/a Leatherman 90-1, Inc.)

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 225. Leatherman Partnership 89-1, LLC (f/k/a Leatherman Partnership 89-1, Inc.)
- 226. Leatherman Partnership 89-2, LLC (f/k/a Leatherman Partnership 89-2, Inc.)
- 227. Louisville Dutchmans Property, L.L.C.
- 228. Magnolia Drive Property, L.L.C.
- 229. Manor Associates, L.L.C.
- 230. Mansfield Aviv, L.L.C.
- 231. Massachusetts Nursing Homes, L.L.C.
- 232. McCarthy Street Property, L.L.C.
- 233. Meridian Arms Land, LLC (f/k/a Meridian Arms Land, Inc.)
- 234. Minnesota Associates, L.L.C.
- 235. Mishawaka Property, L.L.C.
- 236. Missouri Associates, L.L.C.
- 237. Missouri Regency Associates, L.L.C.
- 238. Montana Associates, L.L.C.
- 239. Monterey Park Leasehold Mortgage, L.L.C.
- 240. Mount Washington Property, L.L.C.
- 241. Mt. Vernon Texas, L.L.C.
- 242. Murray County, L.L.C.
- 243. Muscatine Toledo Properties, L.L.C.
- 244. N.M. Bloomfield Three Plus One Limited Company
- 245. N.M. Espanola Three Plus One Limited Company
- 246. N.M. Lordsburg Three Plus One Limited Company
- 247. N.M. Silver City Three Plus One Limited Company
- 248. New Hope Property, L.L.C.
- 249. Newtown ALF Property, L.L.C.
- 250. Nicholasville Kentucky Property, L.L.C.
- 251. North Las Vegas LLC
- 252. North Royalton Ohio Property, L.L.C.
- 253. Norwalk ALF Property, L.L.C.
- 254. NRS Ventures, L.L.C.
- 255. Oakland Nursing Homes, L.L.C.
- 256. Ocean Springs Nursing Home, LLC (f/k/a Ocean Springs Nursing Home, Inc.)
- 257. October Associates, L.L.C.
- 258. Ogden Associates, L.L.C.
- 259. OHI (Connecticut), LLC
- 260. OHI (Illinois), LLC(f/k/a OHI (Illinois), Inc.)
- 261. OHI (Indiana), LLC
- 262. OHI (Iowa), LLC(f/k/a OHI (Iowa), Inc.)
- 263. OHI Asset (AR) Ash Flat, LLC
- 264. OHI Asset (AR) Camden, LLC
- 265. OHI Asset (AR) Conway, LLC
- 266. OHI Asset (AR) Des Arc, LLC
- 267. OHI Asset (AR) Hot Springs, LLC

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 268. OHI Asset (AR) Malvern, LLC
- 269. OHI Asset (AR) Mena, LLC
- 270. OHI Asset (AR) Pocahontas, LLC
- 271. OHI Asset (AR) Sheridan, LLC
- 272. OHI Asset (AR) Walnut Ridge, LLC
- 273. OHI Asset (AZ) Austin House, LLC
- 274. OHI Asset (CA), LLC
- 275. OHI Asset (CO), LLC
- 276. OHI Asset (CT) Lender, LLC
- 277. OHI Asset (FL) Lake Placid, LLC
- 278. OHI Asset (FL) Lender, LLC
- 279. OHI Asset (FL) Lutz, LLC
- 280. OHI Asset (FL), LLC
- 281. OHI Asset (GA) Macon, LLC
- 282. OHI Asset (GA) Moultrie, LLC
- 283. OHI Asset (GA) Snellville, LLC
- 284. OHI Asset (ID) Holly, LLC
- 285. OHI Asset (ID) Midland, LLC
- 286. OHI Asset (ID), LLC
- 287. OHI Asset (IL), LLC
- 288. OHI Asset (IN) American Village, LLC
- 289. OHI Asset (IN) Anderson, LLC
- 290. OHI Asset (IN) Beech Grove, LLC
- 291. OHI Asset (IN) Clarksville, LLC
- 292. OHI Asset (IN) Clinton, LLC
- 293. OHI Asset (IN) Connersville, LLC
- 294. OHI Asset (IN) Crown Point, LLC
- 295. OHI Asset (IN) Eagle Valley, LLC
- 296. OHI Asset (IN) Elkhart, LLC
- 297. OHI Asset (IN) Forest Creek, LLC
- 298. OHI Asset (IN) Fort Wayne, LLC
- 299. OHI Asset (IN) Franklin, LLC
- 300. OHI Asset (IN) Greensburg, LLC
- 301. OHI Asset (IN) Indianapolis, LLC
- 302. OHI Asset (IN) Jasper, LLC
- 303. OHI Asset (IN) Kokomo, LLC
- 304. OHI Asset (IN) Lafayette, LLC
- 305. OHI Asset (IN) Madison, LLC
- 306. OHI Asset (IN) Monticello, LLC
- 307. OHI Asset (IN) Noblesville, LLC
- 308. OHI Asset (IN) Rosewalk, LLC
- 309. OHI Asset (IN) Salem, LLC
- 310. OHI Asset (IN) Seymour, LLC
- 311. OHI Asset (IN) Spring Mill, LLC
- 312. OHI Asset (IN) Terre Haute, LLC
- 313. OHI Asset (IN) Wabash, LLC

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 314. OHI Asset (IN) Westfield, LLC
- 315. OHI Asset (IN) Zionsville, LLC
- 316. OHI Asset (LA), LLC
- 317. OHI Asset (MD), LLC
- 318. OHI Asset (MI) Heather Hills, LLC
- 319. OHI Asset (MI), LLC
- 320. OHI Asset (MO), LLC
- 321. OHI Asset (MS) Byhalia, LLC
- 322. OHI Asset (MS) Cleveland, LLC
- 323. OHI Asset (MS) Clinton, LLC
- 324. OHI Asset (MS) Columbia, LLC
- 325. OHI Asset (MS) Corinth, LLC
- 326. OHI Asset (MS) Greenwood, LLC
- 327. OHI Asset (MS) Grenada, LLC
- 328. OHI Asset (MS) Holly Springs, LLC
- 329. OHI Asset (MS) Indianola, LLC
- 330. OHI Asset (MS) Natchez, LLC
- 331. OHI Asset (MS) Picayune, LLC
- 332. OHI Asset (MS) Vicksburg, LLC
- 333. OHI Asset (MS) Yazoo City, LLC
- 334. OHI Asset (NC) Wadesboro, LLC
- 335. OHI Asset (OH) Lender, LLC
- 336. OHI Asset (OH), LLC
- 337. OHI Asset (OR) Portland, LLC
- 338. OHI Asset (OR) Troutdale, LLC
- 339. OHI Asset (PA) GP, LLC
- 340. OHI Asset (PA) West Mifflin, LP
- 341. OHI Asset (PA), LLC
- 342. OHI Asset (PA), LP
- 343. OHI Asset (SC) Aiken, LLC
- 344. OHI Asset (SC) Anderson, LLC
- 345. OHI Asset (SC) Easley Anne, LLC
- 346. OHI Asset (SC) Easley Crestview, LLC
- 347. OHI Asset (SC) Edgefield, LLC
- 348. OHI Asset (SC) Greenville Griffith, LLC
- 349. OHI Asset (SC) Greenville Laurens, LLC
- 350. OHI Asset (SC) Greenville North, LLC
- 351. OHI Asset (SC) Greenville, LLC
- 352. OHI Asset (SC) Greer, LLC
- 353. OHI Asset (SC) Marietta, LLC
- 354. OHI Asset (SC) McCormick, LLC
- 355. OHI Asset (SC) Orangeburg, LLC
- 356. OHI Asset (SC) Pickens East Cedar, LLC
- 357. OHI Asset (SC) Pickens Rosemond, LLC
- 358. OHI Asset (SC) Piedmont, LLC
- 359. OHI Asset (SC) Simpsonville SE Main, LLC

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

360. OHI Asset (SC) Simpsonville West Broad, LLC  
361. OHI Asset (SC) Simpsonville West Curtis, LLC  
362. OHI Asset (TN) Bartlett, LLC  
363. OHI Asset (TN) Collierville, LLC  
364. OHI Asset (TN) Jefferson City, LLC  
365. OHI Asset (TN) Memphis, LLC  
366. OHI Asset (TN) Rogersville, LLC  
367. OHI Asset (TX) Anderson, LLC  
368. OHI Asset (TX) Bryan, LLC  
369. OHI Asset (TX) Burleson, LLC  
370. OHI Asset (TX) College Station, LLC  
371. OHI Asset (TX) Comfort, LLC  
372. OHI Asset (TX) Diboll, LLC  
373. OHI Asset (TX) Granbury, LLC  
374. OHI Asset (TX) Hondo, LLC  
375. OHI Asset (TX) Italy, LLC  
376. OHI Asset (TX) Winnsboro, LLC  
377. OHI Asset (TX), LLC  
378. OHI Asset (UT) Ogden, LLC  
379. OHI Asset (UT) Provo, LLC  
380. OHI Asset (UT) Roy, LLC  
381. OHI Asset (VA) Charlottesville, LLC  
382. OHI Asset (VA) Farmville, LLC  
  
383. OHI Asset (VA) Hillsville, LLC  
384. OHI Asset (VA) Rocky Mount, LLC  
385. OHI Asset (WA) Battle Ground, LLC  
386. OHI Asset (WV) Danville, LLC  
387. OHI Asset (WV) Ivydale, LLC  
388. OHI Asset CHG ALF, LLC  
389. OHI Asset CSB LLC  
390. OHI Asset CSE – E, LLC  
391. OHI Asset CSE – U, LLC  
392. OHI Asset CSE–E Subsidiary, LLC  
393. OHI Asset CSE–U Subsidiary, LLC  
394. OHI Asset HUD CFG, LLC  
395. OHI Asset HUD Delta, LLC  
396. OHI Asset HUD SF CA, LLC  
397. OHI Asset HUD SF, LLC  
398. OHI Asset HUD WO, LLC  
399. OHI Asset II (CA), LLC  
400. OHI Asset II (FL), LLC  
401. OHI Asset II (PA), LP  
402. OHI Asset III (PA), LP  
403. OHI Asset IV (PA) Silver Lake, LP  
404. OHI Asset Management, LLC  
405. OHI Asset RO PMM Services, LLC

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 406. OHI Asset RO, LLC
- 407. OHI Asset, LLC
- 408. OHI Healthcare Properties Holdco, Inc.
- 409. OHI Healthcare Properties Limited Partnership
- 410. OHI Mezz Lender, LLC
- 411. OHI Tennessee, LLC (f/k/a OHI Tennessee, Inc.)
- 412. OHIMA, LLC (f/k/a OHIMA, Inc.)
- 413. Ohio Aviv Three, L.L.C.
- 414. Ohio Aviv Two, L.L.C.
- 415. Ohio Aviv, L.L.C.
- 416. Ohio Indiana Property, L.L.C.
- 417. Ohio Pennsylvania Property, L.L.C.
- 418. Oklahoma Two Property, L.L.C.
- 419. Oklahoma Warr Wind, L.L.C.
- 420. Omaha Associates, L.L.C.
- 421. Omega TRS I, Inc.
- 422. Orange ALF Property, L.L.C.
- 423. Orange Village Care Center, LLC (f/k/a Orange Village Care Center, Inc.)
- 424. Orange, L.L.C.
- 425. Oregon Associates, L.L.C.
- 426. Oso Avenue Property, L.L.C.
- 427. Ostrom Avenue Property, L.L.C.
- 428. Panama City Nursing Center LLC
- 429. Pavillion North Partners, LLC
- 430. Pavillion North, LLP
- 431. Pavillion Nursing Center North, LLC
- 432. Peabody Associates Two, L.L.C.
- 433. Peabody Associates, L.L.C.
- 434. Pennington Road Property, L.L.C.
- 435. Pensacola Real Estate Holdings I, LLC (f/k/a Pensacola Real Estate Holdings I, Inc.)
- 436. Pensacola Real Estate Holdings II, LLC (f/k/a Pensacola Real Estate Holdings II, Inc.)
- 437. Pensacola Real Estate Holdings III, LLC (f/k/a Pensacola Real Estate Holdings III, Inc.)
- 438. Pensacola Real Estate Holdings IV, LLC (f/k/a Pensacola Real Estate Holdings IV, Inc.)
- 439. Pensacola Real Estate Holdings V, LLC (f/k/a Pensacola Real Estate Holdings V, Inc.)
- 440. Pocatello Idaho Property, L.L.C.
- 441. Pomona Vista L.L.C.
- 442. Prescott Arkansas, L.L.C.
- 443. PV Realty–Willow Tree, LLC
- 444. Raton Property Limited Company
- 445. Ravenna Ohio Property, L.L.C.

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- 446. Red Rocks, L.L.C.
- 447. Richland Washington, L.L.C.
- 448. Riverside Nursing Home Associates Two, L.L.C.
- 449. Riverside Nursing Home Associates, L.L.C.
- 450. Rockingham Drive Property, L.L.C.
- 451. Rose Baldwin Park Property L.L.C.
- 452. S.C. Portfolio Property, L.L.C.
- 453. Salem Associates, L.L.C.
- 454. San Juan NH Property, LLC
- 455. Sandalwood Arkansas Property, L.L.C.
- 456. Santa Ana-Bartlett, L.L.C.
- 457. Santa Fe Missouri Associates, L.L.C.
- 458. Savoy/Bonham Venture, L.L.C.
- 459. Searcy Aviv, L.L.C.
- 460. Sedgwick Properties, L.L.C.
- 461. Seguin Texas Property, L.L.C.
- 462. Sierra Ponds Property, L.L.C.
- 463. Skyler Boyington, LLC (f/k/a Skyler Boyington, Inc.)
- 464. Skyler Florida, LLC (f/k/a Skyler Florida, Inc.)
- 465. Skyler Maitland LLC
- 466. Skyler Pensacola, LLC (f/k/a Skyler Pensacola, Inc.)
- 467. Skyview Associates, L.L.C.
- 468. Southeast Missouri Property, L.L.C.
- 469. Southern California Nevada, L.L.C.
- 470. St. Joseph Missouri Property, L.L.C.
- 471. St. Mary's Properties, LLC (f/k/a St. Mary's Properties, Inc.)
- 472. Star City Arkansas, L.L.C.
- 473. Stephenville Texas Property, L.L.C.
- 474. Sterling Acquisition, LLC
- 475. Stevens Avenue Property, L.L.C.
- 476. Sun-Mesa Properties, L.L.C.
- 477. Suwanee, LLC
- 478. Texas Fifteen Property, L.L.C.
- 479. Texas Four Property, L.L.C.
- 480. Texas Lessor – Stonegate GP, LLC
- 481. Texas Lessor – Stonegate, Limited, LLC
- 482. Texas Lessor – Stonegate, LP
- 483. Texhoma Avenue Property, L.L.C.
- 484. The Suburban Pavilion, LLC (f/k/a The Suburban Pavilion, Inc.)
- 485. Tujunga, L.L.C.
- 486. Tulare County Property, L.L.C.
- 487. VRB Aviv, L.L.C.
- 488. Washington Idaho Property, L.L.C.
- 489. Washington Lessor – Silverdale, LLC
- 490. Washington-Oregon Associates, L.L.C.
- 491. Watauga Associates, L.L.C.

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 492. Wellington Leasehold, L.L.C.
- 493. West Pearl Street, L.L.C.
- 494. West Yarmouth Property I, L.L.C.
- 495. Wheeler Healthcare Associates, L.L.C.
- 496. Whitlock Street Property, L.L.C.
- 497. Wilcare, LLC
- 498. Willis Texas Aviv, L.L.C.
- 499. Yuba Aviv, L.L.C.

[Schedule I – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

## Schedule II

### NEW SUBSIDIARIES

1. 3232 Artesia Real Estate, LLC\*
2. CHR Bartow LLC\*
3. CHR Boca Raton LLC\*
4. CHR Bradenton LLC\*
5. CHR Cape Coral LLC\*
6. CHR Fort Myers LLC\*
7. CHR Fort Walton Beach LLC\*
8. CHR Lake Wales LLC\*
9. CHR Lakeland LLC\*
10. CHR Pompano Beach Broward LLC\*
11. CHR Pompano Beach LLC\*
12. CHR Sanford LLC\*
13. CHR Spring Hill LLC\*
14. CHR St. Pete Bay LLC\*
15. CHR St. Pete Egret LLC\*
16. CHR Tampa Carrollwood LLC\*
17. CHR Tampa LLC\*
18. CHR Tarpon Springs LLC\*
19. CHR Titusville LLC\*
20. G&L Gardens, LLC\*
21. OHI Asset (GA) Dunwoody, LLC
22. OHI Asset (GA) Roswell, LLC
23. OHI Asset (LA) Baton Rouge, LLC
24. OHI Asset (NY) 2nd Avenue, LLC
25. OHI Asset (NY) 93rd Street, LLC
26. Palm Valley Senior Care, LLC\*
27. Ridgecrest Senior Care, LLC\*
28. Westerville Ohio Office Property, L.L.C.
29. OHI Asset HUD H-F, LLC

\* Redesignated Subsidiary

[Schedule II – 15<sup>th</sup> Supplemental Indenture – 2024 Notes]

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**THIRTEENTH SUPPLEMENTAL INDENTURE**  
**(Senior Notes due 2024)**

**THIS THIRTEENTH SUPPLEMENTAL INDENTURE** (this "Thirteenth Supplemental Indenture") is dated as of August 4, 2015, among OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation (the "Issuer"), each of the SUBSIDIARY GUARANTORS listed on Schedule I hereto (collectively, the "Subsidiary Guarantors"), each of the entities listed on Schedule II hereto (the "New Subsidiaries"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

**WITNESSETH:**

**WHEREAS**, the Issuer and the Subsidiary Guarantors have heretofore executed and delivered to the Trustee an Indenture, dated as of March 19, 2012 (as supplemented by that First Supplemental Indenture, dated as of July 2, 2012, that Second Supplemental Indenture, dated as of August 9, 2012, that Third Supplemental Indenture, dated as of September 24, 2012, that Fourth Supplemental Indenture effective as of December 31, 2012, that Fifth Supplemental Indenture dated as of August 1, 2013, that Sixth Supplemental Indenture dated as of October 23, 2013, that Seventh Supplemental Indenture dated as of February 14, 2014, that Eighth Supplemental Indenture dated as of June 27, 2014, that Ninth Supplemental Indenture dated as of November 25, 2014, that Tenth Supplemental Indenture dated as of January 23, 2015, that Eleventh Supplemental Indenture effective as of March 2, 2015, and that Twelfth Supplemental Indenture dated as of April 1, 2015, the "Indenture"), providing for the issuance of the Issuer's 5-7/8% Senior Notes due 2024 (the "Notes");

**WHEREAS**, Section 9.01 of the Indenture authorizes the Issuer, the Subsidiary Guarantors and the Trustee, together, to amend or supplement the Indenture, without notice to or consent of any Holder of the Notes, for the purpose of making any change that would not materially adversely affect the rights of any Holder of the Notes;

**WHEREAS**, the Issuer has re-designated certain of the New Subsidiaries (formerly Unrestricted Subsidiaries) as Restricted Subsidiaries under the Indenture and now wishes to cause the New Subsidiaries to become Subsidiary Guarantors pursuant to Section 4.14 of the Indenture;

**WHEREAS**, the Issuer has also created or acquired the other New Subsidiaries, which are required to become Subsidiary Guarantors pursuant to Section 4.14 and/or 5.01(b) of the Indenture;

**WHEREAS**, in Section 1.01 of the Indenture, the term "Subsidiary Guarantors" is defined to include all Persons that become a Subsidiary Guarantor by the terms of the Indenture after the Closing Date; and

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**WHEREAS**, Section 10.01 of the Indenture provides that each Subsidiary Guarantor shall be a guarantor of the Issuer's obligations under the Notes, subject to the terms and conditions described in the Indenture.

**NOW, THEREFORE**, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuer, the Subsidiary Guarantors, the New Subsidiaries and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. **CAPITALIZED TERMS.** Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. **AMENDMENT TO GUARANTEE.** The New Subsidiaries hereby agree, jointly and severally with all other Subsidiary Guarantors, to guarantee the Issuer's obligations under the Notes on the terms and subject to the conditions set forth in the Indenture, and to be bound by, and to receive the benefit of, all other applicable provisions of the Indenture as Subsidiary Guarantors. Such guarantee shall be evidenced by the New Subsidiaries' execution of Subsidiary Guarantees, the form of which is attached as Exhibit E to the Indenture, and shall be effective as of the effective date hereof.
3. **NO RECOURSE AGAINST OTHERS.** No past, present or future director, officer, employee, incorporator, stockholder, member or manager of the New Subsidiaries, as such, shall have any liability for any obligations of the Issuer or any Subsidiary Guarantor under the Notes, any Guarantees, the Indenture or this Thirteenth Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes, by accepting and holding a Note, waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Notes.
4. **NEW YORK LAW TO GOVERN.** The laws of the State of New York shall govern and be used to construe this Thirteenth Supplemental Indenture.
5. **COUNTERPARTS.** The parties may sign any number of copies of this Thirteenth Supplemental Indenture. Each signed copy shall be an original, but all of them together shall represent the same agreement.
6. **EFFECT OF HEADINGS.** The Section headings herein are for convenience only and shall not affect the construction hereof.
7. **THE TRUSTEE.** The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Thirteenth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Issuer, the Subsidiary Guarantors and the New Subsidiaries.

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**IN WITNESS WHEREOF**, the parties hereto have caused this Thirteenth Supplemental Indenture to be duly executed, all as of the date first above written.

**ISSUER:**

**OMEGA HEALTHCARE INVESTORS, INC.**,  
a Maryland corporation

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

**SUBSIDIARY GUARANTORS:**

**OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP**

By: OHI Healthcare Properties Holdco, Inc., as its Principal General Partner

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

**ON BEHALF OF EACH OF THE OTHER SUBSIDIARY GUARANTORS  
LISTED ON SCHEDULE I**

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

[Signatures continued on the following page]

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**NEW SUBSIDIARIES:**

**ON BEHALF OF EACH OF THE NEW SUBSIDIARIES LISTED ON  
SCHEDULE II**

By: /s/ Daniel J. Booth \_\_\_\_\_  
Daniel J. Booth  
Chief Operating Officer and Secretary

[Signatures continued on the following page]

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**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

By: /s/ David Ferrell

Name: David Ferrell

Title: Vice President

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## Schedule I

### SUBSIDIARY GUARANTORS

1. 48 High Point Road, LLC
2. 245 East Wilshire Avenue, LLC
3. 446 Sycamore Road, L.L.C.
4. 523 Hayes Lane, LLC
5. 637 East Romie Lane, LLC
6. 1200 Ely Street Holdings Co. LLC
7. 1628 B Street, LLC
8. 2400 Parkside Drive, LLC
9. 2425 Teller Avenue, LLC
10. 3806 Clayton Road, LLC
11. 11900 East Artesia Boulevard, LLC
12. 13922 Cerise Avenue, LLC
13. 42235 County Road Holdings Co. LLC
14. Alamogordo Aviv, L.L.C.
15. Albany Street Property, L.L.C.
16. Arizona Lessor - Infinia, LLC
17. Arkansas Aviv, L.L.C.
18. Arma Yates, L.L.C.
19. Avery Street Property, L.L.C
20. Aviv Asset Management, L.L.C.
21. Aviv Financing I, L.L.C.
22. Aviv Financing II, L.L.C.
23. Aviv Financing III, L.L.C.
24. Aviv Financing IV, L.L.C.
25. Aviv Financing V, L.L.C.
26. Aviv Foothills, L.L.C.
27. Aviv Healthcare Capital Corporation
28. Aviv Healthcare Properties Operating Partnership I, L.P.
29. Aviv Liberty, L.L.C.
30. Avon Ohio, L.L.C.
31. Bala Cynwyd Real Estate, LP
32. Bayside Colorado Healthcare Associates, LLC
33. Bayside Street II, LLC
34. Bayside Street, LLC (f/k/a Bayside Street, Inc.)
35. Belleville Illinois, L.L.C.
36. Bellingham II Associates, L.L.C.
37. Bethel ALF Property, L.L.C.
38. BHG Aviv, L.L.C.
39. Biglerville Road, L.L.C.
40. Bonham Texas, L.L.C.
41. Bradenton ALF Property, L.L.C.
42. Burton NH Property, L.L.C.

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

43. California Aviv Two, L.L.C.
44. California Aviv, L.L.C.
45. Camas Associates, L.L.C.
46. Canton Health Care Land, LLC (f/k/a Canton Health Care Land, Inc.)
47. Carnegie Gardens LLC
48. Casa/Sierra California Associates, L.L.C.
49. CFG 2115 Woodstock Place LLC
50. Champaign Williamson Franklin, L.L.C.
51. Chardon Ohio Property Holdings, L.L.C.
52. Chardon Ohio Property, L.L.C.
53. Chatham Aviv, L.L.C.
54. Chippewa Valley, L.L.C.
55. Clarkston Care, L.L.C.
56. Clayton Associates, L.L.C.
57. Colonial Gardens, LLC
58. Colonial Madison Associates, L.L.C.
59. Colorado Lessor - Conifer, LLC
60. Columbus Texas Aviv, L.L.C.
61. Columbus Western Avenue, L.L.C.
62. Colville Washington Property, L.L.C.
63. Commerce Nursing Homes, L.L.C.
64. Commerce Sterling Hart Drive, L.L.C.
65. Conroe Rigby Owen Road, L.L.C.
66. CR Aviv, L.L.C.
67. Crete Plus Five Property, L.L.C.
68. Crooked River Road, L.L.C.
69. CSE Albany LLC
70. CSE Amarillo LLC
71. CSE Arden L.P.
72. CSE Augusta LLC
73. CSE Bedford LLC
74. CSE Blountville LLC
75. CSE Bolivar LLC
76. CSE Cambridge LLC
77. CSE Cambridge Realty LLC
78. CSE Camden LLC
79. CSE Canton LLC
80. CSE Casablanca Holdings II LLC
81. CSE Casablanca Holdings LLC
82. CSE Cedar Rapids LLC
83. CSE Centennial Village, LP
84. CSE Chelmsford LLC
85. CSE Chesterton LLC
86. CSE Claremont LLC
87. CSE Corpus North LLC
88. CSE Denver Iliff LLC

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

89. CSE Denver LLC
90. CSE Douglas LLC
91. CSE Elkton LLC
92. CSE Elkton Realty LLC
93. CSE Fairhaven LLC
94. CSE Fort Wayne LLC
95. CSE Frankston LLC
96. CSE Georgetown LLC
97. CSE Green Bay LLC
98. CSE Hilliard LLC
99. CSE Huntingdon LLC
100. CSE Huntsville LLC
101. CSE Indianapolis-Continental LLC
102. CSE Indianapolis-Greenbriar LLC
103. CSE Jacinto City LLC
104. CSE Jefferson City LLC
105. CSE Jeffersonville-Hillcrest Center LLC
106. CSE Jeffersonville-Jennings House LLC
107. CSE Kerrville LLC
108. CSE King L.P.
109. CSE Kingsport LLC
110. CSE Knightdale L.P.
111. CSE Lake City LLC
112. CSE Lake Worth LLC
113. CSE Lakewood LLC
114. CSE Las Vegas LLC
115. CSE Lawrenceburg LLC
116. CSE Lenoir L.P.
117. CSE Lexington Park LLC
118. CSE Lexington Park Realty LLC
119. CSE Ligonier LLC
120. CSE Live Oak LLC
121. CSE Lowell LLC
122. CSE Marianna Holdings LLC
123. CSE Memphis LLC
124. CSE Mobile LLC
125. CSE Moore LLC
126. CSE North Carolina Holdings I LLC
127. CSE North Carolina Holdings II LLC
128. CSE Omro LLC
129. CSE Orange Park LLC
130. CSE Orlando-Pinar Terrace Manor LLC
131. CSE Orlando-Terra Vista Rehab LLC
132. CSE Pennsylvania Holdings, LP
133. CSE Piggott LLC
134. CSE Pilot Point LLC

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

135. CSE Pine View LLC
136. CSE Ponca City LLC
137. CSE Port St. Lucie LLC
138. CSE Richmond LLC
139. CSE Ripley LLC
140. CSE Ripon LLC
141. CSE Safford LLC
142. CSE Salina LLC
143. CSE Seminole LLC
144. CSE Shawnee LLC
145. CSE Spring Branch LLC
146. CSE Stillwater LLC
147. CSE Taylorsville LLC
148. CSE Texarkana LLC
149. CSE Texas City LLC
150. CSE The Village LLC
151. CSE Upland LLC
152. CSE Walnut Cove L.P.
153. CSE West Point LLC
154. CSE Whitehouse LLC
155. CSE Williamsport LLC
156. CSE Winter Haven LLC
157. CSE Woodfin L.P.
158. CSE Yorktown LLC
159. Cuyahoga Falls Property, L.L.C.
160. Dallas Two Property, L.L.C.
161. Danbury ALF Property, L.L.C.
162. Darien ALF Property, L.L.C.
163. Delta Investors I, LLC
164. Delta Investors II, LLC
165. Denison Texas, L.L.C.
166. Desert Lane LLC
167. Dixie White House Nursing Home, LLC (f/k/a Dixie White House Nursing Home, Inc.)
168. Dixon Health Care Center, LLC (f/k/a Dixon Health Care Center, Inc.)
169. East Rollins Street, L.L.C.
170. Edgewood Drive Property, L.L.C.
171. Effingham Associates, L.L.C.
172. Elite Mattoon, L.L.C.
173. Elite Yorkville, L.L.C.
174. Encanto Senior Care, LLC
175. Falcon Four Property Holding, L.L.C.
176. Falcon Four Property, L.L.C.
177. Falfurrias Texas, L.L.C.
178. Florida ALF Properties, L.L.C.
179. Florida Four Properties, L.L.C.

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

180. Florida Lessor – Meadowview, LLC
181. Florida Real Estate Company, LLC
182. Fort Stockton Property, L.L.C.
183. Four Fountains Aviv, L.L.C.
184. Fredericksburg South Adams Street, L.L.C.
185. Freewater Oregon, L.L.C.
186. Fullerton California, L.L.C.
187. Gardnerville Property, L.L.C.
188. Georgia Lessor - Bonterra/Parkview, LLC
189. Germantown Property, L.L.C.
190. Giltex Care, L.L.C.
191. Glendale NH Property, L.L.C.
192. Golden Hill Real Estate Company, LLC
193. Gonzales Texas Property, L.L.C.
194. Great Bend Property, L.L.C.
195. Greenbough, LLC
196. Greenville Kentucky Property, L.L.C.
197. Heritage Monterey Associates, L.L.C.
198. HHM Aviv, L.L.C.
199. Hidden Acres Property, L.L.C.
200. Highland Leasehold, L.L.C.
201. Hobbs Associates, L.L.C.
202. Hot Springs Atrium Owner, LLC
203. Hot Springs Aviv, L.L.C.
204. Hot Springs Cottages Owner, LLC
205. Hot Springs Marina Owner, LLC
206. Houston Texas Aviv, L.L.C.
207. Hutchinson Kansas, L.L.C.
208. Hutton I Land, LLC (f/k/a Hutton I Land, Inc.)
209. Hutton II Land, LLC (f/k/a Hutton II Land, Inc.)
210. Hutton III Land, LLC (f/k/a Hutton III Land, Inc.)
211. Idaho Associates, L.L.C.
212. Illinois Missouri Properties, L.L.C.
213. Indiana Lessor – Wellington Manor, LLC
214. Iowa Lincoln County Property, L.L.C.
215. Jasper Springhill Street, L.L.C.
216. Kansas Five Property, L.L.C.
217. Karan Associates Two, L.L.C.
218. Karan Associates, L.L.C.
219. Karissa Court Property, L.L.C.
220. KB Northwest Associates, L.L.C.
221. Kentucky NH Properties, L.L.C.
222. Kingsville Texas, L.L.C.
223. LAD I Real Estate Company, LLC
224. Leatherman 90-1, LLC (f/k/a Leatherman 90-1, Inc.)

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 225. Leatherman Partnership 89-1, LLC (f/k/a Leatherman Partnership 89-1, Inc.)
- 226. Leatherman Partnership 89-2, LLC (f/k/a Leatherman Partnership 89-2, Inc.)
- 227. Louisville Dutchmans Property, L.L.C.
- 228. Magnolia Drive Property, L.L.C.
- 229. Manor Associates, L.L.C.
- 230. Mansfield Aviv, L.L.C.
- 231. Massachusetts Nursing Homes, L.L.C.
- 232. McCarthy Street Property, L.L.C.
- 233. Meridian Arms Land, LLC (f/k/a Meridian Arms Land, Inc.)
- 234. Minnesota Associates, L.L.C.
- 235. Mishawaka Property, L.L.C.
- 236. Missouri Associates, L.L.C.
- 237. Missouri Regency Associates, L.L.C.
- 238. Montana Associates, L.L.C.
- 239. Monterey Park Leasehold Mortgage, L.L.C.
- 240. Mount Washington Property, L.L.C.
- 241. Mt. Vernon Texas, L.L.C.
- 242. Murray County, L.L.C.
- 243. Muscatine Toledo Properties, L.L.C.
- 244. N.M. Bloomfield Three Plus One Limited Company
- 245. N.M. Espanola Three Plus One Limited Company
- 246. N.M. Lordsburg Three Plus One Limited Company
- 247. N.M. Silver City Three Plus One Limited Company
- 248. New Hope Property, L.L.C.
- 249. Newtown ALF Property, L.L.C.
- 250. Nicholasville Kentucky Property, L.L.C.
- 251. North Las Vegas LLC
- 252. North Royalton Ohio Property, L.L.C.
- 253. Norwalk ALF Property, L.L.C.
- 254. NRS Ventures, L.L.C.
- 255. Oakland Nursing Homes, L.L.C.
- 256. Ocean Springs Nursing Home, LLC (f/k/a Ocean Springs Nursing Home, Inc.)
- 257. October Associates, L.L.C.
- 258. Ogden Associates, L.L.C.
- 259. OHI (Connecticut), LLC
- 260. OHI (Illinois), LLC(f/k/a OHI (Illinois), Inc.)
- 261. OHI (Indiana), LLC
- 262. OHI (Iowa), LLC(f/k/a OHI (Iowa), Inc.)
- 263. OHI Asset (AR) Ash Flat, LLC
- 264. OHI Asset (AR) Camden, LLC
- 265. OHI Asset (AR) Conway, LLC
- 266. OHI Asset (AR) Des Arc, LLC
- 267. OHI Asset (AR) Hot Springs, LLC

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 268. OHI Asset (AR) Malvern, LLC
- 269. OHI Asset (AR) Mena, LLC
- 270. OHI Asset (AR) Pocahontas, LLC
- 271. OHI Asset (AR) Sheridan, LLC
- 272. OHI Asset (AR) Walnut Ridge, LLC
- 273. OHI Asset (AZ) Austin House, LLC
- 274. OHI Asset (CA), LLC
- 275. OHI Asset (CO), LLC
- 276. OHI Asset (CT) Lender, LLC
- 277. OHI Asset (FL) Lake Placid, LLC
- 278. OHI Asset (FL) Lender, LLC
- 279. OHI Asset (FL) Lutz, LLC
- 280. OHI Asset (FL), LLC
- 281. OHI Asset (GA) Macon, LLC
- 282. OHI Asset (GA) Moultrie, LLC
- 283. OHI Asset (GA) Snellville, LLC
- 284. OHI Asset (ID) Holly, LLC
- 285. OHI Asset (ID) Midland, LLC
- 286. OHI Asset (ID), LLC
- 287. OHI Asset (IL), LLC
- 288. OHI Asset (IN) American Village, LLC
- 289. OHI Asset (IN) Anderson, LLC
- 290. OHI Asset (IN) Beech Grove, LLC
- 291. OHI Asset (IN) Clarksville, LLC
- 292. OHI Asset (IN) Clinton, LLC
- 293. OHI Asset (IN) Connersville, LLC
- 294. OHI Asset (IN) Crown Point, LLC
- 295. OHI Asset (IN) Eagle Valley, LLC
- 296. OHI Asset (IN) Elkhart, LLC
- 297. OHI Asset (IN) Forest Creek, LLC
- 298. OHI Asset (IN) Fort Wayne, LLC
- 299. OHI Asset (IN) Franklin, LLC
- 300. OHI Asset (IN) Greensburg, LLC
- 301. OHI Asset (IN) Indianapolis, LLC
- 302. OHI Asset (IN) Jasper, LLC
- 303. OHI Asset (IN) Kokomo, LLC
- 304. OHI Asset (IN) Lafayette, LLC
- 305. OHI Asset (IN) Madison, LLC
- 306. OHI Asset (IN) Monticello, LLC
- 307. OHI Asset (IN) Noblesville, LLC
- 308. OHI Asset (IN) Rosewalk, LLC
- 309. OHI Asset (IN) Salem, LLC
- 310. OHI Asset (IN) Seymour, LLC
- 311. OHI Asset (IN) Spring Mill, LLC
- 312. OHI Asset (IN) Terre Haute, LLC
- 313. OHI Asset (IN) Wabash, LLC

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 314. OHI Asset (IN) Westfield, LLC
- 315. OHI Asset (IN) Zionsville, LLC
- 316. OHI Asset (LA), LLC
- 317. OHI Asset (MD), LLC
- 318. OHI Asset (MI) Heather Hills, LLC
- 319. OHI Asset (MI), LLC
- 320. OHI Asset (MO), LLC
- 321. OHI Asset (MS) Byhalia, LLC
- 322. OHI Asset (MS) Cleveland, LLC
- 323. OHI Asset (MS) Clinton, LLC
- 324. OHI Asset (MS) Columbia, LLC
- 325. OHI Asset (MS) Corinth, LLC
- 326. OHI Asset (MS) Greenwood, LLC
- 327. OHI Asset (MS) Grenada, LLC
- 328. OHI Asset (MS) Holly Springs, LLC
- 329. OHI Asset (MS) Indianola, LLC
- 330. OHI Asset (MS) Natchez, LLC
- 331. OHI Asset (MS) Picayune, LLC
- 332. OHI Asset (MS) Vicksburg, LLC
- 333. OHI Asset (MS) Yazoo City, LLC
- 334. OHI Asset (NC) Wadesboro, LLC
- 335. OHI Asset (OH) Lender, LLC
- 336. OHI Asset (OH), LLC
- 337. OHI Asset (OR) Portland, LLC
- 338. OHI Asset (OR) Troutdale, LLC
- 339. OHI Asset (PA) GP, LLC
- 340. OHI Asset (PA) West Mifflin, LP
- 341. OHI Asset (PA), LLC
- 342. OHI Asset (PA), LP
- 343. OHI Asset (SC) Aiken, LLC
- 344. OHI Asset (SC) Anderson, LLC
- 345. OHI Asset (SC) Easley Anne, LLC
- 346. OHI Asset (SC) Easley Crestview, LLC
- 347. OHI Asset (SC) Edgefield, LLC
- 348. OHI Asset (SC) Greenville Griffith, LLC
- 349. OHI Asset (SC) Greenville Laurens, LLC
- 350. OHI Asset (SC) Greenville North, LLC
- 351. OHI Asset (SC) Greenville, LLC
- 352. OHI Asset (SC) Greer, LLC
- 353. OHI Asset (SC) Marietta, LLC
- 354. OHI Asset (SC) McCormick, LLC
- 355. OHI Asset (SC) Orangeburg, LLC
- 356. OHI Asset (SC) Pickens East Cedar, LLC
- 357. OHI Asset (SC) Pickens Rosemond, LLC
- 358. OHI Asset (SC) Piedmont, LLC
- 359. OHI Asset (SC) Simpsonville SE Main, LLC

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 360. OHI Asset (SC) Simpsonville West Broad, LLC
- 361. OHI Asset (SC) Simpsonville West Curtis, LLC
- 362. OHI Asset (TN) Bartlett, LLC
- 363. OHI Asset (TN) Collierville, LLC
- 364. OHI Asset (TN) Jefferson City, LLC
- 365. OHI Asset (TN) Memphis, LLC
- 366. OHI Asset (TN) Rogersville, LLC
- 367. OHI Asset (TX) Anderson, LLC
- 368. OHI Asset (TX) Bryan, LLC
- 369. OHI Asset (TX) Burleson, LLC
- 370. OHI Asset (TX) College Station, LLC
- 371. OHI Asset (TX) Comfort, LLC
- 372. OHI Asset (TX) Diboll, LLC
- 373. OHI Asset (TX) Granbury, LLC
- 374. OHI Asset (TX) Hondo, LLC
- 375. OHI Asset (TX) Italy, LLC
- 376. OHI Asset (TX) Winnsboro, LLC
- 377. OHI Asset (TX), LLC
- 378. OHI Asset (UT) Ogden, LLC
- 379. OHI Asset (UT) Provo, LLC
- 380. OHI Asset (UT) Roy, LLC
- 381. OHI Asset (VA) Charlottesville, LLC
- 382. OHI Asset (VA) Farmville, LLC
- 383. OHI Asset (VA) Hillsville, LLC
- 384. OHI Asset (VA) Rocky Mount, LLC
- 385. OHI Asset (WA) Battle Ground, LLC
- 386. OHI Asset (WV) Danville, LLC
- 387. OHI Asset (WV) Ivydale, LLC
- 388. OHI Asset CHG ALF, LLC
- 389. OHI Asset CSB LLC
- 390. OHI Asset CSE – E, LLC
- 391. OHI Asset CSE – U, LLC
- 392. OHI Asset CSE–E Subsidiary, LLC
- 393. OHI Asset CSE–U Subsidiary, LLC
- 394. OHI Asset HUD CFG, LLC
- 395. OHI Asset HUD Delta, LLC
- 396. OHI Asset HUD SF CA, LLC
- 397. OHI Asset HUD SF, LLC
- 398. OHI Asset HUD WO, LLC
- 399. OHI Asset II (CA), LLC
- 400. OHI Asset II (FL), LLC
- 401. OHI Asset II (PA), LP
- 402. OHI Asset III (PA), LP
- 403. OHI Asset IV (PA) Silver Lake, LP
- 404. OHI Asset Management, LLC
- 405. OHI Asset RO PMM Services, LLC

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 406. OHI Asset RO, LLC
- 407. OHI Asset, LLC
- 408. OHI Healthcare Properties Holdco, Inc.
- 409. OHI Healthcare Properties Limited Partnership
- 410. OHI Mezz Lender, LLC
- 411. OHI Tennessee, LLC (f/k/a OHI Tennessee, Inc.)
- 412. OHIMA, LLC (f/k/a OHIMA, Inc.)
- 413. Ohio Aviv Three, L.L.C.
- 414. Ohio Aviv Two, L.L.C.
- 415. Ohio Aviv, L.L.C.
- 416. Ohio Indiana Property, L.L.C.
- 417. Ohio Pennsylvania Property, L.L.C.
- 418. Oklahoma Two Property, L.L.C.
- 419. Oklahoma Warr Wind, L.L.C.
- 420. Omaha Associates, L.L.C.
- 421. Omega TRS I, Inc.
- 422. Orange ALF Property, L.L.C.
- 423. Orange Village Care Center, LLC (f/k/a Orange Village Care Center, Inc.)
- 424. Orange, L.L.C.
- 425. Oregon Associates, L.L.C.
- 426. Oso Avenue Property, L.L.C.
- 427. Ostrom Avenue Property, L.L.C.
- 428. Panama City Nursing Center LLC
- 429. Pavillion North Partners, LLC
- 430. Pavillion North, LLP
- 431. Pavillion Nursing Center North, LLC
- 432. Peabody Associates Two, L.L.C.
- 433. Peabody Associates, L.L.C.
- 434. Pennington Road Property, L.L.C.
- 435. Pensacola Real Estate Holdings I, LLC (f/k/a Pensacola Real Estate Holdings I, Inc.)
- 436. Pensacola Real Estate Holdings II, LLC (f/k/a Pensacola Real Estate Holdings II, Inc.)
- 437. Pensacola Real Estate Holdings III, LLC (f/k/a Pensacola Real Estate Holdings III, Inc.)
- 438. Pensacola Real Estate Holdings IV, LLC (f/k/a Pensacola Real Estate Holdings IV, Inc.)
- 439. Pensacola Real Estate Holdings V, LLC (f/k/a Pensacola Real Estate Holdings V, Inc.)
- 440. Pocatello Idaho Property, L.L.C.
- 441. Pomona Vista L.L.C.
- 442. Prescott Arkansas, L.L.C.
- 443. PV Realty–Willow Tree, LLC
- 444. Raton Property Limited Company
- 445. Ravenna Ohio Property, L.L.C.

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 446. Red Rocks, L.L.C.
- 447. Richland Washington, L.L.C.
- 448. Riverside Nursing Home Associates Two, L.L.C.
- 449. Riverside Nursing Home Associates, L.L.C.
- 450. Rockingham Drive Property, L.L.C.
- 451. Rose Baldwin Park Property L.L.C.
- 452. S.C. Portfolio Property, L.L.C.
- 453. Salem Associates, L.L.C.
- 454. San Juan NH Property, LLC
- 455. Sandalwood Arkansas Property, L.L.C.
- 456. Santa Ana-Bartlett, L.L.C.
- 457. Santa Fe Missouri Associates, L.L.C.
- 458. Savoy/Bonham Venture, L.L.C.
- 459. Searcy Aviv, L.L.C.
- 460. Sedgwick Properties, L.L.C.
- 461. Seguin Texas Property, L.L.C.
- 462. Sierra Ponds Property, L.L.C.
- 463. Skyler Boyington, LLC (f/k/a Skyler Boyington, Inc.)
- 464. Skyler Florida, LLC (f/k/a Skyler Florida, Inc.)
- 465. Skyler Maitland LLC
- 466. Skyler Pensacola, LLC (f/k/a Skyler Pensacola, Inc.)
- 467. Skyview Associates, L.L.C.
- 468. Southeast Missouri Property, L.L.C.
- 469. Southern California Nevada, L.L.C.
- 470. St. Joseph Missouri Property, L.L.C.
- 471. St. Mary's Properties, LLC (f/k/a St. Mary's Properties, Inc.)
- 472. Star City Arkansas, L.L.C.
- 473. Stephenville Texas Property, L.L.C.
- 474. Sterling Acquisition, LLC
- 475. Stevens Avenue Property, L.L.C.
- 476. Sun-Mesa Properties, L.L.C.
- 477. Suwanee, LLC
- 478. Texas Fifteen Property, L.L.C.
- 479. Texas Four Property, L.L.C.
- 480. Texas Lessor – Stonegate GP, LLC
- 481. Texas Lessor – Stonegate, Limited, LLC
- 482. Texas Lessor – Stonegate, LP
- 483. Texhoma Avenue Property, L.L.C.
- 484. The Suburban Pavilion, LLC (f/k/a The Suburban Pavilion, Inc.)
- 485. Tujung, L.L.C.
- 486. Tulare County Property, L.L.C.
- 487. VRB Aviv, L.L.C.
- 488. Washington Idaho Property, L.L.C.
- 489. Washington Lessor – Silverdale, LLC
- 490. Washington-Oregon Associates, L.L.C.
- 491. Watauga Associates, L.L.C.

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

- 492. Wellington Leasehold, L.L.C.
- 493. West Pearl Street, L.L.C.
- 494. West Yarmouth Property I, L.L.C.
- 495. Wheeler Healthcare Associates, L.L.C.
- 496. Whitlock Street Property, L.L.C.
- 497. Wilcare, LLC
- 498. Willis Texas Aviv, L.L.C.
- 499. Yuba Aviv, L.L.C.

[Schedule I – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

## Schedule II

### NEW SUBSIDIARIES

1. 3232 Artesia Real Estate, LLC\*
2. CHR Bartow LLC\*
3. CHR Boca Raton LLC\*
4. CHR Bradenton LLC\*
5. CHR Cape Coral LLC\*
6. CHR Fort Myers LLC\*
7. CHR Fort Walton Beach LLC\*
8. CHR Lake Wales LLC\*
9. CHR Lakeland LLC\*
10. CHR Pompano Beach Broward LLC\*
11. CHR Pompano Beach LLC\*
12. CHR Sanford LLC\*
13. CHR Spring Hill LLC\*
14. CHR St. Pete Bay LLC\*
15. CHR St. Pete Egret LLC\*
16. CHR Tampa Carrollwood LLC\*
17. CHR Tampa LLC\*
18. CHR Tarpon Springs LLC\*
19. CHR Titusville LLC\*
20. G&L Gardens, LLC\*
21. OHI Asset (GA) Dunwoody, LLC
22. OHI Asset (GA) Roswell, LLC
23. OHI Asset (LA) Baton Rouge, LLC
24. OHI Asset (NY) 2nd Avenue, LLC
25. OHI Asset (NY) 93rd Street, LLC
26. Palm Valley Senior Care, LLC\*
27. Ridgecrest Senior Care, LLC\*
28. Westerville Ohio Office Property, L.L.C.
29. OHI Asset HUD H-F, LLC

\* Redesignated Subsidiary

[Schedule II – 13<sup>th</sup> Supplemental Indenture – 2024 Notes]

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**SIXTH SUPPLEMENTAL INDENTURE**  
**(Senior Notes due 2024)**

**THIS SIXTH SUPPLEMENTAL INDENTURE** (this "Sixth Supplemental Indenture") is dated as of August 4, 2015, among OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation (the "Issuer"), each of the SUBSIDIARY GUARANTORS listed on Schedule I hereto (collectively, the "Subsidiary Guarantors"), each of the entities listed on Schedule II hereto (collectively, the "New Subsidiaries"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

**WITNESSETH :**

**WHEREAS**, the Issuer and the Subsidiary Guarantors have heretofore executed and delivered to the Trustee an Indenture, dated as of March 11, 2014 (as supplemented by that First Supplemental Indenture, dated as of June 27, 2014, that Second Supplemental Indenture, dated as of November 25, 2014, that Third Supplemental Indenture, dated as of January 23, 2015, that Fourth Supplemental Indenture, effective as of March 2, 2015 and that Fifth Supplemental Indenture, dated as of April 1, 2015; the "Indenture"), providing for the issuance of the Issuer's 4.950% Senior Notes due 2024 (the "Notes");

**WHEREAS**, Section 9.01 of the Indenture authorizes the Issuer, the Subsidiary Guarantors and the Trustee, together, to amend or supplement the Indenture, without notice to or consent of any Holder of the Notes, for the purpose of making any change that would not materially adversely affect the rights of any Holder of the Notes;

**WHEREAS**, the Issuer has created or acquired the New Subsidiaries, which are required to become Subsidiary Guarantors pursuant to Section 4.14 of the Indenture;

**WHEREAS**, in Section 1.01 of the Indenture, the term "Subsidiary Guarantors" is defined to include all Persons that become a Subsidiary Guarantor by the terms of the Indenture after the Closing Date; and

**WHEREAS**, Section 10.01 of the Indenture provides that each Subsidiary Guarantor shall be a guarantor of the Issuer's obligations under the Notes, subject to the terms and conditions described in the Indenture.

**NOW, THEREFORE**, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuer, the Subsidiary Guarantors, the New Subsidiaries and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
-

2. **AMENDMENT TO GUARANTEE.** The New Subsidiaries hereby agree, jointly and severally with all other Subsidiary Guarantors, to guarantee the Issuer's obligations under the Notes on the terms and subject to the conditions set forth in the Indenture, and to be bound by, and to receive the benefit of, all other applicable provisions of the Indenture as Subsidiary Guarantors. Such guarantee shall be evidenced by the New Subsidiaries' execution of Subsidiary Guarantees, the form of which is attached as Exhibit E to the Indenture, and shall be effective as of the date hereof.
3. **NO RECOURSE AGAINST OTHERS.** No past, present or future director, officer, employee, incorporator, stockholder, member or manager of the New Subsidiaries, as such, shall have any liability for any obligations of the Issuer or any Subsidiary Guarantor under the Notes, any Guarantees, the Indenture or this Sixth Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes, by accepting and holding a Note, waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Notes.
4. **NEW YORK LAW TO GOVERN.** The laws of the State of New York shall govern and be used to construe this Sixth Supplemental Indenture.
5. **COUNTERPARTS.** The parties may sign any number of copies of this Sixth Supplemental Indenture. Each signed copy shall be an original, but all of them together shall represent the same agreement.
6. **EFFECT OF HEADINGS.** The Section headings herein are for convenience only and shall not affect the construction hereof.
7. **THE TRUSTEE.** The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Sixth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Issuer, the Subsidiary Guarantors and the New Subsidiaries.

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**IN WITNESS WHEREOF**, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed, all as of the date first above written.

**ISSUER:**

**OMEGA HEALTHCARE INVESTORS, INC.**,  
a Maryland corporation

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

**SUBSIDIARY GUARANTORS:**

**OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP**

By: Omega Healthcare Investors, Inc. as General Partner

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

**ON BEHALF OF EACH OF THE OTHER SUBSIDIARY GUARANTORS  
LISTED ON SCHEDULE I**

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

[Signatures continued on the following page]

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**NEW SUBSIDIARIES:**

**ON BEHALF OF EACH OF THE NEW SUBSIDIARIES LISTED ON  
SCHEDULE II**

By: /s/ Daniel J. Booth  
\_\_\_\_\_  
Daniel J. Booth  
Chief Operating Officer and Secretary

[Signatures continued on the following page]

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**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

By: /s/ David Ferrell

Name: David Ferrell

Title: Vice President

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## Schedule I

### SUBSIDIARY GUARANTORS

1. 48 High Point Road, LLC
2. 245 East Wilshire Avenue, LLC
3. 446 Sycamore Road, L.L.C.
4. 523 Hayes Lane, LLC
5. 637 East Romie Lane, LLC
6. 1200 Ely Street Holdings Co. LLC
7. 1628 B Street, LLC
8. 2400 Parkside Drive, LLC
9. 2425 Teller Avenue, LLC
10. 3806 Clayton Road, LLC
11. 11900 East Artesia Boulevard, LLC
12. 13922 Cerise Avenue, LLC
13. 42235 County Road Holdings Co. LLC
14. Alamogordo Aviv, L.L.C.
15. Albany Street Property, L.L.C.
16. Arizona Lessor - Infinia, LLC
17. Arkansas Aviv, L.L.C.
18. Arma Yates, L.L.C.
19. Avery Street Property, L.L.C
20. Aviv Asset Management, L.L.C.
21. Aviv Financing I, L.L.C.
22. Aviv Financing II, L.L.C.
23. Aviv Financing III, L.L.C.
24. Aviv Financing IV, L.L.C.
25. Aviv Financing V, L.L.C.
26. Aviv Foothills, L.L.C.
27. Aviv Healthcare Capital Corporation
28. Aviv Healthcare Properties Operating Partnership I, L.P.
29. Aviv Liberty, L.L.C.
30. Avon Ohio, L.L.C.
31. Bala Cynwyd Real Estate, LP
32. Bayside Colorado Healthcare Associates, LLC
33. Bayside Street II, LLC
34. Bayside Street, LLC (f/k/a Bayside Street, Inc.)
35. Belleville Illinois, L.L.C.
36. Bellingham II Associates, L.L.C.
37. Bethel ALF Property, L.L.C.
38. BHG Aviv, L.L.C.
39. Biglerville Road, L.L.C.
40. Bonham Texas, L.L.C.
41. Bradenton ALF Property, L.L.C.
42. Burton NH Property, L.L.C.

[Schedule I – 6<sup>th</sup> Supplemental Indenture – 2027 Notes]

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43. California Aviv Two, L.L.C.
44. California Aviv, L.L.C.
45. Camas Associates, L.L.C.
46. Canton Health Care Land, LLC (f/k/a Canton Health Care Land, Inc.)
47. Carnegie Gardens LLC
48. Casa/Sierra California Associates, L.L.C.
49. CFG 2115 Woodstock Place LLC
50. Champaign Williamson Franklin, L.L.C.
51. Chardon Ohio Property Holdings, L.L.C.
52. Chardon Ohio Property, L.L.C.
53. Chatham Aviv, L.L.C.
54. Chippewa Valley, L.L.C.
55. Clarkston Care, L.L.C.
56. Clayton Associates, L.L.C.
57. Colonial Gardens, LLC
58. Colonial Madison Associates, L.L.C.
59. Colorado Lessor - Conifer, LLC
60. Columbus Texas Aviv, L.L.C.
61. Columbus Western Avenue, L.L.C.
62. Colville Washington Property, L.L.C.
63. Commerce Nursing Homes, L.L.C.
64. Commerce Sterling Hart Drive, L.L.C.
65. Conroe Rigby Owen Road, L.L.C.
66. CR Aviv, L.L.C.
67. Crete Plus Five Property, L.L.C.
68. Crooked River Road, L.L.C.
69. CSE Albany LLC
70. CSE Amarillo LLC
71. CSE Arden L.P.
72. CSE Augusta LLC
73. CSE Bedford LLC
74. CSE Blountville LLC
75. CSE Bolivar LLC
76. CSE Cambridge LLC
77. CSE Cambridge Realty LLC
78. CSE Camden LLC
79. CSE Canton LLC
80. CSE Casablanca Holdings II LLC
81. CSE Casablanca Holdings LLC
82. CSE Cedar Rapids LLC
83. CSE Centennial Village, LP
84. CSE Chelmsford LLC
85. CSE Chesterton LLC
86. CSE Claremont LLC
87. CSE Corpus North LLC
88. CSE Denver Iliff LLC

[Schedule I – 6<sup>th</sup> Supplemental Indenture – 2027 Notes]

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89. CSE Denver LLC
90. CSE Douglas LLC
91. CSE Elkton LLC
92. CSE Elkton Realty LLC
93. CSE Fairhaven LLC
94. CSE Fort Wayne LLC
95. CSE Frankston LLC
96. CSE Georgetown LLC
97. CSE Green Bay LLC
98. CSE Hilliard LLC
99. CSE Huntingdon LLC
100. CSE Huntsville LLC
101. CSE Indianapolis-Continental LLC
102. CSE Indianapolis-Greenbriar LLC
103. CSE Jacinto City LLC
104. CSE Jefferson City LLC
105. CSE Jeffersonville-Hillcrest Center LLC
106. CSE Jeffersonville-Jennings House LLC
107. CSE Kerrville LLC
108. CSE King L.P.
109. CSE Kingsport LLC
110. CSE Knightdale L.P.
111. CSE Lake City LLC
112. CSE Lake Worth LLC
113. CSE Lakewood LLC
114. CSE Las Vegas LLC
115. CSE Lawrenceburg LLC
116. CSE Lenoir L.P.
117. CSE Lexington Park LLC
118. CSE Lexington Park Realty LLC
119. CSE Ligonier LLC
120. CSE Live Oak LLC
121. CSE Lowell LLC
122. CSE Marianna Holdings LLC
123. CSE Memphis LLC
124. CSE Mobile LLC
125. CSE Moore LLC
126. CSE North Carolina Holdings I LLC
127. CSE North Carolina Holdings II LLC
128. CSE Omro LLC
129. CSE Orange Park LLC
130. CSE Orlando-Pinar Terrace Manor LLC
131. CSE Orlando-Terra Vista Rehab LLC
132. CSE Pennsylvania Holdings, LP
133. CSE Piggott LLC
134. CSE Pilot Point LLC

[Schedule I – 6<sup>th</sup> Supplemental Indenture – 2027 Notes]

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135. CSE Pine View LLC
136. CSE Ponca City LLC
137. CSE Port St. Lucie LLC
138. CSE Richmond LLC
139. CSE Ripley LLC
140. CSE Ripon LLC
141. CSE Safford LLC
142. CSE Salina LLC
143. CSE Seminole LLC
144. CSE Shawnee LLC
145. CSE Spring Branch LLC
146. CSE Stillwater LLC
147. CSE Taylorsville LLC
148. CSE Texarkana LLC
149. CSE Texas City LLC
150. CSE The Village LLC
151. CSE Upland LLC
152. CSE Walnut Cove L.P.
153. CSE West Point LLC
154. CSE Whitehouse LLC
155. CSE Williamsport LLC
156. CSE Winter Haven LLC
157. CSE Woodfin L.P.
158. CSE Yorktown LLC
159. Cuyahoga Falls Property, L.L.C.
160. Dallas Two Property, L.L.C.
161. Danbury ALF Property, L.L.C.
162. Darien ALF Property, L.L.C.
163. Delta Investors I, LLC
164. Delta Investors II, LLC
165. Denison Texas, L.L.C.
166. Desert Lane LLC
167. Dixie White House Nursing Home, LLC (f/k/a Dixie White House Nursing Home, Inc.)
168. Dixon Health Care Center, LLC (f/k/a Dixon Health Care Center, Inc.)
169. East Rollins Street, L.L.C.
170. Edgewood Drive Property, L.L.C.
171. Effingham Associates, L.L.C.
172. Elite Mattoon, L.L.C.
173. Elite Yorkville, L.L.C.
174. Encanto Senior Care, LLC
175. Falcon Four Property Holding, L.L.C.
176. Falcon Four Property, L.L.C.
177. Falfurrias Texas, L.L.C.
178. Florida ALF Properties, L.L.C.
179. Florida Four Properties, L.L.C.

[Schedule I – 6<sup>th</sup> Supplemental Indenture – 2027 Notes]

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180. Florida Lessor – Meadowview, LLC
181. Florida Real Estate Company, LLC
182. Fort Stockton Property, L.L.C.
183. Four Fountains Aviv, L.L.C.
184. Fredericksburg South Adams Street, L.L.C.
185. Freewater Oregon, L.L.C.
186. Fullerton California, L.L.C.
187. Gardnerville Property, L.L.C.
188. Georgia Lessor - Bonterra/Parkview, LLC
189. Germantown Property, L.L.C.
190. Giltex Care, L.L.C.
191. Glendale NH Property, L.L.C.
192. Golden Hill Real Estate Company, LLC
193. Gonzales Texas Property, L.L.C.
194. Great Bend Property, L.L.C.
195. Greenbough, LLC
196. Greenville Kentucky Property, L.L.C.
197. Heritage Monterey Associates, L.L.C.
198. HHM Aviv, L.L.C.
199. Hidden Acres Property, L.L.C.
200. Highland Leasehold, L.L.C.
201. Hobbs Associates, L.L.C.
202. Hot Springs Atrium Owner, LLC
203. Hot Springs Aviv, L.L.C.
204. Hot Springs Cottages Owner, LLC
205. Hot Springs Marina Owner, LLC
206. Houston Texas Aviv, L.L.C.
207. Hutchinson Kansas, L.L.C.
208. Hutton I Land, LLC (f/k/a Hutton I Land, Inc.)
209. Hutton II Land, LLC (f/k/a Hutton II Land, Inc.)
210. Hutton III Land, LLC (f/k/a Hutton III Land, Inc.)
211. Idaho Associates, L.L.C.
212. Illinois Missouri Properties, L.L.C.
213. Indiana Lessor – Wellington Manor, LLC
214. Iowa Lincoln County Property, L.L.C.
215. Jasper Springhill Street, L.L.C.
216. Kansas Five Property, L.L.C.
217. Karan Associates Two, L.L.C.
218. Karan Associates, L.L.C.
219. Karissa Court Property, L.L.C.
220. KB Northwest Associates, L.L.C.
221. Kentucky NH Properties, L.L.C.
222. Kingsville Texas, L.L.C.
223. LAD I Real Estate Company, LLC
224. Leatherman 90-1, LLC (f/k/a Leatherman 90-1, Inc.)

[Schedule I – 6<sup>th</sup> Supplemental Indenture – 2027 Notes]

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- 225. Leatherman Partnership 89-1, LLC (f/k/a Leatherman Partnership 89-1, Inc.)
- 226. Leatherman Partnership 89-2, LLC (f/k/a Leatherman Partnership 89-2, Inc.)
- 227. Louisville Dutchmans Property, L.L.C.
- 228. Magnolia Drive Property, L.L.C.
- 229. Manor Associates, L.L.C.
- 230. Mansfield Aviv, L.L.C.
- 231. Massachusetts Nursing Homes, L.L.C.
- 232. McCarthy Street Property, L.L.C.
- 233. Meridian Arms Land, LLC (f/k/a Meridian Arms Land, Inc.)
- 234. Minnesota Associates, L.L.C.
- 235. Mishawaka Property, L.L.C.
- 236. Missouri Associates, L.L.C.
- 237. Missouri Regency Associates, L.L.C.
- 238. Montana Associates, L.L.C.
- 239. Monterey Park Leasehold Mortgage, L.L.C.
- 240. Mount Washington Property, L.L.C.
- 241. Mt. Vernon Texas, L.L.C.
- 242. Murray County, L.L.C.
- 243. Muscatine Toledo Properties, L.L.C.
- 244. N.M. Bloomfield Three Plus One Limited Company
- 245. N.M. Espanola Three Plus One Limited Company
- 246. N.M. Lordsburg Three Plus One Limited Company
- 247. N.M. Silver City Three Plus One Limited Company
- 248. New Hope Property, L.L.C.
- 249. Newtown ALF Property, L.L.C.
- 250. Nicholasville Kentucky Property, L.L.C.
- 251. North Las Vegas LLC
- 252. North Royalton Ohio Property, L.L.C.
- 253. Norwalk ALF Property, L.L.C.
- 254. NRS Ventures, L.L.C.
- 255. Oakland Nursing Homes, L.L.C.
- 256. Ocean Springs Nursing Home, LLC (f/k/a Ocean Springs Nursing Home, Inc.)
- 257. October Associates, L.L.C.
- 258. Ogden Associates, L.L.C.
- 259. OHI (Connecticut), LLC
- 260. OHI (Illinois), LLC(f/k/a OHI (Illinois), Inc.)
- 261. OHI (Indiana), LLC
- 262. OHI (Iowa), LLC(f/k/a OHI (Iowa), Inc.)
- 263. OHI Asset (AR) Ash Flat, LLC
- 264. OHI Asset (AR) Camden, LLC
- 265. OHI Asset (AR) Conway, LLC
- 266. OHI Asset (AR) Des Arc, LLC
- 267. OHI Asset (AR) Hot Springs, LLC

- 268. OHI Asset (AR) Malvern, LLC
- 269. OHI Asset (AR) Mena, LLC
- 270. OHI Asset (AR) Pocahontas, LLC
- 271. OHI Asset (AR) Sheridan, LLC
- 272. OHI Asset (AR) Walnut Ridge, LLC
- 273. OHI Asset (AZ) Austin House, LLC
- 274. OHI Asset (CA), LLC
- 275. OHI Asset (CO), LLC
- 276. OHI Asset (CT) Lender, LLC
- 277. OHI Asset (FL) Lake Placid, LLC
- 278. OHI Asset (FL) Lender, LLC
- 279. OHI Asset (FL) Lutz, LLC
- 280. OHI Asset (FL), LLC
- 281. OHI Asset (GA) Macon, LLC
- 282. OHI Asset (GA) Moultrie, LLC
- 283. OHI Asset (GA) Snellville, LLC
- 284. OHI Asset (ID) Holly, LLC
- 285. OHI Asset (ID) Midland, LLC
- 286. OHI Asset (ID), LLC
- 287. OHI Asset (IL), LLC
- 288. OHI Asset (IN) American Village, LLC
- 289. OHI Asset (IN) Anderson, LLC
- 290. OHI Asset (IN) Beech Grove, LLC
- 291. OHI Asset (IN) Clarksville, LLC
- 292. OHI Asset (IN) Clinton, LLC
- 293. OHI Asset (IN) Connersville, LLC
- 294. OHI Asset (IN) Crown Point, LLC
- 295. OHI Asset (IN) Eagle Valley, LLC
- 296. OHI Asset (IN) Elkhart, LLC
- 297. OHI Asset (IN) Forest Creek, LLC
- 298. OHI Asset (IN) Fort Wayne, LLC
- 299. OHI Asset (IN) Franklin, LLC
- 300. OHI Asset (IN) Greensburg, LLC
- 301. OHI Asset (IN) Indianapolis, LLC
- 302. OHI Asset (IN) Jasper, LLC
- 303. OHI Asset (IN) Kokomo, LLC
- 304. OHI Asset (IN) Lafayette, LLC
- 305. OHI Asset (IN) Madison, LLC
- 306. OHI Asset (IN) Monticello, LLC
- 307. OHI Asset (IN) Noblesville, LLC
- 308. OHI Asset (IN) Rosewalk, LLC
- 309. OHI Asset (IN) Salem, LLC
- 310. OHI Asset (IN) Seymour, LLC
- 311. OHI Asset (IN) Spring Mill, LLC
- 312. OHI Asset (IN) Terre Haute, LLC
- 313. OHI Asset (IN) Wabash, LLC

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314. OHI Asset (IN) Westfield, LLC
315. OHI Asset (IN) Zionsville, LLC
316. OHI Asset (LA), LLC
317. OHI Asset (MD), LLC
318. OHI Asset (MI) Heather Hills, LLC
319. OHI Asset (MI), LLC
320. OHI Asset (MO), LLC
321. OHI Asset (MS) Byhalia, LLC
322. OHI Asset (MS) Cleveland, LLC
323. OHI Asset (MS) Clinton, LLC
324. OHI Asset (MS) Columbia, LLC
325. OHI Asset (MS) Corinth, LLC
326. OHI Asset (MS) Greenwood, LLC
327. OHI Asset (MS) Grenada, LLC
328. OHI Asset (MS) Holly Springs, LLC
329. OHI Asset (MS) Indianola, LLC
330. OHI Asset (MS) Natchez, LLC
331. OHI Asset (MS) Picayune, LLC
332. OHI Asset (MS) Vicksburg, LLC
333. OHI Asset (MS) Yazoo City, LLC
334. OHI Asset (NC) Wadesboro, LLC
335. OHI Asset (OH) Lender, LLC
336. OHI Asset (OH), LLC
337. OHI Asset (OR) Portland, LLC
338. OHI Asset (OR) Troutdale, LLC
339. OHI Asset (PA) GP, LLC
340. OHI Asset (PA) West Mifflin, LP
341. OHI Asset (PA), LLC
342. OHI Asset (PA), LP
343. OHI Asset (SC) Aiken, LLC
344. OHI Asset (SC) Anderson, LLC
345. OHI Asset (SC) Easley Anne, LLC
346. OHI Asset (SC) Easley Crestview, LLC
347. OHI Asset (SC) Edgefield, LLC
348. OHI Asset (SC) Greenville Griffith, LLC
349. OHI Asset (SC) Greenville Laurens, LLC
350. OHI Asset (SC) Greenville North, LLC
351. OHI Asset (SC) Greenville, LLC
352. OHI Asset (SC) Greer, LLC
353. OHI Asset (SC) Marietta, LLC
354. OHI Asset (SC) McCormick, LLC
355. OHI Asset (SC) Orangeburg, LLC
356. OHI Asset (SC) Pickens East Cedar, LLC
357. OHI Asset (SC) Pickens Rosemond, LLC
358. OHI Asset (SC) Piedmont, LLC
359. OHI Asset (SC) Simpsonville SE Main, LLC

- 360. OHI Asset (SC) Simpsonville West Broad, LLC
- 361. OHI Asset (SC) Simpsonville West Curtis, LLC
- 362. OHI Asset (TN) Bartlett, LLC
- 363. OHI Asset (TN) Collierville, LLC
- 364. OHI Asset (TN) Jefferson City, LLC
- 365. OHI Asset (TN) Memphis, LLC
- 366. OHI Asset (TN) Rogersville, LLC
- 367. OHI Asset (TX) Anderson, LLC
- 368. OHI Asset (TX) Bryan, LLC
- 369. OHI Asset (TX) Burleson, LLC
- 370. OHI Asset (TX) College Station, LLC
- 371. OHI Asset (TX) Comfort, LLC
- 372. OHI Asset (TX) Diboll, LLC
- 373. OHI Asset (TX) Granbury, LLC
- 374. OHI Asset (TX) Hondo, LLC
- 375. OHI Asset (TX) Italy, LLC
- 376. OHI Asset (TX) Winnsboro, LLC
- 377. OHI Asset (TX), LLC
- 378. OHI Asset (UT) Ogden, LLC
- 379. OHI Asset (UT) Provo, LLC
- 380. OHI Asset (UT) Roy, LLC
- 381. OHI Asset (VA) Charlottesville, LLC
- 382. OHI Asset (VA) Farmville, LLC
- 383. OHI Asset (VA) Hillsville, LLC
- 384. OHI Asset (VA) Rocky Mount, LLC
- 385. OHI Asset (WA) Battle Ground, LLC
- 386. OHI Asset (WV) Danville, LLC
- 387. OHI Asset (WV) Ivydale, LLC
- 388. OHI Asset CHG ALF, LLC
- 389. OHI Asset CSB LLC
- 390. OHI Asset CSE – E, LLC
- 391. OHI Asset CSE – U, LLC
- 392. OHI Asset CSE–E Subsidiary, LLC
- 393. OHI Asset CSE–U Subsidiary, LLC
- 394. OHI Asset HUD CFG, LLC
- 395. OHI Asset HUD Delta, LLC
- 396. OHI Asset HUD SF CA, LLC
- 397. OHI Asset HUD SF, LLC
- 398. OHI Asset HUD WO, LLC
- 399. OHI Asset II (CA), LLC
- 400. OHI Asset II (FL), LLC
- 401. OHI Asset II (PA), LP
- 402. OHI Asset III (PA), LP
- 403. OHI Asset IV (PA) Silver Lake Trust
- 404. OHI Asset Management, LLC
- 405. OHI Asset RO PMM Services, LLC

[Schedule I – 6<sup>th</sup> Supplemental Indenture – 2027 Notes]

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- 406. OHI Asset RO, LLC
- 407. OHI Asset, LLC
- 408. OHI Healthcare Properties Holdco, Inc.
- 409. OHI Healthcare Properties Limited Partnership
- 410. OHI Mezz Lender, LLC
- 411. OHI Tennessee, LLC (f/k/a OHI Tennessee, Inc.)
- 412. OHIMA, LLC (f/k/a OHIMA, Inc.)
- 413. Ohio Aviv Three, L.L.C.
- 414. Ohio Aviv Two, L.L.C.
- 415. Ohio Aviv, L.L.C.
- 416. Ohio Indiana Property, L.L.C.
- 417. Ohio Pennsylvania Property, L.L.C.
- 418. Oklahoma Two Property, L.L.C.
- 419. Oklahoma Warr Wind, L.L.C.
- 420. Omaha Associates, L.L.C.
- 421. Omega TRS I, Inc.
- 422. Orange ALF Property, L.L.C.
- 423. Orange Village Care Center, LLC (f/k/a Orange Village Care Center, Inc.)
- 424. Orange, L.L.C.
- 425. Oregon Associates, L.L.C.
- 426. Oso Avenue Property, L.L.C.
- 427. Ostrom Avenue Property, L.L.C.
- 428. Panama City Nursing Center LLC
- 429. Pavillion North Partners, LLC
- 430. Pavillion North, LLP
- 431. Pavillion Nursing Center North, LLC
- 432. Peabody Associates Two, L.L.C.
- 433. Peabody Associates, L.L.C.
- 434. Pennington Road Property, L.L.C.
- 435. Pensacola Real Estate Holdings I, LLC (f/k/a Pensacola Real Estate Holdings I, Inc.)
- 436. Pensacola Real Estate Holdings II, LLC (f/k/a Pensacola Real Estate Holdings II, Inc.)
- 437. Pensacola Real Estate Holdings III, LLC (f/k/a Pensacola Real Estate Holdings III, Inc.)
- 438. Pensacola Real Estate Holdings IV, LLC (f/k/a Pensacola Real Estate Holdings IV, Inc.)
- 439. Pensacola Real Estate Holdings V, LLC (f/k/a Pensacola Real Estate Holdings V, Inc.)
- 440. Pocatello Idaho Property, L.L.C.
- 441. Pomona Vista L.L.C.
- 442. Prescott Arkansas, L.L.C.
- 443. PV Realty–Willow Tree, LLC
- 444. Raton Property Limited Company
- 445. Ravenna Ohio Property, L.L.C.

[Schedule I – 6<sup>th</sup> Supplemental Indenture – 2027 Notes]

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- 446. Red Rocks, L.L.C.
- 447. Richland Washington, L.L.C.
- 448. Riverside Nursing Home Associates Two, L.L.C.
- 449. Riverside Nursing Home Associates, L.L.C.
- 450. Rockingham Drive Property, L.L.C.
- 451. Rose Baldwin Park Property L.L.C.
- 452. S.C. Portfolio Property, L.L.C.
- 453. Salem Associates, L.L.C.
- 454. San Juan NH Property, LLC
- 455. Sandalwood Arkansas Property, L.L.C.
- 456. Santa Ana-Bartlett, L.L.C.
- 457. Santa Fe Missouri Associates, L.L.C.
- 458. Savoy/Bonham Venture, L.L.C.
- 459. Searcy Aviv, L.L.C.
- 460. Sedgwick Properties, L.L.C.
- 461. Seguin Texas Property, L.L.C.
- 462. Sierra Ponds Property, L.L.C.
- 463. Skyler Boyington, LLC (f/k/a Skyler Boyington, Inc.)
- 464. Skyler Florida, LLC (f/k/a Skyler Florida, Inc.)
- 465. Skyler Maitland LLC
- 466. Skyler Pensacola, LLC (f/k/a Skyler Pensacola, Inc.)
- 467. Skyview Associates, L.L.C.
- 468. Southeast Missouri Property, L.L.C.
- 469. Southern California Nevada, L.L.C.
- 470. St. Joseph Missouri Property, L.L.C.
- 471. St. Mary's Properties, LLC (f/k/a St. Mary's Properties, Inc.)
- 472. Star City Arkansas, L.L.C.
- 473. Stephenville Texas Property, L.L.C.
- 474. Sterling Acquisition, LLC
- 475. Stevens Avenue Property, L.L.C.
- 476. Sun-Mesa Properties, L.L.C.
- 477. Suwanee, LLC
- 478. Texas Fifteen Property, L.L.C.
- 479. Texas Four Property, L.L.C.
- 480. Texas Lessor – Stonegate GP, LLC
- 481. Texas Lessor – Stonegate, Limited, LLC
- 482. Texas Lessor – Stonegate, LP
- 483. Texhoma Avenue Property, L.L.C.
- 484. The Suburban Pavilion, LLC (f/k/a The Suburban Pavilion, Inc.)
- 485. Tujung, L.L.C.
- 486. Tulare County Property, L.L.C.
- 487. VRB Aviv, L.L.C.
- 488. Washington Idaho Property, L.L.C.
- 489. Washington Lessor – Silverdale, LLC
- 490. Washington-Oregon Associates, L.L.C.
- 491. Watauga Associates, L.L.C.

- 492. Wellington Leasehold, L.L.C.
- 493. West Pearl Street, L.L.C.
- 494. West Yarmouth Property I, L.L.C.
- 495. Wheeler Healthcare Associates, L.L.C.
- 496. Whitlock Street Property, L.L.C.
- 497. Wilcare, LLC
- 498. Willis Texas Aviv, L.L.C.
- 499. Yuba Aviv, L.L.C.

[Schedule I – 6<sup>th</sup> Supplemental Indenture – 2027 Notes]

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**Schedule II**

**NEW SUBSIDIARIES**

1. 3232 Artesia Real Estate, LLC
2. CHR Bartow LLC
3. CHR Boca Raton LLC
4. CHR Bradenton LLC
5. CHR Cape Coral LLC
6. CHR Fort Myers LLC
7. CHR Fort Walton Beach LLC
8. CHR Lake Wales LLC
9. CHR Lakeland LLC
10. CHR Pompano Beach Broward LLC
11. CHR Pompano Beach LLC
12. CHR Sanford LLC
13. CHR Spring Hill LLC
14. CHR St. Pete Bay LLC
15. CHR St. Pete Egret LLC
16. CHR Tampa Carrollwood LLC
17. CHR Tampa LLC
18. CHR Tarpon Springs LLC
19. CHR Titusville LLC
20. G&L Gardens, LLC
21. OHI Asset (GA) Dunwoody, LLC
22. OHI Asset (GA) Roswell, LLC
23. OHI Asset (LA) Baton Rouge, LLC
24. OHI Asset (NY) 2nd Avenue, LLC
25. OHI Asset (NY) 93rd Street, LLC
26. Palm Valley Senior Care, LLC
27. Ridgecrest Senior Care, LLC
28. Westerville Ohio Office Property, L.L.C.
29. OHI Asset HUD H-F, LLC

[Schedule II – 6<sup>th</sup> Supplemental Indenture – 2027 Notes]

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**FIFTH SUPPLEMENTAL INDENTURE**  
**(Senior Notes due 2025)**

**THIS FIFTH SUPPLEMENTAL INDENTURE** (this "Fifth Supplemental Indenture") is dated as of August 4, 2015, among OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation (the "Issuer"), each of the SUBSIDIARY GUARANTORS listed on Schedule I hereto (collectively, the "Subsidiary Guarantors"), each of the entities listed on Schedule II hereto (collectively, the "New Subsidiaries"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

**WITNESSETH :**

**WHEREAS**, the Issuer and the Subsidiary Guarantors have heretofore executed and delivered to the Trustee an Indenture, dated as of September 11, 2014 (as supplemented by that First Supplemental Indenture, dated as of November 25, 2014, that Second Supplemental Indenture, dated as of January 23, 2015, that Third Supplemental Indenture, effective as of March 2, 2015 and that Fourth Supplemental Indenture, dated as of April 1, 2015; the "Indenture"), providing for the issuance of the Issuer's 4.50% Senior Notes due 2025 (the "Notes");

**WHEREAS**, Section 9.01 of the Indenture authorizes the Issuer, the Subsidiary Guarantors and the Trustee, together, to amend or supplement the Indenture, without notice to or consent of any Holder of the Notes, for the purpose of making any change that would not materially adversely affect the rights of any Holder of the Notes;

**WHEREAS**, pursuant to Section 4.14 and/or 5.01(b) of the Indenture, the New Subsidiaries are required to become Subsidiary Guarantors;

**WHEREAS**, in Section 1.01 of the Indenture, the term "Subsidiary Guarantors" is defined to include all Persons that become a Subsidiary Guarantor by the terms of the Indenture after the Closing Date; and

**WHEREAS**, Section 10.01 of the Indenture provides that each Subsidiary Guarantor shall be a guarantor of the Issuer's obligations under the Notes, subject to the terms and conditions described in the Indenture.

**NOW, THEREFORE**, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuer, the Subsidiary Guarantors, the New Subsidiaries and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. **AMENDMENT TO GUARANTEE.** The New Subsidiaries hereby agree, jointly and severally with all other Subsidiary Guarantors, to guarantee the Issuer's obligations under the Notes on the terms and subject to the conditions set forth in the Indenture, and to be bound by, and to receive the benefit of, all other applicable provisions of the Indenture as Subsidiary Guarantors. Such guarantee shall be evidenced by the New Subsidiaries' execution of Subsidiary Guarantees, the form of which is attached as Exhibit E to the Indenture, and shall be effective as of the effective date hereof.
3. **NO RECOURSE AGAINST OTHERS.** No past, present or future director, officer, employee, incorporator, stockholder, member, manager or controlling person of the New Subsidiaries, as such, shall have any liability for any obligations of the Issuer or any Subsidiary Guarantor under the Notes, any Guarantees, the Indenture or this Fifth Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes, by accepting and holding a Note, waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Notes.
4. **NEW YORK LAW TO GOVERN.** The laws of the State of New York shall govern and be used to construe this Fifth Supplemental Indenture.
5. **COUNTERPARTS.** The parties may sign any number of copies of this Fifth Supplemental Indenture. Each signed copy shall be an original, but all of them together shall represent the same agreement.
6. **EFFECT OF HEADINGS.** The Section headings herein are for convenience only and shall not affect the construction hereof.
7. **THE TRUSTEE.** The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fifth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Issuer, the Subsidiary Guarantors and the New Subsidiaries.

**[Remainder of Page Intentionally Left Blank]**

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed, all as of the date first above written.

**ISSUER:**

**OMEGA HEALTHCARE INVESTORS, INC.,**  
a Maryland corporation

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

**SUBSIDIARY GUARANTORS:**

**OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP**

By: Omega Healthcare Investors, Inc. as General Partner

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

**ON BEHALF OF EACH OF THE OTHER SUBSIDIARY GUARANTORS  
LISTED ON SCHEDULE I**

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

[Signatures continued on the following page]

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**NEW SUBSIDIARIES:**

**ON BEHALF OF EACH OF THE NEW SUBSIDIARIES LISTED ON  
SCHEDULE II**

By: /s/ Daniel J. Booth  
Daniel J. Booth  
Chief Operating Officer and Secretary

[Signatures continued on the following page]

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**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

By: /s/ David Ferrell  
Name: David Ferrell  
Title: Vice President

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## Schedule I

### SUBSIDIARY GUARANTORS

1. 48 High Point Road, LLC
2. 245 East Wilshire Avenue, LLC
3. 446 Sycamore Road, L.L.C.
4. 523 Hayes Lane, LLC
5. 637 East Romie Lane, LLC
6. 1200 Ely Street Holdings Co. LLC
7. 1628 B Street, LLC
8. 2400 Parkside Drive, LLC
9. 2425 Teller Avenue, LLC
10. 3806 Clayton Road, LLC
11. 11900 East Artesia Boulevard, LLC
12. 13922 Cerise Avenue, LLC
13. 42235 County Road Holdings Co. LLC
14. Alamogordo Aviv, L.L.C.
15. Albany Street Property, L.L.C.
16. Arizona Lessor - Infinia, LLC
17. Arkansas Aviv, L.L.C.
18. Arma Yates, L.L.C.
19. Avery Street Property, L.L.C
20. Aviv Asset Management, L.L.C.
21. Aviv Financing I, L.L.C.
22. Aviv Financing II, L.L.C.
23. Aviv Financing III, L.L.C.
24. Aviv Financing IV, L.L.C.
25. Aviv Financing V, L.L.C.
26. Aviv Foothills, L.L.C.
27. Aviv Healthcare Capital Corporation
28. Aviv Healthcare Properties Operating Partnership I, L.P.
29. Aviv Liberty, L.L.C.
30. Avon Ohio, L.L.C.
31. Bala Cynwyd Real Estate, LP
32. Bayside Colorado Healthcare Associates, LLC
33. Bayside Street II, LLC
34. Bayside Street, LLC (f/k/a Bayside Street, Inc.)
35. Belleville Illinois, L.L.C.
36. Bellingham II Associates, L.L.C.
37. Bethel ALF Property, L.L.C.
38. BHG Aviv, L.L.C.
39. Biglerville Road, L.L.C.
40. Bonham Texas, L.L.C.
41. Bradenton ALF Property, L.L.C.
42. Burton NH Property, L.L.C.

[Schedule I – 5<sup>th</sup> Supplemental Indenture – 2027 Notes]

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43. California Aviv Two, L.L.C.
44. California Aviv, L.L.C.
45. Camas Associates, L.L.C.
46. Canton Health Care Land, LLC (f/k/a Canton Health Care Land, Inc.)
47. Carnegie Gardens LLC
48. Casa/Sierra California Associates, L.L.C.
49. CFG 2115 Woodstock Place LLC
50. Champaign Williamson Franklin, L.L.C.
51. Chardon Ohio Property Holdings, L.L.C.
52. Chardon Ohio Property, L.L.C.
53. Chatham Aviv, L.L.C.
54. Chippewa Valley, L.L.C.
55. Clarkston Care, L.L.C.
56. Clayton Associates, L.L.C.
57. Colonial Gardens, LLC
58. Colonial Madison Associates, L.L.C.
59. Colorado Lessor - Conifer, LLC
60. Columbus Texas Aviv, L.L.C.
61. Columbus Western Avenue, L.L.C.
62. Colville Washington Property, L.L.C.
63. Commerce Nursing Homes, L.L.C.
  
64. Commerce Sterling Hart Drive, L.L.C.
65. Conroe Rigby Owen Road, L.L.C.
66. CR Aviv, L.L.C.
67. Crete Plus Five Property, L.L.C.
68. Crooked River Road, L.L.C.
69. CSE Albany LLC
70. CSE Amarillo LLC
71. CSE Arden L.P.
72. CSE Augusta LLC
73. CSE Bedford LLC
74. CSE Blountville LLC
75. CSE Bolivar LLC
76. CSE Cambridge LLC
77. CSE Cambridge Realty LLC
78. CSE Camden LLC
79. CSE Canton LLC
80. CSE Casablanca Holdings II LLC
81. CSE Casablanca Holdings LLC
82. CSE Cedar Rapids LLC
83. CSE Centennial Village, LP
84. CSE Chelmsford LLC
85. CSE Chesterton LLC
86. CSE Claremont LLC
87. CSE Corpus North LLC
88. CSE Denver Iliff LLC

[Schedule I – 5<sup>th</sup> Supplemental Indenture – 2027 Notes]

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89. CSE Denver LLC
90. CSE Douglas LLC
91. CSE Elkton LLC
92. CSE Elkton Realty LLC
93. CSE Fairhaven LLC
94. CSE Fort Wayne LLC
95. CSE Frankston LLC
96. CSE Georgetown LLC
97. CSE Green Bay LLC
98. CSE Hilliard LLC
99. CSE Huntingdon LLC
100. CSE Huntsville LLC
101. CSE Indianapolis-Continental LLC
102. CSE Indianapolis-Greenbriar LLC
103. CSE Jacinto City LLC
104. CSE Jefferson City LLC
105. CSE Jeffersonville-Hillcrest Center LLC
106. CSE Jeffersonville-Jennings House LLC
107. CSE Kerrville LLC
108. CSE King L.P.
109. CSE Kingsport LLC
110. CSE Knightdale L.P.
111. CSE Lake City LLC
112. CSE Lake Worth LLC
113. CSE Lakewood LLC
114. CSE Las Vegas LLC
115. CSE Lawrenceburg LLC
116. CSE Lenoir L.P.
117. CSE Lexington Park LLC
118. CSE Lexington Park Realty LLC
119. CSE Ligonier LLC
120. CSE Live Oak LLC
121. CSE Lowell LLC
122. CSE Marianna Holdings LLC
123. CSE Memphis LLC
124. CSE Mobile LLC
125. CSE Moore LLC
126. CSE North Carolina Holdings I LLC
127. CSE North Carolina Holdings II LLC
128. CSE Omro LLC
129. CSE Orange Park LLC
130. CSE Orlando-Pinar Terrace Manor LLC
131. CSE Orlando-Terra Vista Rehab LLC
132. CSE Pennsylvania Holdings, LP
133. CSE Piggott LLC
134. CSE Pilot Point LLC

[Schedule I – 5<sup>th</sup> Supplemental Indenture – 2027 Notes]

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135. CSE Pine View LLC
136. CSE Ponca City LLC
137. CSE Port St. Lucie LLC
138. CSE Richmond LLC
139. CSE Ripley LLC
140. CSE Ripon LLC
141. CSE Safford LLC
142. CSE Salina LLC
143. CSE Seminole LLC
144. CSE Shawnee LLC
145. CSE Spring Branch LLC
146. CSE Stillwater LLC
147. CSE Taylorsville LLC
148. CSE Texarkana LLC
149. CSE Texas City LLC
150. CSE The Village LLC
151. CSE Upland LLC
152. CSE Walnut Cove L.P.
153. CSE West Point LLC
154. CSE Whitehouse LLC
155. CSE Williamsport LLC
156. CSE Winter Haven LLC
157. CSE Woodfin L.P.
158. CSE Yorktown LLC
159. Cuyahoga Falls Property, L.L.C.
160. Dallas Two Property, L.L.C.
161. Danbury ALF Property, L.L.C.
162. Darien ALF Property, L.L.C.
163. Delta Investors I, LLC
164. Delta Investors II, LLC
165. Denison Texas, L.L.C.
166. Desert Lane LLC
167. Dixie White House Nursing Home, LLC (f/k/a Dixie White House Nursing Home, Inc.)
168. Dixon Health Care Center, LLC (f/k/a Dixon Health Care Center, Inc.)
169. East Rollins Street, L.L.C.
170. Edgewood Drive Property, L.L.C.
171. Effingham Associates, L.L.C.
172. Elite Mattoon, L.L.C.
173. Elite Yorkville, L.L.C.
174. Encanto Senior Care, LLC
175. Falcon Four Property Holding, L.L.C.
176. Falcon Four Property, L.L.C.
177. Falfurrias Texas, L.L.C.
178. Florida ALF Properties, L.L.C.
179. Florida Four Properties, L.L.C.

[Schedule I – 5<sup>th</sup> Supplemental Indenture – 2027 Notes]

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180. Florida Lessor – Meadowview, LLC
181. Florida Real Estate Company, LLC
182. Fort Stockton Property, L.L.C.
183. Four Fountains Aviv, L.L.C.
184. Fredericksburg South Adams Street, L.L.C.
185. Freewater Oregon, L.L.C.
186. Fullerton California, L.L.C.
187. Gardnerville Property, L.L.C.
188. Georgia Lessor - Bonterra/Parkview, LLC
189. Germantown Property, L.L.C.
190. Giltex Care, L.L.C.
191. Glendale NH Property, L.L.C.
192. Golden Hill Real Estate Company, LLC
193. Gonzales Texas Property, L.L.C.
194. Great Bend Property, L.L.C.
195. Greenbough, LLC
196. Greenville Kentucky Property, L.L.C.
197. Heritage Monterey Associates, L.L.C.
198. HHM Aviv, L.L.C.
199. Hidden Acres Property, L.L.C.
200. Highland Leasehold, L.L.C.
201. Hobbs Associates, L.L.C.
202. Hot Springs Atrium Owner, LLC
203. Hot Springs Aviv, L.L.C.
204. Hot Springs Cottages Owner, LLC
205. Hot Springs Marina Owner, LLC
206. Houston Texas Aviv, L.L.C.
207. Hutchinson Kansas, L.L.C.
208. Hutton I Land, LLC (f/k/a Hutton I Land, Inc.)
209. Hutton II Land, LLC (f/k/a Hutton II Land, Inc.)
210. Hutton III Land, LLC (f/k/a Hutton III Land, Inc.)
211. Idaho Associates, L.L.C.
212. Illinois Missouri Properties, L.L.C.
213. Indiana Lessor – Wellington Manor, LLC
  
214. Iowa Lincoln County Property, L.L.C.
215. Jasper Springhill Street, L.L.C.
216. Kansas Five Property, L.L.C.
217. Karan Associates Two, L.L.C.
218. Karan Associates, L.L.C.
219. Karissa Court Property, L.L.C.
220. KB Northwest Associates, L.L.C.
221. Kentucky NH Properties, L.L.C.
222. Kingsville Texas, L.L.C.
223. LAD I Real Estate Company, LLC
224. Leatherman 90-1, LLC (f/k/a Leatherman 90-1, Inc.)

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- 225. Leatherman Partnership 89-1, LLC (f/k/a Leatherman Partnership 89-1, Inc.)
- 226. Leatherman Partnership 89-2, LLC (f/k/a Leatherman Partnership 89-2, Inc.)
- 227. Louisville Dutchmans Property, L.L.C.
- 228. Magnolia Drive Property, L.L.C.
- 229. Manor Associates, L.L.C.
- 230. Mansfield Aviv, L.L.C.
- 231. Massachusetts Nursing Homes, L.L.C.
- 232. McCarthy Street Property, L.L.C.
- 233. Meridian Arms Land, LLC (f/k/a Meridian Arms Land, Inc.)
- 234. Minnesota Associates, L.L.C.
- 235. Mishawaka Property, L.L.C.
- 236. Missouri Associates, L.L.C.
- 237. Missouri Regency Associates, L.L.C.
- 238. Montana Associates, L.L.C.
- 239. Monterey Park Leasehold Mortgage, L.L.C.
- 240. Mount Washington Property, L.L.C.
- 241. Mt. Vernon Texas, L.L.C.
- 242. Murray County, L.L.C.
- 243. Muscatine Toledo Properties, L.L.C.
- 244. N.M. Bloomfield Three Plus One Limited Company
- 245. N.M. Espanola Three Plus One Limited Company
- 246. N.M. Lordsburg Three Plus One Limited Company
- 247. N.M. Silver City Three Plus One Limited Company
- 248. New Hope Property, L.L.C.
- 249. Newtown ALF Property, L.L.C.
- 250. Nicholasville Kentucky Property, L.L.C.
- 251. North Las Vegas LLC
- 252. North Royalton Ohio Property, L.L.C.
- 253. Norwalk ALF Property, L.L.C.
- 254. NRS Ventures, L.L.C.
- 255. Oakland Nursing Homes, L.L.C.
- 256. Ocean Springs Nursing Home, LLC (f/k/a Ocean Springs Nursing Home, Inc.)
- 257. October Associates, L.L.C.
- 258. Ogden Associates, L.L.C.
- 259. OHI (Connecticut), LLC
- 260. OHI (Illinois), LLC(f/k/a OHI (Illinois), Inc.)
- 261. OHI (Indiana), LLC
- 262. OHI (Iowa), LLC(f/k/a OHI (Iowa), Inc.)
- 263. OHI Asset (AR) Ash Flat, LLC
- 264. OHI Asset (AR) Camden, LLC
- 265. OHI Asset (AR) Conway, LLC
- 266. OHI Asset (AR) Des Arc, LLC
- 267. OHI Asset (AR) Hot Springs, LLC

- 268. OHI Asset (AR) Malvern, LLC
- 269. OHI Asset (AR) Mena, LLC
- 270. OHI Asset (AR) Pocahontas, LLC
- 271. OHI Asset (AR) Sheridan, LLC
- 272. OHI Asset (AR) Walnut Ridge, LLC
- 273. OHI Asset (AZ) Austin House, LLC
- 274. OHI Asset (CA), LLC
- 275. OHI Asset (CO), LLC
- 276. OHI Asset (CT) Lender, LLC
- 277. OHI Asset (FL) Lake Placid, LLC
- 278. OHI Asset (FL) Lender, LLC
- 279. OHI Asset (FL) Lutz, LLC
- 280. OHI Asset (FL), LLC
- 281. OHI Asset (GA) Macon, LLC
- 282. OHI Asset (GA) Moultrie, LLC
- 283. OHI Asset (GA) Snellville, LLC
- 284. OHI Asset (ID) Holly, LLC
- 285. OHI Asset (ID) Midland, LLC
- 286. OHI Asset (ID), LLC
- 287. OHI Asset (IL), LLC
- 288. OHI Asset (IN) American Village, LLC
- 289. OHI Asset (IN) Anderson, LLC
- 290. OHI Asset (IN) Beech Grove, LLC
- 291. OHI Asset (IN) Clarksville, LLC
- 292. OHI Asset (IN) Clinton, LLC
- 293. OHI Asset (IN) Connersville, LLC
- 294. OHI Asset (IN) Crown Point, LLC
- 295. OHI Asset (IN) Eagle Valley, LLC
- 296. OHI Asset (IN) Elkhart, LLC
- 297. OHI Asset (IN) Forest Creek, LLC
- 298. OHI Asset (IN) Fort Wayne, LLC
- 299. OHI Asset (IN) Franklin, LLC
- 300. OHI Asset (IN) Greensburg, LLC
- 301. OHI Asset (IN) Indianapolis, LLC
- 302. OHI Asset (IN) Jasper, LLC
- 303. OHI Asset (IN) Kokomo, LLC
- 304. OHI Asset (IN) Lafayette, LLC
- 305. OHI Asset (IN) Madison, LLC
- 306. OHI Asset (IN) Monticello, LLC
- 307. OHI Asset (IN) Noblesville, LLC
- 308. OHI Asset (IN) Rosewalk, LLC
- 309. OHI Asset (IN) Salem, LLC
- 310. OHI Asset (IN) Seymour, LLC
- 311. OHI Asset (IN) Spring Mill, LLC
- 312. OHI Asset (IN) Terre Haute, LLC
- 313. OHI Asset (IN) Wabash, LLC

- 314. OHI Asset (IN) Westfield, LLC
- 315. OHI Asset (IN) Zionsville, LLC
- 316. OHI Asset (LA), LLC
- 317. OHI Asset (MD), LLC
- 318. OHI Asset (MI) Heather Hills, LLC
- 319. OHI Asset (MI), LLC
- 320. OHI Asset (MO), LLC
- 321. OHI Asset (MS) Byhalia, LLC
- 322. OHI Asset (MS) Cleveland, LLC
- 323. OHI Asset (MS) Clinton, LLC
- 324. OHI Asset (MS) Columbia, LLC
- 325. OHI Asset (MS) Corinth, LLC
- 326. OHI Asset (MS) Greenwood, LLC
- 327. OHI Asset (MS) Grenada, LLC
- 328. OHI Asset (MS) Holly Springs, LLC
- 329. OHI Asset (MS) Indianola, LLC
- 330. OHI Asset (MS) Natchez, LLC
- 331. OHI Asset (MS) Picayune, LLC
- 332. OHI Asset (MS) Vicksburg, LLC
- 333. OHI Asset (MS) Yazoo City, LLC
- 334. OHI Asset (NC) Wadesboro, LLC
- 335. OHI Asset (OH) Lender, LLC
- 336. OHI Asset (OH), LLC
- 337. OHI Asset (OR) Portland, LLC
- 338. OHI Asset (OR) Troutdale, LLC
- 339. OHI Asset (PA) GP, LLC
- 340. OHI Asset (PA) West Mifflin, LP
- 341. OHI Asset (PA), LLC
- 342. OHI Asset (PA), LP
- 343. OHI Asset (SC) Aiken, LLC
- 344. OHI Asset (SC) Anderson, LLC
- 345. OHI Asset (SC) Easley Anne, LLC
- 346. OHI Asset (SC) Easley Crestview, LLC
- 347. OHI Asset (SC) Edgefield, LLC
- 348. OHI Asset (SC) Greenville Griffith, LLC
- 349. OHI Asset (SC) Greenville Laurens, LLC
- 350. OHI Asset (SC) Greenville North, LLC
- 351. OHI Asset (SC) Greenville, LLC
- 352. OHI Asset (SC) Greer, LLC
- 353. OHI Asset (SC) Marietta, LLC
- 354. OHI Asset (SC) McCormick, LLC
- 355. OHI Asset (SC) Orangeburg, LLC
- 356. OHI Asset (SC) Pickens East Cedar, LLC
- 357. OHI Asset (SC) Pickens Rosemond, LLC
- 358. OHI Asset (SC) Piedmont, LLC
- 359. OHI Asset (SC) Simpsonville SE Main, LLC

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- 360. OHI Asset (SC) Simpsonville West Broad, LLC
- 361. OHI Asset (SC) Simpsonville West Curtis, LLC
- 362. OHI Asset (TN) Bartlett, LLC
- 363. OHI Asset (TN) Collierville, LLC
- 364. OHI Asset (TN) Jefferson City, LLC
- 365. OHI Asset (TN) Memphis, LLC
- 366. OHI Asset (TN) Rogersville, LLC
- 367. OHI Asset (TX) Anderson, LLC
- 368. OHI Asset (TX) Bryan, LLC
- 369. OHI Asset (TX) Burleson, LLC
- 370. OHI Asset (TX) College Station, LLC
- 371. OHI Asset (TX) Comfort, LLC
- 372. OHI Asset (TX) Diboll, LLC
- 373. OHI Asset (TX) Granbury, LLC
- 374. OHI Asset (TX) Hondo, LLC
- 375. OHI Asset (TX) Italy, LLC
- 376. OHI Asset (TX) Winnsboro, LLC
- 377. OHI Asset (TX), LLC
- 378. OHI Asset (UT) Ogden, LLC
- 379. OHI Asset (UT) Provo, LLC
- 380. OHI Asset (UT) Roy, LLC
- 381. OHI Asset (VA) Charlottesville, LLC
- 382. OHI Asset (VA) Farmville, LLC
  
- 383. OHI Asset (VA) Hillsville, LLC
- 384. OHI Asset (VA) Rocky Mount, LLC
- 385. OHI Asset (WA) Battle Ground, LLC
- 386. OHI Asset (WV) Danville, LLC
- 387. OHI Asset (WV) Ivydale, LLC
- 388. OHI Asset CHG ALF, LLC
- 389. OHI Asset CSB LLC
- 390. OHI Asset CSE – E, LLC
- 391. OHI Asset CSE – U, LLC
- 392. OHI Asset CSE–E Subsidiary, LLC
- 393. OHI Asset CSE–U Subsidiary, LLC
- 394. OHI Asset HUD CFG, LLC
- 395. OHI Asset HUD Delta, LLC
- 396. OHI Asset HUD SF CA, LLC
- 397. OHI Asset HUD SF, LLC
- 398. OHI Asset HUD WO, LLC
- 399. OHI Asset II (CA), LLC
- 400. OHI Asset II (FL), LLC
- 401. OHI Asset II (PA), LP
- 402. OHI Asset III (PA), LP
- 403. OHI Asset IV (PA) Silver Lake Trust
- 404. OHI Asset Management, LLC
- 405. OHI Asset RO PMM Services, LLC

- 406. OHI Asset RO, LLC
- 407. OHI Asset, LLC
- 408. OHI Healthcare Properties Holdco, Inc.
- 409. OHI Healthcare Properties Limited Partnership
- 410. OHI Mezz Lender, LLC
- 411. OHI Tennessee, LLC (f/k/a OHI Tennessee, Inc.)
- 412. OHIMA, LLC (f/k/a OHIMA, Inc.)
- 413. Ohio Aviv Three, L.L.C.
- 414. Ohio Aviv Two, L.L.C.
- 415. Ohio Aviv, L.L.C.
- 416. Ohio Indiana Property, L.L.C.
- 417. Ohio Pennsylvania Property, L.L.C.
- 418. Oklahoma Two Property, L.L.C.
- 419. Oklahoma Warr Wind, L.L.C.
- 420. Omaha Associates, L.L.C.
- 421. Omega TRS I, Inc.
- 422. Orange ALF Property, L.L.C.
- 423. Orange Village Care Center, LLC (f/k/a Orange Village Care Center, Inc.)
- 424. Orange, L.L.C.
- 425. Oregon Associates, L.L.C.
- 426. Oso Avenue Property, L.L.C.
- 427. Ostrom Avenue Property, L.L.C.
- 428. Panama City Nursing Center LLC
- 429. Pavillion North Partners, LLC
- 430. Pavillion North, LLP
- 431. Pavillion Nursing Center North, LLC
- 432. Peabody Associates Two, L.L.C.
- 433. Peabody Associates, L.L.C.
- 434. Pennington Road Property, L.L.C.
- 435. Pensacola Real Estate Holdings I, LLC (f/k/a Pensacola Real Estate Holdings I, Inc.)
- 436. Pensacola Real Estate Holdings II, LLC (f/k/a Pensacola Real Estate Holdings II, Inc.)
- 437. Pensacola Real Estate Holdings III, LLC (f/k/a Pensacola Real Estate Holdings III, Inc.)
- 438. Pensacola Real Estate Holdings IV, LLC (f/k/a Pensacola Real Estate Holdings IV, Inc.)
- 439. Pensacola Real Estate Holdings V, LLC (f/k/a Pensacola Real Estate Holdings V, Inc.)
- 440. Pocatello Idaho Property, L.L.C.
- 441. Pomona Vista L.L.C.
- 442. Prescott Arkansas, L.L.C.
- 443. PV Realty–Willow Tree, LLC
- 444. Raton Property Limited Company
- 445. Ravenna Ohio Property, L.L.C.

[Schedule I – 5<sup>th</sup> Supplemental Indenture – 2027 Notes]

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- 446. Red Rocks, L.L.C.
- 447. Richland Washington, L.L.C.
- 448. Riverside Nursing Home Associates Two, L.L.C.
- 449. Riverside Nursing Home Associates, L.L.C.
- 450. Rockingham Drive Property, L.L.C.
- 451. Rose Baldwin Park Property L.L.C.
- 452. S.C. Portfolio Property, L.L.C.
- 453. Salem Associates, L.L.C.
- 454. San Juan NH Property, LLC
- 455. Sandalwood Arkansas Property, L.L.C.
- 456. Santa Ana-Bartlett, L.L.C.
- 457. Santa Fe Missouri Associates, L.L.C.
- 458. Savoy/Bonham Venture, L.L.C.
- 459. Searcy Aviv, L.L.C.
- 460. Sedgwick Properties, L.L.C.
- 461. Seguin Texas Property, L.L.C.
- 462. Sierra Ponds Property, L.L.C.
- 463. Skyler Boyington, LLC (f/k/a Skyler Boyington, Inc.)
- 464. Skyler Florida, LLC (f/k/a Skyler Florida, Inc.)
- 465. Skyler Maitland LLC
- 466. Skyler Pensacola, LLC (f/k/a Skyler Pensacola, Inc.)
- 467. Skyview Associates, L.L.C.
- 468. Southeast Missouri Property, L.L.C.
- 469. Southern California Nevada, L.L.C.
- 470. St. Joseph Missouri Property, L.L.C.
- 471. St. Mary's Properties, LLC (f/k/a St. Mary's Properties, Inc.)
- 472. Star City Arkansas, L.L.C.
- 473. Stephenville Texas Property, L.L.C.
- 474. Sterling Acquisition, LLC
- 475. Stevens Avenue Property, L.L.C.
- 476. Sun-Mesa Properties, L.L.C.
- 477. Suwanee, LLC
- 478. Texas Fifteen Property, L.L.C.
- 479. Texas Four Property, L.L.C.
- 480. Texas Lessor – Stonegate GP, LLC
- 481. Texas Lessor – Stonegate, Limited, LLC
- 482. Texas Lessor – Stonegate, LP
- 483. Texhoma Avenue Property, L.L.C.
- 484. The Suburban Pavilion, LLC (f/k/a The Suburban Pavilion, Inc.)
- 485. Tujunga, L.L.C.
- 486. Tulare County Property, L.L.C.
- 487. VRB Aviv, L.L.C.
- 488. Washington Idaho Property, L.L.C.
- 489. Washington Lessor – Silverdale, LLC
- 490. Washington-Oregon Associates, L.L.C.
- 491. Watauga Associates, L.L.C.

- 492. Wellington Leasehold, L.L.C.
- 493. West Pearl Street, L.L.C.
- 494. West Yarmouth Property I, L.L.C.
- 495. Wheeler Healthcare Associates, L.L.C.
- 496. Whitlock Street Property, L.L.C.
- 497. Wilcare, LLC
- 498. Willis Texas Aviv, L.L.C.
- 499. Yuba Aviv, L.L.C.

[Schedule I – 5<sup>th</sup> Supplemental Indenture – 2027 Notes]

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## Schedule II

### NEW SUBSIDIARIES

1. 3232 Artesia Real Estate, LLC
2. CHR Bartow LLC
3. CHR Boca Raton LLC
4. CHR Bradenton LLC
5. CHR Cape Coral LLC
6. CHR Fort Myers LLC
7. CHR Fort Walton Beach LLC
8. CHR Lake Wales LLC
9. CHR Lakeland LLC
10. CHR Pompano Beach Broward LLC
11. CHR Pompano Beach LLC
12. CHR Sanford LLC
13. CHR Spring Hill LLC
14. CHR St. Pete Bay LLC
15. CHR St. Pete Egret LLC
16. CHR Tampa Carrollwood LLC
17. CHR Tampa LLC
18. CHR Tarpon Springs LLC
19. CHR Titusville LLC
20. G&L Gardens, LLC
21. OHI Asset (GA) Dunwoody, LLC
22. OHI Asset (GA) Roswell, LLC
23. OHI Asset (LA) Baton Rouge, LLC
24. OHI Asset (NY) 2nd Avenue, LLC
25. OHI Asset (NY) 93rd Street, LLC
26. Palm Valley Senior Care, LLC
27. Ridgecrest Senior Care, LLC
28. Westerville Ohio Office Property, L.L.C.
29. OHI Asset HUD H-F, LLC

[Schedule II – 5<sup>th</sup> Supplemental Indenture – 2027 Notes]

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**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: November 6, 2015

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

**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: November 6, 2015

/s/ ROBERT O. STEPHENSON  
Robert O. Stephenson  
Chief Financial Officer

**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 September 30, 2015 (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: November 6, 2015

/S/ C. TAYLOR PICKETT

C. Taylor Pickett  
Chief Executive Officer

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**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 September 30, 2015 (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: November 6, 2015

/S/ ROBERT O. STEPHENSON

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Robert O. Stephenson  
Chief Financial Officer

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