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, 2017

or

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

For the transition period from _______________ to _______________

OMEGA HEALTHCARE INVESTORS, INC.
OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP

(Exact name of Registrant as specified in its charter)

Maryland (Omega Healthcare Investors, Inc.) Delaware (OHI Healthcare Properties Limited Partnership) (State of incorporation or organization)	1-11316 (Omega Healthcare Investors, Inc.) 333-203447-11 (OHI Healthcare Properties Limited Partnership) (Commission file number)	38-3041398 (Omega Healthcare Investors, Inc.) 36-4796206 (OHI Healthcare Properties Limited Partnership) (IRS Employer Identification No.)

303 International Circle, Suite 200, 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.

Omega Healthcare Investors, Inc. Yes ☒ No ☐ OHI Healthcare Properties Limited Partnership 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).

Omega Healthcare Investors, Inc. Yes ☒ No ☐ OHI Healthcare Properties Limited Partnership Yes ☒ No ☐

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

Omega Healthcare Investors, Inc.

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

OHI Healthcare Properties Limited Partnership

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Omega Healthcare Investors, Inc. ☐ OHI Healthcare Properties Limited Partnership ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Omega Healthcare Investors, Inc. Yes ☐ No ☒ OHI Healthcare Properties Limited Partnership Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuers' classes of common stock as of October 27, 2017

Omega Healthcare Investors, Inc.

Common Stock, $.10 par value	**198,073,305**
OHI Healthcare Properties Limited Partnership	
N/A	**No common stock outstanding**
(Class)	**(Number of shares)**

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2017 of Omega Healthcare Investors, Inc. and OHI Healthcare Properties Limited Partnership ("Omega OP"). Unless stated otherwise or the context otherwise requires, (i) references to "Omega" or the "Company" means Omega Healthcare Investors, Inc. and its consolidated subsidiaries, (ii) references to "Parent" refer to Omega Healthcare Investors, Inc. without regard to its consolidated subsidiaries, and (iii) references to "Omega OP" means OHI Healthcare Properties Limited Partnership and its consolidated subsidiaries.

Omega is a self-administered real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). Omega is structured as an umbrella partnership REIT ("UPREIT") under which, all of Omega's assets are owned directly or indirectly, and all of Omega's operations are conducted directly or indirectly, by its subsidiary, Omega OP.

Parent directly owned approximately 96% of the issued and outstanding partnership units in Omega OP (the "Omega OP Units") at September 30, 2017. Omega OP Units, other than those owned by Parent are exchangeable on a one-for-one basis for Parent's common shares. The management of Parent consists of the same members as the management of Omega OP.

The financial results of Omega OP are consolidated into the financial statements of Omega. Omega has no significant assets other than its investments in Omega OP. Omega and Omega OP are managed and operated as one entity. Omega OP has no significant assets other than its interests in non-guarantor subsidiaries.

We believe it is important for investors to understand the few differences between Omega and Omega OP in the context of how we operate as a consolidated company. Omega acts as the general partner of Omega OP. Net proceeds from equity issuances by Parent are contributed to Omega OP in exchange for additional partnership units. Parent and Omega OP incur indebtedness. The outstanding senior notes and certain other debt of Parent is guaranteed by Omega OP.

The presentation of debt, stockholders' equity, owners' equity and noncontrolling interests are the main areas of difference between the consolidated financial statements of Omega and Omega OP. The differences between debt, stockholders' equity and owners' equity result from differences in the debt or equity issued at the Omega and Omega OP levels. With respect to owners' equity, the units held by the partners in Omega OP are accounted for as owners' equity in Omega OP's financial statements and as noncontrolling interests in Omega's financial statements. Although classified differently, total debt and equity of Omega and Omega OP are the same.

We believe combining the quarterly reports on Form 10-Q of Omega and Omega OP into this single report results in the following benefits:

- combined reports better reflect how management and the analyst community view the business as a single operating unit;
- combined reports enhance investors' understanding of Omega and Omega OP by enabling them to view the business as a whole and in the same manner as management;
- combined reports are more efficient for Omega and Omega OP and result in savings in time, effort and expense; and
- combined reports are more efficient for investors by reducing duplicative disclosure and providing a single document for their review.

In order to highlight the differences between Omega and Omega OP, the separate sections in this report for Omega and Omega OP specifically refer to Omega and Omega OP. In the sections that combine disclosure of Omega and Omega OP, this report refers to "we" and "us" actions or holdings as being "our" actions or holdings. Although Omega OP and its subsidiaries hold all of our assets, we believe that reference to "we," "us" or "our" in this context is appropriate because the business is one enterprise and we operate substantially all of our business through Omega OP.

OMEGA HEALTHCARE INVESTORS, INC.
OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP
FORM 10-Q
September 30, 2017

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1 - Financial Statements

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

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Real estate properties		
Real estate investments (see Note 2)	$ 7,977,043	$ 7,566,358
Less accumulated depreciation	(1,432,154)	(1,240,336)
Real estate investments – net	6,544,889	6,326,022
Investments in direct financing leases – net	364,997	601,938
Mortgage notes receivable – net	666,606	639,343
	7,576,492	7,567,303
Other investments – net	273,821	256,846
Investment in unconsolidated joint venture	37,733	48,776
Assets held for sale – net	17,324	52,868
Total investments	7,905,370	7,925,793
Cash and cash equivalents	24,318	93,687
Restricted cash	10,596	13,589
Accounts receivable – net	269,746	240,035
Goodwill	644,571	643,474
Other assets	36,045	32,682
Total assets	$ 8,890,646	$ 8,949,260
LIABILITIES AND EQUITY		
Revolving line of credit	$ 365,000	$ 190,000
Term loans – net	903,221	1,094,343
Secured borrowings – net	53,419	54,365
Unsecured borrowings – net	3,322,888	3,028,146
Accrued expenses and other liabilities	285,690	360,514
Deferred income taxes	17,589	9,906
Total liabilities	4,947,807	4,737,274
Equity:		
Common stock $.10 par value authorized – 350,000 shares, issued and outstanding – 198,065 shares as of September 30, 2017 and 196,142 as of December 31, 2016	19,806	19,614
Common stock – additional paid-in capital	4,925,908	4,861,408
Cumulative net earnings	1,776,956	1,738,937
Cumulative dividends paid	(3,080,999)	(2,707,387)
Accumulated other comprehensive loss	(34,843)	(53,827)
Total stockholders’ equity	3,606,828	3,858,745
Noncontrolling interest	336,011	353,241
Total equity	3,942,839	4,211,986
Total liabilities and equity	$ 8,890,646	$ 8,949,260

See notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Revenue				
Rental income	$ 194,063	$ 185,837	$ 580,597	$ 548,994
Income from direct financing leases	614	15,611	31,722	46,574
Mortgage interest income	16,920	15,996	49,173	53,973
Other investment income – net	7,245	6,229	21,437	14,642
Miscellaneous income	796	965	4,250	2,158
Total operating revenues	219,638	224,638	687,179	666,341
Expenses				
Depreciation and amortization	71,925	68,316	212,268	196,254
General and administrative	11,560	12,428	35,625	34,715
Acquisition costs	-	2,309	(22)	9,584
Impairment loss on real estate properties	17,837	17,275	35,610	58,726
Impairment loss on direct financing leases	194,659	-	197,968	-
Provision for uncollectible accounts	11,899	(3)	13,667	3,967
Total operating expenses	307,880	100,325	495,116	303,246
(Loss) income before other income and expense	**(88,242)**	**124,313**	**192,063**	**363,095**
Other income (expense)				
Interest income	4	157	262	169
Interest expense	(47,383)	(42,855)	(140,509)	(119,728)
Interest – amortization of deferred financing costs	(2,228)	(2,502)	(7,273)	(6,844)
Interest – refinancing costs	-	(1,815)	(21,965)	(2,113)
Contractual settlement	-	-	10,412	-
Realized gain (loss) on foreign exchange	95	(222)	235	(244)
Total other expense	(49,512)	(47,237)	(158,838)	(128,760)
(Loss) income before gain on assets sold	**(137,754)**	**77,076**	**33,225**	**234,335**
Gain on assets sold – net	693	5,139	7,491	19,931
(Loss) income from continuing operations	**(137,061)**	**82,215**	**40,716**	**254,266**
Income taxes	(999)	(81)	(2,690)	(782)
Income from unconsolidated joint venture	545	-	1,728	-
Net (loss) income	**(137,515)**	**82,134**	**39,754**	**253,484**
Net loss (income) attributable to noncontrolling interest	**5,837**	**(3,585)**	**(1,735)**	**(11,328)**
Net (loss) income available to common stockholders	**$ (131,678)**	**$ 78,549**	**$ 38,019**	**$ 242,156**
Earnings per common share available to common stockholders:				
Basic:				
Net (loss) income available to common stockholders	$ (0.67)	$ 0.40	$ 0.19	$ 1.27
Diluted:				
Net (loss) income	$ (0.67)	$ 0.40	$ 0.19	$ 1.26
Dividends declared per common share	$ 0.64	$ 0.60	$ 1.89	$ 1.75
Weighted-average shares outstanding, basic	197,890	194,123	197,445	190,444
Weighted-average shares outstanding, diluted	206,662	204,078	206,502	200,528

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
Unaudited
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net (loss) income	**$ (137,515)**	**$ 82,134**	**$ 39,754**	**$ 253,484**
Other comprehensive income (loss):				
Foreign currency translation	5,022	(6,845)	19,630	(33,411)
Derivative instruments	2,351	980	198	(12,094)
Total other comprehensive income (loss)	7,373	(5,865)	19,828	(45,505)
Comprehensive (loss) income	**(130,142)**	**76,269**	**59,582**	**207,979**
Comprehensive loss (income) attributable to noncontrolling interest	5,524	(3,329)	(2,579)	(9,282)
Comprehensive (loss) income attributable to common stockholders	**$ (124,618)**	**$ 72,940**	**$ 57,003**	**$ 198,697**

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	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2016 (196,142 common shares & 8,862 Omega OP Units)	$ 19,614	$ 4,861,408	$ 1,738,937	$ (2,707,387)	$ (53,827)	$ 3,858,745	$ 353,241	$ 4,211,986
Grant of restricted stock to company directors (32 shares at $31.23 per share)	3	(3)	—	—	—	—	—	—
Stock-based compensation expense	—	11,350	—	—	—	11,350	—	11,350
Vesting/exercising of equity compensation plan, net of tax withholdings (114 shares)	11	(2,131)	—	—	—	(2,120)	—	(2,120)
Dividend reinvestment and stock purchase plan (957 shares at an average of $31.49 per share)	96	30,040	—	—	—	30,136	—	30,136
Grant of stock as payment of directors fees (5 shares at an average of $32.18 per share)	1	149	—	—	—	150	—	150
Deferred compensation directors (8 shares at $32.10 per share)	—	38	—	—	—	38	—	38
Equity Shelf Program (718 shares at $30.92 per share, net of issuance costs)	72	22,124	—	—	—	22,196	—	22,196
Common dividends declared ($1.89 per share)	—	—	—	(373,612)	—	(373,612)	—	(373,612)
Conversion of Omega OP Units to common stock (89 shares at $32.91 per share)	9	2,933	—	—	—	2,942	—	2,942
Redemption of Omega OP Units (90 units)	—	—	—	—	—	—	(2,990)	(2,990)
Omega OP Units distributions	—	—	—	—	—	—	(16,819)	(16,819)
Comprehensive income:								
Foreign currency translation	—	—	—	—	18,795	18,795	835	19,630
Derivative instruments	—	—	—	—	189	189	9	198
Net income	—	—	38,019	—	—	38,019	1,735	39,754
Total comprehensive income								59,582
Balance at September 30, 2017 (198,065 shares & 8,772 Omega OP Units)	$ 19,806	$ 4,925,908	$ 1,776,956	$ (3,080,999)	$ (34,843)	$ 3,606,828	$ 336,011	$ 3,942,839

See notes to consolidated financial statements.

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

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash flows from operating activities		
Net income	$ 39,754	$ 253,484
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	212,268	196,254
Impairment loss on real estate properties	35,610	58,726
Impairment loss on direct financing leases	197,968	—
Provision for uncollectible accounts	13,667	3,967
Refinancing costs and amortization of deferred financing costs	17,468	8,957
Accretion of direct financing leases	(6,139)	(8,999)
Stock-based compensation expense	11,350	10,116
Gain on assets sold – net	(7,491)	(19,931)
Amortization of acquired in-place leases - net	(9,101)	(10,957)
Effective yield receivable on mortgage notes	(1,558)	(209)
Change in operating assets and liabilities – net:		
Contractual receivables	(35,418)	203
Straight-line rent receivables	(13,559)	(29,959)
Lease inducements	1,342	1,942
Other operating assets and liabilities	(25,900)	(6,357)
Net cash provided by operating activities	430,261	457,237
Cash flows from investing activities		
Acquisition of real estate	(345,268)	(959,748)
Cash acquired	2,341	—
Investments in construction in progress	(69,409)	(44,113)
Investments in direct financing leases	(6,951)	(1,079)
Proceeds from sale of direct financing lease assets	33,074	—
Placement of mortgage loans	(29,324)	(27,895)
Distributions from unconsolidated joint venture	10,966	—
Proceeds from sale of real estate investments	69,788	64,746
Capital improvements to real estate investments	(25,293)	(31,408)
Proceeds from other investments	45,045	49,482
Investments in other investments	(86,075)	(242,999)
Collection of mortgage principal	1,058	58,149
Net cash used in investing activities	(400,048)	(1,134,865)
Cash flows from financing activities		
Proceeds from credit facility borrowings	1,487,000	1,134,000
Payments on credit facility borrowings	(1,312,000)	(1,141,000)
Receipts of other long-term borrowings	1,346,749	1,048,173
Payments of other long-term borrowings	(1,252,463)	(180,934)
Payments of financing related costs	(29,198)	(11,770)
Receipts from dividend reinvestment plan	30,136	229,769
Payments for exercised options and restricted stock	(2,120)	(23,403)
Net proceeds from issuance of common stock	22,196	—
Dividends paid	(373,424)	(333,663)
Redemption of Omega OP Units	(48)	(732)
Distributions to Omega OP Unit Holders	(16,819)	(15,738)
Net cash (used in) provided by financing activities	(99,991)	704,702
Effect of foreign currency translation on cash and cash equivalents	409	69
(Decrease) increase in cash and cash equivalents	(69,369)	27,143
Cash and cash equivalents at beginning of period	93,687	5,424
Cash and cash equivalents at end of period	$ 24,318	$ 32,567

See notes to consolidated financial statements.

OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Real estate properties		
Real estate investments (see Note 2)	$ 7,977,043	$ 7,566,358
Less accumulated depreciation	(1,432,154)	(1,240,336)
Real estate investments – net	6,544,889	6,326,022
Investments in direct financing leases – net	364,997	601,938
Mortgage notes receivable – net	666,606	639,343
	7,576,492	7,567,303
Other investments – net	273,821	256,846
Investment in unconsolidated joint venture	37,733	48,776
Assets held for sale – net	17,324	52,868
Total investments	7,905,370	7,925,793
Cash and cash equivalents	24,318	93,687
Restricted cash	10,596	13,589
Accounts receivable – net	269,746	240,035
Goodwill	644,571	643,474
Other assets	36,045	32,682
Total assets	$ 8,890,646	$ 8,949,260
LIABILITIES AND OWNERS' EQUITY		
Term loans – net	$ 99,390	$ 100,000
Secured borrowings – net	53,419	54,365
Accrued expenses and other liabilities	230,127	302,959
Deferred income taxes	17,589	9,906
Intercompany loans payable	4,547,282	4,270,044
Total liabilities	4,947,807	4,737,274
Owners' Equity:		
General partners' equity	3,606,828	3,858,745
Limited partners' equity	336,011	353,241
Total owners' equity	3,942,839	4,211,986
Total liabilities and owners' equity	$ 8,890,646	$ 8,949,260

See notes to consolidated financial statements.

OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Revenue				
Rental income	$ 194,063	$ 185,837	$ 580,597	$ 548,994
Income from direct financing leases	614	15,611	31,722	46,574
Mortgage interest income	16,920	15,996	49,173	53,973
Other investment income – net	7,245	6,229	21,437	14,642
Miscellaneous income	796	965	4,250	2,158
Total operating revenues	219,638	224,638	687,179	666,341
Expenses				
Depreciation and amortization	71,925	68,316	212,268	196,254
General and administrative	11,560	12,428	35,625	34,715
Acquisition costs	-	2,309	(22)	9,584
Impairment loss on real estate properties	17,837	17,275	35,610	58,726
Impairment loss on direct financing leases	194,659	-	197,968	-
Provision for uncollectible accounts	11,899	(3)	13,667	3,967
Total operating expenses	307,880	100,325	495,116	303,246
(Loss) income before other income and expense	**(88,242)**	**124,313**	**192,063**	**363,095**
Other income (expense)				
Interest income	4	157	262	169
Interest expense	(47,383)	(42,855)	(140,509)	(119,728)
Interest – amortization of deferred financing costs	(2,228)	(2,502)	(7,273)	(6,844)
Interest – refinancing costs	-	(1,815)	(21,965)	(2,113)
Contractual settlement	-	-	10,412	-
Realized gain (loss) on foreign exchange	95	(222)	235	(244)
Total other expense	(49,512)	(47,237)	(158,838)	(128,760)
(Loss) income before gain on assets sold	**(137,754)**	**77,076**	**33,225**	**234,335**
Gain on assets sold – net	693	5,139	7,491	19,931
(Loss) income from continuing operations	**(137,061)**	**82,215**	**40,716**	**254,266**
Income taxes	(999)	(81)	(2,690)	(782)
Income from unconsolidated joint venture	545	-	1,728	-
Net (loss) income	**$ (137,515)**	**$ 82,134**	**$ 39,754**	**$ 253,484**
Earnings per unit:				
Basic:				
Net (loss) income	$ (0.67)	$ 0.40	$ 0.19	$ 1.27
Diluted:				
Net (loss) income	$ (0.67)	$ 0.40	$ 0.19	$ 1.26
Dividends declared per Omega OP Unit	$ 0.64	$ 0.60	$ 1.89	$ 1.75
Weighted-average Omega OP Units outstanding, basic	206,662	202,985	206,231	199,354
Weighted-average Omega OP Units outstanding, diluted	206,662	204,078	206,502	200,528

See notes to consolidated financial statements.

OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
Unaudited
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net (loss) income	**$ (137,515)**	**$ 82,134**	**$ 39,754**	**$ 253,484**
Other comprehensive income (loss):				
Foreign currency translation	5,022	(6,845)	19,630	(33,411)
Derivative instruments	2,351	980	198	(12,094)
Total other comprehensive income (loss)	7,373	(5,865)	19,828	(45,505)
Comprehensive (loss) income	**$ (130,142)**	**$ 76,269**	**$ 59,582**	**$ 207,979**

See notes to consolidated financial statements.

OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
Unaudited
(in thousands)

	General Partners' Omega OP Units	Limited Partners' Omega OP Units	Total Omega OP Units	General Partners' Equity	Limited Partners' Equity	Total Owners' Equity
Balance at December 31, 2016	196,142	8,862	205,004	$ 3,858,745	$ 353,241	$ 4,211,986
Contributions from partners	1,923	—	1,923	64,692	—	64,692
Distributions to partners	—	—	—	(373,612)	(16,819)	(390,431)
Omega OP Unit redemptions	—	(90)	(90)	—	(2,990)	(2,990)
Comprehensive income						
Foreign currency translation	—	—	—	18,795	835	19,630
Derivative instruments	—	—	—	189	9	198
Net income	—	—	—	38,019	1,735	39,754
Total comprehensive income						59,582
Balance at September 30, 2017	198,065	8,772	206,837	$ 3,606,828	$ 336,011	$ 3,942,839

See notes to consolidated financial statements.

OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited (in thousands)

	Nine Months Ended September 30,	
	2017	**2016**
Cash flows from operating activities		
Net income	$ 39,754	$ 253,484
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	212,268	196,254
Impairment loss on real estate properties	35,610	58,726
Impairment loss on direct financing leases	197,968	—
Provision for uncollectible accounts	13,667	3,967
Refinancing costs and amortization of deferred financing costs	17,468	8,957
Accretion of direct financing leases	(6,139)	(8,999)
Stock-based compensation expense	11,350	10,116
Gain on assets sold – net	(7,491)	(19,931)
Amortization of acquired in-place leases - net	(9,101)	(10,957)
Effective yield receivable on mortgage notes	(1,558)	(209)
Change in operating assets and liabilities – net:		
Contractual receivables	(35,418)	203
Straight-line rent receivables	(13,559)	(29,959)
Lease inducements	1,342	1,942
Other operating assets and liabilities	(25,900)	(6,357)
Net cash provided by operating activities	430,261	457,237
Cash flows from investing activities		
Acquisition of real estate	(345,268)	(959,748)
Cash acquired	2,341	—
Investments in construction in progress	(69,409)	(44,113)
Investments in direct financing leases	(6,951)	(1,079)
Proceeds from sale of direct financing lease assets	33,074	—
Placement of mortgage loans	(29,324)	(27,895)
Distributions from unconsolidated joint venture	10,966	—
Proceeds from sale of real estate investments	69,788	64,746
Capital improvements to real estate investments	(25,293)	(31,408)
Proceeds from other investments	45,045	49,482
Investments in other investments	(86,075)	(242,999)
Collection of mortgage principal	1,058	58,149
Net cash used in investing activities	(400,048)	(1,134,865)
Cash flows from financing activities		
Proceeds from intercompany loans payable from Omega	2,833,749	2,182,173
Repayment of intercompany loans payable to Omega	(2,564,463)	(1,321,934)
Payment of financing related costs incurred by Omega	(29,198)	(11,770)
Equity contributions from general partners	50,212	206,366
Distributions to general partners	(373,424)	(333,663)
Distributions to limited partners	(16,819)	(15,738)
Redemption of Omega OP Units	(48)	(732)
Net cash (used in) provided by financing activities	(99,991)	704,702
Effect of foreign currency translation on cash and cash equivalents	409	69
(Decrease) increase in cash and cash equivalents	(69,369)	27,143
Cash and cash equivalents at beginning of period	93,687	5,424
Cash and cash equivalents at end of period	$ 24,318	$ 32,567

See notes to consolidated financial statements.

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Overview and Organization

Omega Healthcare Investors, Inc. (“Omega”) was formed as a real estate investment trust (“REIT”) and incorporated in the State of Maryland on March 31, 1992. All of Omega's assets are owned directly or indirectly, and all of Omega's operations are conducted directly or indirectly, through its subsidiary, OHI Healthcare Properties Limited Partnership (“Omega OP”). Omega OP was formed as a limited partnership and organized in the State of Delaware on October 24, 2014. No substantive assets or activity occurred in Omega OP until the merger with Aviv REIT, Inc. on April 1, 2015. Unless stated otherwise or the context otherwise requires, the terms the “Company,” “we,” “our” and “us” means Omega and Omega OP, collectively.

The Company has one reportable segment consisting of investments in healthcare-related real estate properties located in the United States (“U.S.”) and the United Kingdom (“U.K.”). Our core business is to provide financing and capital to the long-term healthcare industry with a particular focus on skilled nursing facilities (“SNFs”) and, to a lesser extent, assisted living facilities (“ALFs”), independent living facilities and rehabilitation and acute care facilities. Our core portfolio consists of long-term leases and mortgage agreements. All of our leases are “triple-net” leases, which require the tenants to pay all property-related expenses. Our mortgage revenue derives from fixed rate mortgage loans, which are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor.

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 Omega, Aviv, OHI Healthcare Properties Holdco, Inc., a Delaware corporation (“OHI Holdco”), Omega OP, and Aviv Healthcare Properties Limited Partnership, a Delaware limited partnership.

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, all of Omega’s assets are held by Omega OP, through its equity interests in its subsidiaries.

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”). Omega is the sole general partner of Omega OP, and has exclusive control over Omega OP’s day-to-day management pursuant to the Partnership Agreement. As of September 30, 2017, Omega owned approximately 96% of the issued and outstanding units of partnership interest in Omega OP (“Omega OP Units”), and investors owned approximately 4% of the outstanding Omega OP Units.

On September 26, 2017, OHI Holdco, a wholly owned subsidiary of Omega and a co-general partner of Omega OP, was merged with and into Omega, resulting in Omega becoming the sole general partner of Omega OP.

Basis of Presentation

The accompanying unaudited consolidated financial statements 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. These unaudited consolidated financial statements should be read in conjunction with the financial statements and the footnotes thereto included in our Form 10-K/A filed with the SEC on August 9, 2017.

Omega's 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.

Omega OP's consolidated financial statements include the accounts of (i) Omega OP, and (ii) all direct and indirect wholly owned subsidiaries of Omega OP. All intercompany transactions and balances have been eliminated in consolidation.

Real Estate Investment Impairment

Management evaluates our real estate investments for impairment indicators at each reporting period, including the evaluation of our assets' useful lives. The judgment regarding the existence of impairment indicators is based on factors such as, but not limited to, market conditions, operator performance, legal structure, as well as our intent with respect to holding or disposing of the asset. If indicators of impairment are present, management evaluates the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying facilities. The estimated future undiscounted cash flows are generally based on the related lease which relates to one or more properties. In cases where the Company decides to separate one or more properties from the related lease in anticipation of a sale or transition of the property to another operator, the estimated undiscounted future cash flows specific to those properties are separated from the related lease at that time. Provisions for impairment losses related to long-lived assets are recognized when expected future undiscounted cash flows based on our intended use of the property are determined to be less than the carrying values of the assets. An adjustment is made to the net carrying value of the real estate investments for the excess of carrying value over fair value. The fair value of the real estate investment is determined based on current market conditions and consider matters such as rental rates and occupancies for comparable properties, recent sales data for comparable properties, and, where applicable, contracts or the results of negotiations with purchasers or prospective purchasers. Additionally, our evaluation of fair value may consider valuing the property as a nursing home as well as alternative uses. All impairments are taken as a period cost at that time, and depreciation is adjusted going forward to reflect the new value assigned to the asset. Management's impairment evaluation process, and when applicable, impairment calculations involve estimation of the future cash flows from management's intended use of the property. Changes in the facts and circumstances that drive management's assumptions may result in an impairment of the Company's assets in a future period that could be material to the Company's results of operations.

For the three months ended September 30, 2017 and 2016, we recognized impairment losses on real estate properties of $17.8 million and $17.3 million, respectively. For the nine months ended September 30, 2017 and 2016, we recognized impairment losses on real estate properties of $35.6 million and $58.7 million, respectively. For additional information see Note 2 – Properties and Investments.

Allowance for Losses on Mortgages, Other Investments and Direct Financing Leases

The allowances for losses on mortgage notes receivable, other investments and direct financing leases (collectively, our "loans") are maintained at a level believed adequate to absorb potential losses. The determination of the allowances is based on a quarterly evaluation of these loans, including general economic conditions and estimated collectability of loan payments. We evaluate the collectability of our loans receivable based on a combination of factors, including, but not limited to, delinquency status, financial strength of the borrower and guarantors and the value of the underlying collateral. If such factors indicate that there is greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the loan agreements. Consistent with this definition, all loans on non-accrual status are deemed impaired. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to full accrual status. When management identifies potential loan impairment indicators, the loan is written down to the present value of the expected future cash flows. In cases where expected future cash flows are not readily determinable, the loan is written down to the fair value of the underlying collateral. We may base our valuation on a loan's observable market price, if any, or the fair value of collateral, net of sales costs, if the repayment of the loan is expected to be provided solely by the sale of the collateral.

We account for impaired loans and direct financing leases using (a) the cost-recovery method, and/or (b) the cash basis method. We generally utilize the cost-recovery method for impaired loans or direct financing leases for which impairment reserves were recorded. We utilize the cash basis method for impaired loans or direct financing leases for which no impairment reserves were recorded because the net present value of the discounted cash flows expected under the loan or direct financing lease and/or the underlying collateral supporting the loan or direct financing lease were equal to or exceeded the book value of the loans or direct financing leases. Under the cost-recovery method, we apply cash received against the outstanding loan balance or direct financing lease prior to recording interest income. Under the cash basis method, we apply cash received to principal or interest income based on the terms of the agreement. As of September 30, 2017 and December 31, 2016, we had $181.8 million and $8.7 million, respectively, of reserves on our loans. For additional information see Note 3 – Direct Financing Leases, Note 4 – Mortgage Notes Receivable and Note 5 – Other Investments.

Goodwill Impairment

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 on an interim basis, we assess qualitative factors such as a significant decline in real estate valuations, current macroeconomic conditions, state of the equity and capital markets and our overall financial and operating performance or a significant decline in the value of our market capitalization, 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. On an annual basis during the fourth quarter of each fiscal year, or on an interim basis if we conclude it is more likely than not that the fair value of the reporting unit is less than its carrying value, we perform a two-step goodwill impairment test to identify potential impairment and measure the amount of impairment we will recognize, if any.

Noncontrolling Interests

Noncontrolling interests is the portion of equity not attributable to the respective reporting entity. 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, or owners' equity on our Consolidated Balance Sheets. We include net (loss) income attributable to the noncontrolling interests in net income in our Consolidated Statements of Operations.

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.

The noncontrolling interest for Omega represents the outstanding Omega OP Units held by outside investors.

Foreign Operations

The U.S. dollar is the functional currency for our consolidated subsidiaries operating in the U.S. The functional currency for our consolidated subsidiaries operating in the U.K. is the British Pound. 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. Revenue and expense accounts are translated using an average exchange rate for the period. Gains and losses resulting from translation are included in Omega OP's owners' equity and Omega's accumulated other comprehensive loss ("AOCL"), as a separate component of equity and a proportionate amount of gain or loss is allocated to noncontrolling interests.

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 Omega OP's owners' equity and Omega's AOCL.

Derivative Instruments

Cash flow hedges

During our normal course of business, we may use certain types of derivative instruments for the purpose of managing interest rate and currency risk. To qualify for hedge accounting, derivative instruments used for risk management purposes must effectively reduce the risk exposure that they are designed to hedge. In addition, at the inception of a qualifying cash flow hedging relationship, the underlying transaction or transactions, must be, and are expected to remain, probable of occurring in accordance with the Company's related assertions. The Company recognizes all derivative instruments, including embedded derivatives required to be bifurcated, as assets or liabilities in the Consolidated Balance Sheets at their fair value which are determined using a market approach and Level 2 inputs. Changes in the fair value of derivative instruments that are not designated in hedging relationships or that do not meet the criteria of hedge accounting are recognized in earnings. For derivatives designated as qualifying cash flow hedging relationships, the change in fair value of the effective portion of the derivatives is recognized in Omega OP's owners' equity and Omega's AOCL as a separate component of equity and a proportionate amount of gain or loss is allocated to noncontrolling interest, whereas the change in fair value of the ineffective portion is recognized in earnings. We formally document all relationships between hedging instruments and hedged items, as well as our risk-management objectives and strategy for undertaking various hedge transactions. This process includes designating all derivatives that are part of a hedging relationship to specific forecasted transactions as well as recognized obligations or assets in the Consolidated Balance Sheets. We also assess and document, both at inception of the hedging relationship and on a quarterly basis thereafter, whether the derivatives are highly effective in offsetting the designated risks associated with the respective hedged items. If it is determined that a derivative ceases to be highly effective as a hedge, or that it is probable the underlying forecasted transaction will not occur, we discontinue hedge accounting prospectively and record the appropriate adjustment to earnings based on the current fair value of the derivative. As a matter of policy, we do not use derivatives for trading or speculative purposes. At September 30, 2017 and December 31, 2016, we had $1.2 million and $1.5 million, respectively, of qualifying cash flow hedges recorded at fair value in accrued expenses and other liabilities on our Consolidated Balance Sheets.

Net investment hedge

We use the spot method to measure the effectiveness of our net investment hedge. Under this method, for each reporting period, the change in the carrying value of the hedging instrument due to remeasurement of the effective portion is reported in Omega OP's owners' equity and Omega's AOCL in our Consolidated Balance Sheets and the remaining change in the carrying value of the ineffective portion, if any, is recognized in earnings. We evaluate the effectiveness of our net investment hedge on a quarterly basis. We did not record any ineffectiveness for fiscal 2017.

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 rent 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, a mortgage recognized on an effective yield basis or the existence of lease inducements, we generally provide an allowance for straight-line, effective interest, and/or lease inducement accounts receivable when certain conditions or indicators of adverse collectability are present. If the accounts receivable balance is subsequently deemed uncollectible, the receivable and allowance for doubtful account balance are written off. At September 30, 2017, three of our operators were approximately 90 days or more past due on rent/interest payments to the Company. Two of these operators are considered top ten operators as determined based on total revenue. Of these three operators, rent/interest from two of these operators is being recognized on a cash basis as of September 30, 2017.

A summary of our accounts receivable by type is as follows:

	September 30, 2017	December 31, 2016
	(in thousands)	
Contractual receivables	$ 42,085	$ 13,376
Effective yield interest receivables	11,307	9,749
Straight-line rent receivables	218,292	208,874
Lease inducements	7,051	8,393
Allowance for contractual receivables	(8,989)	(357)
Accounts receivable – net	$ 269,746	$ 240,035

During the third quarter of 2017, the Company recorded a provision for uncollectible accounts of approximately $9.5 million related to contractual and straight-line rent receivables for one of our top ten operators. See Note 3 – Direct Financing Leases for additional information.

Related Party Transactions

The Company has a policy which generally requires related party transactions to be approved or ratified by the Audit Committee. On February 1, 2016, we acquired 10 SNFs from Laurel Healthcare Holdings, Inc. ("Laurel") for approximately $169.0 million in cash and leased them to an unrelated existing operator. A former member of the Board of Directors of the Company, together with certain members of his immediate family, beneficially owned approximately 34% of the equity of Laurel prior to the transaction. Immediately following our acquisition, the unrelated existing operator acquired all of the outstanding equity interests of Laurel, including the interests previously held by the former director of the Company and his family.

Reclassification

Certain prior quarter amounts have been reclassified to conform with the current quarter presentation.

Accounting Pronouncement Adopted in 2017

In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718)* ("ASU 2016-09"). ASU 2016-09 amends the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for annual and interim reporting periods of public entities beginning after December 15, 2016. We adopted this accounting standard on January 1, 2017, at which time the Company began prospectively accounting for excess tax benefits or tax deficiencies as an adjustment to income tax expense in our Consolidated Statements of Operations as opposed to the prior requirement that these excess tax benefits be recognized in additional paid-in capital and tax deficiencies be recognized either as an offset to accumulated excess tax benefits, if any, or in the income statement. The Company will continue to account for forfeitures as they occur and present employee taxes paid as a financing activity on our Consolidated Statements of Cash Flows. The adoption of this accounting standard did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements - Pending Adoption

In 2014, the FASB issued 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. In addition, the FASB has begun to issue targeted updates to clarify specific implementation issues of ASU 2014-09. These updates include ASU 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net),* ASU 2016-10, *Identifying Performance Obligations and Licensing,* and ASU 2016-12, *Narrow-Scope Improvements and Practical Expedients.* The Company intends to adopt ASU 2014-09 and its subsequent updates in accordance with the modified retrospective approach. The Company has completed its analysis of ASU 2014-09 and its related updates and has determined that its adoption will not have a material impact on our consolidated financial statements, as a substantial portion of our revenue consists of rental income from leasing arrangements and interest income from loan arrangements, both of which are specifically excluded from ASU 2014-09.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective for the Company beginning January 1, 2019. Early adoption of ASU 2016-02 as of its issuance is permitted. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. As a result of the pending adoption ASU 2016-02 and in connection with the pending adoption of ASU 2014-09, the Company may be required to record real estate tax revenues and an equal an offsetting real estate tax expense, as a result of our operators paying real estate taxes on our behalf. We are continuing to evaluate the other impacts of adopting ASU 2016-02 on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASU 2016-13"), which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019 and early adoption is permitted for annual and interim periods beginning after December 15, 2018. We are currently evaluating the impact of adopting ASU 2016-13 on our consolidated financial statements.

In August 2017 the FASB issued ASU 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"). The purpose of this updated guidance is to better align the financial reporting for hedging activities with the economic objectives of those activities. The transition guidance provides companies with the option of early adopting the new standard using a modified retrospective transition method in any interim period after issuance of the update, or alternatively requires adoption for fiscal years beginning after December 15, 2018. This adoption method will require the Company to recognize the cumulative effect of initially applying ASU 2017-12 as an adjustment to accumulated other comprehensive income (loss) with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the update. While the Company continues to assess all potential impacts of the standard, we do not expect the adoption of ASU 2017-12 to have a material impact on our consolidated financial statements.

NOTE 2 – PROPERTIES AND INVESTMENTS

Leased Property

Our leased real estate properties, represented by 772 SNFs, 120 ALFs, 16 specialty facilities and one medical office building at September 30, 2017, are leased under provisions of single or master operating leases with initial terms typically ranging from five to 15 years, plus renewal options. Also see Note 3 – Direct Financing Leases for information regarding additional properties accounted for as direct financing leases. 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 between 2.0% and 3.0%; (ii) an increase based on the change in pre-determined formulas from year to year (e.g., 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.

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

	September 30, 2017	December 31, 2016
	(in thousands)	
Buildings	$ 6,249,790	$ 5,954,771
Land	818,014	759,295
Furniture, fixtures and equipment	471,495	454,760
Site improvements	225,455	206,206
Construction in progress	212,289	191,326
Total real estate investments	7,977,043	7,566,358
Less accumulated depreciation	(1,432,154)	(1,240,336)
Real estate investments - net	$ 6,544,889	$ 6,326,022

The following table summarizes the significant acquisitions that occurred in 2017:

Period	Number of Facilities SNF	Number of Facilities ALF	Country/ State	Total Investment	Land	Building & Site Improvements	Furniture & Fixtures	Initial Annual Cash Yield(2) (%)
				(in millions)				
Q1	-	1	VA	$ 7.6	$ 0.5	$ 6.8	$ 0.3	7.50
Q2	1	-	NC	8.6	0.7	7.3	0.6	9.50
Q2	-	18	UK	124.2(1)	34.1	85.1	5.0	8.50
Q3	-	1	TX	2.3	0.7	1.5	0.1	9.25
Q3	15	-	IN	211.0	18.0	180.2	12.8	9.50
Q3	9	-	TX	19.0(3)	1.7	15.5	1.8	18.60
Total	25	20		$ 372.7	$ 55.7	$ 296.4	$ 20.6	

(1) Omega recorded a non-cash deferred tax liability and acquisition costs of approximately $8.2 million and $1.2 million, respectively, in connection with this acquisition.
(2) The cash yield is based on the purchase price.
(3) In July 2017, we transitioned nine SNFs formerly subject to a direct financing lease to another operator. As a result of terminating the direct financing lease, we wrote down the facilities to our original cost basis and recorded an impairment on the direct financing lease of approximately $1.8 million. See Note 3 – Direct Financing Leases for additional information.

During the second quarter of 2017, we acquired two parcels of land which are not reflected in the table above for approximately $5.5 million with the intent of building new facilities for an existing operator.

Asset Sales, Impairments and Other

During the first quarter of 2017, we sold 15 facilities subject to operating leases for approximately $45.8 million in net proceeds recognizing a gain on sale of approximately $7.4 million. Eleven of the sold facilities were previously classified as held for sale. In addition, we recorded impairments of approximately $7.6 million on three facilities, one of which was reclassified to held for sale as of March 31, 2017.

During the second quarter of 2017, we sold three facilities subject to operating leases for approximately $18.3 million in net cash proceeds recognizing a loss on sale of approximately $0.6 million. Two of the sold facilities were previously classified as assets held for sale. In addition, we recorded impairments of approximately $10.1 million on six facilities.

During the third quarter of 2017, we sold two SNFs (one previously classified as held for sale) subject to operating leases for approximately $5.7 million in net proceeds recognizing a gain on sale of approximately $0.7 million. In addition, we recorded impairments of approximately $15.3 million on five facilities (two were subsequently reclassified to held for sale). We also wrote off approximately $2.5 million of capitalized costs associated with the termination of a construction project with one of our operators.

Our recorded impairments were primarily the result of a decision to exit certain non-strategic facilities and/or operators. We reduced the net book value of the impaired facilities to their estimated fair values or, with respect to the facilities reclassified to held for sale, to its estimated fair value less costs to sell. To estimate the fair value of the facilities, we utilized a market approach and Level 3 inputs (which generally consist of non-binding offers from unrelated third parties). Also see Note 3 – Direct Financing Leases and Note 7 – Assets Held For Sale.

NOTE 3 – DIRECT FINANCING LEASES

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

	September 30, 2017	December 31, 2016
	(in thousands)	
Minimum lease payments receivable	$ 3,716,562	$ 4,287,069
Less unearned income	(3,179,625)	(3,685,131)
Investment in direct financing leases	536,937	601,938
Less allowance for loss on direct financing lease	(171,940)	—
Investment in direct financing leases – net	$ 364,997	$ 601,938
Properties subject to direct financing leases	42	58

The following minimum rents are due under our direct financing leases for the remainder of 2017 and the subsequent five years (in thousands):

2017(1)	2018(1)	2019(1)	2020(1)	2021(1)	2022(1)
$ 11,245	$ 45,798	$ 46,920	$ 48,059	$ 49,136	$ 50,349

(1) Orianna represents approximately 94% of the contractual minimum rent payments due under our direct financing leases.

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” which does business as “Orianna Health Systems” and is herein referred to as “Orianna”), 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.

In March 2017, we executed sale agreements with two unrelated third parties to sell seven facilities leased to Orianna located in the Northwest, representing all of the facilities subject to that direct financing lease, with a carrying value of approximately $36.4 million for approximately $34.0 million. During the first quarter of 2017, we recorded an impairment of approximately $2.4 million. In the second quarter of 2017, we sold five of the Northwest facilities and received net cash proceeds of approximately $27.3 million and recorded an additional impairment of approximately $0.9 million. In the third quarter of 2017, we sold the remaining two Northwest facilities for approximately $5.8 million.

In July 2017, we transitioned nine SNFs, representing all of the facilities subject to another direct financing lease with Orianna in the Texas region, to an existing operator of the Company pursuant to an operating lease. In connection with this transaction, we recorded the real estate properties at our original cost basis of approximately $19.0 million, eliminated our investment in the direct financing lease and recorded an impairment of approximately $1.8 million. In conjunction with this transaction, we also amended our Orianna Southeast region master lease in July 2017 to reduce the outstanding balance by $19.3 million. As a result of the amendment, we recorded an impairment on our investment in direct financing lease of approximately $20.8 million in the third quarter of 2017.

Orianna has not satisfied the contractual payments due under the terms of the remaining two direct financing leases or the separate operating lease with the Company and the collectability of future amounts due is uncertain. The Company is in preliminary discussions with Orianna regarding future actions. Such actions may include a) the sale of some or all of the facilities, b) transitioning some or all of the facilities from Orianna to other operators and c) pursuing legal action to enforce the terms of the existing agreements.

During the third quarter of 2017, the Company recorded an allowance for loss of $171.9 million with Orianna covering 38 facilities in the Southeast region of the U.S. The amount of the allowance was determined based on the fair value of the facilities subject to the direct financing lease. To estimate the fair value of the underlying collateral, the Company utilized an income approach and Level 3 inputs. The Company considered current and projected operating performance of the facilities, projected rent, prevailing capitalization rates and coverages and bed values. Such assumptions are subject to change based on changes in market conditions and the ultimate resolution of this matter. Such changes could be significantly different than the currently estimated fair value and such differences could have a material impact on the Company’s financial statements.

The 39 facilities under our master leases with Orianna as of September 30, 2017 are located in seven states, predominantly in the southeastern U.S. (38 facilities) and Indiana (1 facility). Our recorded investment in these direct financing leases, net of the $171.9 million allowance, amounted to $337.7 million, as of September 30, 2017. For the three months ended September 30, 2017, we did not recognize any direct financing lease income from Orianna. We recognized total impairments on direct financing leases for the three and nine months ended September 30, 2017 of $194.7 million and $198.0 million, respectively.

Additionally, we own four facilities and lease them to Orianna under a master lease which expires in 2026. The four facility lease is being accounted for as an operating lease. We did not recognize any income on this operating lease in the third quarter of 2017 as Orianna did not pay the contractual amounts due and collectability is uncertain. Our recorded investment in this operating lease was $38.9 million as of September 30, 2017. As of September 30, 2017, we have an allowance for contractual receivables and straight-line rent receivables related to this lease of $1.9 million representing all amounts due.

NOTE 4 – MORTGAGE NOTES RECEIVABLE

As of September 30, 2017, mortgage notes receivable relate to 29 fixed rate mortgages on 52 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 ten states that are operated by seven independent healthcare operating companies. We monitor compliance with mortgages and when necessary have initiated collection, foreclosure and other proceedings with respect to certain outstanding mortgage notes.

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 the application of security deposits.

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

	September 30, 2017	December 31, 2016
	(in thousands)	
Mortgage note due 2024; interest at 9.98%	$ 112,500	$ 112,500
Mortgage note due 2029; interest at 9.68%	411,119	412,140
Other mortgage notes outstanding [1]	147,734	118,637
Mortgage notes receivable, gross	671,353	643,277
Allowance for loss on mortgage notes receivable	(4,747)	(3,934)
Total mortgages — net	$ 666,606	$ 639,343

(1) Other mortgage notes outstanding have stated interest rates ranging from 8.35% to 14.0% and maturity dates through 2029.

NOTE 5 – OTHER INVESTMENTS

A summary of our other investments is as follows:

	September 30, 2017	December 31, 2016
	(in thousands)	
Other investment note due 2019; interest at 10.99%	$ 49,646	$ 49,458
Other investment note due 2020; interest at 14.43%	47,841	47,913
Other investment note due 2022, interest at 9.00%	31,987	31,987
Other investment note due 2030; interest at 6.66%	50,000	44,595
Other investment notes outstanding [1]	99,362	87,691
Other investments, gross	278,836	261,644
Allowance for loss on other investments	(5,015)	(4,798)
Total other investments	$ 273,821	$ 256,846

(1) Other investment notes have maturity dates through 2028 and interest rates ranging from 6.50% to 12.0%.

Other investment notes settlement

In August 2017, we executed an agreement with an existing operator that terminated our purchase option buyout obligation of approximately $30.7 million. The purchase option buyout obligation was recorded in accrued expenses and other liabilities on our Consolidated Balance Sheets. In exchange, we agreed to the settlement of other investments notes with a weighted average interest rate of 10.5% and a carrying value of approximately $30.2 million.

NOTE 6 – INVESTMENT IN UNCONSOLIDATED JOINT VENTURE

On November 1, 2016, we invested approximately $50.0 million for an approximate 15% ownership interest in a joint venture operating as Second Spring Healthcare Investments. The other approximate 85% interest is owned by affiliates of Lindsey Goldberg LLC. We account for the joint venture using the equity method. On November 1, 2016, the joint venture acquired 64 SNFs from Welltower Inc. for approximately $1.1 billion and leased them to a single operator.

We receive asset management fees from the joint venture for services provided. For the three and nine months ended September 30, 2017, we recognized $0.5 million and $1.5 million, respectively, of asset management fees. These fees are included in miscellaneous income in the accompanying Consolidated Statements of Operations. The accounting policies for the unconsolidated joint venture are the same as those of the Company.

NOTE 7 – ASSETS HELD FOR SALE

The following is a summary of our assets held for sale:

	Properties Held For Sale	
	Number of Properties	Net Book Value (in thousands)
December 31, 2016	20	$ 52,868
Properties sold/other [1]	(12)	(30,023)
Properties added [2]	1	400
March 31, 2017	9	$ 23,245
Properties sold/other [1]	(2)	(4,356)
June 30, 2017	7	$ 18,889
Properties sold/other [1]	(1)	(3,075)
Properties added [2]	2	1,510
September 30, 2017 [3]	8	$ 17,324

(1) In the first quarter of 2017, we sold nine SNFs and two ALFs for approximately $29.4 million in net proceeds recognizing a gain on sale of approximately $3.6 million. One SNF classified as an asset held for sale at December 31, 2016 was no longer considered held for sale during the first quarter of 2017 and was reclassified back to leased properties at approximately $5.1 million which represents the facility's then carrying value adjusted for depreciation that was not recognized while classified as held for sale. In the second quarter of 2017, we sold one ALF and one SNF for approximately $5.0 million in net proceeds, generating a gain on sale of approximately $0.6 million. In the third quarter of 2017, we sold one SNF for approximately $3.1 million in net proceeds recognizing a gain of $0.3 million.

(2) In the first quarter of 2017, we recorded a $3.5 million impairment to reduce one ALF's net book value to its estimated fair value less costs to sell before it was reclassified to assets held for sale. In the third quarter of 2017, we recorded a $4.5 million impairment to reduce two SNFs to their estimated fair value less costs to sell before they were reclassified to assets held for sale.

(3) We plan to sell the facilities classified as held for sale at September 30, 2017 within the next twelve months.

NOTE 8 – INTANGIBLES

The following is a summary of our intangibles as of September 30, 2017 and December 31, 2016 :

	September 30, 2017	December 31, 2016
	(in thousands)	
Assets:		
Goodwill	$ 644,571	$ 643,474
Above market leases	$ 22,426	$ 22,476
In-place leases	167	167
Accumulated amortization	(16,791)	(15,864)
Net intangible assets	$ 5,802	$ 6,779
Liabilities:		
Below market leases	$ 164,443	$ 165,028
Accumulated amortization	(80,747)	(70,738)
Net intangible liabilities	$ 83,696	$ 94,290

Above market leases and in-place leases, net of accumulated amortization, are included in other assets on our Consolidated Balance Sheets. Below market leases, net of accumulated amortization, are included in accrued expenses and other liabilities on our Consolidated Balance Sheets. The net amortization related to the above and below market leases is included in our Consolidated Statements of Operations as an adjustment to rental income.

For the three months ended September 30, 2017 and 2016, our net amortization related to intangibles was $2.9 million and $3.0 million, respectively. For the nine months ended September 30, 2017 and 2016, our net amortization related to intangibles was $9.1 million and $11.0 million, respectively. The estimated net amortization related to these intangibles for the remainder of 2017 and the subsequent four years is as follows: remainder of 2017 – $2.8 million; 2018 – $10.5 million; 2019 – $9.4 million; 2020 – $9.2 million and 2021 – $8.6 million. As of September 30, 2017 the weighted average remaining amortization period of above market leases (inclusive of in-place leases) and below market leases is approximately eight years and nine years, respectively.

The following is a reconciliation of our goodwill as of September 30, 2017:

	(in thousands)
Balance as of December 31, 2016	$ 643,474
Add: foreign currency translation	1,097
Balance as of September 30, 2017	$ 644,571

NOTE 9 – CONCENTRATION OF RISK

As of September 30, 2017, our portfolio of real estate investments consisted of 1,012 healthcare facilities, located in 42 states and the U.K. and operated by 77 third party operators. Our investment in these facilities, net of impairments and reserve for uncollectible loans, totaled approximately $9.0 billion at September 30, 2017, with approximately 99% of our real estate investments related to long-term care facilities. Our portfolio is made up of 813 SNFs, 121 ALFs, 16 specialty facilities, one medical office building, fixed rate mortgages on 47 SNFs and four ALFs, and ten facilities that are closed/held-for-sale. At September 30, 2017, we also held other investments of approximately $273.8 million, consisting primarily of secured loans to third-party operators of our facilities and a $37.7 million investment in an unconsolidated joint venture.

At September 30, 2017, we had investments with one operator/or manager that exceeded 10% of our total investments: Ciena Healthcare (“Ciena”). Ciena generated 11% of our total revenues for the three months ended September 30, 2017 and 10% of our total revenues for the nine months ended September 30, 2017. At September 30, 2017, the three states in which we had our highest concentration of investments were Ohio (9%), Florida (9%) and Texas (8%).

NOTE 10 – STOCKHOLDERS’/OWNERS' EQUITY

The Board of Directors has declared common stock dividends as set forth below:

Record Date	Payment Date	Dividend per Common Share	Increase over Prior Quarter
January 31, 2017	February 15, 2017	$ 0.62	$ 0.01
May 1, 2017	May 15, 2017	0.63	0.01
August 1, 2017	August 15, 2017	0.64	0.01
October 31, 2017	November 15, 2017	0.65	0.01

On the same dates listed above, Omega OP Unit holders received the same distributions per unit as those paid to the common stockholders of Omega.

$500 Million Equity Shelf Program

For the three months ended September 30, 2017, we issued 0.5 million shares of our common stock at an average price of $31.73 per share, net of issuance costs, generating net proceeds of $15.6 million under our $500 million Equity Shelf Program. For the nine months ended September 30, 2017, we issued 0.7 million shares of our common stock at an average price of $30.92 per share, net of issuance costs, generating net proceeds of $22.2 million under our $500 million Equity Shelf Program.

Dividend Reinvestment and Common Stock Purchase Plan

For the three months ended September 30, 2017, approximately 0.3 million shares of our common stock at an average price of $30.39 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for gross proceeds of approximately $10.4 million. For the nine months ended September 30, 2017, approximately 1.0 million shares of our common stock at an average price of $31.49 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for gross proceeds of approximately $30.1 million.

Accumulated Other Comprehensive Loss

The following is a summary of our accumulated other comprehensive loss, net of tax where applicable:

	As of and For the Three Months Ended September 30,		As of and For the Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)			
Foreign Currency Translation:				
Beginning balance	$ (40,340)	$ (34,979)	$ (54,948)	$ (8,413)
Translation gain (loss)	10,870	(6,623)	25,338	(33,167)
Realized gain (loss)	95	(222)	235	(244)
Ending balance	(29,375)	(41,824)	(29,375)	(41,824)
Derivative Instruments:				
Cash flow hedges:				
Beginning balance	(1,380)	(13,792)	(1,420)	(718)
Unrealized loss (gain)	(332)	980	(1,682)	(12,094)
Realized gain (1)	490	-	1,880	-
Ending balance	(1,222)	(12,812)	(1,222)	(12,812)
Net investment hedge:				
Beginning balance	(2,193)	-	-	-
Unrealized loss	(3,750)	-	(5,943)	-
Ending balance	(5,943)	-	(5,943)	-
Total accumulated other comprehensive loss for Omega OP(2)	**(36,540)**	**(54,636)**	**(36,540)**	**(54,636)**
Add: portion included in noncontrolling interest	1,697	2,466	1,697	2,466
Total accumulated other comprehensive loss for Omega	**$ (34,843)**	**$ (52,170)**	**$ (34,843)**	**$ (52,170)**

(1) Recorded in interest expense on the Consolidated Statements of Operations.
(2) These amounts are included in owners' equity.

NOTE 11 – TAXES

Omega is a REIT for United States federal income tax purposes, and Omega OP is a pass through entity for United States federal income tax purposes.

Since our inception, Omega has elected to be taxed as a REIT under the applicable provisions of the Internal Revenue Code (“Code”). A REIT is generally not subject to federal income tax on that portion of its REIT taxable income which is distributed to its stockholders, provided that at least 90% of such taxable income is distributed each tax year and certain other requirements are met, including asset and income tests. 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.

If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income taxes on its taxable income at regular corporate rates and dividends paid to our stockholders will not be deductible by us in computing taxable income. Further, we will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which qualification is denied, unless the Internal Revenue Service grants us relief under certain statutory provisions. Failing to qualify as a REIT could materially and adversely affect the Company’s net income; however, we believe we are organized and operate in such a manner as to qualify for treatment as a REIT. We test our compliance within the REIT taxation rules to ensure that we are in compliance with the REIT rules on a quarterly and annual basis. We review our distributions and projected distributions each year to ensure we have met and will continue to meet the annual REIT distribution requirements. In 2017, 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 wholly owned subsidiary REITs and added a sixth wholly owned subsidiary REIT as of January 1, 2016, all of which are subject to all of the REIT qualification rules set forth in the Code. We merged five of the wholly owned subsidiary REITs into a single wholly owned subsidiary REIT in December 2015, and then merged the sixth wholly owned subsidiary REIT into our other wholly owned subsidiary REIT in December 2016, which wholly owned subsidiary REIT remains 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 two of our active subsidiaries to be treated as TRSs. One of our TRSs is subject to federal, state and local income taxes at the applicable corporate rates and the other is subject to foreign income taxes. As of September 30, 2017, our TRS that is subject to federal, state and local income taxes at the applicable corporate rates had a net operating loss carry-forward of approximately $0.7 million. The loss carry-forward is fully reserved as of September 30, 2017, with a valuation allowance due to uncertainties regarding realization.

During the third quarter of 2017, we recorded approximately $0.7 million of state and local income tax provision and approximately $0.3 million of tax provision for foreign income taxes. For the nine months ended September 30, 2017, we recorded approximately $2.2 million of state and local income tax provision and approximately $0.5 million of tax provision for foreign income taxes. The expenses were included in provision for income taxes on our Consolidated Statements of Operations.

NOTE 12 – STOCK-BASED COMPENSATION

The following is a summary of our stock-based compensation expense for the three and nine months ended September 30, 2017 and 2016, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)			
Stock-based compensation expense	$ 3,872	$ 3,673	$ 11,350	$ 10,116

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. 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. We awarded 140,416 RSUs to employees on January 1, 2017.

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 and the LTIP Units have varying degrees of performance requirements to be earned and vested, 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 and vested is convertible into one Omega OP Unit in Omega OP, subject to certain conditions. The earning requirements are based on either the (i) total shareholder return ("TSR") of Omega or (ii) Omega's TSR relative to other real estate investment trusts in the MSCI U.S. REIT Index or FTSE NAREIT Equity Health Care Index TSR (both "Relative TSR"). Vesting in general requires that the employee remain employed by us until the date specified in the applicable PRSU or LTIP agreement, which may be later than the date that the TSR or Relative TSR requirements are satisfied. 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. Dividend equivalents on the PRSUs accumulate and with respect to PRSUs granted before 2015 are paid when the PRSUs vest and with respect to PRSUs granted in 2015 or later are paid once the PRSUs are earned. 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 399,726 LTIP Units to employees on January 1, 2017.

The number of shares earned under the Relative TSR PRSUs depends generally on the level of achievement of Omega's TSR relative to other real estate investment trusts in the MSCI U.S. REIT Index or FTSE NAREIT Equity Health Care Index TSR over the performance period indicated. We awarded 285,338 Relative TSR PRSUs to employees on January 1, 2017.

The following table summarizes our total unrecognized compensation cost as of September 30, 2017 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) (1)	Weighted Average Period of Expense Recognition (in months)	Unrecognized Compensation Cost (in millions)	Performance Period	Vesting Dates
RSUs								
3/31/15 RSU	2015	109,985	$ 40.57	$ 4.5	33	$ 0.4	N/A	12/31/2017
4/1/15 RSU	2015	40,464	40.74	1.6	33	0.2	N/A	12/31/2017
Assumed Aviv RSU	2015	7,799	35.08	0.3	33	-	N/A	11/1/2017
3/17/16 RSU	2016	130,006	34.78	4.6	33	2.0	N/A	12/31/2018
1/1/2017 RSU	2017	140,416	31.26	4.3	36	3.3	N/A	12/31/2019
Restricted Stock Units Total		**428,670**	**$ 35.68**	**$ 15.3**		**$ 5.9**		
TSR PRSUs and LTIP Units								
2016 TSR	2014	135,634	$ 8.67	$ 1.2	48	$ 0.1	1/1/2014-12/31/2016	Quarterly in 2017
3/31/15 2017 LTIP Units	2015	137,249	14.66	2.0	45	0.7	1/1/2015-12/31/2017	Quarterly in 2018
4/1/2015 2017 LTIP Units	2015	53,387	14.81	0.8	45	0.2	1/1/2015-12/31/2017	Quarterly in 2018
3/17/2016 2018 LTIP Units	2016	370,152	13.21	4.9	45	2.9	1/1/2016-12/31/2018	Quarterly in 2019
1/1/2017 2019 LTIP Units	2017	399,726	12.61	5.0	48	4.1	1/1/2017-12/31/2019	Quarterly in 2020
TSR PRSUs & LTIP Total		**1,096,148**	**$ 12.69**	**$ 13.9**		**$ 8.0**		
Relative TSR PRSUs								
2016 Relative TSR	2014	135,634	$ 14.24	$ 1.9	48	$ 0.1	1/1/2014-12/31/2016	Quarterly in 2017
3/31/15 2017 Relative TSR	2015	137,249	22.50	3.1	45	1.0	1/1/2015-12/31/2017	Quarterly in 2018
4/1/2015 2017 Relative TSR	2015	53,387	22.92	1.2	45	0.4	1/1/2015-12/31/2017	Quarterly in 2018
3/17/2016 2018 Relative TSR	2016	305,563	16.44	5.1	45	2.9	1/1/2016-12/31/2018	Quarterly in 2019
1/1/2017 2019 Relative TSR	2017	285,338	18.04	5.1	48	4.2	1/1/2017-12/31/2019	Quarterly in 2020
Relative TSR PRSUs Total		**917,171**	**$ 17.90**	**$ 16.4**		**$ 8.6**		
Grand Total		**2,441,989**	**$ 18.68**	**$ 45.6**		**$ 22.5**		

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

Director Restricted Stock Grants

As of September 30, 2017, we had 69,087 shares of restricted stock outstanding to directors. The outstanding restricted stock granted to directors prior to 2017 is in general scheduled to vest ratably over three years from the date of grant. Beginning with the 2017 grants, director restricted stock grants in general fully vest at the annual meeting following the grant date. As of September 30, 2017, the unrecognized compensation cost associated with outstanding director restricted stock grants is approximately $1.7 million.

NOTE 13 – BORROWING ACTIVITIES AND ARRANGEMENTS

Secured and Unsecured Borrowings

The following is a summary of our borrowings:

	Maturity	Annual Interest Rate as of September 30, 2017	September 30, 2017	December 31, 2016
			(in thousands)	
Secured borrowings:				
HUD mortgages assumed December 2011 (1)	2044	3.06%	$ 53,992	$ 54,954
Deferred financing costs – net			(573)	(589)
Total secured borrowings – net (2)			53,419	54,365
Unsecured borrowings:				
Revolving line of credit	2021	2.49%	365,000	190,000
Tranche A-1 term loan	-	-	—	200,000
Tranche A-2 term loan	-	-	—	200,000
Tranche A-3 term loan	-	-	—	350,000
U.S. term loan	2022	2.69%	425,000	—
Sterling term loan	2022	1.70%	133,980	—
Omega OP term loan (2)	2022	2.69%	100,000	100,000
2015 term loan	2022	3.80%	250,000	250,000
Discounts and deferred financing costs – net (3)			(5,759)	(5,657)
Total term loans – net			903,221	1,094,343
2023 notes	2023	4.375%	700,000	700,000
2024 notes	2024	5.875%	—	400,000
2024 notes	2024	4.95%	400,000	400,000
2025 notes	2025	4.50%	400,000	250,000
2026 notes	2026	5.25%	600,000	600,000
2027 notes	2027	4.50%	700,000	700,000
2028 notes	2028	4.75%	550,000	—
Other	2018	-	1,500	3,000
Subordinated debt	2021	9.00%	20,000	20,000
Discount - net			(21,709)	(17,151)
Deferred financing costs – net			(26,903)	(27,703)
Total unsecured borrowings – net			3,322,888	3,028,146
Total secured and unsecured borrowings – net			$ 4,644,528	$ 4,366,854

(1) Reflects the weighted average annual contractual interest rate on the mortgages at September 30, 2017 excluding a third-party administration fee of approximately 0.5% annually. Secured by real estate assets with a net carrying value of $62.9 million as of September 30, 2017.

(2) These amounts represent borrowings that were incurred by Omega OP or wholly owned subsidiaries of Omega OP.

(3) This amount includes $0.6 million of net deferred financing costs related to the Omega OP term loan as of September 30, 2017.

Certain of our other secured and unsecured borrowings are subject to customary affirmative and negative covenants, including financial covenants. As of September 30, 2017 and December 31, 2016, we were in compliance with all affirmative and negative covenants, including financial covenants, for our secured and unsecured borrowings. Omega OP, the guarantor of Parent's outstanding senior notes, does not directly own any substantive assets other than its interest in non-guarantor subsidiaries.

New and Amended Unsecured Credit Facility – 2017

2017 Omega Credit Facilities

On May 25, 2017, Omega entered into a credit agreement (the "2017 Omega Credit Agreement") providing us with a new $1.8 billion senior unsecured revolving and term loan credit facility, consisting of a $1.25 billion senior unsecured multicurrency revolving credit facility (the "Revolving Credit Facility"), a $425 million senior unsecured U.S. Dollar term loan facility (the "U.S. Term Loan Facility"), and a £100 million senior unsecured British Pound Sterling term loan facility (the "Sterling Term Loan Facility" and, together with the Revolving Credit Facility and the U.S. Term Loan Facility, collectively, the "2017 Omega Credit Facilities"). The 2017 Omega Credit Agreement contains an accordion feature permitting us, subject to compliance with customary conditions, to increase the maximum aggregate commitments under the 2017 Omega Credit Facilities to $2.5 billion.

The 2017 Omega Credit Facilities replace the previous $1.25 billion senior unsecured 2014 revolving credit facility, the previous $200 million Tranche A-1 senior unsecured term loan facility, and the previous $350 million Tranche A-3 senior unsecured incremental term loan facility established under our 2014 credit agreement, which has been terminated (the "2014 Omega Credit Agreement"). We had previously repaid and terminated the $200 million Tranche A-2 senior unsecured term loan facility established under the 2014 Omega Credit Agreement, with proceeds from our $550 million and $150 million unsecured senior notes issued in April 2017.

The Revolving Credit Facility bears interest at LIBOR plus an applicable percentage (with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The Revolving Credit Facility matures on May 25, 2021, subject to an option by us to extend such maturity date for two, six month periods. The 2017 Omega Credit Agreement provides for the Revolving Credit Facility to be drawn in Euros, British Pounds Sterling, Canadian Dollars (collectively, "Alternative Currencies") or U.S. Dollars, with a $900 million tranche available in U.S. Dollars and a $350 million tranche available in U.S. Dollars or Alternative Currencies. For purposes of the 2017 Omega Credit Facilities, references to LIBOR include the Canadian dealer offered rates for amounts offered in Canadian Dollars and any other Alternative Currency rate approved in accordance with the terms of the 2017 Omega Credit Agreement for amounts offered in any other non-London interbank offered rate quoted currency, as applicable.

The U.S. Term Loan Facility and the Sterling Term Loan Facility bear interest at LIBOR plus an applicable percentage (with a range of 90 to 190 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The U.S. Term Loan Facility and the Sterling Term Loan Facility each mature on May 25, 2022.

For the three month period ending June 30, 2017, we recorded a non-cash charge of approximately $5.5 million relating to the write-off of deferred financing costs associated with the termination of the 2014 Omega Credit Facilities.

Amended 2015 Term Loan Facility

On May 25, 2017, Omega entered into an amended and restated credit agreement (the "Amended 2015 Credit Agreement"), which amended and restated our previous $250 million senior unsecured term loan facility (the "Amended 2015 Term Loan Facility"). The Amended 2015 Term Loan Facility bears interest at LIBOR plus an applicable percentage (with a range of 140 to 235 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The Amended 2015 Term Loan Facility continues to mature on December 16, 2022. The Amended 2015 Credit Agreement permits us, subject to compliance with customary conditions, to add one or more incremental tranches to the Amended 2015 Term Loan Facility in an aggregate principal amount not exceeding $150 million.

Omega's obligations under the 2017 Omega Credit Facilities and the Amended 2015 Term Loan Facility are jointly and severally guaranteed by Omega OP and any domestic subsidiary of Omega that provides a guaranty of any unsecured indebtedness of Omega for borrowed money evidenced by bonds, debentures, notes or other similar instruments in an amount of at least $50 million individually or in the aggregate.

2017 Omega OP Term Loan Facility

On May 25, 2017, Omega OP entered into a credit agreement (the "2017 Omega OP Credit Agreement") providing it with a new $100 million senior unsecured term loan facility (the "2017 Omega OP Term Loan Facility"). The 2017 Omega OP Credit Agreement replaces the $100 million senior unsecured term loan facility obtained in 2015 (the "2015 Omega OP Term Loan Facility") and the related credit agreement (the "2015 Omega OP Credit Agreement"). The 2017 Omega OP Term Loan Facility bears interest at LIBOR plus an applicable percentage (with a range of 90 to 190 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The 2017 Omega OP Term Loan Facility matures on May 25, 2022.

Omega OP's obligations in connection with the 2017 Omega OP Term Loan Facility are not currently guaranteed, but will be jointly and severally guaranteed by any domestic subsidiary of Omega OP that provides a guaranty of any unsecured indebtedness of Omega or Omega OP for borrowed money evidenced by bonds, debentures, notes or other similar instruments in an amount of at least $50 million individually or in the aggregate.

$550 Million 4.75% Senior Notes and $150 Million 4.5% Senior Notes

On April 4, 2017, Omega issued (i) $550 million aggregate principal amount of our 4.75% Senior Notes due 2028 (the "2028 Notes") and (ii) an additional $150 million aggregate principal amount of our existing 4.50% Senior Notes due 2025 (the "2025 Notes", and together with the 2028 Notes collectively, the "Notes"). The 2028 Notes mature on January 15, 2028 and the 2025 Notes mature on January 15, 2025.

The 2028 Notes were sold at an issue price of 98.978% of their face value before the underwriters' discount and the 2025 Notes were sold at an issue price of 99.540% of their face value before the underwriters' discount. Our net proceeds from the Notes offering, after deducting underwriting discounts and expenses, were approximately $690.7 million. The net proceeds from the Notes offering were used to (i) redeem all of our outstanding $400 million aggregate principal amount of 5.875% Senior Notes due 2024 (the "5.875% Notes") on April 28, 2017, (ii) prepay the $200 million Tranche A-2 Term Loan Facility on April 5, 2017 that otherwise would have become due on June 27, 2017, and (iii) repay outstanding borrowings under our revolving credit facility.

$400 Million 5.875% Senior Notes Redemption

On April 28, 2017, Omega redeemed all of our outstanding 5.875% Notes. As a result of the redemption, during the second quarter of 2017, we recorded approximately $16.5 million in redemption related costs and write-offs, including $11.8 million for the call premium and $4.7 million in net write-offs associated with unamortized deferred financing costs.

NOTE 14 – FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, restricted cash and contractual receivables reported in the Consolidated Balance Sheets approximates fair value because of the short maturity of these instruments (Level 1).

At September 30, 2017 and December 31, 2016, the carrying amounts and fair values of our other financial instruments were as follows:

	September 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Assets:				
Investments in direct financing leases – net	$ 364,997	$ 364,997	$ 601,938	$ 598,665
Mortgage notes receivable – net	666,606	681,274	639,343	644,961
Other investments – net	273,821	268,559	256,846	253,385
Total	$ 1,305,424	$ 1,314,830	$ 1,498,127	$ 1,497,011
Liabilities:				
Revolving line of credit	$ 365,000	$ 365,000	$ 190,000	$ 190,000
Tranche A-1 term loan	—	—	198,830	200,000
Tranche A-2 term loan	—	—	200,000	200,000
Tranche A-3 term loan	—	—	347,449	350,000
U.S. term loan	422,357	425,000	—	—
Sterling term loan	133,167	133,980	—	—
Omega OP term loan [(1)]	99,390	100,000	100,000	100,000
2015 term loan	248,308	250,000	248,064	250,000
4.375% notes due 2023 – net	693,182	723,921	692,305	693,505
5.875% notes due 2024 – net	—	—	395,065	432,938
4.95% notes due 2024 – net	393,427	424,607	392,669	406,361
4.50% notes due 2025 – net	394,450	409,281	245,949	249,075
5.25% notes due 2026 – net	594,145	634,839	593,616	611,461
4.50% notes due 2027 – net	686,150	704,374	685,052	681,978
4.75% notes due 2028 – net	539,630	564,845	—	—
HUD debt – net[(1)]	53,419	52,778	54,365	52,510
Subordinated debt – net	20,403	23,946	20,490	23,944
Other	1,500	1,500	3,000	3,000
Total	$ 4,644,528	$ 4,814,071	$ 4,366,854	$ 4,444,772

(1) These amounts represent borrowings that were incurred by Omega OP or wholly owned subsidiaries of Omega OP.

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, 2016, as amended). 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.

- 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). In addition, the Company may estimate the fair value of the investment based on the estimated fair value of the collateral using a market approach or an income approach which considers inputs such as, current and projected operating performance of the facilities, projected rent, prevailing capitalization rates and coverages and bed values (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 a 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 a present value technique based on inputs from 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 15 – LITIGATION

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

NOTE 16 – EARNINGS PER SHARE/UNIT

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

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

	Omega			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)			
Numerator:				
Net (loss) income	$ (137,515)	$ 82,134	$ 39,754	$ 253,484
Less: net loss (income) attributable to noncontrolling interests	5,837	(3,585)	(1,735)	(11,328)
Net (loss) income available to common stockholders	$ (131,678)	$ 78,549	$ 38,019	$ 242,156
Denominator:				
Denominator for basic earnings per share	197,890	194,123	197,445	190,444
Effect of dilutive securities:				
Common stock equivalents	—	1,093	271	1,174
Noncontrolling interest – Omega OP Units	8,772	8,862	8,786	8,910
Denominator for diluted earnings per share	206,662	204,078	206,502	200,528
Earnings per share – basic:				
Net (loss) income available to common stockholders	$ (0.67)	$ 0.40	$ 0.19	$ 1.27
Earnings per share – diluted:				
Net (loss) income	$ (0.67)	$ 0.40	$ 0.19	$ 1.26

	Omega OP			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)			
Numerator:				
Net (loss) income	$ (137,515)	$ 82,134	$ 39,754	$ 253,484
Denominator:				
Denominator for basic earnings per unit	206,662	202,985	206,231	199,354
Effect of dilutive securities:				
Omega OP Unit equivalents	—	1,093	271	1,174
Denominator for diluted earnings per unit	206,662	204,078	206,502	200,528
Earnings per unit – basic:				
Net (loss) income available to Omega OP Unit holders	$ (0.67)	$ 0.40	$ 0.19	$ 1.27
Earnings per unit – diluted:				
Net (loss) income	$ (0.67)	$ 0.40	$ 0.19	$ 1.26

NOTE 17 – SUPPLEMENTAL DISCLOSURE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The following are supplemental disclosures to the consolidated statements of cash flows for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,	
	2017	2016
Interest paid during the period, net of amounts capitalized	$ 147,266	$ 116,169
Taxes paid during the period	$ 3,124	$ 1,662
Non cash investing activities		
Non cash acquisition of real estate (See Note 2)	$ (27,170)	$ —
Non cash acquisition of business	—	(60,079)
Non cash surrender of mortgage	—	25,000
Non cash investment in other investments	(6,353)	—
Non cash proceeds from other investments (see Note 5)	30,187	5,500
Non cash settlement of direct financing lease (See Note 3)	18,989	—
Total	$ 15,653	$ (29,579)
Non cash financing activities		
Purchase option buyout obligation	$ —	$ 29,579
Change in fair value of cash flow hedges	(276)	12,094
Other unsecured long term borrowing	—	3,000
Remeasurement of debt denominated in a foreign currency	5,920	—
Total	$ 5,644	$ 44,673

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

Cautionary Note Regarding Forward-Looking Statements

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, 2016, as amended, or other risk factors identified from time to time in our periodic filings with the SEC;
(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 re-lease, otherwise transition, or sell underperforming assets on a timely basis and on terms that allow us to realize the carrying value of these assets;
(v) our ability to sell assets held for sale on a timely basis and on terms that allow us to realize the carrying value of these assets;
(vi) the availability and cost of capital to us;
(vii) changes in our credit ratings and the ratings of our debt securities;
(viii) competition in the financing of healthcare facilities;
(ix) regulatory and other changes in the healthcare sector;
(x) changes in the financial position of our operators;
(xi) the effect of economic and market conditions generally and, particularly, in the healthcare industry;
(xii) changes in interest rates;
(xiii) the amount and yield of any additional investments;
(xiv) changes in tax laws and regulations affecting real estate investment trusts ("REITs");
(xv) the potential impact of changes in the skilled nursing facility ("SNF") and assisted living facility ("ALF") market or local real estate conditions on our ability to dispose of assets held for sale for the anticipated proceeds or on a timely basis, or to redeploy the proceeds therefrom on favorable terms; and
(xvi) our ability to maintain our status as a real estate investment trust.

Overview

Omega Healthcare Investors, Inc. ("Omega") was formed as a real estate investment trust ("REIT") and incorporated in the State of Maryland on March 31, 1992. All of Omega's assets are owned directly or indirectly, and all of Omega's operations are conducted directly or indirectly, through its subsidiary, OHI Healthcare Properties Limited Partnership ("Omega OP"). Omega OP was formed as a limited partnership and organized in the State of Delaware on October 24, 2014. No substantive assets or activity occurred in Omega OP until the merger with Aviv REIT, Inc. on April 1, 2015. Unless stated otherwise or the context otherwise requires, the terms the "Company," "we," "our" and "us" means Omega and Omega OP, collectively.

The Company has one reportable segment consisting of investments in healthcare-related real estate properties located in the United States ("U.S.") and the United Kingdom ("U.K."). Our core business is to provide financing and capital to the long-term healthcare industry with a particular focus on SNFs and, to a lesser extent, ALFs, independent living facilities and rehabilitation and acute care facilities. Our core portfolio consists of long-term leases and mortgage agreements. All of our leases are "triple-net" leases, which require the tenants to pay all property-related expenses. Our mortgage revenue derives from fixed rate mortgage loans, which are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor.

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 Omega, Aviv, OHI Healthcare Properties Holdco, Inc., a Delaware corporation ("OHI Holdco"), Omega OP, and Aviv Healthcare Properties Limited Partnership, a Delaware limited partnership.

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, all of Omega's assets are held by Omega OP, through its equity interests in its subsidiaries.

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"). Omega is the sole general partner of Omega OP, and has exclusive control over Omega OP's day-to-day management pursuant to the Partnership Agreement. As of September 30, 2017, Omega owned approximately 96% of the issued and outstanding units of partnership interest in Omega OP ("Omega OP Units"), and investors owned approximately 4% of the Omega OP Units.

On September 26, 2017, OHI Holdco, a wholly owned subsidiary of Omega and a co-general partner of Omega OP, was merged with and into Omega, resulting in Omega becoming the sole general partner of Omega OP.

Our portfolio of real estate investments at September 30, 2017, consisted of 1,012 healthcare facilities, located in 42 states and the U.K. and operated by 77 third party operators. Our investment in these facilities, net of impairments and reserves for uncollectible loans, totaled approximately $9.0 billion at September 30, 2017, with approximately 99% of our real estate investments related to long-term care facilities. Our portfolio is made up of: (i) 813 SNFs, (ii) 121 ALFs, (iii) 16 specialty facilities, (iv) one medical office building, (v) fixed rate mortgages on 47 SNFs and four ALFs and (vi) ten facilities that are closed/held-for-sale. At September 30, 2017, we also held other investments of approximately $273.8 million, consisting primarily of secured loans to third-party operators of our facilities and a $37.7 million investment in an unconsolidated joint venture.

As of September 30, 2017 and December 31, 2016 we do not have any material properties or operators with facilities that are not materially occupied.

Omega's 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.

Omega OP's consolidated financial statements include the accounts of (i) Omega OP, and (ii) all direct and indirect wholly owned subsidiaries of Omega OP. All intercompany transactions and balances have been eliminated in consolidation.

Taxation

Omega is a REIT for United States federal income tax purposes, and Omega OP is a pass through entity for United States federal income tax purposes.

Since our inception, Omega has elected to be taxed as a REIT under the applicable provisions of the Internal Revenue Code ("Code"). A REIT is generally not subject to federal income tax on that portion of its REIT taxable income which is distributed to its stockholders, provided that at least 90% of such taxable income is distributed each tax year and certain other requirements are met, including asset and income tests. 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.

If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income taxes on its taxable income at regular corporate rates and dividends paid to our stockholders will not be deductible by us in computing taxable income. Further, we will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which qualification is denied, unless the Internal Revenue Service grants us relief under certain statutory provisions. Failing to qualify as a REIT could materially and adversely affect the Company's net income; however, we believe we are organized and operate in such a manner as to qualify for treatment as a REIT. We test our compliance within the REIT taxation rules to ensure that we are in compliance with the REIT rules on a quarterly and annual basis. We review our distributions and projected distributions each year to ensure we have met and will continue to meet the annual REIT distribution requirements. In 2017, 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 wholly owned subsidiary REITs and added a sixth wholly owned subsidiary REIT as of January 1, 2016, all of which are subject to all of the REIT qualification rules set forth in the Code. We merged five of the wholly owned subsidiary REITs into a single wholly owned subsidiary REIT in December 2015, and then merged the sixth wholly owned subsidiary REIT into our other wholly owned subsidiary REIT in December 2016, which wholly owned subsidiary REIT remains 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 two of our active subsidiaries to be treated as TRSs. One of our TRSs is subject to federal, state and local income taxes at the applicable corporate rates and the other is subject to foreign income taxes. As of September 30, 2017, our TRS that is subject to federal, state and local income taxes at the applicable corporate rates had a net operating loss carry-forward of approximately $0.7 million. The loss carry-forward is fully reserved as of September 30, 2017, with a valuation allowance due to uncertainties regarding realization.

During the third quarter of 2017, we recorded approximately $0.7 million of state and local income tax provision and approximately $0.3 million of tax provision for foreign income taxes. For the nine months ended September 30, 2017, we recorded approximately $2.2 million of state and local income tax provision and approximately $0.5 million of tax provision for foreign income taxes. The expenses were included in provision for income taxes on our Consolidated Statements of Operations.

Government Regulation and Reimbursement

The healthcare 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. 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"). The new administration has brought several Congressional efforts to repeal and replace the Affordable Care Act. Under any new legislation, we expect additional rules, regulations and interpretations to be issued that may materially affect our operators' financial condition and operations. Even if the Healthcare Reform Law is not amended or repealed, the new administration could propose changes impacting implementation of the Healthcare Reform Law. The ultimate composition and timing of any legislation enacted under the new administration that would impact the current implementation of the Healthcare Reform Law remains uncertain. 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, whether in its current form or as amended or repealed.

Reform Requirements for Long-Term Care Facilities. On October 4, 2016, the Centers for Medicare and Medicaid Services ("CMS") issued a final rule modifying the conditions of participation in Medicare and Medicaid for SNFs. CMS stated that the regulations, last updated in 1991, were "necessary to reflect the substantial advances that had been made over the past several years in the theory and practice of service delivery and safety" within long-term care. The extensive modifications require SNFs to implement new processes; make changes to current practices; and create new policies and procedures within a short timeframe to remain in compliance with their conditions for participation. Changes include provisions related to staff training, discharge planning, infection prevention and control programs, and pharmacy services, among others. While many of the regulations became effective on November 28, 2016, some of the regulations become effective in Phase 2, beginning on November 28, 2017, with others becoming effective in Phase 3, beginning on November 28, 2019. According to CMS, it is estimated that the average cost for a SNF to implement the new regulations is estimated to be $62,900 the first year and $55,000 each year thereafter. Further, CMS delayed for one year the imposition of any fines for failure to implement Phase 2 of the new "Requirements of Participation" scheduled for implementation in November 2017.

Reimbursement Generally. A significant portion of our operators' revenue is derived from government-funded reimbursement programs, consisting primarily of Medicare and Medicaid. As federal and state governments continue to focus on healthcare reform initiatives, and as the federal government and many states face significant current and future budget deficits, efforts to reduce costs by government payors will likely continue, which may result in reductions in reimbursement at both the federal and state levels. Additionally, new and evolving payor and provider programs, including but not limited to Medicare Advantage, dual eligible, accountable care organizations, and bundled payments could adversely impact our tenants' and operators' liquidity, financial condition or results of operations. Significant limits on the scope 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, or prospective changes to the Healthcare Reform Law under the new administration, 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 by the states 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. While the federal government committed to paying the entire cost for Medicaid coverage for newly eligible beneficiaries from 2014 through 2016, the federal share declines to 95% in 2017, 94% in 2018, 93% in 2019, and 90% in 2020 and subsequent years. Although the Supreme Court ruled on June 28, 2012 that states could not be required to expand Medicaid or risk losing federal funding of their existing Medicaid programs, as of September 30, 2017, thirty-one (31) states and the District of Columbia have expanded Medicaid eligibility with additional states continuing to consider expansion.

Medicare. On July 31, 2017, CMS issued a final rule regarding the fiscal year ("FY") 2018 Medicare payment rates and quality payment programs for SNFs, which continues the trend of shifting Medicare payments from volume to value. Proposed aggregate payments to SNFs effective October 1, 2017 for FY 2018 are expected to increase by $370 million, or 1.0%, over FY 2017 payments. This reimbursement increase is attributable to a 1.0% market basket increase as required under the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA") after application of the productivity adjustment. Additionally, as mandated by the Improving Medicare Post-Acute Care Transformation Act of 2014 (IMPACT Act), the annual update is reduced by 2 percentage points for SNFs that fail to submit required quality data to CMS under the SNF Quality Reporting Program ("QRP"), beginning with FY 2018. The application of this penalty to those SNFs that do not meet the requirements for the FY 2018 SNF QRP would produce a market basket index percentage change that is less than zero and would also result in FY 2018 payment rates that are less than such payment rates for the preceding fiscal year. Similarly, a value-based purchasing program under the 2014 Protecting Access to Medicare Act ("PAMA") legislation discounts SNF Medicare Fee-for-Service ("FFS") payments by 2% commencing on October 1, 2018 (FY 2019), with reimbursement of those discounts to SNF based on comparative rehospitalization metrics.

On April 27, 2017, CMS released an Advanced Notice of Proposed Rulemaking ("ANPRM") to replace the SNF PPS RUG-IV case-mix classification methodology, which forms the basis for SNF payment, with the Resident Classification System, Version I (RCS-I), as early as FY 2019. The RCS-I case-mix model, removes service-based metrics from the SNF PPS and provides for payment, almost exclusively, from objective resident characteristics. CMS extended the comment period on the ANPRM from June 26, 2017 to August 25, 2017 in response to requests from national industry organizations for additional time to analyze this potentially far-reaching proposal. Notably, CMS' overall model is designed to be budget-neutral with the current system. As of September 30, 2017, CMS has not issued a proposed rule to replace the SNF PPS RUG-IV case-mix classification methodology.

In addition to FY 2017 Medicare payment rates, SNFs continue to be impacted by the "Bipartisan Budget Act of 2015" ("BBA") signed on November 2, 2015 which provided $80 billion in discretionary spending sequestration relief over two years, and extended Medicare sequestration, which generally cuts Medicare provider and plan payments by 2% across the board, for an additional year, through 2025. The FY 2025 sequestration will be "front loaded," such that a 4% reduction will apply during the first six months of the fiscal year and no reduction will be imposed during the second half of the fiscal year.

Furthermore, the "Medicare Access and CHIP Reauthorization Act of 2015" continues to have the potential to negatively impact Medicare revenues through the extension of the Medicare therapy cap exceptions process through December 31, 2017; modification of the requirement for manual medical review for services over the $3,700 therapy thresholds; and extension of the application of therapy caps, and related provisions, to outpatient hospitals until January 1, 2018. The statutory Medicare Part B outpatient cap for occupational therapy is $1,980 for 2017, with the combined cap for physical therapy and speech therapy also set at $1,980 for 2017. While the caps do not apply to therapy services covered under Medicare Part A for SNFs and the exception process permits medically necessary therapy services beyond the cap limits, the caps apply in most other circumstances involving patients in SNFs or long-term care facilities who receive therapy services covered under Medicare Part B. 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.

As indicated above, reimbursement methodology reforms, such as value-based purchasing, continue to be increasingly prevalent and attempt to hold providers accountable for the cost and quality of care provided by redistributing a portion of a provider or facility's reimbursement based on the relative performance on designated economic, clinical quality, and patient satisfaction metrics. These reimbursement methodologies and similar programs are expected to expand, both in public and commercial health plans.

However, CMS released a proposed rule in August 15, 2017 to significantly scale back mandatory participation in the bundled payment program for Lower Extremity Joint Replacement ("CJR") procedures that went into effect on April 1, 2016, and is mandatory for all hospitals paid under the Medicare Inpatient Prospective Payment System that are located in the 67 selected metropolitan statistical areas ("MSAs"). Under the proposed rule, CJR program participation would be voluntary for the eligible hospitals in 33 of the MSAs currently covered by the program beginning in February 2018. The CJR program would remain mandatory in the 34 MSAs for the remainder of the program, with an exception for certain low volume and rural hospitals. CMS anticipates the number of mandatory participating hospitals to decrease from approximately 700 under this proposal. SNFs receiving Medicare revenues related to hospital discharges subject to CJR bundled payment programs in the identified geographic areas could be either positively or negatively affected by the CJR bundled payment program.

Quality of Care Initiatives. In addition to quality or value based reimbursement reforms, CMS has implemented a number of initiatives focused on the quality of care provided by long term care facilities that could affect our operators. On December 2008, 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 August 2016, CMS announced a modification to the Five Star Quality Rating System through the introduction of new quality measures based primarily on Medicare claims data submitted by hospitals, including: (1) percentage of short-stay residents who were successfully discharged to the community; (2) percentage of short-stay residents who have had an outpatient emergency department visit; (3) percentage of short-stay residents who were re-hospitalized after a nursing home admission; (4) percentage of short-stay residents who made improvements in function; and (5) percentage of long-stay residents whose ability to move independently worsened. These ratings were incorporated into the nursing home rating system in July 2016 and were phased in through January 2017. 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.

Office of the Inspector General Activities. The Office of Inspector General's (the "OIG") Work Plan for government fiscal year 2017, which describes projects that the OIG plans to address during the fiscal year, includes seven projects related specifically to nursing homes: (1) determining to what extent State agencies investigate serious nursing home complaints within the required timeframes; (2) unreported incidents of potential abuse and neglect in SNFs; (3) review of SNF Medicare reimbursement documentation (determine if it meets requirements for each particular resource utilization group); (4) the SNF Adverse Event Screening Tool, which will disseminate practical information about the SNF Adverse Event Trigger Tool; (5) review of the National Background Check Program for long-term care employees; (6) compliance with the SNF prospective payment system requirement related to a three-day qualifying inpatient hospital stay; and (7) review of potentially avoidable hospitalizations of Medicare and Medicaid-Eligible nursing facility residents and prevention and detection services provided by nursing homes. Additionally, regional Recovery Audit Contractor program auditors along with the Office of Inspector General and Department of Justice will also continue their efforts to evaluate SNF Medicare claims for any excessive therapy charges. In order to enhance transparency around the OIG's continuous work planning efforts, effective June 15, 2017, the OIG will update its Work Plan website monthly.

Department of Justice. SNFs are under intense scrutiny for the quality of care being rendered to residents and appropriate billing practices. The Department of Justice launched ten regional Elder Justice Task Forces in 2016 which are coordinating and enhancing efforts to pursue SNFs that provide grossly substandard care to their residents. They are also focusing on therapy billing issues. These Task Forces are composed of representatives from the U.S. Attorneys' Offices, State Medicaid Fraud Control Units, state and local prosecutors' offices, HHS, State Adult Protective Services agencies, Long Term Care Ombudsmen programs, and law enforcement.

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.

These laws include: (i) federal and state false claims acts, which, among other things, prohibit providers from filing false claims or making false statements to receive payment from Medicare, Medicaid or other federal or state healthcare programs; (ii) federal and state anti-kickback and fee-splitting statutes, including the Medicare and Medicaid Anti-kickback statute, which prohibit the payment or receipt of remuneration to induce referrals or recommendations of healthcare items or services, such as services provided in a SNF; (iii) federal and state physician self-referral laws (commonly referred to as the Stark Law), which generally prohibit referrals by physicians to entities for designated health services (some of which are provided in SNFs) with which the physician or an immediate family member has a financial relationship; (iv) the federal Civil Monetary Penalties Law, which prohibits, among other things, the knowing presentation of a false or fraudulent claim for certain healthcare services and (v) federal and state privacy laws, including the privacy and security rules contained in the Health Insurance Portability and Accountability Act of 1996, which provide for the privacy and security of personal health information.

Violations of healthcare fraud and abuse laws carry civil, criminal and administrative sanctions, including punitive sanctions, monetary penalties, imprisonment, denial of Medicare and Medicaid reimbursement and potential exclusion from Medicare, Medicaid or other federal or state healthcare programs. Additionally, there are criminal provisions that prohibit filing false claims or making false statements to receive payment or certification under Medicare and Medicaid, as well as failing to refund overpayments or improper payments. Violation of the Anti-kickback statute or Stark Law may form the basis for a federal False Claims Act violation. These laws are enforced by a variety of federal, state and local agencies and can also be enforced by private litigants through, among other things, federal and state false claims acts, which allow private litigants to bring qui tam or whistleblower actions, which have become more frequent in recent years.

Several of our operators have responded to subpoenas and other requests for information regarding their operations in connection with inquiries by the U.S. Department of Justice or other regulatory agencies. One of our top 10 operators is in ongoing settlement discussions with the Department of Justice.

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 ("HITECH"), and the corresponding regulations promulgated thereunder (collectively referred to herein as "HIPAA"). The HITECH Act expanded the scope of these provisions by mandating individual notification in instances of breaches of protected health information, providing enhanced penalties for HIPAA violations, and granting enforcement authority to states' Attorneys General in addition to the HHS Office for Civil Rights. HHS continued its auditing program in 2016 to assess compliance efforts by covered entities and business associates. Through a second phase of audits, which commenced for covered entities in July 2016, HHS focused on a review of policies and procedures adopted and employed by covered entities and their business associates to meet selected standards and implementation specifications of the HIPAA Privacy, Security, and Breach Notification Rules. Covered entities and business associates selected for a desk audit in 2016 have the potential to be selected for an on-site audit in 2017.

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. In addition, many states require certain healthcare providers to obtain a certificate of need, which requires prior approval for the construction, expansion or closure of certain healthcare facilities, which has the potential to impact some of our operators' abilities to expand or change their businesses.

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

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 SNF and long term care providers, there have been numerous lawsuits challenging the validity of arbitration agreements in long term care settings. As set forth in the recent conditions of participation final rule issued on October 4, 2016, CMS prohibited pre-dispute arbitration agreements between SNFs and residents effective November 28, 2016, thereby increasing potential liabilities for SNFs and long-term care providers. Subsequently, the authority of CMS to restrict the rights of these parties to arbitrate was challenged by litigation in various jurisdictions, and enforcement by CMS was suspended on November 7, 2016 following the issuance of a preliminary injunction by the U.S. District Court for the Northern District of Mississippi. In a reversal from its previous position, CMS issued a proposed rule on June 5, 2017, that lifts CMS' ban on pre-dispute arbitration agreements in the long-term care setting. The proposed rule continues to face challenges by certain industry groups.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in the United States, 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, 2016, as amended. 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 differences may be material to the consolidated financial statements. We have described our most critical accounting policies in our 2016 Annual Report on Form 10-K for the year ended December 31, 2016, as amended, in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

There have been no changes to our critical accounting policies or estimates since December 31, 2016. See Note 2 – Summary of Significant Accounting Policies to our Annual Report on Form 10-K for the year ended December 31, 2016, as amended.

Accounting Pronouncement Adopted in 2017

In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718)* ("ASU 2016-09"). ASU 2016-09 amends the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for annual and interim reporting periods of public entities beginning after December 15, 2016. We adopted this accounting standard on January 1, 2017, at which time the Company began prospectively accounting for excess tax benefits or tax deficiencies as an adjustment to income tax expense in our Consolidated Statements of Operations as opposed to the prior requirement that these excess tax benefits be recognized in additional paid-in capital and tax deficiencies be recognized either as an offset to accumulated excess tax benefits, if any, or in the income statement. The Company will continue to account for forfeitures as they occur and present employee taxes paid as a financing activity on our Consolidated Statements of Cash Flows. The adoption of this accounting standard did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements - Pending Adoption

In 2014, the FASB issued 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. In addition, the FASB has begun to issue targeted updates to clarify specific implementation issues of ASU 2014-09. These updates include ASU 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net),* ASU 2016-10, *Identifying Performance Obligations and Licensing,* and ASU 2016-12, *Narrow-Scope Improvements and Practical Expedients.* The Company intends to adopt ASU 2014-09 and its subsequent updates in accordance with the modified retrospective approach. The Company has completed its analysis of ASU 2014-09 and its related updates and has determined that its adoption will not have a material impact on our consolidated financial statements, as a substantial portion of our revenue consists of rental income from leasing arrangements and interest income from loan arrangements, both of which are specifically excluded from ASU 2014-09.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective for the Company beginning January 1, 2019. Early adoption of ASU 2016-02 as of its issuance is permitted. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. As a result of the pending adoption ASU 2016-02 and in connection with the pending adoption of ASU 2014-09, the Company may be required to record real estate tax revenues and an equal an offsetting real estate tax expense, as a result of our operators paying real estate taxes on our behalf. We are continuing to evaluate the other impacts of adopting ASU 2016-02 on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASU 2016-13"), which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019 and early adoption is permitted for annual and interim periods beginning after December 15, 2018. We are currently evaluating the impact of adopting ASU 2016-13 on our consolidated financial statements.

In August 2017 the FASB issued ASU 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"). The purpose of this updated guidance is to better align the financial reporting for hedging activities with the economic objectives of those activities. The transition guidance provides companies with the option of early adopting the new standard using a modified retrospective transition method in any interim period after issuance of the update, or alternatively requires adoption for fiscal years beginning after December 15, 2018. This adoption method will require the Company to recognize the cumulative effect of initially applying ASU 2017-12 as an adjustment to accumulated other comprehensive income (loss) with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the update. While the Company continues to assess all potential impacts of the standard, we do not expect the adoption of ASU 2017-12 to have a material 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, 2017 and 2016

Operating Revenues

Our operating revenues for the three months ended September 30, 2017 totaled $219.6 million, a decrease of $5.0 million over the same period in 2016. The $5.0 million decrease was primarily the result of a $15.0 million decrease in the direct financing lease income related to one of our operators. During the third quarter of 2017, we did not recognize any revenue related to New Ark Investment Inc. ("New Ark" which does business as "Orianna Health Systems" and is herein referred to as "Orianna"), as a result of Orianna not achieving their revised operating plan and not paying rent under their existing leases. The decrease was offset by: (i) a $2.8 million increase in rental income related to the U.K. Gold Care acquisition in May 2017, (ii) $5.4 million of additional rental income associated with other acquisitions and lease amendments made throughout 2016 and 2017, and (iii) a $1.0 million increase in other investment income primarily related to new notes and additional funding to existing operators made throughout 2016 and 2017.

Operating Expenses

Operating expenses for the three months ended September 30, 2017, totaled $307.9 million, an increase of approximately $207.6 million over the same period in 2016. The $207.6 million increase was due to: (i) a $194.7 million increase in impairment loss on direct financing leases related to our Orianna portfolio, (ii) $11.9 million increase in provisions for uncollectible accounts primarily related to our Orianna portfolio and (iii) $3.6 million related to increased depreciation and amortization expense related to the acquisition of facilities and assets being placed in service during 2016 and 2017, offset by a $2.3 million decrease in acquisition costs primarily related to fewer acquisitions and the change in capitalization of acquisition costs in 2017. The $194.7 million impairment loss on direct financing leases includes (a) $1.8 million related to the termination of Orianna's Texas region lease resulting from the transition of those facilities to another operator and (b) $192.9 million related to the impairment of Orianna's Southeast region lease resulting from Orianna's failure to pay its rent obligation and the expectation that the facilities will be sold and or transitioned to other operators. Our Orianna Southeast region direct financing lease was reduced to its estimated fair value.

Other Income (Expense)

For the three months ended September 30, 2017, total other expenses were $49.5 million, an increase of approximately $2.3 million over the same period in 2016. The increase was primarily related to a $4.5 million increase in interest expense related to higher debt balances outstanding to fund new investments and higher blended borrowing costs, offset by a decrease of $1.8 million in interest refinancing costs resulting from the acquisition of the $180.0 million mortgage term loan on July 25, 2016.

Nine Months Ended September 30, 2017 and 2016

Operating Revenues

Our operating revenues for the nine months ended September 30, 2017 totaled $687.2 million, an increase of $20.8 million over the same period in 2016. The $20.8 million increase was primarily the result of: (i) a $4.4 million increase in rental income related to the U.K. Gold Care acquisition in May 2017, (ii) $27.2 million of additional rental income associated with other acquisitions and lease amendments made throughout 2016 and 2017, and (iii) a $6.8 million increase in other investment income primarily related to new notes and additional funding to existing operators made throughout 2016 and 2017. These increases were offset by (i) a $14.9 million decrease in the direct financing lease income related to one of our operators and (ii) a $4.8 million decrease in mortgage interest income primarily due to the repayment of certain mortgages in 2016. During the third quarter of 2017, we did not recognize any revenue related to Orianna, as a result of Orianna not achieving their revised operating plan and not paying rent under their existing leases.

Operating Expenses

Operating expenses for the nine months ended September 30, 2017 totaled $495.1 million, an increase of approximately $191.9 million over the same period in 2016. The increase was primarily due to: (i) a $198.0 million increase in impairment on direct financing leases resulted from (a) terminating Orianna's Texas region lease, (b) selling Orianna's Northwest region facilities and (c) the impairment of Orianna's Southeast region lease, (ii) a $16.0 million increase in depreciation and amortization expense related to acquisitions and the placement of assets in service during 2016 and 2017 and (iii) a $9.7 million increase in provision for uncollectible accounts which is primarily related to the Orianna portfolio. These increases were offset by (i) a $23.1 million decrease in impairment loss on real estate properties which is the result of fewer facilities held for sale and/or sold and (ii) a $9.6 million decrease in acquisition costs primarily due to fewer acquisitions and the capitalization of acquisition costs in 2017.

Other Income (Expense)

For the nine months ended September 30, 2017 total other expenses were $158.8 million, an increase of approximately $30.1 million over the same period in 2016. The increase was primarily related to: (i) a $20.8 million increase in interest expense related to higher debt balances outstanding to fund new investments and higher blended borrowing costs and (ii) a $19.9 million increase in interest refinancing costs related to early extinguishment costs incurred to redeem the $400 million 5.875% Senior Notes due 2024 and the write-off of deferred costs related to the 2014 credit facility, offset by a $10.4 million contractual settlement with an unrelated third party related to a contingent liability obligation that originated in 2012 that was resolved in the first quarter of 2017.

National Association of Real Estate Investment Trusts Funds From Operations

Our funds from operations ("NAREIT FFO") for the three months ended September 30, 2017 was a deficit of $(46.8) million compared to $162.6 million for the same period in 2016. Our NAREIT FFO for the nine months ended September 30, 2017 was $285.1 million compared to $488.5 million for the same period in 2016.

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 (computed in accordance with GAAP), adjusted for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization and impairment on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. 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, 2017 and 2016:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
	(in thousands)			
Net (loss) income	$ (137,515)	$ 82,134	$ 39,754	$ 253,484
Less: gain from real estate dispositions	(693)	(5,139)	(7,491)	(19,931)
	(138,208)	76,995	32,263	233,553
Elimination of non-cash items included in net income:				
Depreciation and amortization	71,925	68,316	212,268	196,254
Depreciation – unconsolidated joint venture	1,657	—	4,973	—
Add back impairments on real estate properties	17,837	17,275	35,610	58,726
NAREIT FFO [(a)]	$ (46,789)	$ 162,586	$ 285,114	$ 488,533

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

Portfolio and Recent Developments

The following table summarizes the significant acquisitions that occurred in 2017:

Period	Number of Facilities SNF	Number of Facilities ALF	Country/ State	Total Investment	Land	Building & Site Improvements	Furniture & Fixtures	Initial Annual Cash Yield[(2)] (%)
				(in millions)				
Q1	-	1	VA	$ 7.6	$ 0.5	$ 6.8	$ 0.3	7.50
Q2	1	-	NC	8.6	0.7	7.3	0.6	9.50
Q2	-	18	UK	124.2 (1)	34.1	85.1	5.0	8.50
Q3	-	1	TX	2.3	0.7	1.5	0.1	9.25
Q3	15	-	IN	211.0	18.0	180.2	12.8	9.50
Q3	9	-	TX	19.0 (3)	1.7	15.5	1.8	18.60
Total	25	20		$ 372.7	$ 55.7	$ 296.4	$ 20.6	

(1) Omega recorded a non-cash deferred tax liability and acquisition costs of approximately $8.2 million and $1.2 million, respectively, in connection with the acquisition.
(2) The cash yield is based on the purchase price.
(3) In July 2017, we transitioned nine SNFs formerly subject to a direct financing lease to another operator. As a result of terminating the direct financing lease, we wrote down the facilities to our original cost basis and recorded an impairment on the direct financing lease of approximately $1.8 million.

During the second quarter of 2017, we acquired two parcels of land which are not reflected in the table above for approximately $5.5 million with the intent of building new facilities for an existing operator.

Asset Sales, Impairments and Other

During the first quarter of 2017, we sold 15 facilities subject to operating leases for approximately $45.8 million in net proceeds recognizing a gain on sale of approximately $7.4 million. Eleven of the sold facilities were previously classified as held for sale. In addition, we recorded impairments of approximately $7.6 million on three facilities, one of which was reclassified to held for sale as of March 31, 2017.

During the second quarter of 2017, we sold three facilities subject to operating leases for approximately $18.3 million in net cash proceeds recognizing a loss on sale of approximately $0.6 million. Two of the sold facilities were previously classified as assets held for sale. In addition, we recorded impairments of approximately $10.1 million on six facilities.

During the second quarter of 2017, we sold five facilities previously classified as investments in direct financing leases and received net cash proceeds of approximately $27.3 million and recorded impairments of approximately $0.9 million in addition to the $2.4 million of impairment recorded in the first quarter of 2017.

During the third quarter of 2017, we sold two facilities subject to operating leases for approximately $5.7 million in net cash proceeds recognizing a gain on sale of approximately $0.7 million. One of the sold facilities was previously classified as an asset held for sale at June 30, 2017. In addition, we recorded impairments of approximately $15.3 million on five facilities (two were subsequently reclassified to held for sale). We also wrote off approximately $2.5 million of capitalized costs associated with the termination of a construction project with one of our operators.

During the third quarter of 2017, we sold two facilities previously classified as investments in direct financing leases and received net cash proceeds of approximately $5.8 million.

The foregoing recorded impairments were primarily the result of a decision to exit certain non-strategic facilities and/or operators. We reduced the net book value of the impaired facilities to their estimated fair values. To estimate the fair value of the facilities, we utilized a market approach and Level 3 inputs (which generally consist of non-binding offers from unrelated third parties).

As of September 30, 2017, eight facilities, totaling $17.3 million are classified as assets held for sale. We expect to sell these facilities over the next twelve months.

In July 2017, we transitioned nine SNFs, representing all of the facilities subject to another direct financing lease with Orianna in the Texas region, to an existing operator of the Company pursuant to an operating lease. In connection with this transaction, we recorded the real estate properties at our original cost basis of approximately $19.0 million, eliminated our investment in the direct financing lease and recorded an impairment of approximately $1.8 million. In conjunction with this transaction, we also amended our Orianna Southeast region master lease in July 2017 to reduce the outstanding balance by $19.3 million. As a result of the amendment, we recorded an impairment of approximately $20.8 million in the third quarter of 2017.

Orianna has not satisfied the contractual payments due under the terms of the remaining two direct financing leases or the separate operating lease with the Company and the collectability of future amounts due is uncertain. The Company is in preliminary discussions with Orianna regarding future actions. Such actions may include a) the sale of some or all of the facilities, b) transitioning some or all of the facilities from Orianna to other operators and c) pursuing legal action to enforce the terms of the existing agreements.

During the third quarter of 2017, the Company recorded an allowance for loss of $171.9 million with Orianna covering 38 facilities in the Southeast region of the U.S. The amount of the allowance was determined based on the fair value of the facilities subject to the direct financing lease. To estimate the fair value of the underlying collateral, the Company utilized an income approach and Level 3 inputs. The Company considered current and projected operating performance of the facilities, projected rent, prevailing capitalization rates and coverages and bed values. Such assumptions are subject to change based on changes in market conditions and the ultimate resolution of this matter. Such changes could be significantly different than the currently estimated fair value and such differences could have a material impact on the Company’s financial statements.

The 39 facilities under our direct financing master leases with Orianna as of September 30, 2017 are located in seven states, predominantly in the southeastern U.S. (38 facilities) and Indiana (1 facility). Our recorded investment in these direct financing leases, net of the $171.9 million allowance, amounted to $337.7 million, as of September 30, 2017. For the three months ended September 30, 2017, we did not recognize any direct financing lease income from Orianna. We recognized total impairments on direct financing leases for the three and nine months ended September 30, 2017 of $194.7 million and $198.0 million, respectively.

At September 30, 2017, three of our operators were approximately 90 days or more past due on rent payments to the Company. The first operator, Orianna has fallen significantly behind on rent. While we have endeavored to assist in streamlining their operations, by completing the transition of the facilities in both the Northwest and Texas regions, the overall portfolio has continued to struggle and past due rent has increased. We are in active discussions with Orianna regarding the transition of some or all of their remaining portfolio to new operators. We believe that for some of the Orianna facilities new operators may be able to improve occupancy and reduce expenses; however, based on current facility performance, we anticipate that the current annual contractual rent of $46 million will likely be reduced to a range of $32 million to $38 million once the transition process is complete.

A second operator, Signature Healthcare ("Signature") has also fallen approximately 90 days past due on rent, we believe primarily as a result of restrictions on their borrowing capacity. A large majority of Signature's past due rent is covered by a letter of credit in excess of $9.0 million and guarantees from the principals of Signature. Despite their current liquidity concerns, we believe we have a path to continue our long standing relationship with Signature under a long term consensual restructure outside of a court-involved restructuring that involves multiple third-party constituents (i.e., Sabra Heath Care REIT, Inc., the United States Department of Justice, and other third-party claimants). The out of court restructuring may involve the following: (i) a certain amount of deferred rent, (ii) funding of capital expenditures and (iii) a working capital line of credit. While we cannot predict the ultimate outcome with these third-party constituents, we are optimistic that an out of court restructure can be realized.

During the third quarter of 2017, a third operator became past due on rent by approximately 90 days or more which has caused us to place them on a cash basis for revenue recognition. We have executed a Settlement and Forbearance Agreement with this operator which permits this operator to defer payments up to 23% of their current contractual rent during the fourth quarter of 2017, subject to certain conditions. Beginning in January 2018, we expect rent to return to the full contractual amount and that past due rent will begin to be repaid.

The Company believes the current performance of these three operators primarily reflects specific operator-related or localized issues rather than issues generally impacting the industry. The Company continues to closely monitor the performance of each of these three operators specifically, as well as industry trends and developments generally.

Liquidity and Capital Resources

At September 30, 2017, we had total assets of $8.9 billion, total equity of $3.9 billion and debt of $4.6 billion, representing approximately 54.1% 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, 2017 and December 31, 2016, we were in compliance with all affirmative and negative covenants, including financial covenants, for our secured and unsecured borrowings. Omega OP, the guarantor of Parent's outstanding senior notes, does not directly own any substantive assets other than its interest in non-guarantor subsidiaries.

New and Amended Unsecured Credit Facility – 2017

2017 Omega Credit Facilities

On May 25, 2017, Omega entered into a credit agreement (the "2017 Omega Credit Agreement") providing us with a new $1.8 billion senior unsecured revolving and term loan credit facility, consisting of a $1.25 billion senior unsecured multicurrency revolving credit facility (the "Revolving Credit Facility"), a $425 million senior unsecured U.S. Dollar term loan facility (the "U.S. Term Loan Facility"), and a £100 million senior unsecured British Pound Sterling term loan facility (the "Sterling Term Loan Facility" and, together with the Revolving Credit Facility and the U.S. Term Loan Facility, collectively, the "2017 Omega Credit Facilities"). The 2017 Omega Credit Agreement contains an accordion feature permitting us, subject to compliance with customary conditions, to increase the maximum aggregate commitments under the 2017 Omega Credit Facilities to $2.5 billion. Among other things, proceeds from borrowings under the 2017 Omega Credit Facilities were used to refinance existing indebtedness, to finance acquisitions and to fund working capital, capital expenditures and other general corporate purposes.

The 2017 Omega Credit Facilities replace the previous $1.25 billion senior unsecured 2014 revolving credit facility, the previous $200 million Tranche A-1 senior unsecured term loan facility, and the previous $350 million Tranche A-3 senior unsecured incremental term loan facility established under our 2014 credit agreement, which has been terminated (the "2014 Omega Credit Agreement"). We had previously repaid and terminated the $200 million Tranche A-2 senior unsecured term loan facility established under the 2014 Omega Credit Agreement, with proceeds from our $550 million and $150 million unsecured senior notes issued in April 2017.

The Revolving Credit Facility bears interest at LIBOR plus an applicable percentage (with a range of 100 to 195 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The Revolving Credit Facility matures on May 25, 2021, subject to an option by us to extend such maturity date for two, six month periods. The 2017 Omega Credit Agreement provides for the Revolving Credit Facility to be drawn in Euros, British Pounds Sterling, Canadian Dollars (collectively, "Alternative Currencies") or U.S. Dollars, with a $900 million tranche available in U.S. Dollars and a $350 million tranche available in U.S. Dollars or Alternative Currencies. For purposes of the 2017 Omega Credit Facilities, references to LIBOR include the Canadian dealer offered rates for amounts offered in Canadian Dollars and any other Alternative Currency rate approved in accordance with the terms of the 2017 Omega Credit Agreement for amounts offered in any other non-London interbank offered rate quoted currency, as applicable. As of September 30, 2017, $365.0 million remains outstanding on the Revolving Credit Facility.

The U.S. Term Loan Facility and the Sterling Term Loan Facility bear interest at LIBOR plus an applicable percentage (with a range of 90 to 190 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The U.S. Term Loan Facility and the Sterling Term Loan Facility each mature on May 25, 2022. As of September 30, 2017, we had $425.0 million in borrowings outstanding under the U.S. Term Loan Facility, and £100.0 million (equivalent to $134.0 million in U.S. dollars) in borrowings outstanding under the Sterling Term Loan Facility.

For the three month period ending June 30, 2017, we recorded a non-cash charge of approximately $5.5 million relating to the write-off of deferred financing costs associated with the termination of the 2014 Omega Credit Agreement.

Amended 2015 Term Loan Facility

On May 25, 2017, Omega entered into an amended and restated credit agreement (the "Amended 2015 Credit Agreement"), which amended and restated our previous $250 million senior unsecured term loan facility (the "Amended 2015 Term Loan Facility"). The Amended 2015 Term Loan Facility bears interest at LIBOR plus an applicable percentage (with a range of 140 to 235 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. As of September 30, 2017, $250 million remains outstanding on the Amended 2015 Term Loan Facility. The Amended 2015 Term Loan Facility continues to mature on December 16, 2022. The Amended 2015 Credit Agreement permits us, subject to compliance with customary conditions, to add one or more incremental tranches to the Amended 2015 Term Loan Facility in an aggregate principal amount not exceeding $150 million.

Omega's obligations under the 2017 Omega Credit Facilities and the Amended 2015 Term Loan Facility are jointly and severally guaranteed by Omega OP and any domestic subsidiary of Omega that provides a guaranty of any unsecured indebtedness of Omega for borrowed money evidenced by bonds, debentures, notes or other similar instruments in an amount of at least $50 million individually or in the aggregate.

2017 Omega OP Term Loan Facility

On May 25, 2017, Omega OP entered into a credit agreement (the "2017 Omega OP Credit Agreement") providing it with a new $100 million senior unsecured term loan facility (the "2017 Omega OP Term Loan Facility"). The 2017 Omega OP Credit Agreement replaces the $100 million senior unsecured term loan facility obtained in 2015 (the "2015 Omega OP Term Loan Facility") and the related credit agreement (the "2015 Omega OP Credit Agreement"). The 2017 Omega OP Term Loan Facility bears interest at LIBOR plus an applicable percentage (with a range of 90 to 190 basis points) based on our ratings from Standard & Poor's, Moody's and/or Fitch Ratings. The 2017 Omega OP Term Loan Facility matures on May 25, 2022. As of September 30, 2017, $100 million in borrowings remains outstanding on the 2017 Omega OP Term Loan Facility. Among other things, proceeds from borrowings under the 2017 Omega OP Term Loan Facility were used to refinance existing indebtedness.

Omega OP's obligations in connection with the 2017 Omega OP Term Loan Facility are not currently guaranteed, but will be jointly and severally guaranteed by any domestic subsidiary of Omega OP that provides a guaranty of any unsecured indebtedness of Omega or Omega OP for borrowed money evidenced by bonds, debentures, notes or other similar instruments in an amount of at least $50 million individually or in the aggregate.

$550 Million 4.75% Senior Notes and $150 Million 4.5% Senior Notes

On April 4, 2017, Omega issued (i) $550 million aggregate principal amount of our 4.75% Senior Notes due 2028 (the "2028 Notes") and (ii) an additional $150 million aggregate principal amount of our existing 4.50% Senior Notes due 2025 (the "2025 Notes", and together with the 2028 Notes collectively, the "Notes"). The 2028 Notes mature on January 15, 2028 and the 2025 Notes mature on January 15, 2025.

The 2028 Notes were sold at an issue price of 98.978% of their face value before the underwriters' discount and the 2025 Notes were sold at an issue price of 99.540% of their face value before the underwriters' discount. Our net proceeds from the Notes offering, after deducting underwriting discounts and expenses, were approximately $690.7 million. The net proceeds from the Notes offering were used to (i) redeem all of our outstanding $400 million aggregate principal amount of 5.875% Senior Notes due 2024 (the "5.875% Notes") on April 28, 2017, (ii) prepay the $200 million Tranche A-2 Term Loan Facility on April 5, 2017 that otherwise would have become due on June 27, 2017, and (iii) repay outstanding borrowings under our revolving credit facility.

$400 Million 5.875% Senior Notes Redemption

On April 28, 2017, Omega redeemed all of our outstanding 5.875% Notes. As a result of the redemption, during the second quarter of 2017, we recorded approximately $16.5 million in redemption related costs and write-offs, including $11.8 million for the call premium and $4.7 million in net write-offs associated with unamortized deferred financing costs.

$500 Million Equity Shelf Program

For the three months ended September 30, 2017, we issued 0.5 million shares of our common stock at an average price of $31.73 per share, net of issuance costs, generating net proceeds of $15.6 million under our $500 million Equity Shelf Program. For the nine months ended September 30, 2017, we issued 0.7 million shares of our common stock at an average price of $30.92 per share, net of issuance costs, generating net proceeds of $22.2 million under our $500 million Equity Shelf Program.

Dividend Reinvestment and Common Stock Purchase Plan

For the three months ended September 30, 2017, approximately 0.3 million shares of our common stock at an average price of $30.39 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for gross proceeds of approximately $10.4 million. For the nine months ended September 30, 2017, approximately 1.0 million shares of our common stock at an average price of $31.49 per share were issued through our Dividend Reinvestment and Common Stock Purchase Program for gross proceeds of approximately $30.1 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, 2017, we paid dividends of approximately $126.8 million and $373.4 million to our common stockholders, respectively. The Omega OP Unit holders received the same distributions per unit as those paid to the common stockholders of Omega.

Liquidity

We believe our liquidity and various sources of available capital, including cash from operations, our existing availability under our Omega 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;
- capital improvement programs;
- 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; (iv) general and administrative expenses and (v) our operators' ability to pay amounts owed. The timing, source and amount of cash flows provided by or used in financing activities and 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 $24.3 million as of September 30, 2017, a decrease of $69.4 million as compared to the balance at December 31, 2016. The following is a discussion of changes in cash and cash equivalents due to operating, investing and financing activities, which are presented in our Consolidated Statements of Cash Flows.

<u>Operating Activities</u> – Operating activities generated $430.3 million of net cash flow for the nine months ended September 30, 2017, as compared to $457.2 million for the same period in 2016, a decrease of $27.0 million which is primarily due to an increase in contractual receivables from three operators.

<u>Investing Activities</u> – Net cash flow from investing activities was an outflow of $400.0 million for the nine months ended September 30, 2017, as compared to an outflow of $1.1 billion for the same period in 2016. The $734.8 million change in cash flow from investing activities related primarily to (i) a $614.5 million reduction in real estate acquisitions, (ii) a $152.5 million reduction from other investments – net primarily related to funding fewer other investments in 2017, (iii) a $27.2 million increase in direct financing leases – net, primarily from the sale of facilities and (iv) an increase of $11.0 million in distributions from our unconsolidated joint venture in 2017. Offsetting these changes were: (i) a $57.1 million decrease in collection of mortgages primarily related to the repayment of certain mortgages in 2016 and (ii) a $25.3 million increase in investments in construction in progress in 2017, as compared to the same period in 2016.

Financing Activities – Net cash flow from financing activities was an outflow of $100.0 million for the nine months ended September 30, 2017, as compared to an inflow of $704.7 million for the same period in 2016. The $804.7 million change in cash from financing activities was primarily related to (i) a net decrease of $773.0 million from long-term borrowings – net (ii) a decrease in net proceeds of $199.6 million from our dividend reinvestment plan in 2017, as compared to the same period in 2016, (iii) an increase of $39.8 million in dividends paid and (iv) an increase of $17.4 million in financing related costs in 2017, as compared to the same period in 2016. Offsetting these changes were: (i) a net increase in cash provided by our credit facility of $182.0 million and (ii) a $22.2 million increase in cash proceeds from the issuance of common stock in 2017, as compared to the same period in 2016.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

During the quarter ended September 30, 2017, 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, 2016, as amended.

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, management evaluated the effectiveness of the design and operation of the disclosure controls and procedures of Omega and Omega OP (for purposes of this Item 4 the “Companies”) as of September 30, 2017. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that disclosure controls and procedures of the Companies were effective at a reasonable assurance level as of September 30, 2017.

Internal Control Over Financial Reporting

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

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

See Note 15 – 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

There have been no material changes to our risk factors as previously disclosed in Item 1A contained in Part I of Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and filed with the Securities and Exchange Commission ("SEC") on August 9, 2017.

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

During the quarterly period ended September 30, 2017, Omega did not have any unregistered sales of equity securities.

Item 6–Exhibits

Exhibit No.	
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Omega Healthcare Investors, Inc.*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Omega Healthcare Investors, Inc.*
31.3	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of OHI Healthcare Properties Limited Partnership.*
31.4	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of OHI Healthcare Properties Limited Partnership.*
32.1	Section 1350 Certification of the Chief Executive Officer of Omega Healthcare Investors, Inc.*
32.2	Section 1350 Certification of the Chief Financial Officer of Omega Healthcare Investors, Inc.*
32.3	Section 1350 Certification of the Chief Executive Officer of OHI Healthcare Properties Limited Partnership.*
32.4	Section 1350 Certification of the Chief Financial Officer of OHI Healthcare Properties Limited Partnership.*
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.

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 7, 2017 By: /S/ C. TAYLOR PICKETT
C. Taylor Pickett
Chief Executive Officer

Date: November 7, 2017 By: /S/ ROBERT O. STEPHENSON
Robert O. Stephenson
Chief Financial Officer

OHI HEALTHCARE PROPERTIES LIMITED PARTNERSHIP
Co-Registrant

By: Omega Healthcare Investors, Inc., its General Partner

Date: November 7, 2017 By: /S/ C. TAYLOR PICKETT
C. Taylor Pickett
Chief Executive Officer

Date: November 7, 2017 By: /S/ ROBERT O. STEPHENSON
Robert O. Stephenson
Chief Financial Officer

Exhibit 31.1

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

Certification

I, C. Taylor Pickett, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 7, 2017

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

Exhibit 31.2

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

Certifications

I, Robert O. Stephenson, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 7, 2017

/S/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer

Exhibit 31.3

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 OHI Healthcare Properties Limited Partnership;

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 7, 2017

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

Exhibit 31.4

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 OHI Healthcare Properties Limited Partnership;

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 7, 2017

/S/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATION
OF THE CHIEF EXECUTIVE OFFICER

I, C. Taylor Pickett, Chief Executive Officer of Omega Healthcare Investors, Inc. (the “Company”), 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, 2017 (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 7, 2017

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

Exhibit 32.2

SECTION 1350 CERTIFICATION
OF THE CHIEF FINANCIAL OFFICER

I, Robert O. Stephenson, Chief Financial Officer of Omega Healthcare Investors, Inc. (the “Company”), 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, 2017 (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 7, 2017

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

Exhibit 32.3

SECTION 1350 CERTIFICATION
OF THE CHIEF EXECUTIVE OFFICER

I, C. Taylor Pickett, Chief Executive Officer of OHI Healthcare Properties Limited Partnership (the "Partnership"), 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 Partnership for the three months ended September 30, 2017 (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 Partnership.

Date: November 7, 2017

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

Exhibit 32.4

SECTION 1350 CERTIFICATION
OF THE CHIEF FINANCIAL OFFICER

I, Robert O. Stephenson, Chief Financial Officer of OHI Healthcare Properties Limited Partnership (the “Partnership”), 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 Partnership for the three months ended September 30, 2017 (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 Partnership.

Date: November 7, 2017

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