

REFINITIV

DELTA REPORT

10-Q

OHI - OMEGA HEALTHCARE INVESTOR

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 1383

CHANGES	537
DELETIONS	361
ADDITIONS	485

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2024** September 30, 2024

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.

(Exact name of registrant as specified in its charter)

Maryland 1-11316 38-3041398
(State or other jurisdiction of incorporation or (Commission file number) (IRS Employer Identification No.)
organization)

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

(410) 427-1700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.10 par value	OHI	New York Stock Exchange

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

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Yes No

As of **July 30, 2024** **October 28, 2024**, there were **257,838,900** **269,948,298** shares of common stock outstanding.

[Table of Contents](#)

OMEGA HEALTHCARE INVESTORS, INC.

FORM 10-Q

June September 30, 2024

TABLE OF CONTENTS

		Page No.
PART I	Financial Information	
Item 1.	Financial Statements of Omega Healthcare Investors, Inc. (Unaudited):	
	Consolidated Balance Sheets	2
	Consolidated Statements of Operations	3
	Consolidated Statements of Comprehensive Income	4
	Consolidated Statements of Equity	5
	Consolidated Statements of Cash Flows	7
	Notes to Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	36 40
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	54 58
Item 4.	Controls and Procedures	54 59
PART II	Other Information	
Item 1.	Legal Proceedings	54 60

Item 1A.	Risk Factors	54 60
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	54 60
Item 5.	Other Information	55 60
Item 6.	Exhibits	56 61

[Table of Contents](#)

PART I – FINANCIAL INFORMATION

Item 1 - Financial Statements

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

	June 30,	December 31,	September 30,	December 31,
	2024	2023	2024	2023
	(Unaudited)		(Unaudited)	
ASSETS				
Real estate assets				
Buildings and improvements	\$ 6,925,123	\$ 6,879,034	\$ 7,266,469	\$ 6,879,034
Land	876,762	867,486	972,602	867,486
Furniture and equipment	473,021	467,393	503,499	467,393
Construction in progress	185,487	138,410	201,360	138,410
Total real estate assets	8,460,393	8,352,323	8,943,930	8,352,323
Less accumulated depreciation	(2,583,159)	(2,464,227)	(2,652,372)	(2,464,227)
Real estate assets – net	5,877,234	5,888,096	6,291,558	5,888,096
Investments in direct financing leases – net	9,437	8,716	9,450	8,716
Real estate loans receivable – net	1,378,798	1,212,162	1,323,469	1,212,162
Investments in unconsolidated joint ventures	185,270	188,409	92,598	188,409
Assets held for sale	76,627	81,546	75,973	81,546
Total real estate investments	7,527,366	7,378,929	7,793,048	7,378,929
Non-real estate loans receivable – net	234,562	275,615	335,717	275,615
Total investments	7,761,928	7,654,544	8,128,765	7,654,544
Cash and cash equivalents	35,193	442,810	342,444	442,810
Restricted cash	3,938	1,920	17,866	1,920
Contractual receivables – net	10,360	11,888	10,337	11,888
Other receivables and lease inducements	230,428	214,657	241,399	214,657
Goodwill	643,786	643,897	644,588	643,897
Other assets	162,913	147,686	186,472	147,686
Total assets	\$ 8,848,546	\$ 9,117,402	\$ 9,571,871	\$ 9,117,402
LIABILITIES AND EQUITY				
Revolving credit facility	\$ 70,226	\$ 20,397	\$ —	\$ 20,397
Secured borrowings	—	61,963	265,239	61,963
Senior notes and other unsecured borrowings – net	4,590,378	4,984,956	4,592,963	4,984,956

Accrued expenses and other liabilities	287,354	287,795	313,370	287,795
Total liabilities	4,947,958	5,355,111	5,171,572	5,355,111
Preferred stock \$1.00 par value authorized – 20,000 shares, issued and outstanding – none	—	—	—	—
Common stock \$0.10 par value authorized – 350,000 shares, issued and outstanding – 254,023 shares as of June 30, 2024 and 245,282 shares as of December 31, 2023	25,402	24,528		
Common stock \$0.10 par value authorized – 350,000 shares, issued and outstanding – 268,231 shares as of September 30, 2024 and 245,282 shares as of December 31, 2023			26,823	24,528
Additional paid-in capital	6,951,244	6,671,198	7,480,051	6,671,198
Cumulative net earnings	3,861,804	3,680,581	3,973,566	3,680,581
Cumulative dividends paid	(7,161,897)	(6,831,061)	(7,335,238)	(6,831,061)
Accumulated other comprehensive income	34,345	29,338	62,738	29,338
Total stockholders' equity	3,710,898	3,574,584	4,207,940	3,574,584
Noncontrolling interest	189,690	187,707	192,359	187,707
Total equity	3,900,588	3,762,291	4,400,299	3,762,291
Total liabilities and equity	\$ 8,848,546	\$ 9,117,402	\$ 9,571,871	\$ 9,117,402

See notes to consolidated financial statements.

2

[Table of Contents](#)

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

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenues								
Rental income	\$ 214,315	\$ 219,355	\$ 421,236	\$ 408,686	\$ 231,485	\$ 210,202	\$ 652,721	\$ 618,888
Interest income	38,042	29,232	73,878	57,652	39,941	30,623	113,819	88,275
Miscellaneous income	388	1,600	930	2,051	4,602	1,207	5,532	3,258
Total revenues	252,745	250,187	496,044	468,389	276,028	242,032	772,072	710,421
Expenses								
Depreciation and amortization	74,234	82,018	148,791	163,210	77,245	80,798	226,036	244,008
General and administrative	22,148	22,158	43,680	42,684	21,758	20,287	65,438	62,971
Real estate taxes	3,750	3,925	7,548	7,922	3,569	3,892	11,117	11,814
Acquisition, merger and transition related costs	1,780	423	4,383	1,062	6,437	121	10,820	1,183
Impairment on real estate properties	8,182	21,114	13,474	60,102	8,620	27,890	22,094	87,992
(Recovery) provision for credit losses	(14,172)	12,967	(5,702)	8,910	(9,061)	2,733	(14,763)	11,643
Interest expense	53,966	58,776	111,786	117,322	54,690	58,778	166,476	176,100

Total expenses	149,888	201,381	323,960	401,212	163,258	194,499	487,218	595,711
Other income (expense)								
Other income – net	3,363	1,029	8,639	3,749	(1,044)	5,402	7,595	9,151
Loss on debt extinguishment	(213)	—	(1,496)	(6)	(137)	—	(1,633)	(6)
Gain on assets sold – net	12,911	12,243	11,520	25,880				
Total other income	16,061	13,272	18,663	29,623				
(Loss) gain on assets sold – net					(238)	44,076	11,282	69,956
Total other (expense) income					(1,419)	49,478	17,244	79,101
Income before income tax expense and income from unconsolidated joint ventures								
Income before income tax expense and income (loss) from unconsolidated joint ventures	118,918	62,078	190,747	96,800	111,351	97,011	302,098	193,811
Income tax expense	(1,980)	(1,626)	(4,561)	(334)	(3,316)	(1,758)	(7,877)	(2,092)
Income from unconsolidated joint ventures	141	1,069	239	1,900				
Income (loss) from unconsolidated joint ventures					6,879	(1,345)	7,118	555
Net income	117,079	61,521	186,425	98,366	114,914	93,908	301,339	192,274
Net income attributable to noncontrolling interest	(3,217)	(1,665)	(5,202)	(2,568)	(3,152)	(2,527)	(8,354)	(5,095)
Net income available to common stockholders	\$ 113,862	\$ 59,856	\$ 181,223	\$ 95,798	\$ 111,762	\$ 91,381	\$ 292,985	\$ 187,179
Earnings per common share available to common stockholders:								
Basic:								
Net income available to common stockholders	\$ 0.46	\$ 0.25	\$ 0.73	\$ 0.41	\$ 0.43	\$ 0.37	\$ 1.16	\$ 0.78
Diluted:								
Net income available to common stockholders	\$ 0.45	\$ 0.25	\$ 0.72	\$ 0.40	\$ 0.42	\$ 0.37	\$ 1.14	\$ 0.78

See notes to consolidated financial statements.

[Table of Contents](#)

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

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Net income	\$ 117,079	\$ 61,521	\$ 186,425	\$ 98,366	\$114,914	\$ 93,908	\$301,339	\$192,274
Other comprehensive income (loss)								
Foreign currency translation	2,292	13,207	(1,996)	24,000	42,694	(18,634)	40,698	5,366
Cash flow hedges	277	7,199	7,154	(2,351)	(13,464)	5,041	(6,310)	2,690
Total other comprehensive income	2,569	20,406	5,158	21,649				
Total other comprehensive income (loss)					29,230	(13,593)	34,388	8,056
Comprehensive income	119,648	81,927	191,583	120,015	144,144	80,315	335,727	200,330
Comprehensive income attributable to noncontrolling interest	(3,293)	(2,251)	(5,353)	(3,189)	(3,989)	(2,144)	(9,342)	(5,333)
Comprehensive income attributable to common stockholders	\$ 116,355	\$ 79,676	\$ 186,230	\$ 116,826	\$140,155	\$ 78,171	\$326,385	\$194,997

See notes to consolidated financial statements.

4

[Table of Contents](#)

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
Three Months Ended June 30, 2024 September 30, 2024 and 2023
Unaudited
(in thousands, except per share amounts)

	Accumulated													
	Common	Additional	Cumulative	Cumulative	Other	Total								
	Stock	Paid-in	Net	Dividends	Comprehensive	Stockholders'	Noncontrolling	Total	Stock	Paid-in	Net	Dividends	C	
	Par Value	Capital	Earnings	Paid	Income	Equity	Interest	Equity	Par Value	Capital	Earnings	Paid	C	
Balance at March														
31, 2024	\$ 24,637	\$6,705,333	\$3,747,942	(\$6,995,876)	\$ 31,852	\$ 3,513,888	\$ 186,705	\$3,700,593						
Balance at June														
30, 2024									\$ 25,402	\$ 6,951,244	\$ 3,861,804	\$ (7,161,897)	\$	
Stock related compensation	—	9,247	—	—	—	9,247	—	9,247	—	9,147	—	—	—	
Issuance of common stock	765	242,071	—	—	—	242,836	—	242,836	1,421	524,616	—	—	—	
Common dividends declared (\$0.67 per share)	—	—	—	(166,021)	—	(166,021)	—	(166,021)	—	—	—	—	(173,341)	
Vesting/exercising of Omega OP Units	—	(5,437)	—	—	—	(5,437)	5,437	—	—	(4,956)	—	—	—	

Exchange and redemption of Omega OP Units for common stock	—	30	—	—	—	—	30	(30)	—	—	—	—
Omega OP Units distributions	—	—	—	—	—	—	—	(6,260)	(6,260)	—	—	—
Net change in noncontrolling interest holder in consolidated JV	—	—	—	—	—	—	—	545	545	—	—	—
Other comprehensive income	—	—	—	—	2,493	2,493	76	2,569	—	—	—	—
Net income	—	—	113,862	—	—	113,862	3,217	117,079	—	—	111,762	—
Balance at June 30, 2024	\$ 25,402	\$ 6,951,244	\$ 3,861,804	\$ (7,161,897)	\$ 34,345	\$ 3,710,898	\$ 189,690	\$ 3,900,588	—	—	—	—
Balance at September 30, 2024	—	—	—	—	—	—	—	—	\$ 26,823	\$ 7,480,051	\$ 3,973,566	\$ (7,335,238)
Balance at March 31, 2023	\$ 23,434	\$ 6,322,160	\$ 3,474,343	\$ (6,344,413)	\$ 21,533	\$ 3,497,057	\$ 188,554	\$ 3,685,611	—	—	—	—
Balance at June 30, 2023	—	—	—	—	—	—	—	—	\$ 24,099	\$ 6,526,367	\$ 3,534,199	\$ (6,501,899)
Stock related compensation	—	8,855	—	—	—	8,855	—	8,855	—	8,810	—	—
Issuance of common stock	663	198,963	—	—	—	199,626	—	199,626	399	125,734	—	—
Common dividends declared (\$0.67 per share)	—	—	—	(157,486)	—	(157,486)	—	(157,486)	—	—	—	(164,540)
Vesting/exercising of Omega OP Units	—	(4,118)	—	—	—	(4,118)	4,118	—	—	(3,704)	—	—
Exchange and redemption of Omega OP Units for common stock	2	542	—	—	—	544	(621)	(77)	—	—	—	—
Omega OP Units distributions	—	—	—	—	—	—	(5,636)	(5,636)	—	—	—	—
Net change in noncontrolling interest holder in consolidated JV	—	(35)	—	—	—	(35)	(193)	(228)	—	4	—	—
Other comprehensive income	—	—	—	—	19,820	19,820	586	20,406	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—
Net income	—	—	59,856	—	—	59,856	1,665	61,521	—	—	91,381	—
Balance at June 30, 2023	\$ 24,099	\$ 6,526,367	\$ 3,534,199	\$ (6,501,899)	\$ 41,353	\$ 3,624,119	\$ 188,473	\$ 3,812,592	—	—	—	—

Balance at								
September	30,							
2023								

See notes to consolidated financial statements.

[Table of Contents](#)

OMEGA HEALTHCARE INVESTORS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

Six Nine Months Ended **June 30, 2024** September 30, 2024 and 2023

Unaudited

(in thousands, except per share amounts)

	Accumulated									
	Common		Additional		Cumulative		Other		Total	
	Stock	Additional	Capital	Net	Dividends	Paid	Comprehensive	Stockholders'	Noncontrolling	
	Par Value	Capital		Earnings		Paid		Equity	Interest	
Balance at December 31, 2023	\$ 24,528	\$ 6,671,198		\$ 3,680,581		\$ (6,831,061)	\$ 29,338	\$ 3,574,584	\$ 187,707	\$ 3,762,291
Stock related compensation	—	18,531		—		—	—	18,531	—	18,531
Issuance of common stock	873	274,313		—		—	—	275,186	—	275,186
Common dividends declared (\$1.34 per share)	—	—		—	(330,836)		—	(330,836)	—	(330,836)
Vesting/exercising of Omega OP Units	—	(13,159)		—	—	—	(13,159)	13,159	—	—
Exchange and redemption of Omega OP Units for common stock	1	361		—	—	—	—	362	(362)	—
Omega OP Units distributions	—	—		—	—	—	—	—	(16,712)	(16,712)
Net change in noncontrolling interest holder in consolidated JV	—	—		—	—	—	—	—	545	545
Other comprehensive income	—	—		—	—	5,007	—	5,007	151	5,158
Net income	—	—		181,223	—	—	181,223	5,202	186,425	
Balance at June 30, 2024	\$ 25,402	\$ 6,951,244		\$ 3,861,804	\$ (7,161,897)	\$ 34,345	\$ 3,710,898	\$ 189,690	\$ 3,900,588	
Balance at December 31, 2022	\$ 23,425	\$ 6,314,203		\$ 3,438,401	\$ (6,186,986)	\$ 20,325	\$ 3,609,368	\$ 193,914	\$ 3,803,282	
Stock related compensation	—	17,647		—	—	—	17,647	—	17,647	
Issuance of common stock	672	200,939		—	—	—	201,611	—	201,611	
Common dividends declared (\$1.34 per share)	—	—		—	(314,913)	—	(314,913)	—	(314,913)	
Vesting/exercising of Omega OP Units	—	(6,929)		—	—	—	(6,929)	6,929	—	—
Exchange and redemption of Omega OP Units for common stock	2	542		—	—	—	544	(621)	(77)	
Omega OP Units distributions	—	—		—	—	—	—	(14,767)	(14,767)	
Net change in noncontrolling interest holder in consolidated JV	—	(35)		—	—	—	(35)	(171)	(206)	
Other comprehensive income	—	—		—	—	21,028	21,028	621	21,649	
Net income	—	—		95,798	—	—	95,798	2,568	98,366	
Balance at June 30, 2023	\$ 24,099	\$ 6,526,367		\$ 3,534,199	\$ (6,501,899)	\$ 41,353	\$ 3,624,119	\$ 188,473	\$ 3,812,592	



	Accumulated								
	Common	Additional	Cumulative	Cumulative	Other	Total			
	Stock	Paid-in	Net	Dividends	Comprehensive	Stockholders'	Noncontrolling		Total
	Par Value	Capital	Earnings	Paid	Income	Equity	Interest		Equity
Balance at December 31, 2023	\$ 24,528	\$6,671,198	\$3,680,581	\$(6,831,061)	\$ 29,338	\$ 3,574,584	\$ 187,707		\$3,762,291
Stock related compensation	—	27,678	—	—	—	27,678	—		27,678
Issuance of common stock	2,294	798,929	—	—	—	801,223	—		801,223
Common dividends declared (\$2.01 per share)	—	—	—	(504,177)	—	(504,177)	—		(504,177)
Vesting/exercising of Omega OP Units	—	(18,115)	—	—	—	(18,115)	18,115		—
Exchange and redemption of Omega OP Units for common stock	1	361	—	—	—	362	(362)		—
Omega OP Units distributions	—	—	—	—	—	—	(22,988)		(22,988)
Net change in noncontrolling interest holder in consolidated JV	—	—	—	—	—	—	545		545
Other comprehensive income	—	—	—	—	33,400	33,400	988		34,388
Net income	—	—	292,985	—	—	292,985	8,354		301,339
Balance at September 30, 2024	\$ 26,823	\$7,480,051	\$3,973,566	\$(7,335,238)	\$ 62,738	\$ 4,207,940	\$ 192,359		\$4,400,299
Balance at December 31, 2022	\$ 23,425	\$6,314,203	\$3,438,401	\$(6,186,986)	\$ 20,325	\$ 3,609,368	\$ 193,914		\$3,803,282
Stock related compensation	—	26,457	—	—	—	26,457	—		26,457
Issuance of common stock	1,071	326,673	—	—	—	327,744	—		327,744
Common dividends declared (\$2.01 per share)	—	—	—	(479,453)	—	(479,453)	—		(479,453)
Vesting/exercising of Omega OP Units	—	(10,633)	—	—	—	(10,633)	10,633		—
Exchange and redemption of Omega OP Units for common stock	2	542	—	—	—	544	(621)		(77)
Omega OP Units distributions	—	—	—	—	—	—	(20,751)		(20,751)
Net change in noncontrolling interest holder in consolidated JV	—	(31)	—	—	—	(31)	(171)		(202)
Other comprehensive income	—	—	—	—	7,818	7,818	238		8,056
Net income	—	—	187,179	—	—	187,179	5,095		192,274
Balance at September 30, 2023	\$ 24,498	\$6,657,211	\$3,625,580	\$(6,666,439)	\$ 28,143	\$ 3,668,993	\$ 188,337		\$3,857,330

See notes to consolidated financial statements.

[Table of Contents](#)

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

Cash flows from operating activities	Six Months Ended June 30,				Nine Months Ended	
	2024		2023		September 30,	
	2024	2023	2024	2023	2024	2023
Net income	\$ 186,425	\$ 98,366	\$ 301,339	\$ 192,274		

Adjustment to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	148,791	163,210	226,036	244,008
Impairment on real estate properties	13,474	60,102	22,094	87,992
Provision for rental income	—	13,401	1,136	20,633
(Recovery) provision for credit losses	(5,702)	8,910	(14,763)	11,643
Amortization of deferred financing costs and loss on debt extinguishment	8,534	6,510	10,584	9,998
Accretion of direct financing leases	70	53	106	80
Stock-based compensation expense	18,415	17,550	27,498	26,306
Gain on assets sold – net	(11,520)	(25,880)	(11,282)	(69,956)
Amortization of acquired in-place leases – net	(1,062)	(6,775)	(2,337)	(8,911)
Straight-line rent and effective interest receivables	(17,857)	(23,257)	(29,298)	(31,414)
Interest paid-in-kind	(6,674)	(5,221)	(9,043)	(7,992)
Loss from unconsolidated joint ventures	1,617	37		
(Income) loss from unconsolidated joint ventures			(4,331)	2,327
Change in operating assets and liabilities – net:				
Contractual receivables	1,406	(610)	1,429	(1,283)
Lease inducements	465	(12,146)	699	(11,970)
Other operating assets and liabilities	(805)	(12,514)	595	(10,979)
Net cash provided by operating activities	335,577	281,736	520,462	452,756
Cash flows from investing activities				
Acquisition of real estate	(127,973)	(154,927)	(229,803)	(211,216)
Net proceeds from sale of real estate investments	44,894	62,284	68,757	261,288
Investments in construction in progress	(42,149)	(14,681)	(59,292)	(29,068)
Placement of loan principal	(193,187)	(182,728)	(272,889)	(242,627)
Collection of loan principal	65,435	121,918	113,552	135,963
Investments in unconsolidated joint ventures	(318)	(8,195)	(398)	(12,178)
Distributions from unconsolidated joint ventures in excess of earnings	1,250	1,134	2,835	3,016
Capital improvements to real estate investments	(14,010)	(13,191)	(22,278)	(23,305)
Proceeds from net investment hedges	8,429	—	8,429	—
Receipts from insurance proceeds	1,657	3,717	1,657	6,033
Net cash used in investing activities	(255,972)	(184,669)	(389,430)	(112,094)
Cash flows from financing activities				
Proceeds from long-term borrowings	478,500	80,000	657,819	507,072
Payments of long-term borrowings	(890,128)	(86,001)	(1,142,788)	(507,250)
Payments of financing related costs	(1,892)	(6)	(6,903)	(3,333)
Net proceeds from issuance of common stock	275,186	201,611	801,223	327,744
Dividends paid	(330,720)	(314,816)	(503,998)	(479,301)
Net payments to noncontrolling members of consolidated joint venture	545	(206)	545	(202)
Proceeds from derivative instruments	—	92,577	—	92,577
Redemption of Omega OP Units	—	(77)	—	(77)
Distributions to Omega OP Unit Holders	(16,712)	(14,767)	(22,988)	(20,751)
Net cash used in financing activities	(485,221)	(41,685)	(217,090)	(83,521)
Effect of foreign currency translation on cash, cash equivalents and restricted cash	17	485	1,638	132
Decrease in cash, cash equivalents and restricted cash	(405,599)	55,867		
(Decrease) Increase in cash, cash equivalents and restricted cash			(84,420)	257,273
Cash, cash equivalents and restricted cash at beginning of period	444,730	300,644	444,730	300,644
Cash, cash equivalents and restricted cash at end of period	\$ 39,131	\$ 356,511	\$ 360,310	\$ 557,917

See notes to consolidated financial statements.

[Table of Contents](#)

OMEGA HEALTHCARE INVESTORS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
June September 30, 2024

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Overview and Organization

Omega Healthcare Investors, Inc. ("Parent") is a Maryland corporation that, together with its consolidated subsidiaries (collectively, "Omega," the "Company," "we," "our" or "us") invests 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"), assisted living facilities ("ALFs"), and to a lesser extent, independent living facilities ("ILFs"), rehabilitation and acute care facilities ("specialty facilities") and medical office buildings. Our core portfolio consists of long-term "triple net" leases and real estate loans with healthcare operating companies and affiliates (collectively, our "operators"). In addition to our core investments, we make loans to operators and/or their principals. From time to time, we also acquire equity interests in joint ventures or entities that support the long-term healthcare industry and our operators.

Omega has elected to be taxed as a real estate investment trust ("REIT") for federal income tax purposes and is structured as an umbrella partnership REIT ("UPREIT") under which all of Omega's assets are owned directly or indirectly by, and all of Omega's operations are conducted directly or indirectly through, its operating partnership subsidiary, OHI Healthcare Properties Limited Partnership (collectively with its subsidiaries, "Omega OP"). Omega has exclusive control over Omega OP's day-to-day management pursuant to the partnership agreement governing Omega OP. As of **June 30, 2024 September 30, 2024**, Parent owned 97% of the issued and outstanding units of partnership interest in Omega OP ("Omega OP Units"), and other investors owned 3% of the outstanding Omega OP Units.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all 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 Annual Report on [Form 10-K](#) for the year ended December 31, 2023.

Omega's consolidated financial statements include the accounts of Omega Healthcare Investors, Inc., its wholly-owned subsidiaries and the joint ventures ("JVs") and variable interest entities ("VIEs") that it controls, through voting rights or other means. All intercompany transactions and balances have been eliminated in consolidation.

Segments

We conduct our operations and report financial results as one business segment. The presentation of financial results as one reportable segment is consistent with the way we operate our business and is consistent with the manner in which our Chief Operating Decision Maker (CODM), our Chief Executive Officer, evaluates performance and makes resource and operating decisions for the business.

Reclassification

Certain amounts in the prior year period have been reclassified to conform to the current period presentation. Income from direct financing leases, which was previously reported separately on our Consolidated Statements of Operations, is now included in Rental Income for all periods presented. In addition, we previously reported assets held for sale of \$93.7 million on the Consolidated Balance Sheet as of December 31, 2023. \$12.2 million of these assets no longer qualify as held for sale and have been reclassified to assets held for use within the applicable line items in real estate assets – net on the Consolidated Balance Sheet as of December 31, 2023. Of the \$12.2 million reclassified net of \$5.4 million of accumulated depreciation, \$15.9 million relates to buildings, \$0.6 million relates to land and \$1.1 million relates to furniture and equipment. We originally reclassified these assets as held for sale in the fourth quarter of 2023 as a result of receiving a notification from an operator of their intent to exercise a purchase option over the assets. Due to regulatory issues encountered in the first quarter of 2024 during the due diligence process that limit our ability to sell these assets, they no longer qualify as assets held for sale.

Recent Accounting Pronouncements

ASU – 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, which is intended to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses, as well as how the CODM uses the reported measure(s) of segment profit or loss in assessing performance. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance is to be applied retrospectively to all periods presented in the financial statements. We are currently evaluating the potential impact of adopting this new guidance on our consolidated financial statements and disclosures.

ASU – 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, which modifies the rules on income tax disclosures to require entities to disclose (i) specific categories in the rate reconciliation, (ii) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (iii) income tax expense or benefit from continuing operations (separated by federal, state and foreign). The guidance also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions. The guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The guidance should be applied on a prospective basis, but retrospective application is permitted. We are currently evaluating the potential impact of adopting this new guidance on our consolidated financial statements and disclosures.

NOTE 2 – REAL ESTATE ASSETS

At June 30, 2024 September 30, 2024, our leased real estate properties included 588 587 SNFs, 221 282 ALFs, 19 ILFs, 19 specialty facilities and one medical office building. The following table summarizes the Company's rental income:

Three Months Ended June 30, Six Months Ended June 30,				Three Months Ended September 30,		Nine Months Ended September 30,	
2024	2023	2024	2023	2024	2023	2024	2023

	(in thousands)		(in thousands)		(in thousands)		(in thousands)	
Fixed income from operating leases	\$ 210,554	\$ 215,307	\$ 413,846	\$ 400,634	\$ 227,934	\$ 206,197	\$ 641,780	\$ 606,831
Variable income from operating leases	3,510	3,794	6,887	7,544	3,301	3,751	10,188	11,295
Interest income from direct financing leases	251	254	503	508	250	254	753	762

Total rental income	\$ 214,315	\$ 219,355	\$ 421,236	\$ 408,686	\$ 231,485	\$ 210,202	\$ 652,721	\$ 618,888
---------------------	------------	------------	------------	------------	------------	------------	------------	------------

Our variable income from operating leases primarily represents the reimbursement by operators for real estate taxes that Omega pays directly.

[Table of Contents](#)

Asset Acquisitions

The following table summarizes the asset acquisitions that occurred during the **six** nine months ended **June 30, 2024** **September 30, 2024**:

Period	Number of Facilities		Country/State	Total Real Estate Assets Acquired		Initial Annual Cash Yield(1)	Number of Facilities		Total Real Estate Assets Acquired		Initial Annual Cash Yield(1)
	SNF	ALF		(in millions)	SNF	ALF	Country/State	(in millions)	SNF	ALF	
Q1	1	—	WV	\$ 8.1	10.0 %	1	—	WV	\$ 8.1	10.0 %	
Q1	—	1	U.K.	5.2	9.5 %	—	1	U.K.	5.2	9.5 %	
Q2	1	—	MI	31.0	11.5 %	1	—	MI	31.0	11.5 %	
Q2	—	32	U.K.	50.8 ⁽²⁾	10.0 %	—	32	U.K.	50.8 ⁽²⁾	10.0 %	
Q2	1	—	LA	21.0	10.0 %	1	—	LA	21.0	10.0 %	
Q3						—	63	U.K.	421.0 ⁽³⁾	9.9 % ⁽⁴⁾	
Q3						—	1	U.K.	5.1	10.0 %	
Q3						1	—	NC	8.8	10.0 %	
Q3						—	1	U.K.	10.8	10.0 %	
Total	3	33		\$ 116.1			4 98		\$ 561.8		

(1) Initial annual cash yield reflects the initial annual contractual cash rent divided by the purchase price.

(2) Total consideration paid for this acquisition was \$62.7 million. We allocated \$11.9 million of the purchase consideration to a deferred tax asset related to net operating losses acquired in the transaction. See Note 13 - Taxes for additional information.

(3) Relates to our acquisition of the remaining 51% ownership interest in the Cindat Joint Venture, discussed below under "Cindat Portfolio Acquisition." Total costs to be allocated for this acquisition was \$461.9 million, inclusive of our previously held equity interest of \$97.0 million. We allocated \$53.8 million of the costs to be allocated to other assets acquired in the transaction and we allocated \$13.0 million of the costs to be allocated to other liabilities assumed in the transaction.

(4) Reflects the yield based on cash consideration, the assumption of a mortgage loan, deferred contingent consideration and the previously held equity interest in the unconsolidated real estate joint venture. See "Cindat Portfolio Acquisition" below for additional information.

Cindat Portfolio Acquisition

As of December 31, 2023, we held a 49% interest in an unconsolidated real estate joint venture owning 63 facilities in the U.K. (the "Cindat Joint Venture") accounted for using the equity method of accounting. As of December 31, 2023, our equity interest was \$97.6 million. The 63 facilities are subject to leases with two operators that have contractual rent of \$43.6 million per annum with minimum escalators between 1.0% to 2.0% that can escalate further based on certain inflationary measures.

In July 2024, we acquired the remaining 51% interest in the Cindat Joint Venture for total consideration of \$364.9 million inclusive of: (i) \$98.9 million of cash consideration including direct transaction costs, (ii) the assumption of a £188.6 million (\$243.2 million) mortgage loan with an estimated fair value of \$264.0 million and (iii) deferred contingent consideration with an estimated fair value of \$2.0 million. The fair market value of the mortgage debt assumed was determined by discounting the remaining contractual cash flows using a current market rate of interest of comparable debt instruments. The deferred contingent consideration payment, which will be between zero and \$3.0 million, becomes payable to the sellers in December 2024 if certain contingencies are satisfied.

Following the acquisition, we own 100% of the equity interests in the entity that owns the Cindat portfolio, and accordingly, we will consolidate its results in our consolidated financial statements going forward. The acquired interest will be accounted for as an asset

acquisition as substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets. Under our existing accounting policy election, we follow the asset acquisition cost accumulation and allocation model. Accordingly, we did not remeasure our previously held \$97.0 million equity interest, as of the acquisition date, at fair value.

[Table of Contents](#)

The following table summarizes the fair value of the assets and liabilities recorded as part of the acquisition as of the date of the acquisition:

	(in thousands)
Costs to be allocated:	
49% equity method investment in Cindat Joint Venture	\$ 96,971
Consideration for additional 51% interest in Cindat Joint Venture	100,921
Fair market value of debt assumed	263,990
Total acquisition cost to be allocated	\$ 461,882
 Fair value of net assets acquired:	
Real estate assets	\$ 421,044
Non-real estate loans receivable	1,632
Cash and cash equivalents	6,866
Restricted cash	14,050
Contractual receivables	8
Other assets	31,278
Total assets	474,878
Accrued expenses and other liabilities	(12,996)
Fair value of net assets acquired	\$ 461,882

Construction in Progress and Capital Expenditure Investments

We invested \$34.8 million \$25.4 million and \$56.2 million \$81.6 million under our construction in progress and capital improvement programs during the three and six nine months ended June 30, 2024 September 30, 2024, respectively. We invested \$17.8 million \$24.5 million and \$27.9 million \$52.4 million under our construction in progress and capital improvement programs during the three and six nine months ended June 30, 2023 September 30, 2023, respectively. As of June 30, 2024 September 30, 2024, construction in progress included two three projects consisting of the development of a SNF in Virginia, a SNF in Florida and an ALF in Washington D.C.

NOTE 3 – ASSETS HELD FOR SALE, DISPOSITIONS AND IMPAIRMENTS

Periodically we sell facilities to reduce our exposure to certain operators, geographies and non-strategic assets or due to the exercise of a tenant purchase option.

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

	June 30,	December 31,	December	
			2024	2023
Number of facilities held for sale			15	16

Amount of assets held for sale (in thousands)	\$ 76,627	\$ 81,546	\$ 75,973	\$ 81,546
---	-----------	-----------	-----------	-----------

Asset Sales

During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we sold **five** **six** facilities (four ALFs and two SNFs) and **15** facilities (**11** SNFs and **nine** SNFs **four** ALFs) subject to operating leases for **\$34.8 million** **\$23.9 million** and **\$44.9 million** **\$68.8 million** in net cash proceeds, respectively. As a result of these sales, we recognized a net loss of **\$0.2 million** and a net gain of **\$12.9 million** and **\$11.5 million** **\$11.3 million**, respectively.

11

Table of Contents

During the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, we sold **ten** **25** facilities (**nine** SNFs **25** SNFs) and one ILF) and **12** **37** facilities (**ten** **35** SNFs, one ILF and one medical office building) subject to operating leases, for approximately **\$44.7 million** **\$199.0 million** and **\$62.3 million** **\$261.3 million** in net cash proceeds, respectively. As a result of these sales, we recognized net gains of approximately **\$12.2 million** **\$44.1 million** and **\$25.9 million** **\$70.0 million**, respectively.

10

[Table](#) The **\$44.1 million** of **Contents** net gains includes a **\$50.2 million** gain related to the sale of **11** facilities that occurred in December 2022 but that did not meet the contract criteria to be recognized under ASC 610-20 at the legal sale date. We recognized the sale during the third quarter of 2023 following the early payoff of the **\$104.8 million** senior seller financing that was provided to the buyer as part of the sale of the **11** facilities.

As of September 30, 2024 and December 31, 2023, we had two and one facility sales, respectively, that were not recognized as a result of not meeting the contract criteria under ASC 610-20 at the legal sale date. During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we received interest of **\$0.3 million** and **\$0.6 million** **\$0.9 million**, respectively, related to seller financing provided in connection with sales that did were not meet the contract criteria to be recognized under ASC 610-20, recognized. During the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, we received interest of **\$2.3 million** **\$1.8 million** and **\$4.4 million** **\$6.2 million**, respectively, related to seller financing provided in connection with sales that did were not meet the contract criteria to be recognized under ASC 610-20, recognized. The interest received was deferred and recorded as a contract liability within accrued expenses and other liabilities on our Consolidated Balance Sheets. As of June 30, 2024, we have one sale that has not been recognized.

Real Estate Impairments

During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we recorded impairments on **four** **five** and **seven** **12** facilities of **\$8.2 million** **\$8.6 million** and **\$13.5 million** **\$22.1 million**, respectively. Of the **\$13.5 million** **\$22.1 million**, **\$8.1 million** **\$13.0 million** related to **five** **eight** held for use facilities (of which **\$4.0 million** relates **\$7.2 million** related to **three** **four** closed facilities) for which the carrying value exceeded the fair value and **\$5.4 million** **\$9.1 million** related to **two** **four** facilities that were classified as held for sale for which the carrying values exceeded the estimated fair value less costs to sell.

During the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, we recorded impairments on **four** **19** and **six** **25** facilities of **\$21.1 million** **\$27.9 million** and **\$60.1 million** **\$88.0 million**, respectively. Of the **\$60.1 million** **\$88.0 million**, **\$57.5 million** **\$85.4 million** related to **four** **23** held for use facilities (of which \$48.0 million relates to three facilities that were closed during the year) for which the carrying value exceeded the fair value and \$2.6 million related to two facilities that were classified as held for sale for which the carrying values exceeded the estimated fair value **less** costs to sell.

To estimate the fair value of the facilities for the impairments noted above, we utilized a market approach that considered binding sale agreements (a Level 1 input) or non-binding offers from unrelated third parties and/or broker quotes (a Level 3 input).

NOTE 4 – CONTRACTUAL RECEIVABLES AND OTHER RECEIVABLES AND LEASE INDUCEMENTS

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, modification or renewal of the lease, and are amortized as a reduction of rental income over the non-cancellable lease term.

12

[Table of Contents](#)

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

	September 30,		December 31,	
	2024		2023	
	(in thousands)			
Contractual receivables – net	\$ 10,337		\$ 11,888	
Effective yield interest receivables	\$ 1,707		\$ 3,127	
Straight-line rent receivables	231,438		202,748	
Lease inducements	8,254		8,782	
Other receivables and lease inducements	\$ 241,399		\$ 214,657	

	June 30,		December 31,	
	2024		2023	
	(in thousands)			
Contractual receivables – net	\$ 10,360		\$ 11,888	
Effective yield interest receivables	\$ 1,575		\$ 3,127	
Straight-line rent receivables	220,565		202,748	
Lease inducements	8,288		8,782	
Other receivables and lease inducements	\$ 230,428		\$ 214,657	

11

[Table of Contents](#)

Cash Basis Operators and Straight-Line Receivable Write-Offs

We review our collectibility assumptions related to rental income from our operator leases on an ongoing basis. During the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we placed one new operator on a cash basis of revenue recognition. In the first quarter of 2024, we entered into a lease with the new operator as part of the transition of facilities from another operator. As we had no previous relationship with this new operator and collection of substantially all contractual lease payments due from the new operator was not deemed probable, we placed the new operator on a cash basis of revenue recognition. **We placed this operator on a cash basis concurrent with the lease commencement date, so there was no straight-line rent write-off associated with moving the operator to a cash basis.**

During the **three** and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, we placed two new operators, which Omega **has** **had** not previously had relationships with prior to the second quarter of 2023, on a cash basis of revenue recognition as collection of substantially all contractual lease payments due from them was not deemed probable. Our new lease agreements with each of these operators were executed in the second quarter of 2023 as part of transitions of facilities from other operators. We placed these operators on a cash basis concurrent with the respective lease commencement dates, so there were no straight-line rent write-offs associated with moving these operators to a cash basis.

We did not have any straight-line receivable write-offs through rental income as a result of placing operators on a cash basis during either of the **three** and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively.

As of **June 30, 2024** **September 30, 2024**, we had 18 operators on a cash basis for revenue recognition, which represent 18.6% and **22.3%** **22.0%** of our total revenues for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively.

Rent Deferrals and Application of Collateral

During **each** of the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we allowed **three** **four** and nine operators to defer **\$1.8** **million** **\$3.0** **million** and **\$33.6** **million** **\$35.0** **million**, respectively, of contractual rent and interest. The deferrals during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** primarily related to Maplewood Senior Living (along with affiliates, "Maplewood") (**\$1.5** **2.5** **million**). The deferrals during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** primarily related to the following operators: LaVie Care Centers, LLC ("LaVie") (**\$19.0** **million**), Healthcare Homes Limited (**\$8.2** **million**), Agemo Holdings, LLC ("Agemo") (**\$1.9** **million**) and Maplewood (**\$0.7** **1.3** **million**). During **each** of the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we received repayments of deferred rent of **\$1.0** **million** **\$1.2** **million** and **\$0.3** **million** **\$1.3** **million**, respectively.

Additionally, we allowed **four** **five** and **four** **six** operators to apply collateral, such as security deposits or letters of credit, to contractual rent and interest during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively. The total collateral applied to contractual rent and interest was **\$0.6** **million** **\$1.7** **million** and **\$5.5** **million** **\$11.4** **million** for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively.

Operator Collectibility Updates

Maplewood

In the fourth quarter of 2022, Omega began discussions with Maplewood to restructure its portfolio as a result of liquidity issues. As of December 31, 2022, Omega had 17 operating facilities subject to a lease agreement with Maplewood, a construction in progress project in Washington D.C., and a \$250.0 million secured revolving credit facility. In view of Maplewood liquidity concerns, Omega and Maplewood entered into a comprehensive restructuring of Maplewood's lease and loan agreements on January 31, 2023 that, among other things, fixed rent at \$69.3 million per annum through December 2025, increased the capacity of the secured revolving credit facility to \$320.0 million, converted portions of interest on the secured revolving credit facility from cash to paid-in-kind ("PIK") for certain periods, and provided Maplewood a one-time option termination fee of \$12.5 million, and reduced Maplewood's share of any future potential sales proceeds.

12

[Table of Contents](#)

Shortly after the restructuring was completed, on March 31, 2023, Greg Smith, the principal and chief executive officer of Maplewood, passed away. Mr. Smith had been a guarantor of Maplewood's contractual obligations pursuant to a \$40.0 million limited unconditional guaranty agreement. Maplewood began to short pay contractual rent under its lease agreement during the second quarter of 2023, which continued through the end of the second quarter of 2024 as discussed further below. Since Mr. Smith's passing in 2023, Omega has been in discussions with the Greg Smith estate (the "Estate") in order to protect our interests, including Mr. Smith's guaranty, and facilitate an orderly transition of Mr. Smith's controlling equity interest in Maplewood to key members of the existing Maplewood management team (the "Key Principals"). Under the proposed transition, the Key Principals would become the new majority equity holders in the Maplewood entities.

In order to accelerate a negotiated transition process, in May 2024, Omega sent a demand letter to Maplewood and the Estate notifying them of multiple events of default under Maplewood's lease, loan, and related agreements with Omega, including Mr. Smith's guaranty, with Omega, including failure to pay full contractual rent and interest for periods in 2023 and 2024. Omega exercised its contractual rights in connection with these defaults and demanded immediate repayment of past due contractual rent and replenishment of the security deposit, and accelerated all principal and accrued interest due to Omega under the revolving credit facility, which had \$291.2 million \$296.4 million outstanding as of June 30, 2024 September 30, 2024, including PIK interest that is not recorded for accounting purposes. We also filed a lawsuit during the second quarter of 2024 to, among other things, foreclose on the pledged equity and assets of Maplewood.

After sending the demand letter, in June 2024, Omega executed a non-binding term sheet with the Key Principals outlining the terms of the proposed transition, which includes maintaining the Maplewood lease agreement and the secured revolving credit facility provided by Omega. We are currently working with the Estate and the Key Principals to take the steps necessary to complete the transition of Mr. Smith's equity through On July 31, 2024, we entered into a settlement agreement (the "Settlement Agreement"), which will require approval of with the Estate and submitted it to the probate court overseeing administration of the Estate, as well as regulatory approvals in connection with licensure of the operating assets. On July 31, 2024, we entered into the for approval. The Settlement Agreement, with among other things, grants Omega the Estate subject to the approvals noted above, which formalizes the proposed settlement, including the right in favor of Omega to direct the assignment of Mr. Smith's equity to the Key Principals or their designee(s), with the Estate remaining liable under Mr. Smith's guaranty until the transition is complete or one year from the court's approval date, if earlier, and Omega's agreement requires Omega to forbear refrain from exercising contractual rights or remedies in connection with the defaults, and submitted it to defaults. On August 26, 2024, the probate court for approval. There is no certainty that the court will approve approved the Settlement Agreement, or that this and in October

2024, following the probate court's final and non-appealable order approving the Settlement Agreement, we requested and were granted a dismissal without prejudice of our lawsuit against, among others, the Estate. We are still awaiting regulatory approvals related to licensure of the operating assets before the transition will be completed as intended, on a timely basis, or at all. While pursuing negotiations with the Estate, we have filed suit to, among other things, foreclose on the pledged equity and assets completed.

[Table of Maplewood in the event that the Settlement Agreement is not consummated and/or approved by the probate court or following any appeal therefrom. We anticipate terminating the suit once a final, non-appealable order is entered approving the settlement with the Estate.](#) [Table of Contents](#)

In the ~~second~~ third quarter of 2024, Maplewood paid ~~\$11.8 million~~ \$12.1 million of contractual rent, a short pay of ~~\$6.2 million~~ \$6.0 million of the ~~\$18.0 million~~ \$18.1 million (consisting of \$17.3 million of contractual rent and ~~\$0.7 million~~ \$0.8 million of contractual interest) due under its lease and loan agreements. Maplewood's \$4.8 million security deposit was fully exhausted in the fourth quarter of 2023, so we were unable to apply collateral to unpaid rent and interest ~~during the first six months of~~ in 2024. Maplewood is on a cash basis of revenue recognition for lease purposes, and we recorded rental income of ~~\$11.8 million~~ \$12.1 million and ~~\$16.3 million~~ \$17.3 million for the three months ended ~~June 30, 2024~~ September 30, 2024 and 2023, respectively. We recorded rental income of ~~\$23.1 million~~ \$35.2 million and ~~\$33.6 million~~ \$50.9 million for the ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024 and 2023, respectively. Rental income in all periods was limited to payments that were received from Maplewood or the application of available collateral held by Omega. The \$12.5 million option termination fee payment made by Omega in the first quarter of 2023 in connection with the restructuring agreement was recorded as a reduction to the ~~\$33.6 million~~ \$50.9 million of gross rental income recognized for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023.

As discussed further in Note 5 – Real Estate Loans Receivable, we recorded interest income of zero and \$1.5 million on the Maplewood secured revolving credit facility during the three and ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023, respectively. No interest income was recorded during the three and ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024.

In ~~July~~ October 2024, Maplewood short-paid the contractual rent and interest amounts due under its lease and loan agreements by ~~\$2.0 million~~ \$1.9 million.

[Table of Contents](#)

LaVie

We began restructuring our facilities and agreements with LaVie in the fourth quarter of 2022, as a result of on-going liquidity issues at LaVie, and these activities have continued into 2023 and 2024. In January 2023, we amended our lease agreements with LaVie to allow for a partial rent deferral of \$19.0 million for the first four months of 2023. During 2023, we transitioned two facilities, previously subject to the master lease with LaVie, to another operator and sold 37 facilities, previously subject to the master lease with LaVie, to a third party. In the first quarter of 2024, we sold two facilities and transitioned two facilities to another operator, all of which were previously subject to the master lease with LaVie.

~~On~~ In June 2 and 3, 2024, LaVie commenced voluntary cases under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Georgia, Atlanta Division (the "Bankruptcy Court"). LaVie will continue to operate, as a debtor-in-possession, the 30 facilities subject to a master lease agreement

with Omega, unless and until LaVie's leasehold interest under the master lease agreement is rejected or assumed and assigned. We committed to provide, along with another lender, \$10 million of a \$20 million junior secured debtor-in-possession ("DIP") financing to LaVie, as further discussed in Note 6 – Non-Real Estate Loans Receivable. As a condition of the DIP financing, LaVie is required to pay Omega full contractual rent under its lease agreement. We determined LaVie was a variable interest entity after it became a debtor-in-possession and following the issuance of the DIP financing loan. Omega is not the primary beneficiary of LaVie because we do not have the power to control the activities that most significantly impact LaVie's economic performance. See Note 8 – Variable Interest Entities, for additional disclosures surrounding our VIEs.

Prior to its bankruptcy filing, LaVie paid Omega \$1.5 million in April 2024 and \$1.5 million in May 2024. The April 2024 and May 2024 payments were short of full contractual rent by \$1.7 million and \$1.5 million, respectively. Following the bankruptcy filing, LaVie paid contractual rent of \$2.9 million in June 2024, which reflects full contractual rent prorated for the period after LaVie entered bankruptcy and a \$0.1 million short pay for the several days prior to the filing. In the third quarter of 2024, LaVie resumed making full contractual rent payments of \$9.2 million due under its lease agreement. As LaVie is on a cash basis of revenue recognition for lease purposes, rental income recorded was equal to cash received of ~~\$5.9 million~~ \$9.2 million and ~~\$16.9 million~~ \$7.4 million during the three months ended ~~June 30, 2024~~ September 30, 2024 and 2023, respectively and ~~\$10.3 million~~ \$19.5 million and ~~\$24.3 million~~ \$31.7 million during the ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024 and 2023, respectively. We did not recognize any interest income related to LaVie during the ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024 and 2023 as the three loans outstanding have PIK interest and are on non-accrual status. In ~~July~~ October 2024, LaVie paid full contractual rent of \$3.0 million due under its lease agreement.

[Table of Contents](#)

Guardian

In August 2023, Guardian Healthcare ("Guardian") failed to make the contractual rent payment due under its lease agreement and subsequently did not make any required contractual rent payments due under its lease agreement through the end of the first quarter of 2024. In April 2024, we transitioned the remaining six facilities previously included in Guardian's master lease to a new operator for minimum initial contractual rent of \$5.5 million per annum with the potential to increase contractual rent dependent on revenue received by the operator. We recorded rental income of \$2.9 million and \$5.8 million related to our lease with the new operator for the three and nine months ended ~~June 30, 2024~~ September 30, 2024, respectively.

Agemo

Agemo failed to pay contractual rent and interest during the first quarter of 2023. Following the execution of a restructuring agreement between Omega and Agemo in the first quarter of 2023, Agemo resumed making contractual rent and interest payments during the second quarter of 2023 and has made all required contractual rent and interest payments through the ~~second~~ third quarter of 2024. Rental income includes \$6.0 million and \$5.8 million related to our lease with Agemo for the three months ended ~~June 30, 2024~~ September 30, 2024 and 2023, respectively, and ~~\$11.9 million~~ \$17.9 million and ~~\$5.8 million~~ \$11.6 million for the ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024 and 2023, respectively. As Agemo is a cash basis operator, rental income is limited to the contractual rent payments that were received during the respective periods.

We did not recognize interest income on our loans with Agemo during the ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024 and 2023. See Note 6 – Non-Real Estate Loans Receivable for discussion regarding our loans and interest with Agemo.

[Table of Contents](#)*Other*

During the **six nine** months ended **June 30, 2023** **September 30, 2023**, we re-leased 48 facilities that were previously subject to leases with four cash basis operators to other operators. Following the transition, we have no remaining relationships with these four cash basis operators. All of the operators to which the 48 facilities were transitioned have leases for which Omega is recognizing revenue on a straight-line basis. The aggregate initial contractual rent for the 48 facilities under these leases is \$48.0 million per annum.

In connection with the transition of certain of these facilities, in the first quarter of 2023, Omega made termination payments of \$15.5 million that were recorded as initial direct costs related to a lease with a new operator. These termination payments are deferred and will be recognized within depreciation and amortization expense on a straight-line basis over the term of the master lease with the new operator.

NOTE 5 – REAL ESTATE LOANS RECEIVABLE

Real estate loans consist of mortgage notes and other real estate loans which are primarily collateralized by a first, second or third mortgage lien or a leasehold mortgage on, or an assignment of the partnership interest in the related properties. As of **June 30, 2024** **September 30, 2024**, our real estate loans receivable consists of **15 17** fixed rate mortgage notes on **65 68** long-term care facilities and **16 15** other real estate loans. The facilities subject to the mortgage notes are operated by **13 14** independent healthcare operating companies and are located in 11 U.S. states and within the U.K. We monitor compliance with our real estate loans and, when necessary, have initiated collection, foreclosure and other proceedings with respect to certain outstanding real estate loans.

16

[Table of Contents](#)

A summary of our real estate loans receivable by loan type and by borrower and/or guarantor is as follows:

	June 30,	December 31,	September 30,	December 31,
	2024	2023	2024	2023
Mortgage notes due 2030; interest at 11.07%(1)(2)	\$ 525,309	\$ 514,866		
Mortgage notes due 2037; interest at 10.50%	72,420	72,420		
Mortgage notes due 2030; interest at 11.20%(1)(2)			\$ 525,399	\$ 514,866
Mortgage notes due 2037; interest at 10.61%(1)			83,803	72,420
Mortgage notes due 2024; interest at 10.00%(1)	71,666	—	71,666	—

Mortgage note due 2025; interest at 7.85%	61,061	62,010	60,579	62,010
Mortgage note due 2028; interest at 10.00%	50,000	50,000	50,000	50,000
Other mortgage notes outstanding ⁽³⁾	108,877	55,141	119,379	55,141
Mortgage notes receivable – gross	889,333	754,437	910,826	754,437
Allowance for credit losses on mortgage notes receivable	(42,692)	(55,661)	(40,643)	(55,661)
Mortgage notes receivable – net	846,641	698,776	870,183	698,776
Other real estate loan due 2035; interest at 7.00%	263,580	263,520	263,580	263,520
Other real estate loans due 2024-2030; interest at 11.76% ⁽¹⁾	116,482	120,576		
Other real estate loans due 2025; interest at 13.21% ⁽¹⁾⁽⁴⁾	111,263	106,807		
Other real estate loans due 2025-2030; interest at 11.76% ⁽¹⁾			102,489	120,576
Other real estate loans due 2025; interest at 10.00% ⁽⁴⁾			13,000	106,807
Other real estate loans outstanding ⁽⁵⁾	80,121	57,812	107,516	57,812
Other real estate loans – gross	571,446	548,715	486,585	548,715
Allowance for credit losses on other real estate loans	(39,289)	(35,329)	(33,299)	(35,329)
Other real estate loans – net	532,157	513,386	453,286	513,386
Total real estate loans receivable – net	\$ 1,378,798	\$ 1,212,162	\$ 1,323,469	\$ 1,212,162

(1) Approximates the weighted average interest rate on facilities as of **June 30, 2024** **September 30, 2024**.

(2) All mortgage notes mature in 2030 with the exception of two mortgage notes with an aggregate outstanding principal balance of \$52.8 million that mature in 2024.

(3) Other mortgage notes outstanding consists of **nine** **10** loans to multiple borrowers that have a weighted average interest rate of **9.72%** **10.44%** as of **June 30, 2024** **September 30, 2024**, with maturity dates ranging from 2024 through 2027 (with **\$8.5 million** **\$8.7 million** maturing in 2024). Two of the mortgage notes with an aggregate principal balance of \$12.9 million are past due and have been written down, through our allowance for credit losses, to the estimated fair value of the underlying collateral of \$1.5 million.

(4) During the **first** **third** quarter of 2024, we modified the **maturity dates** priority of collateral available to use under the loan agreements for two loans with aggregate principal balances of \$113.6 million and \$106.8 million as of September 30, 2024 and December 31, 2023, respectively. As a result of these **modifications**, we adjusted the presentation of the loans were further extended from **March 29, 2024** **real estate loans receivable** to **June 28, 2024** **non-real estate loans receivable** as of September 30, 2024. **During** See Note 6 – Non-Real Estate loans Receivable for additional information. Additionally, we issued a new \$13.0 million other real estate loan to the **second** same **borrower** during the **third** quarter of 2024, the **maturity dates** of these loans were again extended from **June 28, 2024**, to **June 30, 2025** **2024**.

(5) Other real estate loans outstanding consists of **eight** **nine** loans to multiple borrowers that have a weighted average interest rate of **11.21%** **10.9%** as of **June 30, 2024** **September 30, 2024**, with maturity dates ranging from 2027 through 2033.

15

[Table of Contents](#)

Interest income on real estate loans is included within interest income on the Consolidated Statements of Operations and is summarized as follows:

Three Months Ended June 30	Six Months Ended June 30	Three Months Ended September 30	Nine Months Ended September 30,
2024	2023	2024	2024

(in thousands) (in thousands) (in thousands) (in thousands)

Mortgage notes	—									
interest										
income	\$ 21,651	\$ 16,998	\$ 41,494	\$ 33,546	\$ 23,539	\$ 17,332	\$ 65,033	\$ 50,878		
Other real estate loans	—									
interest										
income	9,307	6,981	18,203	13,830	10,082	7,566	28,285	21,396		
Total real estate loans										
interest										
income	\$ 30,958	\$ 23,979	\$ 59,697	\$ 47,376	\$ 33,621	\$ 24,898	\$ 93,318	\$ 72,274		

We During the three and nine months ended September 30, 2024, we funded \$112.9 million \$54.9 million and \$154.1 million \$209.0 million under eleven new 10 and 19 real estate loans, respectively, that were originated during 2024 with weighted average interest rates of 11.5% and 10.2% during the three and six months ended June 30, 2024, respectively. We also advanced \$0.6 million \$0.4 million and \$3.4 million \$3.8 million under existing real estate loans during the three and six months ended June 30, 2024 September 30, 2024, respectively. Included below is additional discussion on any significant new loans issued and significant updates to any existing loans.

[Table of Contents](#)

Mortgage Notes due 2024

In May 2024, we funded an aggregate \$71.7 million under two new mortgage loans to an existing U.K. operator. Both mortgage loans bear interest at 10.0% and mature on October 28, 2024. Interest is payable monthly in arrears and no principal payments are due until maturity. The loan is secured by a first mortgage lien on two parcels of land that the U.K. operator intends to develop into two facilities.

Other mortgage notes outstanding

In January 2024, we funded \$11.7 million under a new mortgage loan to a new operator. In June 2024, we amended the loan and funded an additional \$18.0 million under the mortgage loan. The mortgage loan bears interest at 10.0% and matures on January 31, 2027. Interest is payable monthly in arrears and no principal payments are due until maturity. The loan is secured by a first mortgage lien on three SNFs and one ALF.

Other real estate loan due 2035

As discussed within Note 4 – Contractual Receivables and Other Receivables and Lease Inducements, Omega sent a demand letter to Maplewood during the second quarter of 2024 notifying Maplewood that due to multiple existing events of default under Maplewood's lease, loan, and related agreements, Omega had exercised its contractual rights to immediately accelerate the outstanding principal and accrued interest under the secured revolving loan agreement. After sending the demand letter, in June 2024 Omega executed a non-binding term sheet with the Key Principals outlining the terms of a proposed transition, which includes the assignment of Mr. Smith's equity in Maplewood to the Key Principals and maintaining the existing Maplewood lease agreement and the secured revolving credit facility (without reflecting the acceleration of the maturity) provided by Omega. We are currently working with the Estate and the Key Principals to take the steps necessary to complete the transition, which will, in part, require approval of the probate court overseeing distribution of the Estate's assets and regulatory approvals related to licensures. On July 31, 2024, we entered into an agreement the Settlement Agreement with the Estate formalizing and

submitted it to the transition plan, including probate court for approval. The Settlement Agreement, among other things, grants Omega the right to direct the assignment of Mr. Smith's equity in Maplewood to the Key Principals or their designee(s), with the Estate remaining liable under Mr. Smith's guaranty until the transition is complete or one year from the court's approval date, if earlier, and submitted it requires Omega to refrain from exercising contractual rights or remedies in connection with the defaults. On August 26, 2024, the probate court for approval approved the Settlement Agreement, and in October 2024, following the probate court's final and non-appealable order approving the Settlement Agreement, we requested and were granted a dismissal without prejudice of our lawsuit against, among others, the Estate. We are still awaiting regulatory approvals related to licensure of the operating assets before the transition will be completed. There is no certainty that court or the regulatory approvals will be received or that this transition will be completed as intended, on a timely basis, or at all. If the proposed transition plan is not completed, we may incur a substantial loss on the revolving loan with Maplewood up to the amortized cost basis of the loan. We adjusted the internal risk rating on the loan, utilized as a component of our allowance for credit loss calculation, from a 3 to a 4 in the second quarter of 2023 when Maplewood began to short-pay contractual rent under its lease agreement. In the first quarter of 2024, we again adjusted the internal risk rating from a 4 to 5 to reflect the increased risk of the loan as a result of the missed interest payments in the first quarter of 2024, discussed below, and due to the status of the on-going negotiations with the Estate. We believe the internal risk rating of a 5 appropriately reflects the risks as of June 30, 2024 September 30, 2024. See the allowance for credit losses attributable to real estate loans with a 5 internal risk rating within Note 7 – Allowance for Credit Losses. As of June 30, 2024 September 30, 2024, the amortized cost basis of this loan was \$263.6 million, which represents 18.0% 18.9% of the total amortized cost basis of all real estate loan receivables.

16

[Table of Contents](#)

During the ~~six~~ nine months ended June 30, 2024 September 30, 2024, Maplewood failed to make aggregate cash interest payments of \$1.2 million \$2.0 million that were required under the loan agreement. During the three months ended March 31, 2023, we recorded interest income of \$1.5 million on the secured revolving credit facility for the contractual interest payment received related to December 2022, as the loan was placed on non-accrual status for interest recognition during the fourth quarter of 2022. We did not record any interest income related to the PIK interest during the three and ~~six~~ nine months ended June 30, 2024 September 30, 2024 and 2023.

18

[Table of Contents](#)

Omega and Maplewood previously entered into a restructuring agreement and a loan amendment during the first quarter of 2023 that modified Maplewood's secured revolving credit facility. As part of the restructuring agreement and loan amendment, Omega agreed to extend the maturity date of the facility to June 2035, increase the capacity of the secured revolving credit facility from \$250.5 million to \$320.0 million, including PIK interest applied to the principal, and convert the 7% cash interest due on the secured revolving credit facility to all PIK interest in 2023, with 1% cash interest and 6% PIK interest beginning in 2024, which increases to 4% cash interest and 3% PIK interest in 2025 and through the maturity date. This amendment was treated as a loan modification provided to a borrower experiencing financial difficulty.

Other real estate loans outstanding

In July 2024, we made a \$27.3 million preferred equity investment in a new real estate joint venture that was formed to acquire a facility in Massachusetts, which is treated as a real estate loan receivable for accounting purposes. Omega's preferred equity investment bears a 10.0% return per annum and provides for mandatory redemption by the joint venture at the earlier of July 2030 or the occurrence of certain significant events within the joint venture. We have determined that the joint venture is a VIE, but we are not the primary beneficiary as we do

not have the power to direct the activities that most significantly impact the joint venture's economic performance, so this \$27.3 million preferred equity investment is included in the unconsolidated VIE table presented in Note 8 – Variable Interest Entities.

NOTE 6 – NON-REAL ESTATE LOANS RECEIVABLE

Our non-real estate loans consist of fixed and variable rate loans to operators or principals. These loans may be either unsecured or secured by the collateral of the borrower, which may include the working capital of the borrower. As of **June 30, 2024** **September 30, 2024**, we had **4247** loans with **2327** different borrowers. A summary of our non-real estate loans by borrower and/or guarantor is as follows:

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Notes due 2026; interest at 13.22%(1)			\$ 113,563	\$ —
Notes due 2036; interest at 5.63%	\$ 75,500	\$ 77,854	74,318	77,854
Notes due 2024-2029; interest at 12.08%(1)(2)	51,914	92,681		
Notes due 2024-2026; interest at 10.99%(1)	49,070	53,300		
Note due 2025; interest at 9.14%(3)	43,499	44,999		
Notes due 2024-2026; interest at 11.00%(1)			48,149	53,300
Notes due 2024-2029; interest at 12.00%(1)(2)			47,959	92,681
Note due 2025; interest at 9.12%(3)			42,499	44,999
Notes due 2024 and 2036; interest at 2.98%(1)	36,808	32,308	36,808	32,308
Other notes outstanding(4)	102,244	96,104	98,700	96,104
Non-real estate loans receivable – gross	359,035	397,246	461,996	397,246
Allowance for credit losses on non-real estate loans receivable	(124,473)	(121,631)	(126,279)	(121,631)
Total non-real estate loans receivable – net	\$ 234,562	\$ 275,615	\$ 335,717	\$ 275,615

(1) Approximates the weighted average interest rate as of **June 30, 2024** **September 30, 2024**.

(2) During the second quarter of 2024, two working capital loans with maturity dates of June 30, 2024 were repaid in full. These two loans had an aggregate outstanding principal balance of \$39.5 million as of December 31, 2023.

(3) During the first quarter of 2024, this loan was amended to, among other items, extend the maturity date to December 31, 2025, modify the mandatory principal payments required under the loan, reduce the maximum principal under the loan from \$55.0 million to \$45.0 million and increase the interest rate on borrowings in excess of \$15.0 million to 8.0% in January 2024, with further interest rate increases to 9.0% and 10.0% in April 2024 and June 2024, respectively. The interest rate remains at 7.5% for borrowings that do not exceed \$15.0 million. The interest rate above represents the weighted average interest rate as of **June 30, 2024** **September 30, 2024**.

(4) Other notes outstanding have a weighted average interest rate of **8.58%** **8.61%** as of **June 30, 2024** **September 30, 2024**, with maturity dates ranging from 2024 through 2030 (with **\$0.4 million** **\$5.3 million** maturing in 2024). **Three** **Four** of the other notes outstanding with an aggregate principal balance of **\$10.1 million** **\$10.8 million** are past due, **and three of which** have been written down to the estimated fair value of the underlying collateral of zero, through our allowance for credit losses. **The one other** past due **other note** outstanding has sufficient collateral to support the principal balance outstanding of **\$1.1 million** as of **September 30, 2024**.

For the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, non-real estate loans generated interest income of **\$7.1 million** **\$6.3 million** and **\$14.2 million** **\$20.5 million**, respectively. For the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, non-real estate loans generated interest income of **\$5.3 million** **\$5.7 million** and **\$10.3 million** **\$16.0 million**, respectively. Interest income on non-real estate loans is included within interest income on the Consolidated Statements of Operations.

During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we funded **\$10.4 million** **\$23.5 million** and **\$33.9 million, respectively**, under **five new** **four and seven** non-real estate loans that were originated during 2024 with a weighted average interest rate of **10.0%** **9.9%**. We advanced **\$9.6 million** **\$0.4 million** and **\$13.7 million** **\$14.1 million** under **existing working capital** non-real estate loans during the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, respectively. We received principal repayments of **\$45.9 million** **\$37.4 million** and **\$52.8 million** **\$90.2 million** on non-real estate loans during the three months and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, respectively. Included below is additional discussion on any significant new loans issued and/or significant updates to any existing loans.

17 Notes due 2026

Table Notes due in 2026 consists of Contents two term loans with Genesis Healthcare Inc., ("Genesis") with principal balances of \$91.4 million and \$22.2 million as of September 30, 2024, respectively, that previously were included as real estate loans receivables within our Consolidated Balance Sheets. The \$91.4 million term loan bore interest at a fixed rate of 14% per annum, of which 9% per annum was permitted to be paid-in-kind. The \$22.2 million term loan bore interest at a fixed rate of 10% per annum, of which 5% per annum was permitted to be paid-in-kind. As amended, both loans had a maturity date of June 30, 2025. On September 30, 2024, the loans were amended to (i) modify the priority of certain real estate collateral securing the loans, (ii) extend the maturity date to June 30, 2026 and (iii) keep the existing interest rates but reduce the portion of contractual interest permitted to be paid in kind to 3.5% per annum on the \$91.4 million term loan and to 2.5% per annum on the \$22.2 million term loan beginning September 1, 2025. Following the modification to the priority of certain real estate collateral available to us under the loan agreements, we adjusted our presentation of these loans from real estate loans receivable to non-real estate loans receivable as of September 30, 2024.

Notes due 2036; interest at 5.63%

As discussed in Note 4 – Contractual Receivables and Other Receivables and Lease Inducements, in the first quarter of 2023, Omega entered into a restructuring agreement and a replacement loan agreement that modified the existing Agemo loans. The outstanding principal of the Agemo Term Loan was refinanced into a new \$32.0 million loan ("Agemo Replacement Loan A"). The outstanding principal of the Agemo WC Loan and the aggregate rent deferred and outstanding under the Agemo lease agreement was combined and refinanced into a new \$50.2 million loan ("Agemo Replacement Loan B" and with Agemo Replacement Loan A, the "Agemo Replacement Loans"). The Agemo Replacement Loans bear interest at 5.63% per annum through October 2024, which increases to 5.71% per annum until maturity. The Agemo Replacement Loans mature on December 31, 2036. These amendments were treated as loan modifications provided to a borrower experiencing financial difficulty.

Agemo resumed making interest payments for the Agemo Replacement Loans in May 2023 in accordance with the terms of the restructuring agreement. The Agemo Replacement Loans are on non-accrual status, and we are utilizing the cost recovery method, under which any payments we receive are applied against the principal amount. During the three months and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we received \$1.2 million and **\$2.4 million** **\$3.6 million, respectively**, of interest payments from Agemo that we applied against the outstanding principal of the loans, and we recognized a recovery for credit loss equal to the amount of payments applied against principal. During the three months and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, we received **\$0.8 million** **\$1.2 million** and **\$2.0 million, respectively**, of interest payments from Agemo that we applied against the outstanding principal of the loans, and we recognized a recovery for credit loss equal to the amount of payments applied against principal. As of **June 30, 2024** **September 30, 2024**, the amortized cost basis of these loans was **\$75.5 million** **\$74.3 million**, which represents **21.0%** **16.1%** of the total amortized cost basis of all non-real estate loan receivables. The total reserve as of **June 30, 2024** **September 30, 2024** related to the Agemo Replacement Loans was **\$73.2 million** **\$72.0 million**, which reserves the loan down to the fair value of the underlying collateral, consisting of a second lien on the accounts receivable of Agemo.

[Table of Contents](#)**Notes due 2024 and 2036; interest at 2.98%**

As discussed in Note 4 – Contractual Receivables and Other Receivables and Lease Inducements, on June 2 and 3, 2024, LaVie commenced voluntary cases under Chapter 11 of the U.S. Bankruptcy Code in the Bankruptcy Court. As described in LaVie's filings with the Bankruptcy Court, we provided \$10.0 million of DIP financing to LaVie in order to support sufficient liquidity to, among other things, effectively operate its facilities during bankruptcy. Another lender, TIX 33433, LLC, also agreed to provide \$10.0 million of DIP financing to LaVie, which is pari passu to Omega's loan. The DIP loan bears interest at 10.0% and is paid-in-kind in arrears on a monthly basis. The principal is due upon maturity. Currently, the DIP loan matures on the earlier of (i) October 31, 2024, (ii) the effective date of a plan of reorganization or liquidation in the Chapter 11 cases or (iii) upon an event of default as defined in the DIP loan agreement. The DIP lenders hold a second priority interest in the assets of LaVie, which include cash and accounts receivable. Proceeds of any future asset sales, claims and causes of action and debt or equity issuances all serve as collateral for the DIP loans.

Given the risks associated with the bankruptcy process, we elected to evaluate the risk of loss on the DIP loan on an individual basis. As the fair value of the collateral available to Omega was estimated to be less than the outstanding principal of \$4.5 million as of June 30, 2024, we reserved \$4.2 million through the provision for credit losses in the second quarter of 2024 to write the loan down to the estimated fair value of the collateral of \$0.3 million. The DIP loan was also placed on non-accrual status for interest recognition, and we will utilize the cost recovery method for any proceeds received on the DIP loan.

We also have two existing term loans with LaVie, an \$8.3 million unsecured term loan and a \$25.0 million secured term loan, that bear interest at 2.0% (which is all PIK interest) and mature on November 30, 2036. The \$8.3 million term loan was previously fully reserved in our allowance for credit losses. The \$25.0 million secured term loan was previously reserved down to \$3.6 million, the estimated fair value of the collateral which consisted of a second priority lien on LaVie's accounts receivable. As a result of the issuance of the DIP loans discussed above, Omega's collateral position under the ~~\$25 million~~ \$25.0 million secured term loan decreased from second to third priority. We ~~estimate~~ estimated that there will be insufficient collateral available for this loan following the decrease in priority and therefore recognized a \$3.6 million provision for credit losses in the second quarter of 2024 to fully reserve the \$25.0 million secured term loan.

We did not record any interest income for any LaVie loans for the three and ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024 and 2023.

1821

[Table of Contents](#)**NOTE 7 – ALLOWANCE FOR CREDIT LOSSES**

A rollforward of our allowance for credit losses for the ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024 is as follows:

Rating	Financial Statement Line Item	Write-offs				Write-offs			
		Provision charged	(Recovery) against	for Credit allowance	Loss for the	Provision charged	(Recovery) against	for Credit allowance	Loss for the
		Allowance the six months	six months	Allowance for Credit	the nine months	nine months	Allowance for Credit	the nine months	nine months
		for Credit months	months	for Credit	for Credit months	months	for Credit	for Credit months	months
		Loss as of December	ended June 30,	Loss as of June 30,	Loss as of December	ended June 30,	Loss as of June 30,	Loss as of December	ended September
									September
		31, 2023	2024 ⁽¹⁾	2024	2024	31, 2023	30, 2024 ⁽¹⁾	30, 2024	30, 2024
		(in thousands)				(in thousands)			
1	Real estate loan receivable	\$ 1,501	\$ (574)	\$ —	\$ 927	Real estate loan receivable	\$ 1,501	\$ (959)	\$ —
2	Real estate loans receivable	291	460	—	751	Real estate loans receivable	291	159	—
3	Real estate loans receivable	12,635	310	—	12,945	Real estate loans receivable	12,635	(2,025)	—
4	Real estate loans receivable	65,113	(37,237) ⁽²⁾	—	27,876	Real estate loans receivable	65,113	(40,676) ⁽²⁾	—
5	Real estate loans receivable	—	28,032 ⁽²⁾	—	28,032	Real estate loans receivable	—	26,453 ⁽²⁾	—
6	Real estate loans receivable	11,450	—	—	11,450	Real estate loans receivable	11,450	—	—
	Sub-total	90,990	(9,009)	—	81,981	Sub-total	90,990	(17,048)	—
									73,942
5	Investment in direct financing leases	2,489	(790)	—	1,699	Investment in direct financing leases	2,489	(839)	—
	Sub-total	2,489	(790)	—	1,699	Sub-total	2,489	(839)	—
2	Non-real estate loans receivable	1,151	(158)	—	993	Non-real estate loans receivable	1,151	(672)	—
3	Non-real estate loans receivable	3,903	(792)	—	3,111	Non-real estate loans receivable	3,903	(1,945)	—
4	Non-real estate loans receivable	720	(290)	—	430	Non-real estate loans receivable	720	1,074	—
5	Non-real estate loans receivable	43,404	5,016	—	48,420	Non-real estate loans receivable	43,404	4,254	—
6	Non-real estate loans receivable	72,453	6,698	(7,632)	71,519	Non-real estate loans receivable	72,453	9,569	(7,632)
	Sub-total	121,631	10,474 ⁽³⁾	(7,632)	124,473	Sub-total	121,631	12,280 ⁽³⁾	(7,632)
									126,279
2	Unfunded real estate loan commitments	10	(9)	—	1	Unfunded real estate loan commitments	10	(10)	—
3	Unfunded real estate loan commitments	335	62	—	397	Unfunded real estate loan commitments	335	(13)	—
4	Unfunded real estate loan commitments	4,314	(4,263) ⁽²⁾	—	51	Unfunded real estate loan commitments	4,314	(4,253) ⁽²⁾	—
5	Unfunded real estate loan commitments	—	3,063 ⁽²⁾	—	3,063	Unfunded real estate loan commitments	—	2,364 ⁽²⁾	—
2	Unfunded non-real estate loan commitments	692	(446)	—	246	Unfunded non-real estate loan commitments	692	(585)	—
3	Unfunded non-real estate loan commitments	46	176	—	222	Unfunded non-real estate loan commitments	46	96	—
4	Unfunded non-real estate loan commitments	63	(36)	—	27	Unfunded non-real estate loan commitments	63	17	—
5	Unfunded non-real estate loan commitments	1,594	(1,594)	—	—	Unfunded non-real estate loan commitments	1,594	(1,594)	—
6	Unfunded non-real estate loan commitments	—	92	—	92	Unfunded non-real estate loan commitments	—	22	—
	Sub-total	7,054	(2,955)	—	4,099	Sub-total	7,054	(3,956)	—
									3,098
	Total	\$222,164	\$ (2,280)	\$ (7,632)	\$212,252	Total	\$222,164	\$ (9,563)	\$ (7,632)
									\$204,969

(1) During the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we received proceeds of **\$3.3 million** **\$5.0 million** from the liquidating trust related to the **\$25.0 million** debtor in possession facility to Gulf Coast Health Care LLC, which resulted in a recovery for credit losses of **\$3.3 million** **\$5.0 million** that is not included in the rollforward above since we had previously written-off the loan balance and related reserves.

(2) Amount reflects the movement of reserves associated with Maplewood's secured revolving credit facility due to an adjustment to the internal risk rating on the loan from a 4 to a 5 during the first quarter of 2024. See Note 5 – Real Estate Loans Receivable for additional information.

(3) This amount includes cash recoveries of **\$2.4 million** **\$3.5 million** related to interest payments received on loans that are written down to fair value and are being accounted for under the cost recovery method in which any payments received are applied directly against the principal balance outstanding. This amount also includes **\$0.2 million** **\$0.6 million** related to principal payments received on loans that were fully reserved.

[Table of Contents](#)

A rollforward of our allowance for credit losses for the **six nine** months ended **June 30, 2023** **September 30, 2023** is as follows:

Rating	Financial Statement Line Item	Other					Financial Statement Line Item	Write-offs					Other
		Provision (Recovery)	Write-offs charged	to the allowance	Loss for allowance	for the six months		Provision (Recovery)	Write-offs charged	to the allowance	Loss for allowance	for the nine months	
		31, 2022	2023	2023	2023	2023		31, 2022	30, 2023	30, 2023	30, 2023	30, 2023	
(in thousands)													
1	Real estate loans receivable	\$ 162	\$ 366	\$ —	\$ —	\$ 528	Real estate loans receivable	\$ 162	\$ 373	\$ —	\$ —	\$ —	
2	Real estate loans receivable	157	(88)	—	—	69	Real estate loans receivable	157	(106)	—	—	—	
3	Real estate loans receivable	15,110	(9,465)	—	—	5,645	Real estate loans receivable	15,110	(9,113)	—	—	—	
4	Real estate loans receivable	33,666	11,636	—	—	45,302	Real estate loans receivable	33,666	11,792	—	—	—	
6	Real estate loans receivable	52,265	(3,860)	(36,955) ⁽¹⁾	—	11,450	Real estate loans receivable	52,265	(3,860)	(36,955) ⁽¹⁾	—	—	
	Sub-total	101,360	(1,411)	(36,955)	—	62,994	Sub-total	101,360	(914)	(36,955)	—	—	
5	Investment in direct financing leases	2,816	(545)	—	—	2,271	Investment in direct financing leases	2,816	(561)	—	—	—	
	Sub-total	2,816	(545)	—	—	2,271	Sub-total	2,816	(561)	—	—	—	
2	Non-real estate loans receivable	859	(507)	—	—	352	Non-real estate loans receivable	859	(453)	—	—	—	
3	Non-real estate loans receivable	2,079	(1,016)	—	—	1,063	Non-real estate loans receivable	2,079	(991)	—	—	—	
4	Non-real estate loans receivable	634	(430)	—	—	204	Non-real estate loans receivable	634	(239)	—	—	—	
5	Non-real estate loans receivable	18,619	(439)	—	25,200 ⁽²⁾	43,380	Non-real estate loans receivable	18,619	(1,168)	—	25,200 ⁽²⁾	—	
6	Non-real estate loans receivable	61,677	9,003	—	—	70,680	Non-real estate loans receivable	61,677	12,018	—	—	—	
	Sub-total	83,868	6,611	—	25,200	115,679	Sub-total	83,868	9,167	—	25,200	12,018	
2	Unfunded non-real estate loan commitments	207	177	—	—	384	Unfunded real estate loan commitments	—	4	—	—	—	
3	Unfunded non-real estate loan commitments	29	(27)	—	—	2	Unfunded real estate loan commitments	—	186	—	—	—	
4	Unfunded non-real estate loan commitments	—	8	—	—	8	Unfunded real estate loan commitments	84	3,722	—	—	—	
2							Unfunded non-real estate loan commitments	207	29	—	—	—	
3							Unfunded non-real estate loan commitments	29	(14)	—	—	—	
4	Unfunded real estate loan commitments	84	4,097	—	—	4,181	Unfunded non-real estate loan commitments	—	24	—	—	—	
		320	4,255	—	—	4,575		320	3,951	—	—	—	
	Total	\$188,364	\$ 8,910 ⁽³⁾	\$ (36,955)	\$ 25,200	\$ 185,519	Total	\$188,364	\$ 11,643 ⁽³⁾	\$ (36,955)	\$ 25,200	\$ 185,519	

(1) This amount relates to the write-off of the allowance for the Guardian mortgage note in connection with the settlement and partial forgiveness of the note in the second quarter of 2023.

(2) This amount relates to the additional \$25.2 million allowance recorded during the first quarter of 2023 to reserve the aggregate deferred rent amount that is included within Agemo Replacement Loan B.

(3) The amount includes cash recoveries of **\$5.0 million** **\$6.1 million** related to interest payments received on loans that are written down to fair value and are being accounted for under the cost recovery method in which any payments received are applied directly against the principal balance outstanding. This amount also includes **\$0.6 million** **\$1.5 million** related to principal payments received on loans that were fully reserved.

2023

[Table of Contents](#)

A summary of our amortized cost basis by year of origination and credit quality indicator is as follows:

Rating	Financial Statement Line Item	Balance as of June 30, 2018 & Revolving as of June 30,										Financial Statement Line Item	2024	2023	2022					
		(in thousands)																		
		2024	2023	2022	2021	2020	2019	older	Loans	2024										
1	Real estate loans receivable	\$ —	\$ —	\$ 20,000	\$ —	\$ —	\$ —	\$ 61,061	\$ —	\$ 81,061	Real estate loans receivable	\$ —	\$ —	\$ 20,000	\$ —	\$ —				
2	Real estate loans receivable	29,700	8,480	—	—	21,325	—	—	—	59,505	Real estate loans receivable	29,700	8,680	—	—	—				
3	Real estate loans receivable	111,153	171,400	29,600	72,420	—	—	—	—	384,573	Real estate loans receivable	132,836	158,408	28,600	—	—				
4	Real estate loans receivable	13,015	89,971	—	31,429	82,727	—	441,996	—	659,138	Real estate loans receivable	53,485	90,211	—	—	—				
5	Real estate loans receivable	—	—	—	—	—	—	—	263,580	263,580	Real estate loans receivable	—	—	—	—	—				
6	Real estate loans receivable	—	—	—	—	—	—	12,922	—	12,922	Real estate loans receivable	—	—	—	—	—				
	Sub-total	153,868	269,851	49,600	103,849	104,052	—	515,979	263,580	1,460,779	Sub-total	216,021	257,299	48,600	—	—				
5	Investment in direct financing leases	—	—	—	—	—	—	11,136	—	11,136	Investment in direct financing leases	—	—	—	—	—				
	Sub-total	—	—	—	—	—	—	11,136	—	11,136	Sub-total	—	—	—	—	—				
2	Non-real estate loans receivable	—	—	—	—	—	—	—	83,148	83,148	Non-real estate loans receivable	—	—	—	—	—				
3	Non-real estate loans receivable	—	85,135	19,138	—	—	3,652	467	12,700	121,092	Non-real estate loans receivable	—	81,862	18,613	—	—				
4	Non-real estate loans receivable	—	1,490	—	—	—	381	1,000	26,158	29,029	Non-real estate loans receivable	—	1,302	—	—	—				
5	Non-real estate loans receivable	—	5,690	—	—	—	1,843	46,394	—	53,927	Non-real estate loans receivable	—	5,690	—	—	—				
6	Non-real estate loans receivable	4,500	5,925	24,457	7,851	—	—	29,106	—	71,839	Non-real estate loans receivable	3,756	5,501	24,457	—	—				
	Sub-total	4,500	98,240	43,595	7,851	—	5,876	76,967	122,006	359,035	Sub-total	3,756	94,355	43,070	—	—				
	Total	\$158,368	\$368,091	\$93,195	\$111,700	\$104,052	\$5,876	\$604,082	\$385,586	\$1,830,950	Total	\$219,777	\$351,654	\$91,670	\$—	\$—				
	Year to date gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (3,092)	\$ (4,540)	\$ (7,632)	Year to date gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —				

Interest Receivable on Real Estate Loans and Non-Real Estate Loans

We have elected the practical expedient to exclude interest receivable from our allowance for credit losses. As of **June 30, 2024**, **September 30, 2024** and December 31, 2023, we have excluded \$10.3 million and \$10.2 million, respectively, of contractual interest receivables and **\$1.6 million** **\$1.7 million** and \$3.1 million, respectively, of effective yield interest receivables from our allowance for credit losses. We write-off contractual interest receivables to provision for credit losses in the period we determine the interest is no longer considered collectible.

During the three months ended **June 30, 2024** **September 30, 2024** and 2023, we recognized **\$1.2 million** **\$0.6 million** and **\$0.1 million**, **\$47 thousand**, respectively, of interest income related to loans on non-accrual status as of **June 30, 2024** **September 30, 2024**. During the **three nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we recognized **\$2.2 million** **\$2.8 million** and **\$1.6 million**, respectively, of interest income related to loans on non-accrual status as of **June 30, 2024** **September 30, 2024**.

NOTE 8 – VARIABLE INTEREST ENTITIES

Unconsolidated Variable Interest Entities

We hold variable interests in several VIEs through our investing and financing activities, which are not consolidated, as we have concluded that we are not the primary beneficiary of these entities as we do not have the power to direct activities that most significantly impact the VIE's economic performance and/or the variable interest we hold does not obligate us to absorb losses or provide us with the right to receive benefits from the VIE which could potentially be significant.

[Table of Contents](#)

Below is a summary of our assets, liabilities, collateral and maximum exposure to loss associated with these unconsolidated VIEs as of **June 30, 2024** **September 30, 2024** and December 31, 2023:

	June 30, 2024	December 31, 2023	September 30, December 31, 2024	September 30, December 31, 2023
Assets				
Real estate assets – net	\$ 1,247,735	\$ 996,540	\$ 1,250,569	\$ 996,540
Assets held for sale	—	66,130	—	66,130
Real estate loans receivable – net	407,323	370,147	445,327	370,147
Investments in unconsolidated joint ventures	9,234	9,009	9,256	9,009
Non-real estate loans receivable – net	7,354	10,679	7,354	10,679
Contractual receivables – net	445	746	359	746
Other assets	1,540	1,423	770	1,423
Total assets	1,673,631	1,454,674	1,713,635	1,454,674
Liabilities				
Accrued expenses and other liabilities	(47,874)	(46,677)	(47,168)	(46,677)
Total liabilities	(47,874)	(46,677)	(47,168)	(46,677)
Collateral				
Personal guarantee	(48,000)	(48,000)	(48,000)	(48,000)
Other collateral ⁽¹⁾	(1,313,990)	(1,105,383)	(1,334,433)	(1,105,383)
Total collateral	(1,361,990)	(1,153,383)	(1,382,433)	(1,153,383)
Maximum exposure to loss	\$ 263,767	\$ 254,614	\$ 284,034	\$ 254,614

(1) Amount excludes accounts receivable that Omega has a security interest in as collateral under the three loans with operators that are unconsolidated VIEs. The fair value of the accounts receivable available to Omega was **\$5.9million** **\$5.8 million** and \$8.9 million as of **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively.

In determining our maximum exposure to loss from the unconsolidated VIEs, we considered the underlying carrying value of the real estate subject to leases with the operator and other collateral, if any, supporting our other investments, which may include accounts receivable, security deposits, letters of credit or personal guarantees, if any, as well as other liabilities recognized with respect to these operators.

The table below reflects our total revenues from the operators that are considered unconsolidated VIEs, following the date they were determined to be VIEs, for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023:

Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Three Months Ended September 30, Nine Months Ended September 30, 2024	Three Months Ended September 30, Nine Months Ended September 30, 2023
2024	2023	2024	2023

Revenue	(in thousands)			(in thousands)			(in thousands)			(in thousands)		
	Rental	income		Interest	income		Total					
Rental	\$ 26,715	\$ 25,962	\$ 45,843	\$ 35,800	\$ 29,956	\$ 26,968	\$ 75,799	\$ 62,768				
income												
Interest	3,491	979	6,455	3,085	3,442	1,108	9,897	4,193				
income												
Total	\$ 30,206	\$ 26,941	\$ 52,298	\$ 38,885	\$ 33,398	\$ 28,076	\$ 85,696	\$ 66,961				

2225

[Table of Contents](#)

Consolidated VIEs

We own a partial equity interest in a joint venture that we have determined is a VIE. We have consolidated this VIE because we have concluded that we are the primary beneficiary of this VIE based on a combination of our ability to direct the activities that most significantly impact the joint venture's economic performance and our rights to receive residual returns and obligation to absorb losses arising from the joint venture. As of **June 30, 2024** September 30, 2024 and December 31, 2023, this joint venture has **\$24.9 million** **\$24.6 million** and **\$27.9 million**, respectively, of total assets, and **\$20.8 million** and **\$20.7 million**, respectively, of total liabilities. Of the **\$20.8 million** of total liabilities held by the joint venture at **June 30, 2024** September 30, 2024, **\$20.5 million** relates to a mortgage loan advanced by Omega during the second quarter 2024 to pay-off an existing third-party mortgage loan of the joint venture, as discussed in Note 15 – Borrowing Activities and Arrangements. The **\$20.5 million** Omega mortgage loan is eliminated in consolidation and is not reflected in our Consolidated Balance Sheets.

NOTE 9 – INVESTMENTS IN JOINT VENTURES

Unconsolidated Joint Ventures

The following is a summary of our investments in unconsolidated joint ventures (dollars in thousands):

Entity	Spring	Healthcare Investment	Realty, L.L.C.(2)	Carrying Amount				Carrying Amount			
				Ownership % (1)	Facility Type	Facility Count (1)	June 30, 2024	December 31, 2023	Ownership % (1)	Facility Type	Facility Count (1)
							2024	2023			
Second	Spring	15%	SNF	—	\$ 8,363	\$ 8,945	15%	N/A	—	\$ 7,103	\$ 8,945
Healthcare	Healthcare Investment	51%	Specialty facility	1	68,233	68,902	51%	Specialty facility	1	67,908	68,902

Cindat	Joint Venture(3)	49%	ALF	63	95,298	97,559	N/A	N/A	N/A	—	97,559
OMG Senior Housing, LLC (4)		50%	Specialty facility	1	—	—	50%	Specialty facility	—	4,064	—
OH CHS SNP, Inc.		9%	N/A	N/A	899	752	9%	N/A	N/A	1,024	752
RCA NH Holdings RE Co., LLC(4) (5)		20%	SNF	5	3,400	3,400	20%	SNF	5	3,400	3,400
WV Pharm Holdings, LLC(4) (5)		20%	N/A	N/A	3,000	3,000	20%	N/A	N/A	3,000	3,000
OMG-Form Senior Holdings, LLC(4) (5)		49%	ALF	1	2,834	2,609	49%	ALF	1	2,856	2,609
CHS OHI Insight Holdings, LLC		25%	N/A	N/A	3,243	3,242	25%	N/A	N/A	3,243	3,242
					\$ 185,270	\$ 188,409				\$ 92,598	\$ 188,409

(1) Ownership percentages and facility counts are as of **June 30, 2024** **September 30, 2024**.

(2) As of **June 30, 2024** **September 30, 2024** and December 31, 2023, we had an aggregate of **\$79.4 million** **\$79.1 million** and \$79.6 million, respectively, of loans outstanding with these joint ventures.

(3) As of June 30, 2024, we held a 49% interest in an unconsolidated joint venture owning 63 facilities in the U.K. (the "Cindat Joint Venture"). In July 2024, we acquired the remaining 51% ownership interest in the Cindat Joint Venture, as discussed such that we now own 100% of the ownership interest in the entity that owns the Cindat portfolio. See Note 21 – Subsequent Events, Real Estate Assets for additional information.

(4) During the third quarter of 2024, this joint venture sold one specialty facility to an unrelated third party for approximately \$40.7 million in net cash proceeds and recognized a gain on sale of approximately \$12.9 million (\$6.5 million of which represents the Company's share of the gain).

(5) These joint ventures are unconsolidated VIEs and therefore are included in the tables in Note 8 – Variable Interest Entities.

The following table reflects our income (loss) from unconsolidated joint ventures for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023:

Entity	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
	(in thousands)							
Second Spring Healthcare Investments	\$ 240	\$ 292	\$ 475	\$ 581				
Lakeway Realty, L.L.C.	689	677	1,380	1,356				
Cindat Joint Venture	(745)	96	(1,450)	97				
OMG Senior Housing, LLC	(110)	41	(222)	(179)				
OH CHS SNP, Inc.	105	8	147	90				
OMG-Form Senior Holdings, LLC	(38)	(45)	(91)	(45)				
Total	\$ 141	\$ 1,069	\$ 239	\$ 1,900				

Entity	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	(in thousands)							
Second Spring Healthcare Investments	\$ 238	\$ 270	\$ 713	\$ 851				
Lakeway Realty, L.L.C.	694	674	2,074	2,030				
Cindat Joint Venture	(271)	(2,330)	(1,721)	(2,233)				
OMG Senior Housing, LLC(4)	6,153	(123)	5,931	(302)				
OH CHS SNP, Inc.	125	184	272	274				
OMG-Form Senior Holdings, LLC	(60)	(20)	(151)	(65)				
Total	\$ 6,879	\$ (1,345)	\$ 7,118	\$ 555				

(1) The income from this unconsolidated joint venture for the three and nine months ended September 30, 2024 includes a \$6.5 million gain on sale of real estate investments.

NOTE 10 – GOODWILL AND OTHER INTANGIBLES

The following is a summary of our goodwill as of **June 30, 2024** **September 30, 2024** and December 31, 2023:

	(in thousands)	(in thousands)
Balance as of December 31, 2023	\$ 643,897	\$ 643,897
Foreign currency translation	(111)	691
Balance as of June 30, 2024	<u>\$ 643,786</u>	
Balance as of September 30, 2024		<u>\$ 644,588</u>

The following is a summary of our intangible assets and liabilities as of **June 30, 2024** **September 30, 2024** and December 31, 2023:

	June 30, December 31,	
	2024	2023
	(in thousands)	
Assets:		
Above market leases	\$ 4,214	\$ 4,214
Accumulated amortization	(3,561)	(3,532)
Net above market leases	<u>\$ 653</u>	<u>\$ 682</u>
Liabilities:		
Below market leases	\$ 48,791	\$ 48,791
Accumulated amortization	(38,269)	(37,177)
Net below market leases	<u>\$ 10,522</u>	<u>\$ 11,614</u>

	September 30, December 31,	
	2024	2023
	(in thousands)	
Assets:		
Above market leases(1)	\$ 34,798	\$ 4,214
Accumulated amortization	(3,576)	(3,532)
Net above market leases	<u>\$ 31,222</u>	<u>\$ 682</u>
Liabilities:		
Below market leases	\$ 45,373	\$ 48,791
Accumulated amortization	(36,140)	(37,177)
Net below market leases	<u>\$ 9,233</u>	<u>\$ 11,614</u>

(1) As of September 30, 2024, includes \$30.6 million of intangible assets related to above market leases assumed in connection with the acquisition of the remaining 51% interest in the Cindat Joint Venture during the third quarter of 2024 (see Note 2 – Real Estate Assets for additional information).

Above market 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 **June 30, 2024** **September 30, 2024** and 2023, our net amortization related to intangibles was **\$0.6 million** **\$1.2 million** **\$0.7 million** **\$2.1 million**, respectively. For the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, our net amortization related to intangibles was **\$1.1 million** **\$2.3 million** and **\$6.8 million** **\$8.9 million**, respectively. The 2024 and 2023 net amortization amounts for the three and nine months ended resulted in an increase to rental income. The estimated net amortization expense related to these intangibles for the remainder of 2024 and the next four years is as follows: remainder of 2024 – **\$1.1 million**; **(\$0.7) million**;

2025 – \$2.1 million; (\$1.0) million; 2026 – \$1.8 million; (\$1.3) million; 2027 – \$1.5 million (\$1.4) million and 2028 – \$0.9 million. (\$2.0) million. As of **June 30, 2024** **September 30, 2024**, the weighted average remaining amortization period of above market lease assets is **13.11** years and below market lease liabilities is seven years.

NOTE 11 – CONCENTRATION OF RISK

As of **June 30, 2024** **September 30, 2024**, our portfolio of real estate investments (including properties associated with mortgages, direct financing leases, assets held for sale and consolidated joint ventures) consisted of **928** **991** healthcare facilities, located in 42 states and the U.K. and operated by **79** **83** third-party operators. Our investment in these facilities, net of impairments and allowances, totaled **\$9.4** **\$9.9** billion at **June 30, 2024** **September 30, 2024**, with 97% of our real estate investments related to long-term healthcare facilities. Our portfolio is made up of (i) **588** **587** SNFs, **221** **282** ALFs, 19 ILFs, 19 specialty facilities and one medical office building, (ii) fixed rate mortgages on **50** **52** SNFs, **12** **13** ALFs, two specialty facilities and one ILF, and (iii) 15 facilities that are held for sale. At **June 30, 2024** **September 30, 2024**, we also held other real estate loans receivable (excluding mortgages) of **\$532.2** **\$453.3** million, non-real estate loans receivable of **\$234.6** **\$335.7** million and **\$185.3** **\$92.6** million of investments in **nine** **eight** unconsolidated joint ventures.

24.27

[Table of Contents](#)

As of **June 30, 2024** **September 30, 2024** and December 31, 2023, we had investments with one operator or manager that approximated or exceeded 10% of our total investments: Maplewood. Maplewood generated **4.7%** **4.4%** and **6.5%** **7.2%** of our total revenues for the three months ended **June 30, 2024** **September 30, 2024** and 2023, respectively and **4.7%** **4.6%** and **4.8%** **5.6%** of our total revenues for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively. The revenue associated with Maplewood for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** reflects a reduction of revenue of \$12.5 million related to a termination fee payment made by Omega as discussed in Note 4 – Contractual Receivables and Other Receivables and Lease Inducements. During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we also have one operator with total revenues that exceeded 10% of our total revenues: CommuniCare Health Services, Inc. ("CommuniCare"). CommuniCare generated **12.5%** **11.1%** and **11.5%** **12.5%** of our total revenues for the three months ended **June 30, 2024** **September 30, 2024** and 2023, respectively and **12.7%** **12.1%** and **10.6%** **11.2%** of our total revenues for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023. As of **June 30, 2024** **September 30, 2024**, CommuniCare represented **8.7%** **8.3%** of our total investments.

As of **June 30, 2024** **September 30, 2024**, the three states in which we had our highest concentration of investments were Texas (**10.2%** **9.7%**), Indiana (**6.7%** **6.4%**) and California (**6.0%** **5.7%**). In addition, our concentration of investments in the U.K. is **8.0%** **12.6%**.

NOTE 12 – STOCKHOLDERS' EQUITY

Dividends

The following is a summary of our declared cash dividends on common stock:

Record Date	Payment Date	Dividend per Common Share	Payment Date	Dividend per Common Share
Date			Date	
February 5, 2024	February 15, 2024	\$ 0.67	February 15, 2024	\$ 0.67
April 30, 2024	May 15, 2024	0.67	May 15, 2024	0.67
August 5, 2024	August 15, 2024	0.67	August 15, 2024	0.67
November 4, 2024			November 15, 2024	0.67

Dividend Reinvestment and Common Stock Purchase Plan

The following is a summary of the shares issued under the Dividend Reinvestment and Common Stock Purchase Plan for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023 (in thousands):

	Period Ended	Shares issued	Gross Proceeds	Period Ended	Shares issued	Gross Proceeds
Three Months Ended	June 30, 2023	77	\$ 2,252	September 30, 2023	3,529	\$ 111,895
Three Months Ended	June 30, 2024	413	13,015	September 30, 2024	2,575	90,469
Six Months Ended	June 30, 2023	159	4,530			
Six Months Ended	June 30, 2024	442	13,897			
Nine Months Ended				September 30, 2023	3,688	116,425
Nine Months Ended				September 30, 2024	3,017	104,366

At-The-Market Offering Programs

During the second quarter of 2021, Omega entered into an "at-the-market" ("ATM") Equity Offering Sales Agreement pursuant to which shares of common stock having an aggregate gross sales price of up to \$1.0 billion (the "2021 ATM Program") could be sold from time to time.

28

[Table of Contents](#)

During the third quarter of 2024, we terminated the 2021 ATM Program and entered into a new ATM Equity Offering Sales Agreement pursuant to which shares of common stock having an aggregate gross sales price of up to \$1.25 billion (the "2024 ATM Program," and together with the 2021 ATM Program, the "ATM Programs") may be sold from time to time (i) by Omega through several financial institutions acting as a sales agent or directly to the financial institutions as principals, or (ii) by several financial institutions acting as forward sellers on behalf of any forward purchasers pursuant to a forward sale agreement. Under the 2024 ATM Program, compensation for sales of the shares will not exceed 2% of the gross sales price per share for shares sold through each financial institution. The use of forward sales under the 2024 ATM Program generally allows Omega to lock in a price on the sale of shares of common stock when sold by the forward sellers but defer receiving the net proceeds from such sales until the shares of our common stock are issued at settlement on a later date. We did not utilize the forward provisions under the 2024 ATM Program during the three months ended September 30, 2024.

The following is a summary of the shares issued under our **\$1.0 billion At-The-Market Offering Program** ATM Programs for the three months and **six** **nine** ended **June 30, 2024** **September 30, 2024** and 2023 (in thousands except average price per share):

	Average Net Price				Average Net Price					
	Period Ended	Shares issued	Per Share ⁽¹⁾	Gross Proceeds	Net Proceeds	Period Ended	Shares issued	Per Share ⁽¹⁾	Gross Proceeds	Net Proceeds
Three and Six Months Ended	June 30, 2023	6,529	\$ 30.20	\$ 199,397	\$ 197,204					
Three Months Ended	June 30, 2024	7,212	31.86	231,920	229,754	September 30, 2023	466	\$ 30.46	\$ 14,400	\$ 13,980
Six Months Ended	June 30, 2024	8,253	31.68	264,215	261,492					
Three Months Ended						September 30, 2024	11,630	37.45	439,685	428,000
Nine Months Ended						September 30, 2023	6,995	30.22	213,797	207,800
Nine Months Ended						September 30, 2024	19,883	35.05	703,900	690,600

(1) Represents the average price per share after issuance costs.

25

[Table of Contents](#)

Accumulated Other Comprehensive Income (Loss)

The following is a summary of our accumulated other comprehensive income (loss), net of tax as of **June 30, 2024** **September 30, 2024** and December 31, 2023:

	September 30,		December 31,	
	2024		2023	
	(in thousands)			
Foreign currency translation		(2,664)	(49,770)	
Derivative instruments designated as cash flow hedges		68,801	75,111	
Derivative instruments designated as net investment hedges		(2,477)	3,931	
Total accumulated other comprehensive income before noncontrolling interest		63,660	29,272	
Add: portion included in noncontrolling interest		(922)	66	
Total accumulated other comprehensive income for Omega		\$ 62,738	\$ 29,338	

	June 30,		December 31,	
	2024		2023	
	(in thousands)			
Foreign currency translation		(54,916)	(49,770)	
Derivative instruments designated as cash flow hedges		82,265	75,111	
Derivative instruments designated as net investment hedges		7,081	3,931	
Total accumulated other comprehensive income before noncontrolling interest		34,430	29,272	
Add: portion included in noncontrolling interest		(85)	66	
Total accumulated other comprehensive income for Omega		\$ 34,345	\$ 29,338	

During the three months ended **June 30, 2024** **September 30, 2024** and 2023, we reclassified **\$2.6 million** **\$2.7 million** and \$1.1 million, respectively, of realized gains out of accumulated other comprehensive income into interest expense on our Consolidated Statements of Operations associated with our cash flow hedges. During the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we reclassified **\$5.2 million** **\$7.9 million** and **\$2.1 million** **\$3.2 million**, respectively, of realized gains out of accumulated other comprehensive income into interest expense on our Consolidated Statements of Operations associated with our cash flow hedges.

NOTE 13 – TAXES

Omega was organized, has operated and intends to continue to operate in a manner that enables Omega to qualify for taxation as a REIT under Sections 856 through 860 of the Code. On a quarterly and annual basis, we perform several analyses to test our compliance within the REIT taxation rules. If we fail to meet the requirements for qualification as a REIT in any tax year, we will be subject to federal income tax on our taxable income at regular corporate rates and may not be able to qualify as a REIT for the four subsequent years, unless we qualify for certain relief provisions that are available in the event we fail to satisfy any of the requirements.

assets for sale to customers in the ordinary course of business and that none of the assets currently held for sale or that have been sold would be considered a prohibited transaction within the REIT taxation rules.

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. In 2023, we distributed dividends in excess of our taxable income.

We currently own stock in certain subsidiary REITs. These subsidiary entities are required to individually satisfy all of the rules for qualification as a REIT. If we fail to meet the requirements for qualification as a REIT for any of the subsidiary REITs, it may cause Omega to fail the requirements for qualification as a REIT also.

We have elected to treat certain of our active subsidiaries as taxable REIT subsidiaries ("TRSSs"). Our domestic TRSSs are subject to federal, state and local income taxes at the applicable corporate rates.

As of **June 30, 2024** **September 30, 2024**, one of our TRSSs that is subject to income taxes at the applicable corporate rates had a net operating loss ("NOL") carry-forward of **approximately** \$9.8 million. Our NOL carry-forward was partially reserved as of **June 30, 2024** **September 30, 2024**, with a valuation allowance due to uncertainties regarding realization. Under current law, NOL carry-forwards generated up through December 31, 2017, may be carried forward for no more than 20 years, and NOL carry-forwards generated in taxable years ended after December 31, 2017, may be carried forward indefinitely. We do not anticipate that such changes will materially impact the computation of Omega's taxable income, or the taxable income of any Omega entity, including our TRSSs.

[Table of Contents](#)

Our foreign subsidiaries are subject to foreign income taxes and withholding taxes. The majority of our U.K. portfolio elected to enter the U.K. REIT regime with an effective date of April 1, 2023. As of **June 30, 2024** **September 30, 2024**, we have aggregate NOL carryforwards of **\$81.9 million** **\$83.8 million** associated with two U.K. subsidiaries. These U.K. NOLs have no expiration date and may be available to offset future taxable income. We believe these foreign NOLs are realizable under a "more likely than not" measurement and have not recorded a valuation allowance against the deferred tax asset.

The following is a summary of deferred tax assets and liabilities (which are recorded in other assets and accrued expenses and other liabilities in our Consolidated Balance Sheets):

	June 30,		December 31,		September 30, December 31,	
	2024	2023	2024	2023	2024	2023
U.S. Federal net operating loss carryforward	\$ 2,048	\$ 2,079	\$ 2,048	\$ 2,079		
Valuation allowance on deferred tax asset	(1,979)	(2,024)	(1,958)	(2,024)		
Foreign net operating loss carryforward ⁽¹⁾	20,478	9,491	20,954	9,491		
Net deferred tax asset	<u>\$ 20,547</u>	<u>\$ 9,546</u>	<u>\$ 21,044</u>	<u>\$ 9,546</u>		
Foreign deferred tax liability ⁽²⁾	\$ 1,320	\$ 1,508	\$ 28	\$ 1,508		
Net deferred tax liability	<u>\$ 1,320</u>	<u>\$ 1,508</u>	<u>\$ 28</u>	<u>\$ 1,508</u>		

(1) As discussed in Note 2 – Real Estate Assets, in connection with the our acquisition of one U.K. entity in the second quarter of 2024, we acquired foreign net operating losses of \$47.8 million resulting in a NOL deferred tax asset of \$11.9 million.

(2) The deferred tax liability resulted from book to tax differences recorded in the U.S. relating to depreciation and revenue recognition in the U.K. recognized upon the majority of our U.K. portfolio entering the U.K. REIT regime effective April 1, 2023.

[Table of Contents](#)

The following is a summary of our provision for income taxes:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Federal, state and local income tax expense	\$ 0.2	\$ 0.3	\$ 0.7	\$ 0.6	\$ 0.5	\$ 0.2	\$ 1.2	\$ 0.8
Foreign income tax expense (benefit) (1)	1.8	1.3	3.9	(0.3)				
Foreign income tax expense					2.8	1.6	6.7	1.3
Total income tax expense (2)(1)	\$ 2.0	\$ 1.6	\$ 4.6	\$ 0.3	\$ 3.3	\$ 1.8	\$ 7.9	\$ 2.1

(1) The benefit for the six months ended June 30, 2023 primarily relates to adjustments made to our deferred tax assets and liabilities as a result of the majority of our U.K. portfolio electing to enter into the U.K. REIT regime effective April 1, 2023.

(2) The above amounts do not include gross income receipts or franchise taxes payable to certain states and municipalities.

NOTE 14 – STOCK-BASED COMPENSATION

The following is a summary of our Stock-based compensation expense for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively.

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023

	(in thousands)				(in thousands)			
Stock-based compensation expense	\$ 9,188	\$ 8,806	\$ 18,415	\$ 17,550	\$ 9,083	\$ 8,756	\$ 27,498	\$ 26,306

Stock-based compensation expense is included within general and administrative expenses on our Consolidated Statements of Operations.

We granted 259,781 time-based profits interest units ("PIUs") during the first quarter of 2024 to certain officers and employees, and those units vest on December 31, 2026 (three years after the grant date), subject to continued employment and vesting in connection with certain other events.

27

[Table of Contents](#)

We granted 2,297,064 performance-based PIUs during the first quarter of 2024 to certain officers and employees, which are earned based on the level of performance over the performance period (normally three years) and vest quarterly in the fourth year, subject to continued employment and vesting in connection with certain other events. We also granted 71,106 performance-based restricted stock units ("RSUs") during the first quarter of 2024 to certain employees, which are earned based on the level of performance over the performance period (normally three years) and vest on December 31, 2026, subject to continued employment.

We granted 24,257 time-based PIUs and 22,488 time-based RSUs to directors during the second quarter of 2024, and those units vest on Omega's 2025 annual meeting date, subject to the director's continued service and vesting in certain other events.

Time-based and performance-based grants made to named executive officers and key employees that meet certain conditions under the Company's retirement policy (length of service, age, etc.) vest on an accelerated basis pursuant to the terms of our 2018 Stock Incentive Plan.

2831

[Table of Contents](#)

NOTE 15 – BORROWING ACTIVITIES AND ARRANGEMENTS

The following is a summary of our borrowings:

Maturity	Annual Interest Rate as of June 30, 2024			Maturity	Annual Interest Rate as of September 30, 2024		
	June 30, 2024	June 30, 2024	December 31, 2023		September 30, 2024	September 30, 2024	December 31, 2023

		(in thousands)				(in thousands)			
Secured	borrowings:								
HUD mortgages ⁽¹⁾		2049-2051	N/A	\$	—	\$	41,878	2049-2051	N/A
(2)									\$
2024 term loan ⁽²⁾⁽³⁾	2024	N/A	—	—	20,085	2024	N/A	—	20,085
2026 mortgage loan ⁽¹⁾						2026	10.33 %	250,207	—
Deferred financing costs – net								(4,622)	—
Premium – net								19,654	—
Total secured borrowings			—	61,963			265,239	61,963	
Unsecured	borrowings:								
Revolving credit facility ⁽³⁾⁽⁴⁾	2025	6.66 %	70,226	—	20,397	2025	6.16 %	—	20,397
70,226			20,397					—	20,397
Senior notes and other unsecured borrowings:									
2024 notes ⁽³⁾⁽⁵⁾	2024	N/A	—	400,000					
2025 notes ⁽³⁾	2025	4.50 %	400,000	—	400,000				
2026 notes ⁽³⁾	2026	5.25 %	600,000	—	600,000				
2027 notes ⁽³⁾	2027	4.50 %	700,000	—	700,000				
2028 notes ⁽³⁾	2028	4.75 %	550,000	—	550,000				
2029 notes ⁽³⁾	2029	3.63 %	500,000	—	500,000				
2031 notes ⁽³⁾	2031	3.38 %	700,000	—	700,000				
2033 notes ⁽³⁾	2033	3.25 %	700,000	—	700,000				
2025 term loan ⁽³⁾									
(6)	2025	5.60 %	428,500	—	428,500				
OP term loan ⁽⁷⁾⁽⁸⁾	2025	5.52 %	50,000	—	50,000				
2024 notes ⁽⁴⁾⁽⁶⁾				2024	N/A	—	400,000		
2025 notes ⁽⁴⁾				2025	4.50 %	400,000	400,000		
2026 notes ⁽⁴⁾				2026	5.25 %	600,000	600,000		
2027 notes ⁽⁴⁾				2027	4.50 %	700,000	700,000		
2028 notes ⁽⁴⁾				2028	4.75 %	550,000	550,000		
2029 notes ⁽⁴⁾				2029	3.63 %	500,000	500,000		
2031 notes ⁽⁴⁾				2031	3.38 %	700,000	700,000		
2033 notes ⁽⁴⁾				2033	3.25 %	700,000	700,000		
2025 term loan ⁽⁴⁾									
(7)				2025	5.60 %	428,500	428,500		

OP term loan ⁽⁸⁾⁽⁹⁾				2025	5.52 %	50,000	50,000
Deferred financing costs – net		(17,587)	(20,442)			(16,215)	(20,442)
Discount – net		(20,535)	(23,102)			(19,322)	(23,102)
Total senior notes and other unsecured borrowings – net		4,590,378	4,984,956			4,592,963	4,984,956
Total unsecured borrowings – net		4,660,604	5,005,353			4,592,963	5,005,353
Total secured and unsecured borrowings – net ⁽⁹⁾⁽¹⁰⁾		<u>\$ 4,660,604</u>	<u>\$ 5,067,316</u>			<u>\$ 4,858,202</u>	<u>\$ 5,067,316</u>
(11)							

(1) Wholly owned subsidiaries of Omega OP are or were the obligors on these borrowings.

(2) During the first quarter of 2024, the remaining nine HUD mortgages with outstanding principal of \$41.6 million were paid off. The payoff also included a \$1.3 million prepayment fee, which is included in loss on debt extinguishment on our Consolidated Statements of Operations.

(2) ⁽³⁾ Borrowing was the debt of the consolidated joint venture discussed in Note 8 – Variable Interest Entities which was formed in the first quarter of 2022. The borrowing was secured by two ALFs, which are owned by the joint venture. During the second quarter of 2024, Omega repaid this loan using available cash and proceeds from our \$1.45 billion senior unsecured multicurrency revolving credit facility ("Revolving Credit Facility").

(3) ⁽⁴⁾ Guaranteed by Omega OP.

(4) ⁽⁵⁾ As of **June 30, 2024** **September 30, 2024**, there were no borrowings outstanding under Omega's Revolving Credit Facility consisted of \$50 million U.S. Dollars ("USD") and £16.0 million British Pounds Sterling ("GBP") Facility. The applicable interest rate on the USD tranche and on the GBP borrowings under the alternative currency tranche of the credit facility were **6.69%** **6.16%** and **6.52%** **6.27%**, respectively, as of **June 30, 2024**, respectively, **September 30, 2024**.

(5) ⁽⁶⁾ The Company repaid the \$400 million of 4.95% senior notes on the April 1, 2024 maturity date using available cash and proceeds from our Revolving Credit Facility.

(6) ⁽⁷⁾ The weighted average interest rate of the \$428.5 million 2025 term loan has been adjusted to reflect the impact of the interest rate swaps that effectively fix the SOFR-based portion of the interest rate at 4.047%.

(7) ⁽⁸⁾ Omega OP is the obligor on this borrowing.

(8) ⁽⁹⁾ The weighted average interest rate of the \$50 million OP term loan has been adjusted to reflect the impact of the interest rate swaps that effectively fix the SOFR-based portion of the interest rate at 3.957%.

(9) ⁽¹⁰⁾ All borrowings are direct borrowings of Parent unless otherwise noted.

(10) ⁽¹¹⁾ Certain of our other secured and unsecured borrowings are subject to customary affirmative and negative covenants, including financial covenants. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, we were in compliance with all applicable covenants for our borrowings.

2932

Table of Contents

2026 Mortgage Loan

As discussed in Note 2 – Real Estate Assets, we assumed a £188.6 million mortgage loan ("2026 Mortgage Loan") as part of our acquisition of the remaining 51% interest in the Cindat Joint Venture. The 2026 Mortgage Loan matures in August 2026 but can be repaid without a prepayment penalty beginning November 2025. The 2026 Mortgage Loan bears interest at SONIA plus an applicable margin of 5.38%. As part of the transaction, we assumed four interest rate cap contracts that ensure the annual interest rate on the 2026 Mortgage Loan does not exceed 10.38%. The fair value adjustment on the 2026 Mortgage Loan was \$20.7 million and is being amortized into interest expense over the remaining contractual term of the loan. The net premium of \$19.7 million in the table above relates to the fair value adjustment on the 2026 Mortgage Loan. We incurred \$4.9 million of deferred costs in connection with the assumption of the 2026 Mortgage Loan included in the table above.

NOTE 16 – DERIVATIVES AND HEDGING

We are exposed to, among other risks, the impact of changes in foreign currency exchange rates as a result of our investments in the U.K. and interest rate risk related to our capital structure. As a matter of policy, we do not use derivatives for trading or speculative purposes. Our risk management program is designed to manage the exposure and volatility arising from these risks, and utilizes foreign currency forward contracts, interest rate swaps and debt issued in foreign currencies to offset a portion of these risks. As of **June 30, 2024** **September 30, 2024**, we have 12 interest rate swaps with \$478.5 million in notional **value** and four interest rate caps with £190.0 million in notional value. The swaps and the majority of the caps are designated as cash flow hedges of the interest payments on **two** **three** of Omega's variable interest loans. Additionally, we have 11 foreign currency forward contracts with £258.0 million in notional value issued at a weighted average GBP-USD forward rate of 1.2899 that are designated as net investment hedges.

On February 27, 2024, we terminated two foreign currency forward contracts that were entered into in March 2021 with notional amounts totaling £70.0 million. Omega received a net cash settlement of \$8.4 million as a result of termination, which is included within net cash used in investing activities in the Consolidated Statements of Cash Flows. The \$8.4 million related to the termination will remain in accumulated other comprehensive income until the underlying hedged items are liquidated. Concurrent with the termination of the two foreign currency forward contracts, also on February 27, 2024, we entered into three new foreign currency forward contracts with notional amounts totaling £78.0 million and a GBP-USD forward rate of 1.2707, each of which mature between March 8, 2027 and March 7, 2031. The new currency forward contracts hedge an intercompany loan between a U.S. and a U.K. subsidiary.

As discussed in Note 2 – Real Estate Assets, we assumed four interest rate cap contracts as a part of our acquisition of the remaining 51% interest in the Cindat Joint Venture. The interest rate caps terminate on August 26, 2026. The interest rate cap contracts ensure that the annual interest rate on the 2026 Mortgage Loan does not exceed 10.38%.

The location and fair value of derivative instruments designated as hedges, at the respective balance sheet dates, were as follows:

	June 30,	December 31,	September 30,	December 31,
	2024	2023	2024	2023
Cash flow hedges:				
Cash flow hedges:				
Cash flow hedges:				
Cash flow hedges:				
Cash flow hedges:				
Cash flow hedges:				
		(in thousands)		(in thousands)
Other assets	\$ 2,987	\$ —	\$ 332	\$ —
Accrued expenses and other liabilities	\$ 216	\$ 6,533	\$ 9,376	\$ 6,533
Net investment hedges:				
Other assets	\$ 3,747	\$ 8,903	\$ —	\$ 8,903
Accrued expenses and other liabilities	\$ 130	\$ 8	\$ 5,942	\$ 8

The fair value of the interest rate swaps and foreign currency forwards is derived from observable market data such as yield curves and foreign exchange rates and represents a Level 2 measurement on the fair value hierarchy.

NOTE 17 – FINANCIAL INSTRUMENTS

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

30 33

Table of Contents

NOTE 17 – FINANCIAL INSTRUMENTS

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

At June 30, 2024 September 30, 2024 and December 31, 2023, the net carrying amounts and fair values of our other financial instruments were as follows:

June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value

	(in thousands)				(in thousands)			
Assets:								
Investments in direct financing leases – net	\$ 9,437	\$ 9,437	\$ 8,716	\$ 8,716	\$ 9,450	\$ 9,450	\$ 8,716	\$ 8,716
Real estate loans receivable – net	1,378,798	1,361,744	1,212,162	1,258,838	1,323,469	1,332,393	1,212,162	1,258,838
Non-real estate loans receivable – net	234,562	243,311	275,615	279,710	335,717	345,379	275,615	279,710
Total	\$ 1,622,797	\$ 1,614,492	\$ 1,496,493	\$ 1,547,264	\$ 1,668,636	\$ 1,687,222	\$ 1,496,493	\$ 1,547,264
Liabilities:								
Revolving credit facility	\$ 70,226	\$ 70,226	\$ 20,397	\$ 20,397	\$ —	\$ —	\$ 20,397	\$ 20,397
2026 mortgage loan					265,239	269,862		
2024 term loan	—	—	20,085	19,750	—	—	20,085	19,750
2025 term loan	425,853	428,500	424,662	428,500	426,448	428,500	424,662	428,500
OP term loan	49,915	50,000	49,864	50,000	49,941	50,000	49,864	50,000
4.95% notes due 2024 – net	—	—	399,747	398,888	—	—	399,747	398,888
4.50% notes due 2025 – net	399,587	396,788	399,207	393,240	399,778	399,368	399,207	393,240
5.25% notes due 2026 – net	598,906	594,192	598,553	596,508	599,082	602,214	598,553	596,508
4.50% notes due 2027 – net	696,034	677,684	695,302	671,538	696,400	696,521	695,302	671,538
4.75% notes due 2028 – net	546,429	532,180	545,925	528,704	546,681	549,070	545,925	528,704
3.63% notes due 2029 – net	493,703	446,380	493,099	440,785	494,005	471,225	493,099	440,785
3.38% notes due 2031 – net	688,067	597,856	687,172	594,734	688,514	637,812	687,172	594,734
3.25% notes due 2033 – net	691,884	565,831	691,425	564,809	692,114	602,378	691,425	564,809
HUD mortgages – net	—	—	41,878	31,322	—	—	41,878	31,322

Total	\$ 4,660,604	\$ 4,359,637	\$ 5,067,316	\$ 4,739,175	\$4,858,202	\$4,706,950	\$5,067,316	\$4,739,175
-------	--------------	--------------	--------------	--------------	-------------	-------------	-------------	-------------

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, 2023). 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.

- Real estate loans receivable: The fair value of the real estate loans 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).
- Non-real estate loans receivable: Non-real estate loans receivable 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 Credit Facility, OP term loan, 2024 term loan and 2025 term loan: The carrying amount of these approximate fair value because the borrowings are interest rate adjusted. Differences between carrying value and the fair value in the table above are due to the inclusion of deferred financing costs and discounts in the carrying value.

34

[Table of Contents](#)

- 2026 mortgage loan: The 2026 mortgage loan was recorded at fair market value in July 2024, as of the date we assumed it as part of our acquisition of the remaining 51% interest in the Cindat Joint Venture. The fair market value was determined by discounting the remaining contractual cash flows using a current market rate of interest of comparable debt instruments. Differences between carrying value and the fair value in the table above are due to the inclusion of deferred financing costs in the carrying value.
- Senior notes: The fair value of the senior unsecured notes payable was estimated based on (Level 1) publicly available trading prices.
- HUD mortgages: The fair value of our borrowings under HUD debt agreements was estimated using an expected present value technique based on quotes obtained by HUD debt brokers (Level 2).

31

[Table of Contents](#)

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Litigation

Shareholder Litigation

Certain derivative actions were brought against three of the Company's officers, C. Taylor Pickett, Robert O. Stephenson, and Daniel J. Booth, and certain current and former directors of the Company, asserting claims for breach of duty primarily relating to matters at issue in a securities class action in the Southern District of New York that was settled in 2023, including alleged failures to disclose material adverse facts about the Company's

business, operations and prospects, including the financial and operating results of one of the Company's operators, Orianna Health Systems ("Orianna"), the ability of Orianna to make timely rent payments and the impairment of certain of the Company's leases and the uncollectibility of certain receivables concerning Orianna.

In 2018, Stourbridge Investments LLC, a purported stockholder of the Company, filed a derivative action purportedly on behalf of the Company in the U.S. District Court for the Southern District of New York, alleging violations of Section 14(a) of the Exchange Act and state-law claims including breach of fiduciary duty (the "Stourbridge Matter"). The complaint alleged, among other things, that the named defendants were responsible for the Company's failure to disclose the financial condition of Orianna.

In 2019, purported stockholder Phillip Swan by his counsel, and stockholders Tom Bradley and Sarah Smith by their counsel, filed derivative actions in the Baltimore City Circuit Court of Maryland, purportedly on behalf of the Company, asserting claims for breach of fiduciary duty, waste of corporate assets and unjust enrichment against the named defendants. The complaints alleged, among other things, that the named defendants are responsible for the Company's failure to disclose the financial condition of Orianna. Those actions were consolidated (together, the "Swan Matter").

In addition, in late 2020, Robert Wojcik, a purported shareholder of the Company, filed a derivative action in the U.S. District Court for the District of Maryland, purportedly on behalf of the Company, asserting violations of Section 14(a) of the Exchange Act, Sections 10(b) and 21D of the Exchange Act, as well as claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets (the "Wojcik Matter"). The complaint alleges, among other things, that the named defendants are responsible for the Company's failure to disclose the financial condition of Orianna, as well as certain alleged discriminatory conduct and lack of diversity concerning the Company.

35

[Table of Contents](#)

In 2023, the Company and individual defendants reached an agreement in principle with each of the derivative plaintiffs to resolve these derivative actions, as reflected by written memoranda of understanding. The proposed settlements contemplated the Company's adoption of certain non-monetary corporate governance enhancements and initiatives. In February 2024, formal stipulations of settlement incorporating the substantive terms of the memoranda of understanding and detailing the proposed settlements' operational terms were submitted for court approval. The court overseeing the Swan Matter issued an order in May 2024 granting final approval to a proposed settlement reached with the plaintiffs in the Stourbridge Matter and the Swan Matter, which order became final and non-appealable as of June 20, 2024.

In April 2024, the court overseeing the Wojcik Matter issued an order as of August 8, 2024 granting preliminary final approval to the proposed settlement reached with the plaintiff in the Wojcik Matter. A hearing is scheduled for August 6, 2024 regarding Matter, which order became final and non-appealable as of the proposed settlement, September 9, 2024. The proposed settlements are without any admission of the allegations in the complaints, which the defendants deny.

32

[Table of Contents](#)

While the Company believes that it was and is in compliance with all applicable laws, in the fourth quarter of 2023, the Company recorded a \$2.8 million legal reserve related to the derivative actions which was included within accrued expenses and other liabilities on the Consolidated Balance Sheets. As the settlement amounts ~~are~~were to be paid by insurance, the Company concurrently recorded a receivable for \$2.8 million within other assets on the Consolidated Balance Sheet, and consequently there was no impact to the Consolidated Statements of Operations related to these matters. In the second quarter of 2024, the Company's insurers funded \$2.8 million to an escrow account established for the purpose of paying the settlement amounts in accordance with the terms of the applicable settlement, and the Company reversed the previously recorded \$2.8 million legal reserve within accrued expenses and other liabilities and the related \$2.8 million receivable within other assets on the Consolidated Balance Sheets.

Other

Gulf Coast Subordinated Debt

In August 2021, we filed suit in the Circuit Court for Baltimore County (the "Court") against the holders of certain Subordinated Debt (the "Debt Holders") associated with our Gulf Coast master lease agreement, following an assertion by the Debt Holders that our prior exercise of offset rights in connection with Gulf Coast's non-payment of rent had resulted in defaults under the terms of the Subordinated Debt. The suit seeks a declaratory judgment to, among other items, declare that the aggregate amount of unpaid rent due from Gulf Coast under the master lease agreement exceeds all amounts which otherwise would be due and owing by an indirect subsidiary of Omega ("Omega Obligor") under the Subordinated Debt, and that all principal and interest due and owing under the Subordinated Debt may be (and was) offset in full as of December 31, 2021. In October 2021, the Debt Holders filed a motion to dismiss for lack of personal jurisdiction. On November 3, 2022, the Court granted the Debt Holders' motion to dismiss for lack of personal jurisdiction, and Omega filed a timely appeal of the ruling. While Omega believes Omega Obligor is entitled to the enforcement of the offset rights sought in the action, Omega cannot predict the outcome of the declaratory judgment action, irrespective of whether (a) it is ultimately litigated in the Court if Omega Obligor prevails in its appeal or (b) if the order granting the motion to dismiss for lack of personal jurisdiction is affirmed and the issues are litigated in the Delaware Court (as defined below).

On or about January 19, 2023, the Debt Holders served a lawsuit against the Omega Obligor in the Superior Court of the State of Delaware (the "Delaware Court"), asserting claims for (i) breach of the instruments evidencing the Subordinated Debt, (ii) declaratory judgment, and (iii) unjust enrichment, all claims that are factually based on the claims that are the subject of Omega Obligor's suit in the Court and that are now on appeal. On February 8, 2023, Omega Obligor filed a motion to dismiss or, in the alternative, to stay this action pending the outcome of the above-referenced lawsuit in Maryland. On July 10, 2023, the Delaware state court case stayed the proceeding pending further developments in the Maryland litigation. Omega believes that the claims are baseless and is evaluating procedural and substantive legal options in connection with this recently filed suit to the extent the stay is lifted.

[Table of Contents](#)

Other

In addition to the matters above, we are subject to various other 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.

Indemnification Agreements

In connection with certain facility transitions, we have agreed to indemnify certain operators in certain events. As of **June 30, 2024**, our maximum funding commitment under these indemnification agreements was **\$6.5 million** **\$13.5 million**. Claims under these indemnification agreements generally may be made within 18 months to 72 months of the transition date. These indemnification agreements were provided to certain operators in connection with facility transitions and generally would be applicable if the prior operators do not perform under their transition agreements.

[Table of Contents](#)

Commitments

We have committed to fund the construction of new leased and mortgaged facilities, capital improvements and other commitments. We expect the funding of these commitments to be completed over the next several years. Our remaining commitments at **June 30, 2024** **September 30, 2024**, are outlined in the table below (in thousands):

Lessor construction and capital commitments under lease agreements	\$163,428
Non-real estate loan commitments	41,719
Real estate loan commitments	46,094
Total remaining commitments ⁽¹⁾	\$251,241

Lessor construction and capital commitments under lease agreements	\$244,466
Non-real estate loan commitments	47,722
Real estate loan commitments	40,948
Total remaining commitments ⁽¹⁾	\$333,136

(1) Includes finance costs.

In During the **second** **third** quarter of 2024, we **exercised** an option that committed Omega amended the existing master lease with Brookdale Senior Living Inc. ("Brookdale") to **buy** extend the maturity date from December 2027 to December 2037. As part of the amendment, we agreed to provide up to \$80.0 million in funding for capital expenditures on the facilities subject to the master lease (included in the table above). The annual rent under the lease will not be adjusted for fundings of capital expenditures in the aggregate amount of up to \$30.0 million of the \$80.0 million commitment. With respect to the remaining 51% interest in the Cindat Joint Venture, an unconsolidated joint venture that Omega held a 49% equity interest in as of June 30, 2024. The acquisition \$50.0 million of the remaining 51% interest in \$80.0 million commitment, the Cindat Joint Venture closed in July 2024, as discussed further in Note 21 – Subsequent Events. annual rent under the lease will increase by the amount of each capital expenditure multiplied by 9.5%.

[Table of Contents](#)

NOTE 19 – EARNINGS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Numerator:								
(in thousands, except per share amounts)								
Net income available to common stockholders – basic	\$ 113,862	\$ 59,856	\$ 181,223	\$ 95,798	\$ 111,762	\$ 91,381	\$ 292,985	\$ 187,179
Add: net income attributable to OP Units	3,463	1,767	5,499	2,815	3,297	2,647	8,796	5,462
Net income available to common stockholders – diluted	\$ 117,325	\$ 61,623	\$ 186,722	\$ 98,613	\$ 115,059	\$ 94,028	\$ 301,781	\$ 192,641
Denominator:								
Denominator for basic earnings per share	249,366	236,233	247,719	235,594	262,720	245,033	252,719	238,740
Effect of dilutive securities:								
Common stock equivalents	4,583	2,893	4,170	2,139	5,088	3,825	4,476	2,701
Noncontrolling interest – Omega OP Units	7,585	6,974	7,511	6,912	7,749	7,097	7,590	6,974
Denominator for diluted earnings per share	261,534	246,100	259,400	244,645	275,557	255,955	264,785	248,415
Earnings per share – basic:								
Net income available to common stockholders	\$ 0.46	\$ 0.25	\$ 0.73	\$ 0.41	\$ 0.43	\$ 0.37	\$ 1.16	\$ 0.78
Earnings per share – diluted:								

Net income available to common stockholders	\$ 0.45	\$ 0.25	\$ 0.72	\$ 0.40	\$ 0.42	\$ 0.37	\$ 1.14	\$ 0.78
---	---------	---------	---------	---------	---------	---------	---------	---------

Table of Contents

NOTE 20 – SUPPLEMENTAL DISCLOSURE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The following are supplemental disclosures to the Consolidated Statements of Cash Flows for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023:

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023

	(in thousands)		(in thousands)					
Reconciliation of cash and cash equivalents and restricted cash:								
Cash and cash equivalents								
Cash and cash equivalents	\$ 35,193	\$ 350,691	\$ 342,444	\$ 554,705				
Restricted cash	3,938	5,820	17,866	3,212				
Cash, cash equivalents and restricted cash at end of period	<u>\$ 39,131</u>	<u>\$ 356,511</u>	<u>\$ 360,310</u>	<u>\$ 557,917</u>				
Supplemental information:								
Interest paid during the period, net of amounts capitalized	\$ 115,168	\$ 111,540	\$ 179,369	\$ 178,101				
Taxes paid during the period	\$ 1,433	\$ 1,936	\$ 2,775	\$ 2,120				
Non-cash investing activities:								
Non-cash acquisition of real estate (see Note 2)			\$ (344,008)	\$ —				
Non-cash investment in non-real estate loans receivable (see Note 2)			\$ (1,632)	\$ —				
Non-cash financing activities:								
Assumption of debt (see Note 2 and Note 15)			\$ 263,990	\$ —				
Change in fair value of hedges	\$ 12,455	\$ (9,258)	\$ (9,534)	\$ 4,242				
Remeasurement of debt denominated in a foreign currency	\$ (171)	\$ 1,096	\$ 9,908	\$ 283				

[Table of Contents](#)
NOTE 21 – SUBSEQUENT EVENTS

As in October 2024, we funded \$79.6 million in real estate loans to three operators. The loans have a weighted average interest rate of June 30, 2024, 10.8% and maturity dates ranging from October 2025 through September 2029.

In October 2024, we held a 49% interest in the Cindat Joint Venture, an unconsolidated joint venture accounted for using the equity method of accounting that owns 63 acquired three facilities in the U.K. In July 2024, we acquired the remaining 51% interest in the Cindat Joint Venture, for a cash aggregate consideration of \$97.4 million, excluding transaction costs, and deferred contingent consideration between zero and \$3.0 million, which becomes payable to the sellers in December 2024, if certain contingencies are satisfied. As part of the acquisition, we assumed a \$243.2 million mortgage loan that matures in August 2026 but can be repaid without a prepayment penalty beginning November 2025. The mortgage loan bears interest at SONIA plus an applicable margin of 5.38%. As part of the transaction, we assumed interest rate cap contracts that ensure the annual interest rate does not exceed 10.38%. The 63 facilities are subject to leases with two operators that have contractual rent of \$43.6 million per annum with minimum escalators between 1.0% to 2.0% that can escalate further based on certain inflationary measures. Following the acquisition, we own 100% of the entity and will consolidate its results in our consolidated financial statements going forward. The acquired interest will be accounted for as an asset acquisition as substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets. Under our existing accounting policy election, we follow the asset acquisition cost accumulation and allocation model.

In July 2024, we acquired one facility in the U.K. for consideration of \$5.1 million \$39.7 million and leased it to an existing operator. The facility has a weighted average initial annual cash yield of 10.0% with annual escalators of 2.5%.

In July 2024, we made a \$27.3 million preferred equity investment, treated as a real estate loan receivable for accounting purposes, in a new real estate joint venture that was formed to acquire a facility in Massachusetts. Omega's preferred equity investment bears a 10.0% return per annum and must be mandatorily redeemed by the joint venture at the earlier of July 2030 or the occurrence of certain significant events within the joint venture.

[Table of Contents](#)
Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations
Forward-Looking Statements and Factors Affecting Future Results

Unless otherwise indicated or except where the context otherwise requires, the terms "we," "us" and "our" and other similar terms in this Quarterly Report on Form 10-Q refer to Omega Healthcare Investors, Inc. and its consolidated subsidiaries.

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this document. 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:

- (1) those items discussed under "Risk Factors" in Part I, Item 1A to our Annual Report on [Form 10-K](#) and Part II, Item 1A herein;
- (2) uncertainties relating to the business operations of the operators of our assets, including those relating to reimbursement by third-party payors, regulatory matters, [occupancy levels](#) and [occupancy levels](#); quality of care, including management of infectious diseases;
- (3) the [long-term impacts of the COVID-19 pandemic on our business and the business timing](#) of our operators, including the [levels of operators' recovery from staffing shortages, increased costs and decreased occupancy experienced by operators of skilled nursing facilities \("SNFs"\) and assisted living facilities \("ALFs"\) arising from the COVID-19 pandemic, the ability of our operators to comply with infection control and vaccine protocols and to manage facility infection rates or future infectious diseases, and the sufficiency of previous government support and current reimbursement rates to offset such costs and the conditions related thereto](#);
- (4) additional regulatory and other changes in the healthcare sector, including recently issued federal minimum staffing requirements for [SNFs skilled nursing facility \("SNFs"\)](#) that may further exacerbate labor and occupancy challenges for our operators;
- (5) the ability of our 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 pendency of a bankruptcy proceeding and retain security deposits for the debtor's obligations, and other costs and uncertainties associated with operator bankruptcies;
- (6) changes in tax laws and regulations affecting real estate investment trusts ("REITs"), including as the result of any policy changes driven by the current focus on capital providers to the healthcare industry;
- (7) our ability to re-lease, otherwise transition or sell underperforming assets or assets held for sale on a timely basis and on terms that allow us to realize the carrying value of these assets or to redeploy the proceeds therefrom on favorable terms, including due to the potential impact of changes in the [SNF and ALF assisted living facility \("ALF"\)](#) markets or local real estate conditions;
- (8) the availability and cost of capital to us;
- (9) changes in our credit ratings and the ratings of our debt securities;
- (10) competition in the financing of healthcare facilities;
- (11) competition in the long-term healthcare industry and shifts in the perception of various types of long-term care facilities, including SNFs and ALFs;
- (12) changes in the financial position of our operators;
- (13) the effect of economic and market conditions generally and, particularly, in the healthcare industry;
- (14) changes in interest rates and the impact of inflation;
- (15) the timing, amount and yield of any additional investments;
- (16) our ability to maintain our status as a REIT; and
- (17) the effect of other factors affecting our business or the businesses of our operators that are beyond our or their control, including natural disasters, other health crises or pandemics and governmental [action](#); [action](#), particularly in the healthcare industry.

3640

[Table of Contents](#)

Summary

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is organized as follows:

- Business Overview
- Outlook, Trends and Other Conditions
- Government Regulation and Reimbursement
- [Second](#) [Third](#) Quarter of 2024 and Recent Highlights
- Results of Operations

- Funds from Operations
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates

Business Overview

Omega Healthcare Investors, Inc. ("Parent") is a Maryland corporation that, together with its consolidated subsidiaries (collectively, "Omega" or "Company") has elected to be taxed as a REIT for federal income tax purposes. Omega is structured as an umbrella partnership REIT ("UPREIT") under which all of Omega's assets are owned directly or indirectly by, and all of Omega's operations are conducted directly or indirectly through, its operating partnership subsidiary, OHI Healthcare Properties Limited Partnership (collectively with its subsidiaries, "Omega OP"). As of **June 30, 2024** **September 30, 2024**, Parent owned 97% of the issued and outstanding units of partnership interest in Omega OP ("Omega OP Units"), and other investors owned 3% of the outstanding Omega OP Units.

Omega 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, ALFs, and to a lesser extent, independent living facilities ("ILFs"), rehabilitation and acute care facilities ("specialty facilities") and medical office buildings. Our core portfolio consists of our long-term leases and real estate loans with healthcare operating companies and affiliates (collectively, our "operators"). Real estate loans consist of mortgage loans and other real estate loans **which that** are primarily collateralized by a first, second or third mortgage lien or a leasehold mortgage on, or an assignment of the partnership interest in, the related properties. In addition to our core investments, we make loans to operators and/or their principals. These loans, which may be either unsecured or secured by the collateral of the borrower, are classified as non-real estate loans. From time to time, we also acquire equity interests in joint ventures or entities that support the long-term healthcare industry and our operators.

Outlook, Trends and Other Conditions

Our industry **continues** has begun to **face recover** from the long-term impact of the COVID-19 pandemic, which significantly and adversely impacted SNFs and long-term care providers during the height of the pandemic due to the higher rates of virus transmission and fatality among the elderly and frail populations that these facilities serve. **In addition, the pandemic contributed to** **While certain of our operators have experienced a level of recovery from** **pandemic-driven challenges such as** occupancy declines, labor shortages, **and** **staffing expense increases, and other cost increases, that** **certain of our other operators have not yet returned** **experienced returns** to pre-pandemic levels and **which continue to significantly impact our operators** **remain impacted by these factors** post-pandemic. There continues to be uncertainty regarding the duration of these impacts **for those operators**, particularly given uncertainty as to whether reimbursement increases from the federal government, the states and the U.K. will be effective in offsetting these incremental costs and lost **revenues**; **revenues**. **In addition, there remains uncertainty as to** the impact of potential regulatory changes, including the ultimate scope and impact of recently issued U.S. federal minimum staffing rules for our **industry**; **industry**, and the continued ability of our operators to manage infectious diseases in our facilities. See "Government Regulation and Reimbursement" for additional information.

3741

[Table of Contents](#)

As discussed further in "Collectability Issues" below, in 2023 and the **second quarter** **first nine months** of 2024, we have had several operators that have failed to make contractual payments under their lease and loan agreements, and we have agreed to short-term **payment deferrals, lease and portfolio restructurings and/or allowed the application of** several operators to apply security deposits or letters of credit to pay **rent** for several operators. **To** **rent**. **While a number of our operators have begun to experience labor, cost and occupancy improvements** since **the pandemic, to the extent the ongoing** cost and occupancy impacts on **certain of our other** operators do not recover or are not offset by continued government relief or reimbursement rates that are sufficient and timely, we anticipate that the operating results of **additional** **these** operators may be materially and adversely affected, and some may be unwilling or unable to pay their contractual obligations to us in full or on a timely basis and we may be unable to restructure such obligations on terms as favorable to us as those currently in place. While we continue to believe that longer term demographics will drive increasing demand for needs-based skilled nursing care, we remain cautious as some of the long-term impacts of the **COVID-19** pandemic noted above may continue to have **a significant** **an** impact on **certain of** our operators and their financial conditions.

In addition to the long-term impacts of COVID-19 the pandemic and regulatory requirements discussed above, our operators have been and are likely to continue to be adversely affected by inflation-related cost increases, which may exacerbate labor shortages and increase labor costs, among other impacts. We continue to monitor these impacts as well as the impacts of other regulatory changes, as discussed below, including any significant limits on the scope of services eligible for reimbursement and on reimbursement rates and fees, which could have a material adverse effect on an operator's results of operations and financial condition, which could adversely affect the operator's ability to meet its obligations to us.

On February 21, 2024, Change Healthcare, a unit of UnitedHealth Group, was impacted by a cybersecurity incident involving its information technology systems that disrupted processing of claims, among other transaction services it provides. Certain of our operators that directly or indirectly utilize Change Healthcare's services experienced reimbursement delays due to the incident and may continue to experience delays until it is resolved. This incident and the resulting reimbursement delays affecting our operators may cause delays in the timing of our operators' payments to us if not remedied timely. We are continuing to monitor the impact of the incident, but at this time we do not believe the incident is reasonably likely to materially impact the Company's financial condition or results of operations.

Government Regulation and Reimbursement

The following information supplements and updates, and should be read in conjunction with, the information contained under the caption Item 1. Business – Government Regulation and Reimbursement in our Annual Report on [Form 10-K](#) for the year ended December 31, 2023.

The healthcare industry is heavily regulated. Our U.S.-based operators, which are primarily based in comprise the U.S., majority of our operators, are subject to extensive and complex federal, state and local healthcare laws and regulations; we also have several our U.K.-based operators that are also subject to a variety of laws and regulations in their jurisdiction. 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. There is the potential that we may be subject directly to healthcare laws and regulations because of the broad nature of some of these regulations, such as the Anti-kickback Statute and False Claims Act in the United States, among others.

3842

[Table of Contents](#)

The COVID-19 public health emergency that was declared by the U.S. Department of Health and Human Services ("HHS") in January 2020 and expired in May 2023 allowed HHS to provide temporary regulatory waivers and new reimbursement rules, such as a temporary increase in the Medicaid Federal Medical Assistance Percentage (the "FMAP") and other rules designed to equip providers with flexibility to respond to the COVID-19 pandemic by suspending various Medicare patient coverage criteria and documentation and care requirements, including, for example, suspension of the three-day prior hospital stay coverage requirement and expanding the list of approved services which may be provided via telehealth. The three-day prior hospital stay waiver was a significant benefit to the skilled nursing industry during the height of the pandemic, as the reimbursement associated with the ability to skill in place helped to offset some of the increased costs connected with managing the pandemic. These regulatory actions contributed to a change in census volumes and skilled nursing mix that may not otherwise have occurred. Following the termination of the public health emergency, we believe federal and state regulators have resumed enforcement of those regulations which were waived or otherwise not enforced during the public health emergency.

care. These temporary changes to regulations and reimbursement, as well as emergency legislation, including the CARES Act discussed below, have had a significant impact on the operations and financial condition of our operators. The extent Following the expiration of the COVID-19 pandemic's continued effect, including through public health emergency, federal and state regulators generally have resumed enforcement of those regulations that were waived or otherwise not enforced during the public health emergency. While our industry has begun to recover from some of the long-term impacts of the pandemic, which included prolonged labor shortages, lower occupancy and expense increases, on the Company's and our operators' operational and financial performance extent of the recovery will depend on future developments, including the recovery in occupancy and availability of labor, the ultimate scope, implementation timeline and impact of recently

issued federal minimum staffing rules for SNFs, the sufficiency and timeliness of additional governmental relief and reimbursement rate setting in offsetting cost increases, and the continued efficacy of infection control measures and regulations, all of which are uncertain and difficult to predict and may continue to adversely impact our business, results of operations, financial condition and cash flows.

A significant portion of our operators' revenue is derived from government-funded reimbursement programs, consisting primarily of Medicare and Medicaid. Medicaid in the United States. As federal and state governments continue to focus on healthcare reform initiatives, efforts to reduce costs by government payors will likely continue. Significant limits on the scope of services reimbursed and/or reductions of reimbursement rates could therefore have a material adverse effect on our operators' results of operations and financial condition. Additionally, new and evolving payor and provider programs that are tied to quality and efficiency could adversely impact our tenants' and operators' liquidity, financial condition or results of operations, and there can be no assurance that payments under any of these government healthcare programs are currently, or will be in the future, sufficient to fully reimburse the property operators for their operating and capital expenses.

In addition to quality and value-based reimbursement reforms, the U.S. Centers for Medicare and Medicaid Services ("CMS") has implemented a number of initiatives focused on the reporting of certain facility specific facility-specific quality of care indicators that could affect our operators, including publicly released quality ratings for all of the nursing homes that participate in Medicare or Medicaid under the CMS "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. These rating changes have impacted referrals to SNFs, and it is possible that changes to this system or other ranking systems could lead to future reimbursement policies that reward or penalize facilities on the basis of the reported quality of care parameters. SNFs are required to comply with new reporting requirements, effective as of January 16, 2024, relating to ownership by and affiliations with private equity firms and REITs, as well as provide information for inclusion on the CMS Nursing Home Care Compare website regarding staffing and quality measures. Any of these reporting requirements may impact occupancy at our properties and our business, results of operations, financial condition and cash flows.

The following is a discussion of certain U.S. laws and regulations generally applicable to our operators, and in certain cases, to us.

39

[Table of Contents](#)

Reimbursement Changes in Response to the Pandemic:

U.S. Federal Stimulus Funds and Financial Assistance for Healthcare Providers. In response to the pandemic, Congress enacted a series of economic stimulus and relief measures. The CARES Act and related legislation authorized distributions of approximately \$185 billion to reimburse eligible healthcare providers for healthcare related expenses or lost revenues that were attributable to coronavirus. In addition, federal legislation made other forms of financial assistance available to healthcare providers, which impacted our operators to varying degrees. We do not expect our operators will receive any additional funding from HHS in connection with the pandemic, although certain of our operators have, over the last year, continued to receive distributions at the state level from funding appropriated under the CARES Act and the American Rescue Plan Act of 2021.

43

[Table of Contents](#)

Among these forms of financial assistance, the Families First Coronavirus Response Act ("FFCRA") was enacted in the U.S. on March 18, 2020, which provided a temporary 6.2% increase to each qualifying state and territory's FMAP reimbursement until it was phased out as of

December 31, 2023 following the expiration of the public health emergency in May 2023. In exchange for receiving the enhanced federal funding, the FFCRA included a requirement that Medicaid programs keep beneficiaries enrolled through the end of the month in which the public health emergency terminated. However, Congress decoupled the Medicaid continuous enrollment from the public health emergency and terminated this provision effective March 31, 2023. Beginning April 1, 2023, states that complied with federal rules regarding beneficiary renewals were eligible to begin the phase-down of the enhanced federal funding according to the following schedule: 6.2 percentage points through March 2023; 5 percentage points through June 2023; 2.5 percentage points through September 2023 and 1.5 percentage points through December 2023. Following termination of the continuous enrollment provision, total Medicaid enrollment, which had grown substantially during the pandemic, has declined.

The Budget Control Act of 2011 established a Medicare Sequestration of 2%, which is an automatic reduction of certain federal spending as a budget enforcement tool. Originally, the sequester was intended to be in effect from FY 2013 to FY 2021. However, most recently, the Infrastructure Investment and Jobs Act extended the sequester through FY 2031. The full 2% Medicare sequestration went into effect as of July 1, 2022 and gradually increases to 4% from 2030 through 2031.

Quality of Care and Staffing Initiatives. In addition to COVID-19 pandemic-related reimbursement changes, several regulatory initiatives announced from 2020 to 2022 focused on addressing quality of care in long-term care facilities, including those related to COVID-19 testing and infection control protocols, vaccine protocols, staffing levels, reporting requirements, and visitation policies, as well as increased inspection of nursing homes. In addition, the CMS Nursing Home Care Compare website and the Five Star Quality Rating System were updated to include revisions to the inspection process, adjustment of staffing rating thresholds, the implementation of new quality measures and the inclusion of a staff turnover percentage (over a 12-month period).

40

[Table of Contents](#)

Additionally, on April 22, 2024, CMS issued a final rule regarding minimum staffing requirements and increased inspections at nursing homes, which CMS estimates exceed existing staffing standards in nearly all states. The final rule is being implemented on a staggered phase-in basis based on geographic location and will require nursing homes participating in Medicare and Medicaid to maintain a total nurse staffing standard of 3.48 hours per resident day ("HPRD"), which must include at least 0.55 HPRD of direct registered nurse care and 2.45 HPRD of direct nurse aide care. Facilities would be permitted to use any combination of nurse staff (registered nurse, licensed practical nurse and licensed vocational nurse or nurse aide) to account for the additional 0.48 HPRD required to comply with the total nurse staffing standard. In addition, the final rule requires nursing homes to ensure a registered nurse is onsite 24 hours per day, seven days per week, although CMS indicated that a director of nursing role could fulfill such requirement. The final rule also provides possible hardship exemptions for qualifying facilities for some parts of these requirements based on workforce unavailability and other factors. The final rule was not accompanied by additional funding for our operators to offset the costs associated with meeting these increased staffing requirements in an industry that is already facing staffing shortages. In May 2024, Since CMS issued the final rule, multiple SNF industry groups, along with several Texas facilities, lawsuits have been filed in federal court to overturn the minimum staffing requirements on the basis that CMS exceeded its authority. The increased staffing requirements, if not overturned legislatively or by legal action, or if not accompanied by increased state reimbursement to offset the increased financial burden, may have a future adverse impact on the financial condition of many of our operators, which may be material, but which likely would not be experienced until closer to the point of delayed implementation, which ranges from within 90 days of the final rule publication and five years of the final rule publication, depending on the geographic location.

44

[Table of Contents](#)

The Biden Administration additionally announced in March 2022 a focus on reviewing private equity investment specifically in the skilled nursing sector. **Further, on** November 15, 2023, CMS issued a final rule, effective January 16, 2024, that requires SNFs participating in the Medicare or Medicaid programs to disclose certain ownership and managerial information regarding their relationships with certain entities that lease real estate to SNFs, including REITs. The CMS announcement noted concerns regarding the quality of care provided at SNFs owned by private equity firms, REITs and other investment firms. There have also been congressional hearings examining the impact of private equity in the U.S. healthcare system, including the impact on quality of care provided within the skilled nursing industry, the COVID-19 response of nursing homes and the use of federal funds by nursing homes during the pandemic. Further, in 2024, several U.S. senators proposed legislation that would, if enacted, restrict certain investors, including REITs and private equity firms, from investing in healthcare facilities or impose penalties on certain landlords or private equity investors in healthcare facilities whose operators subsequently enter into bankruptcy proceedings. In addition, in 2024, the Department of Justice ("DOJ"), HHS, and the Federal Trade Commission published a Request for Information seeking public comment on the effects of mergers and other transactions in the healthcare industry, with a focus on consolidation among health care providers, facilities, and ancillary products or services. These initiatives, as well as additional calls for government review, at the state and federal level, of the role of private equity in the U.S. healthcare industry and proposed legislation related to certain SNF financial arrangements with REITs, could result in additional requirements on our operators or restrictions on REITs.

In addition, on April 22, 2024, CMS issued the Ensuring Access to Medicaid Services final rule, which requires that, beginning six years after the effective date of the final rule, states generally ensure that at least 80% of Medicaid home and community-based services ("HCBS") payments be put toward compensation for direct care workers. The final rule also requires more transparency regarding how much states pay for HCBS and how those rates are set. It is uncertain what the ultimate impact of the final rule, as well as similar initiatives at the state level, will be on providers of Medicaid HCBS services, given uncertainty related to how HCBS providers are currently spending Medicaid dollars, how many providers fall below the required 80% threshold and how well regulators can measure and track spending by HCBS providers. In addition, it remains unclear whether similar requirements, including those establishing minimum allocations of Medicaid or other reimbursements to direct care workers, will be proposed for SNFs, ALFs and other senior care providers; any such requirements, if enacted, could have a material adverse impact on the financial condition of our operators.

41

[Table of Contents](#)

Reimbursement Generally:

Medicaid. Most of our SNF operators derive a substantial portion of their revenue from state Medicaid programs. Whether and to what extent the level of Medicaid reimbursement covers the actual cost to care for a Medicaid eligible resident varies by state. While periodic rate setting occurs and, in most cases, has an inflationary component, the state rate setting process does not always keep pace with inflation or, even if it does, there is a risk that it may still not be sufficient to cover all or a substantial portion of the cost to care for Medicaid eligible residents. Additionally, rate setting is subject to changes based on state budgetary constraints and political factors, both of which could result in decreased or insufficient reimbursement to the industry even in an environment where costs are rising. Since our operators' profit margins on Medicaid patients are generally relatively low, more than modest reductions in Medicaid reimbursement or an increase in the percentage of Medicaid patients has in the past, and may in the future, adversely affect our operators' results of operations and financial condition, which in turn could adversely impact us.

As indicated above, the CARES Act and American Rescue Plan Act contained several provisions designed to increase coverage, expand benefits, and adjust federal financing for state Medicaid programs. While the CARES Act provided for a 6.2% FMAP add-on to the Medicaid program during the public health emergency

that was phased out as of December 31, 2023, only certain states passed any of this benefit directly to SNF operators either via an enhanced rate or lump sum payments.

[Table of Contents](#)

The risk of insufficient Medicaid reimbursement rates, along with possible initiatives to push residents historically cared for in SNFs to alternative settings, labor shortages in certain areas and limited **pandemic regulatory** support in certain states, may impact us more acutely in states where we have a larger presence. While state reimbursement rates have generally improved over the last several years, reimbursement support is not consistent across states, and it is difficult to assess whether the level of reimbursement support has or will continue to adequately keep pace with increased operator costs. We continue to monitor rate adjustment activity, particularly in states in which we have a meaningful presence.

Medicare. On July 31, 2024, CMS issued a final rule regarding the government fiscal year 2025 Medicare payment rates and quality payment programs for SNFs, with aggregate Medicare Part A payments projected to increase by \$1.4 billion, or 4.2%, for fiscal year 2025 compared to fiscal year 2024. This estimated reimbursement increase is attributable to a 4.2% net market basket update to the payment rates, which is based on a 3.0% SNF market basket increase plus a 1.7% market basket forecast error adjustment and less a 0.5% productivity adjustment. In addition to the payment rate update, CMS stated that it has rebased and revised the SNF market basket to reflect a 2022 base year. The annual update is reduced by 2% for SNFs that fail to submit required quality data to CMS under the SNF Quality Reporting Program. CMS has indicated that these impact figures did not incorporate the SNF Value-Based Program reductions that are estimated to be \$196.5 million in fiscal year 2025. While Medicare reimbursement rate setting, which takes effect annually each October, has historically included forecasted inflationary adjustments, the degree to which those forecasts accurately reflect current **inflation rates** **expense levels** remains uncertain. Additionally, it remains uncertain whether these adjustments will ultimately be offset by **non-inflationary** **other** factors, including any adjustments related to the impact of various payment models, such as those described below.

Payments to providers continue to be increasingly tied to quality and efficiency. The Patient Driven Payment Model ("PDPM"), which was designed by CMS to improve the incentives to treat the needs of the whole patient, became effective October 1, 2019. CMS has stated that it intended PDPM to be revenue-neutral to operators, with future Medicare reimbursement reductions possible if that was not the case. In August 2022, CMS issued a final rule providing that, to obtain revenue neutrality, it would utilize a PDPM parity adjustment factor of 4.6% for Medicare payment rates, with a two-year phase-in period that would reduce SNF spending by 2.3%, or approximately \$780 million, in each of fiscal years 2023 and 2024. Our operators continue to adapt to the reimbursement changes and other payment reforms resulting from the value-based purchasing programs applicable to SNFs under the 2014 Protecting Access to Medicare Act. These reimbursement changes have had and may, together with any further reimbursement changes to the **Patient Driven Payment Model ("PDPM")** **PDPM** or value-based purchasing models, in the future have an adverse effect on the operations and financial condition of some of our operators and could adversely impact the ability of our operators to meet their obligations to us.

[Table of Contents](#)

On May 27, 2020, CMS added physical therapy, occupational therapy and speech-language pathology to the list of approved telehealth Providers for the Medicare Part B programs provided by a SNF as a part of the COVID-19 1135 waiver provisions. The COVID-19 1135 waiver provisions also allowed for the facility to bill an originating site fee to CMS for telehealth services provided to Medicare Part B beneficiary residents of the facility

when the services were provided by a physician from an alternate location, effective March 6, 2020 through May 11, 2023, the expiration of the public health emergency. The Consolidated Appropriations Act of 2023 extended the ability of occupational therapists, physical therapists and speech-language pathologists to continue to furnish these services via telehealth and bill as distant site practitioners until the end of 2024.

On March 30, 2023, CMS issued a memorandum revising and enhancing enforcement efforts for infection control deficiencies found in nursing homes that are targeted at higher-level infection control deficiencies that result in actual harm or immediate jeopardy to residents. Similar to other serious survey deficiencies, penalties for the most serious infection control deficiencies include civil monetary penalties and discretionary payment denials for new resident admissions.

[Table of Contents](#)

Other Regulation:

Office of the Inspector General Activities. The Office of Inspector General ("OIG") of HHS has provided long-standing guidance for SNFs regarding compliance with federal fraud and abuse laws. More recently, the OIG has conducted increased oversight activities and issued additional guidance regarding its findings related to identified problems with the quality of care and the reporting and investigation of potential abuse or neglect at group homes, nursing homes and SNFs. The OIG has additionally also reviewed the staffing levels reported by SNFs as part of its August 2018 and February 2019 Work Plan updates and included a review of involuntary transfers and discharges from nursing homes in the June 2019 Work Plan updates. In August 2020, the OIG released its findings regarding its review of staffing levels in SNFs from 2018. The OIG recommended that CMS enhance efforts to ensure nursing homes meet daily staffing requirements and explore ways to provide consumers with additional information on nursing homes' daily staffing levels and variability. The OIG indicated that while the review was initiated before the COVID-19 pandemic emerged, the pandemic reinforces the importance of sufficient staffing for nursing homes, as inadequate staffing can make it more difficult for nursing homes to respond to infectious disease outbreaks like COVID-19 outbreaks. It is unknown what impact, if any, enhanced scrutiny of staffing levels by OIG and CMS will have on our operators.

Department of Justice and Other Enforcement Actions. SNFs are under intense scrutiny for ensuring the quality of care being rendered to residents and appropriate billing practices conducted by the facility. The DOJ has historically used the False Claims Act to civilly pursue nursing homes that bill the federal government for services not rendered or care that is grossly substandard. For example, California prosecutors announced in March 2021 an investigation into a skilled nursing provider that is affiliated with one of our operators, alleging the chain manipulated the submission of staffing level data in order to improve its Five Star rating. In 2020, the DOJ launched a National Nursing Home Initiative to coordinate and enhance civil and criminal enforcement actions against nursing homes with grossly substandard deficiencies. Such enforcement activities are unpredictable and may develop over lengthy periods of time. An adverse resolution of any of these enforcement activities or investigations incurred by our operators may involve injunctive relief and/or substantial monetary penalties, either or both of which could have a material adverse effect on their reputation, business, results of operations and cash flows.

Second **Third** Quarter of 2024 and Recent Highlights

Investments

- During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we acquired **34** **66** facilities and **36** **102** facilities for aggregate consideration of **\$114.7 million** **\$445.7 million** and **\$128.0 million** **\$561.8 million**, respectively. Of these 66 facilities acquired during the three months ended September 30, 2024, 63 facilities relate to our acquisition of the remaining 51% interest in the Cindat Joint Venture in July 2024 (see Note 2 – Real Estate Assets for additional information). The initial cash yield (the initial annual contractual cash rent divided by the purchase price) on these asset acquisitions was between 9.5% and 11.5%.
- We invested **\$34.8 million** **\$25.4 million** and **\$56.2 million** **\$81.6 million** under our construction in progress and capital improvement programs during the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, respectively.

[Table of Contents](#)

- We During the three and nine months ended September 30, 2024, we financed \$112.9 million \$54.9 million and \$154.1 million \$209.0 million, respectively, of new real estate loans originated during 2024 with a weighted average interest rate of 11.5% and 10.2% during the three and six months ended June 30, 2024, respectively. We also advanced \$0.6 million \$0.4 million and \$3.4 million \$3.8 million under existing real estate loans during the three and six nine months ended June 30, 2024 September 30, 2024, respectively.

Dispositions and Impairments

- During the three and six nine months ended June 30, 2024 September 30, 2024, we sold five six facilities (four ALFs and nine two SNFs) and 15 facilities (11 SNFs and four ALFs) for \$34.8 million \$23.9 million and \$44.9 million \$68.8 million in net cash proceeds, respectively, recognizing a net gains loss of \$12.9 million \$0.2 million and \$11.5 million a net gain of \$11.3 million, respectively.

47

[Table of Contents](#)

- During the three and six nine months ended June 30, 2024 September 30, 2024, we recorded impairments on four facilities five and seven 12 facilities of \$8.2 million \$8.6 million and \$13.5 million \$22.1 million, respectively. Of the \$13.5 million \$22.1 million, \$8.1 million \$13.0 million related to five eight held for use facilities (of which 4.0 million relates \$7.2 million related to three four closed facilities) for which the carrying value exceeded the fair value, and \$5.4 million \$9.1 million related to two four facilities that were classified as held for sale for which the carrying values exceeded the estimated fair value less costs to sell.

Financing Activities

- During the third quarter of 2024, we terminated our 2021 \$1.0 billion At-The-Market Offering Program (the "2021 ATM Program") and entered into a new ATM Equity Offering Sales Agreement pursuant to which shares of common stock having an aggregate gross sales price of up to \$1.25 billion (the "2024 ATM Program," and together with the 2021 ATM Program, the "ATM Programs") may be sold from time to time.
- During the three and six nine months ended June 30, 2024 September 30, 2024, we sold 7.6 million 14.2 million and 8.7 million 22.9 million shares of common stock under our \$1.0 billion At-The-Market Offering Program ("ATM Program") Programs and Dividend Reinvestment and Common Stock Purchase Plan ("DRCSP"), generating aggregate gross proceeds of \$244.9 million \$530.2 million and \$278.1 million \$808.3 million, respectively.
- We repaid the \$400 million of 4.95% senior notes on the April 1, 2024 maturity date using available cash and proceeds from our \$1.45 billion senior unsecured multicurrency revolving credit facility ("Revolving Credit Facility").

Other Highlights

- We During the three and nine months ended September 30, 2024, we financed \$10.4 million \$23.5 million and \$33.9 million, respectively, of new non-real estate loans that were originated during 2024 with a weighted average interest rate of 10.0% during the three and six months ended June 30, 2024, respectively, 9.9%. We also advanced \$9.6 million \$0.4 million and \$13.7 million \$14.1 million under existing non-real estate loans during the three and six nine months ended June 30, 2024 September 30, 2024, respectively. We received principal repayments of \$45.9 million \$37.4 million and \$52.8 million \$90.2 million on existing non-real estate loans during the three months and six nine months ended September 30, 2024, respectively.

- As of June 30, 2024, respectively, we held a 49% interest in the Cindat Joint Venture, an unconsolidated joint venture that owns 63 facilities in the U.K., which we accounted for using the equity method of accounting. In July 2024, we acquired the remaining 51% interest in the Cindat Joint Venture for (i) \$98.9 million of cash consideration including direct transaction costs, (ii) the assumption of a £188.6 million mortgage loan with an estimated fair value of \$264.0 million and (iii) deferred contingent consideration with an estimated fair value of \$2.0 million. The deferred contingent consideration payment, which will be between zero and \$3.0 million, becomes payable to the sellers in December 2024 if certain contingencies are satisfied. As part of the acquisition, we assumed a £188.6 million mortgage loan that matures in August 2026 but can be repaid without a prepayment penalty beginning November 2025. The mortgage loan bears interest at SONIA plus an applicable margin of 5.38%. As part of the transaction, we assumed four interest rate cap contracts that ensure the annual interest rate does not exceed 10.38%.

Collectibility Issues

- During the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we entered into a lease with a new operator as part of the transition of facilities from another operator. As we had no previous relationship with this new operator, and collection of substantially all contractual lease payments due from the new operator was not deemed probable, we placed the new operator on a cash basis of revenue recognition. We also did not have any straight-line receivable write-offs through rental income as a result of placing operators on a cash basis during the three months and **six** **nine** months ended **June 30, 2024** **September 30, 2024**. As of **June 30, 2024** **September 30, 2024**, 18 operators are on a cash basis. These operators represent an aggregate 18.6% of our total revenues for the **six** **nine** months ended **June 30, 2024** **September 30, 2024**.

4448

Table of Contents

- During the third quarter of 2024, Maplewood Senior Living (along with affiliates, "Maplewood") continued to short-pay the contractual rent amount due under its lease agreement, during the second quarter of 2024, with Maplewood paying \$11.8 million \$12.1 million of contractual rent, a short pay of \$5.5 million \$5.2 million of the \$17.3 million due under its lease agreement. In addition, Maplewood did not pay the \$0.7 million \$0.8 million of contractual interest due under its loan agreement during the second third quarter of 2024. As Maplewood is on a cash basis of revenue recognition, we have recorded \$11.8 million \$12.1 million and \$23.1 million \$35.2 million of revenue related to Maplewood for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, respectively, for the contractual rent payments that we received. In view of Maplewood liquidity concerns, Omega and Maplewood entered into a comprehensive restructuring of Maplewood's lease and loan agreements on January 31, 2023. Shortly after the restructuring was completed, on March 31, 2023, Greg Smith, the principal and chief executive officer of Maplewood, passed away. As discussed in Note 4 – Contractual Receivables and Other Receivables and Lease Inducements, in May 2024, Omega sent a demand letter to Maplewood notifying it of multiple events of default under its lease, loan, and related agreements with Omega, including Mr. Smith's guaranty, with Omega, including failure to pay full contractual rent and interest for periods in 2023 and 2024. Omega exercised its contractual rights in connection with these defaults and demanded immediate repayment of past due contractual rent and replenishment of the security deposit, and accelerated all principal and accrued interest due under the revolving credit facility. Omega On July 31, 2024, we entered into a settlement agreement on July 31, 2024, subject (the "Settlement Agreement") with the Greg Smith estate (the "Estate") and submitted it to approval of the probate court overseeing administration for approval. The Settlement Agreement, among other things, grants Omega the right to direct the assignment of Mr. Smith's estate and regulatory approvals related equity to the licensure, with Mr. Smith's estate to transition the controlling ownership of Maplewood to key members of the existing Maplewood management team. team (the "Key Principals") or their designee(s), with the Estate remaining liable under Mr. Smith's guaranty until the transition is complete or one year from the court's approval date, if earlier, and requires Omega to refrain from exercising contractual rights or remedies in connection with the defaults. In the proposed transaction, these management team members transition, the Key Principals would become the new majority equity holders in the Maplewood entities, which would maintain the Maplewood lease agreement and secured revolving credit facility provided by Omega. On August 26, 2024, the probate court approved the Settlement Agreement, and in October 2024, following the probate court's final and non-appealable order approving the Settlement Agreement, we requested and were granted a dismissal without prejudice of our lawsuit against, among others, the Estate. We are still awaiting regulatory approvals related to licensure of the operating assets before the transition will be completed. There is no certainty that the court and regulatory approvals will be received or that this transition will be completed as intended, on a timely basis, or at all. If the proposed transition plan is not completed, we may incur a substantial loss on the revolving loan with Maplewood up to the amortized cost basis of the loan. As of **June 30, 2024** **September 30, 2024**, the amortized cost basis of this loan was \$263.6 million, which represents **18.0%** **18.9%** of the total amortized cost basis of all of Omega's real estate loan receivables of Omega receivables. See Note 5 – Real Estate Loans Receivable. In **July** **October** 2024, Maplewood short-paid the contractual rent and interest amounts due under its lease and loan agreements by **\$2.0 million** **\$1.9 million**.

- In the second quarter of June 2024, LaVie Care Centers, LLC ("LaVie") paid \$5.9 million of contractual rent, a short pay of \$3.3 million of the \$9.2 million due under its lease agreement. As LaVie is on a cash basis of revenue recognition for lease purposes, only the \$5.9 million and \$10.3 million of contractual rent payments that we received from LaVie were recorded as rental income during the three and six months ended June 30, 2024, respectively. On June 2 and 3, 2024, LaVie commenced voluntary cases under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Georgia, Atlanta Division (the "Bankruptcy Court"). LaVie will continue to operate, as a debtor-in-possession, the 30 facilities subject to a master lease agreement with Omega, unless and until LaVie's leasehold interest under the master lease agreement is rejected or assumed and assigned. As described in LaVie's filings with the Bankruptcy Court, we committed to provide, along with another lender, \$10 million of a \$20 million junior secured debtor-in-possession ("DIP") financing to LaVie. Omega recognized an aggregate \$7.8 million provision for credit losses in the second quarter of 2024 on LaVie's \$25.0 million secured term loan and DIP financing loan as a result of insufficient collateral supporting the loans. Prior to its bankruptcy filing, LaVie paid Omega \$1.5 million in April 2024 and \$1.5 million in May 2024. The April 2024 and May 2024 payments were short of full contractual rent by \$1.7 million and \$1.5 million, respectively. Following the bankruptcy filing, LaVie paid contractual rent of \$2.9 million in June 2024, which reflects full contractual rent prorated for the period after LaVie entered bankruptcy and a \$0.1 million short pay for the several days prior to the filing. In July the third quarter of 2024, LaVie resumed making full contractual rent payments of \$9.2 million due under its lease agreement. As LaVie is on a cash basis of revenue recognition for lease purposes, only the \$9.2 million and \$19.5 million of contractual rent payments that we received from LaVie were recorded as rental income during the three and nine months ended September 30, 2024, respectively. In October 2024, LaVie paid full contractual rent of \$3.0 million due under its lease agreement.

49

[Table of Contents](#)

- In April 2024, we transitioned the remaining six facilities previously included in **Guardian's** **Guardian Healthcare's** master lease to a new operator for minimum initial contractual rent of \$5.5 million per annum with the potential to increase contractual rent dependent on revenue received by the operator. We recorded rental income of \$2.9 million and \$5.8 million, respectively, related to the lease with the new operator during the three and nine months ended **June 30, 2024** September 30, 2024.

45

[Table of Contents](#)

- Following Omega and Agemo Holdings, LLC ("Agemo") entering into a restructuring agreement during the first quarter of 2023, Agemo resumed making contractual rent and interest payments during the second quarter of 2023 and continued to make the required contractual rent and interest payments throughout the remainder of 2023 and the **second** **third** quarter of 2024. Agemo is on a cash basis of revenue recognition for lease purposes, and we recorded rental income of \$6.0 million and **\$11.9 million** \$17.9 million, respectively, for the three and **six** **nine** months ended **June 30, 2024** September 30, 2024 for the contractual rent payments that were received. Additionally, as Agemo's loans are on non-accrual status and are being accounted for under the cost recovery method, the \$1.2 million and **\$2.4 million** \$3.6 million, respectively, of interest payments that we received during the three and **six** **nine** months ended **June 30, 2024** September 30, 2024 were applied directly against the principal balance outstanding.

Dividends

- On **July 24, 2024** **October 25, 2024**, the Board of Directors declared a cash dividend of \$0.67 per share. The dividend will be paid on **August 15, 2024** **November 15, 2024** to stockholders of record as of the close of business on **August 5, 2024** **November 4, 2024**.

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.

Comparison of results of operations for the three and six months ended June 30, 2024 September 30, 2024 and 2023 (dollars in thousands):

	Three Months Ended		Six Months Ended			Three Months Ended		Nine Months Ended			Increase/ (Decrease)	
	June 30,		June 30,			September 30,		September 30,				
	2024	2023	Increase/ (Decrease)	2024	2023	Increase/ (Decrease)	2024	2023	Increase/ (Decrease)	2024		
Revenues:												
Rental income	\$214,315	\$219,355	\$ (5,040)	\$421,236	\$408,686	\$ 12,550	\$231,485	\$ 210,202	\$ 21,283	\$652,721	\$ 618,888	
Interest income	38,042	29,232	8,810	73,878	57,652	16,226	39,941	30,623	9,318	113,819	88,275	
Miscellaneous income	388	1,600	(1,212)	930	2,051	(1,121)	4,602	1,207	3,395	5,532	3,258	
Expenses:												
Depreciation and amortization	74,234	82,018	(7,784)	148,791	163,210	(14,419)	77,245	80,798	(3,553)	226,036	244,008	
General and administrative	22,148	22,158	(10)	43,680	42,684	996	21,758	20,287	1,471	65,438	62,971	
Real estate taxes	3,750	3,925	(175)	7,548	7,922	(374)	3,569	3,892	(323)	11,117	11,814	
Acquisition, merger and transition related costs	1,780	423	1,357	4,383	1,062	3,321	6,437	121	6,316	10,820	1,183	
Impairment on real estate properties	8,182	21,114	(12,932)	13,474	60,102	(46,628)	8,620	27,890	(19,270)	22,094	87,992	
(Recovery) provision for credit losses	(14,172)	12,967	(27,139)	(5,702)	8,910	(14,612)	(9,061)	2,733	(11,794)	(14,763)	11,643	
Interest expense	53,966	58,776	(4,810)	111,786	117,322	(5,536)	54,690	58,778	(4,088)	166,476	176,100	
Other income (expense):												
Other income – net	3,363	1,029	2,334	8,639	3,749	4,890						
Other (expense) income – net							(1,044)	5,402	(6,446)	7,595	9,151	
Loss on debt extinguishment	(213)	—	(213)	(1,496)	(6)	(1,490)	(137)	—	(137)	(1,633)	(6)	
Gain on assets sold – net	12,911	12,243	668	11,520	25,880	(14,360)						
(Loss) gain on assets sold – net							(238)	44,076	(44,314)	11,282	69,956	
Income tax expense	(1,980)	(1,626)	(354)	(4,561)	(334)	(4,227)	(3,316)	(1,758)	(1,558)	(7,877)	(2,092)	
Income from unconsolidated joint ventures	141	1,069	(928)	239	1,900	(1,661)						

Income (loss) from unconsolidated joint ventures	6,879	(1,345)	8,224	7,118	555	6,563
---	-------	---------	-------	-------	-----	-------

4650

Table of Contents

Three Months Ended **June 30, 2024** **September 30, 2024** and 2023

Revenues

The following is a description of certain of the changes in revenues for the three months ended **June 30, 2024** **September 30, 2024** compared to the same period in 2023:

- The decrease in rental income was primarily the result of (i) an \$18.3 million increase related to facility acquisitions made throughout 2023 and 2024, lease extensions and other rent escalations, (ii) a \$15.4 million \$6.1 million increase as a result of fewer straight-line rent receivable write-offs in the third quarter of 2024 compared to the same period in 2023 and (iii) a \$0.7 million net increase related to impact of facility transitions, primarily from non-paying cash basis operators to straight-line basis operators. The increase was partially offset by a \$3.7 million net decrease in rental income from cash basis operators, including primarily related to Maplewood, and LaVie, as a result of not recording straight-line lease revenue and/or receiving lower cash rent payments period over period from these operators. The decrease was partially offset by (i) a \$8.5 million increase related to facility acquisitions made throughout 2023 and 2024, lease extensions and other rent escalations and (ii) a \$1.7 million net increase related to impact of facility transitions, primarily from non-paying cash basis operators to straight-line basis operators.
- The increase in interest income was primarily due to a \$8.8 million \$9.2 million increase related to new loans and additional fundings on existing loans made throughout 2023 and 2024. As noted above, during the three months ended **June 30, 2024** **September 30, 2024**, we funded \$113.5 million \$55.3 million in new or existing real estate loans and \$20.0 million \$23.9 million in new or existing non-real estate loans.
- The increase in miscellaneous income primarily relates to a \$3.0 million non-refundable deposit related to the potential sale of certain facilities that was recognized as income during the third quarter of 2024 when the sale was terminated.

Expenses

The following is a description of certain of the changes in our expenses for the three months ended **June 30, 2024** **September 30, 2024** compared to the same period in 2023:

- The decrease in depreciation and amortization expense primarily relates to facility sales and facilities reclassified to assets held for sale, partially offset by facility acquisitions and capital additions.
- The increase in general and administrative ("G&A") expense primarily relates to (i) a \$0.7 million increase in payroll and benefits and (ii) a \$0.6 million increase in professional service costs.
- The increase in acquisition, merger and transition related costs primarily relates to costs incurred related to (i) transition costs following our acquisition of the remaining 51% interest in the Cindat Joint Venture and (ii) the transition of facilities with troubled operators.
- The 2024 impairments were recognized in connection with two facilities that were classified as held for sale for which the carrying values exceeded the fair value less costs to sell and two three held for use facilities (one of which was closed) for which the carrying value exceeded the fair value. The 2023 impairments were recognized in connection with one facility that was classified as held for sale for which the carrying value exceeded the estimated fair value less costs to sell and three 19 held for use facilities for which the carrying value exceeded the fair value. The 2024 and 2023 impairments were primarily the result of decisions to exit certain non-strategic facilities and/or terminate our relationships with certain non-strategic operators.
- The change in provision for credit losses primarily relates to (i) a decrease in the general reserve recorded primarily resulting from decreases in loss rates utilized in the estimate of expected credit losses for loans partially offset by and (ii) a net increase decrease in aggregate specific provisions recorded during the second third quarter of 2024 compared to same period in 2023.

[Table of Contents](#)

- The decrease in interest expense primarily relates to (i) the repayment of \$400 million of 4.95% senior notes in April 2024, (ii) the repayment of \$350 million of 4.375% senior notes in August 2023 and (iii) the payoff of all remaining HUD mortgages in the first quarter of 2024. The overall decrease was partially offset by increases due to (i) the issuance of a \$428.5 million term loan in the third quarter of 2023 and (ii) **increased borrowings on the assumption of the £188.6 million mortgage loan as part of our Revolving Credit Facility during acquisition of the second quarter of remaining 51% interest in the Cindat Joint Venture in July 2024.**

47

[Table of Contents](#)

Other Income (Expense)

The **increase** **decrease** in total other income (expense) was primarily due to (i) a **\$2.3 million increase** **\$6.4 million decrease** in other (expense) income – net primarily related **an unrealized to realized fair value gain losses** on **an investment financial instruments** and **decreased interest income on short-term investments due to lower invested cash in the second** **third** quarter of 2024 **compared to the same period in 2023** and (ii) a **\$0.7 million increase** **\$44.3 million decrease** in gain on assets sold related to the sale of **five** **six** facilities in the **second** **third** quarter of 2024 compared to the sale of **ten** **25** facilities during the same period in 2023.

Six**Income Tax Expense**

The increase in income tax expense was primarily due to an increase in taxable income in the U.K. as a result of acquisitions in 2023 and 2024, including our acquisition of the remaining 51% interest in the Cindat Joint Venture in July 2024.

Income (loss) from unconsolidated joint ventures

The increase in income (loss) from unconsolidated joint ventures was primarily related to one unconsolidated joint venture, OMG Senior Housing, LLC., which sold one facility during the third quarter of 2024 for a gain.

Nine Months Ended June 30, 2024 September 30, 2024 and 2023

Revenues

The following is a description of certain of the changes in revenues for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** compared to the same period in 2023:

- The increase in rental income was primarily the result of (i) a **\$18.2 million** **\$37.1 million** increase related to facility acquisitions made throughout 2023 and 2024, lease extensions and other rent escalations, (ii) an increase related to **a \$12.5 million** option termination fee payment to Maplewood that was recorded as a reduction to rental income in the first quarter of 2023, and (iii) a **\$1.5 million** **\$7.0 million** increase as a result of fewer straight-line rent receivable write-offs in the third quarter of 2024 compared to the same period in 2023 and (iv) a **\$0.4 million** net increase related to the impact of facility transitions, primarily from non-paying cash basis operators to straight-line basis operators, operators. The increase was partially offset by a **\$19.8 million** **\$23.3 million** net decrease in rental income from cash basis operators, including Maplewood and LaVie, as a result of not recording straight-line lease revenue and/or receiving lower cash rent payments period over period from these operators.
- The increase in interest income was primarily due to a **\$19.2 million** **\$27.7 million** increase related to new loans and additional fundings on existing loans made throughout 2023 and 2024, partially offset by (i) a **\$1.5 million** **\$1.6 million** decrease related to principal payments on our loans during 2023 and 2024 and (ii) a **\$0.9 million** net decrease related to loans on non-accrual status, primarily the Maplewood loan, in which we have recognized less interest income period over period as a result of receiving **less** **lower** cash payments or the loans converting to payment-in-kind interest and being placed on non-accrual status and (ii) a **\$1.5 million** decrease related to principal payments on our loans during 2023 and 2024. As noted above, during the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we funded **\$157.5 million** **\$212.8 million** in new or existing real estate loans and **\$24.1 million** **\$48.0 million** in new or existing non-real estate loans.

[Table of Contents](#)

Expenses

The following is a description of certain of the changes in our expenses for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** compared to the same period in 2023:

- The decrease in depreciation and amortization expense primarily relates to facility sales and facilities reclassified to assets held for sale, partially offset by facility acquisitions and capital additions.
- The increase in general and administrative ("G&A") expense primarily relates to (i) a **\$2.9 million** increase in payroll and benefits and (ii) a **\$1.2 million** increase in stock-based compensation expense, partially offset by a **\$0.9 million** decrease in professional service costs.
- The increase in acquisition, merger and transition related costs primarily relates to costs incurred related to (i) transition costs following our acquisition of the remaining 51% interest in the Cindat Joint Venture and (ii) the transition of facilities with troubled operators.
- The 2024 impairments were recognized in connection with **two** **four** facilities that were classified as held for sale for which the carrying values exceeded the estimated fair values less costs to sell and **five** **eight** held for use facilities (**four** of which were **closed**) for which the carrying value exceeded the fair value. The 2023 impairments were recognized in connection with two facilities that were classified as held for sale for which the carrying values exceeded the estimated fair values less costs to sell and **four** **23** held for use facilities (**three** of which were **closed**) for which the carrying value exceeded the fair value. The 2024 and 2023 impairments were primarily the result of decisions to exit certain non-strategic facilities and/or terminate our relationships with certain non-strategic operators.

[Table of Contents](#)

- The change in provision for credit losses primarily relates to a decrease in the general reserve recorded primarily resulting from decreases in loss rates utilized in the estimate of expected credit losses for loans. The overall decrease was partially offset by (i) a net increase in aggregate specific provisions recorded during the second quarter of 2024 compared to same period in 2023 and (ii) a reduction in the internal risk rating for the Maplewood loan (see Note 5 – Real Estate Loans Receivable) in the first quarter of 2024, 2024 and (ii) a net increase in aggregate specific provisions recorded during the third quarter of 2024 compared to same period in 2023.
- The decrease in interest expense primarily relates to (i) the repayment of \$350 million of 4.375% senior notes in August 2023, (ii) the repayment of \$400 million of 4.95% senior notes in April 2024 and (iii) the payoff of all remaining HUD mortgages in the first quarter of 2024. The overall decrease was partially offset by increases due to (i) the issuance of a \$428.5 million term loan in the third quarter of 2023, (ii) the assumption of the £188.6 million mortgage loan as part of our acquisition of the remaining 51% interest in the Cindat Joint Venture in July 2024 and (iii) increased borrowings on our Revolving Credit Facility during 2024.

Other Income (Expense)

The decrease in total other income (expense) was primarily due to (i) a \$14.4 million \$58.7 million decrease in gain on assets sold related to the sale of nine 15 facilities in 2024 compared to the sale of 12 37 facilities during the same period in 2023, and (ii) a \$1.5 million \$1.6 million increase in loss on debt extinguishment primarily related to the early repayment of nine HUD mortgages during the first quarter of 2024, partially offset by a \$4.9 million increase in other income – net primarily related to increased interest income on short-term investments due to higher invested cash and favorable interest rates in 2024.

Income Tax Expense

The increase in income tax expense was primarily due to (i) adjustments made to our deferred tax assets and liabilities in the first quarter of 2023 as a result of the majority of our U.K. portfolio entering into the U.K. REIT regime effective April 1, 2023 and (ii) an increase in taxable income in the U.K. as a result of acquisitions in 2023 and 2024 including our acquisition of the remaining 51% interest in the Cindat Joint Venture in July 2024.

Table of Contents

Income (loss) from unconsolidated joint ventures

The increase in income (loss) from unconsolidated joint ventures was primarily related to one unconsolidated joint venture, OMG Senior Housing, LLC., which sold one facility during the third quarter of 2024 for a gain.

Funds from Operations

We use funds from operations ("Nareit FFO"), a non-GAAP financial measure, as one of several criteria to measure the operating performance of our business. 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"). 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 and changes in the fair value of warrants. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis. Revenue recognized based on the application of security deposits and letters of credit or based on the ability to offset against other financial instruments is included within Nareit FFO. We believe that Nareit FFO is an important supplemental measure of our operating performance. As real estate assets (except land) are depreciated under GAAP, 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.

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. 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 or cash flow, 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.

[Table of Contents](#)

The following table presents our Nareit FFO results for the three and **six** nine months ended **June 30, 2024** **September 30, 2024** and 2023:

	Three Months Ended June 30, Six Months Ended June 30,				Three Months Ended		Nine Months Ended	
	September 30,		September 30,					
	2024	2023	2024	2023	2024	2023	2024	2023
Net income (1)	\$ 117,079	\$ 61,521	\$ 186,425	\$ 98,366	\$114,914	\$ 93,908	\$301,339	\$192,274
Deduct gain from real estate dispositions	(12,911)	(12,243)	(11,520)	(25,880)				
Add back loss (deduct gain) from real estate dispositions					238	(44,076)	(11,282)	(69,956)
Deduct gain from real estate dispositions - unconsolidated joint ventures					(6,260)	—	(6,260)	—
	104,168	49,278	174,905	72,486	108,892	49,832	283,797	122,318

Elimination of non-cash items included in net income:								
Depreciation and amortization	74,234	82,018	148,791	163,210	77,245	80,798	226,036	244,008
Depreciation – unconsolidated joint ventures	2,531	2,743	5,067	5,427	1,317	2,514	6,384	7,941
Add back provision for impairments on real estate properties	8,182	21,114	13,474	60,102	8,620	27,890	22,094	87,992
Nareit FFO	\$ 189,115	\$ 155,153	\$ 342,237	\$ 301,225	\$ 196,074	\$ 161,034	\$ 538,311	\$ 462,259

(1) The three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** include the application of **\$0.1 million** **\$1.1 million** and **\$0.6 million** **\$1.7 million**, respectively, of security deposits (letter of credit and cash deposits) in revenue. The three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** include the application of **\$0.3 million** **\$5.9 million** and **\$5.5 million** **\$11.4 million**, respectively, of security deposits (letter of credit and cash deposits) in revenue.

[Table of Contents](#)

Liquidity and Capital Resources

Sources and Uses

Our primary sources of cash include rental income and interest receipts, existing availability under our Revolving Credit Facility, proceeds from our DRCSSPP and the **2024** ATM Program, facility sales, the issuance of additional debt, including unsecured notes and term loans, and proceeds from real estate loan and non-real estate loan payoffs. We anticipate that these sources will be adequate to fund our cash flow needs through the next twelve months, which include common stock dividends and distributions to noncontrolling interest members, debt service payments (including principal and interest), real estate investments (including facility acquisitions, capital improvement programs and other capital expenditures), real estate loan and non-real estate loan advances and normal recurring G&A expenses (primarily consisting of employee payroll and benefits and expenses relating to third parties for legal, consulting and audit services).

Capital Structure

At **June 30, 2024** **September 30, 2024**, we had total assets of **\$8.8 billion** **\$9.6 billion**, total equity of **\$3.9 billion** **\$4.4 billion** and total debt of **\$4.7 billion** **\$4.9 billion** in our consolidated financial statements, with such debt representing **54.6%** **52.6%** of total capitalization.

Debt

At **June 30, 2024** **September 30, 2024** and December 31, 2023, the weighted average annual interest rate of our debt was **4.3%** **4.6%** and 4.4%, respectively. Additionally, as of **June 30, 2024** **September 30, 2024**, **99%** **94.9%** of our debt with outstanding principal balances has fixed interest payments after reflecting the impact of interest rate swaps that are designated as cash flow hedges. Our high percentage of fixed interest debt has kept our interest expense relatively flat year over year despite **rising** **fluctuations** in interest rates. As of **June 30, 2024** **September 30, 2024**, we had long-term credit ratings of Baa3 from Moody's and BBB- from S&P Global and Fitch. Credit ratings impact our ability to access capital and directly impact our cost of capital as well. For example, our Revolving Credit Facility accrues interest and fees at a rate per annum equal to SOFR plus a margin that depends upon our credit rating. A downgrade in credit ratings by Moody's, S&P Global and/or Fitch may have a negative impact on the interest rates and fees for our Revolving Credit Facility, OP term loan and 2025 term loan.

As discussed above, as part of June 30, 2024 our acquisition of the remaining 51% interest in the Cindat Joint Venture in July 2024, we assumed a £188.6 million mortgage loan that matures in August 2026 but can be repaid without a prepayment penalty beginning November 2025. The mortgage loan bears interest at SONIA plus an applicable margin of 5.38%. As part of the transaction, we assumed four interest rate cap contracts that ensure the annual interest rate does not exceed 10.38%.

As of September 30, 2024, we had \$35.2 million \$342.4 million of cash and cash equivalents on our Consolidated Balance Sheets. Our next senior note maturity is the \$400 million of 4.50% senior notes due January 2025. As of June 30, 2024 September 30, 2024, we had \$443.9 million \$1.2 billion of potential common share issuances remaining under the 2024 ATM Program and \$1.4 billion \$1.45 billion of availability under our Revolving Credit Facility. This combination of liquidity sources, along with cash from operating activities, provides us with the ability to repay the senior notes due in January 2025.

50

[Table of Contents](#)

Certain of our other secured and unsecured borrowings are subject to customary affirmative and negative covenants, including financial covenants. As of June 30, 2024 September 30, 2024 and December 31, 2023, we were in compliance with all affirmative and negative covenants, including financial covenants, for our secured and unsecured borrowings.

Supplemental Guarantor Information

Parent has issued \$4.2 billion aggregate principal of senior notes outstanding at June 30, 2024 September 30, 2024 that were registered under the Securities Act of 1933, as amended. The senior notes are guaranteed by Omega OP.

55

[Table of Contents](#)

Rule 3-10 and Rule 13-01 of Regulation S-X permits registrants to provide certain alternative financial and non-financial disclosures, to the extent material, in lieu of separate financial statements for subsidiary issuers and guarantors of registered debt securities. Accordingly, separate consolidated financial statements of Omega OP have not been presented. Parent and Omega OP, on a combined basis, have no material assets, liabilities or operations other than financing activities (including borrowings under our outstanding senior notes, Revolving Credit Facility and term loans) and their investments in non-guarantor subsidiaries.

Omega OP is currently the sole guarantor of our senior notes. The guarantees by Omega OP of our senior notes are full and unconditional and joint and several with respect to the payment of the principal and premium and interest on our senior notes. The guarantees of Omega OP are senior unsecured obligations of Omega OP that rank equal with all existing and future senior debt of Omega OP and are senior to all subordinated debt. However, the guarantees are effectively subordinated to any secured debt of Omega OP. As of June 30, 2024 September 30, 2024, there were no significant restrictions on the ability of Omega OP to make distributions to Omega.

Equity

At June 30, 2024 September 30, 2024, we had 254.0 million 268.2 million shares of common stock outstanding, and our shares had a market value of \$8.7 billion \$10.9 billion. The following is a summary of activity under our equity programs during the three and six months ended June 30, 2024 September 30, 2024:

- We issued **7.2 million** **11.6 million** and **8.3 million** **19.9 million** shares of common stock under our ATM Program Programs for aggregate gross proceeds of **\$231.9 million** **\$439.7 million** and **\$264.2 million** **\$703.9 million** during the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, respectively. We did not utilize the forward provisions under the ATM Program. Programs. We have **\$443.9 million** **\$1.2 billion** of sales potential common share issuances remaining under the **2024** ATM Program as of **June 30, 2024** **September 30, 2024**.
- We issued **413 thousand** **2.6 million** and **442 thousand** **3.0 million** shares of common stock under the DRCSP during the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, respectively. Aggregate gross proceeds from these sales were **\$13.0 million** **\$90.5 million** and **\$13.9 million** **\$104.4 million** during the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, respectively.
- We did not repurchase any shares of our outstanding common stock under the \$500 Million Stock Repurchase Program. We have \$357.8 million remaining authorized for repurchases under the \$500 Million Stock Repurchase Program as of **June 30, 2024** **September 30, 2024**.

51

[Table of Contents](#)

Dividends

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 distribute at least 90%, but less than 100% of our "REIT taxable income" as adjusted, we will be subject to tax thereon at regular corporate rates.

56

[Table of Contents](#)

For the **six** **nine** months ended **June** **September** 30, 2024, we paid dividends of **\$330.7 million** **\$504.0 million** to our common stockholders. On February 15, 2024, we paid dividends of \$0.67 per outstanding common share to the common stockholders of record as of the close of business on February 5, 2024. On May 15, 2024, we paid dividends of \$0.67 per outstanding common share to the common stockholders of record as of the close of business on April 30, 2024. On August 15, 2024, we paid dividends of \$0.67 per outstanding common share to the common stockholders of record as of the close of business on August 5, 2024.

Material Cash Requirements

During Other than the six debt service requirements associated with the assumption of a £188.6 million mortgage loan related to our acquisition of the remaining 51% interest in the Cindat Joint Venture in July 2024, during the nine months ended June September 30, 2024, there were no significant changes to our material cash requirements from those disclosed in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on [Form 10-K](#) for the year ended December 31, 2023.

As of [June 30, 2024](#) September 30, 2024, we had [\\$163.4 million](#) [\\$244.5 million](#) of commitments to fund the construction of new facilities, capital improvements and other commitments under lease agreements. Additionally, we have commitments to fund [\\$46.1 million](#) [\\$40.9 million](#) of advancements under existing real estate loans and [\\$41.7 million](#) [\\$47.7 million](#) of advancements under existing non-real estate loans. These commitments are expected to be funded over the next several years and are dependent upon the operators' election to use the commitments.

In the second quarter of 2024, we exercised an option that committed Omega to buy the remaining 51% equity interest in an unconsolidated joint venture owning 63 facilities in the U.K. (the "Cindat Joint Venture") and in which Omega held a 49% equity interest as of June 30, 2024. The acquisition of the remaining 51% equity interest in the Cindat Joint Venture closed in July 2024 for total cash consideration of \$97.4 million along with the assumption of a \$243.2 million mortgage loan.

Other Arrangements

We own interests in certain unconsolidated joint ventures as described in Note 9 to the Consolidated Financial Statements – Investments in Joint Ventures. Our risk of loss is generally limited to our investment in the joint venture and any outstanding loans receivable. We use derivative instruments to hedge interest rate and foreign currency exchange rate exposure as discussed in Note 16 – Derivatives and Hedging.

52

[Table of Contents](#)

Cash Flow Summary

Cash, cash equivalents and restricted cash totaled [\\$39.1 million](#) [\\$360.3 million](#) as of [June September 30, 2024](#), a decrease of [\\$405.6 million](#) [\\$84.4 million](#) as compared to the balance at December 31, 2023. The following is a summary of our sources and uses of cash flows for the [six](#) [nine](#) months ended [June September 30, 2024](#) as compared to the [six](#) [nine](#) months ended [June 30, 2023](#) [September 30, 2023](#) (dollars in thousands):

	Six Months Ended June 30,			Nine Months Ended		
			Increase/(Decrease)			Increase/(Decrease)
	2024	2023		September 30,	2024	
Net cash provided by (used in):						
Operating activities	\$ 335,577	\$ 281,736	\$ 53,841	\$ 520,462	\$ 452,756	\$ 67,706
Investing activities	(255,972)	(184,669)	(71,303)	(389,430)	(112,094)	(277,336)
Financing activities	(485,221)	(41,685)	(443,536)	(217,090)	(83,521)	(133,569)

The following is a discussion of changes in cash, cash equivalents and restricted cash for the [six](#) [nine](#) months ended [June September 30, 2024](#) compared to the [six](#) [nine](#) months ended [June 30, 2023](#) [September 30, 2023](#).

Operating Activities – The increase in net cash provided by operating activities is driven primarily by an increase of [\\$27.5 million](#) [\\$40.8 million](#) of net income, net of [\\$60.6 million](#) [\\$68.3 million](#) of non-cash items, primarily due to a year over year increase in rental income and interest income as discussed in our material changes analysis under Results of Operations above. The [\\$26.3 million](#) [\\$27.0 million](#) change in the net movements of the operating assets and liabilities also contributed to the overall increase in cash provided by operating activities.

[Table of Contents](#)

Investing Activities – The increase in cash used in investing activities primarily related to (i) a \$66.9 million \$192.5 million decrease in proceeds from the sales of real estate investments, (ii) a \$52.7 million increase in loan placements, net of repayments due to new loans advanced in 2024 and significant paydowns on loans during the second quarter of 2023, (iii) an \$28.3 million (iv) a \$29.2 million increase in capital improvements to real estate investments and construction in progress primarily as a result of the on-going construction of an ALF in Washington D.C., (v) a \$17.4 million decrease (vi) an \$18.6 million increase in proceeds from the sales of real estate investments acquisitions, including our acquisition of the remaining 51% interest in the Cindat Joint Venture, and (v) (v) a \$2.1 million \$4.4 million decrease in receipts from insurance proceeds, partially offset by (i) a \$27.0 million an \$11.8 million decrease in real estate acquisitions, investments in unconsolidated joint ventures and (ii) an \$8.4 million increase in proceeds from net investment hedges related to the termination of two foreign currency forward contracts during the first quarter of 2024 and (iii) a \$7.9 million decrease in investments in unconsolidated joint ventures.2024.

Financing Activities – The increase in cash used in financing activities primarily related to (i) a \$405.6 million \$484.8 million increase in repayments on long-term borrowings, net of proceeds, primarily due to the repayment of \$400 million of 4.95% senior notes in April 2024, (ii) a \$92.6 million increase decrease in proceeds from derivative instruments as a result of the termination of our forward starting swaps in the second quarter of 2023, (iii) a \$15.9 million \$24.7 million increase in dividends paid primarily related to share issuances during 2023 and 2024, (iv) a \$1.9 million increase in distributions to Omega OP Unit holders, and (v) a \$1.9 million \$3.6 million increase in payment of financing related costs related to costs incurred in connection with the assumption of the £188.6 million mortgage loan as part of our acquisition of the remaining 51% interest in the Cindat Joint Venture and the early repayment of nine HUD mortgages during the first quarter of 2024 and (v) a \$2.2 million increase in distributions to Omega OP Unit holders, partially offset by a \$73.6 million \$473.5 million increase in net proceeds from issuance of common stock as a result of increased volume under our ATM Program Programs and DRCSPP.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in the U.S. 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 accounting policies in Note 2 – Summary of Significant Accounting Policies to our Annual Report on [Form 10-K](#) for the year ended December 31, 2023. There have been no material changes to our critical accounting policies or estimates since December 31, 2023.

[Table of Contents](#)

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates and foreign currency exchange rates. We use financial derivative instruments to hedge our interest rate exposure as well as our foreign currency exchange rate exposure. We do not enter into our market risk sensitive financial instruments and related derivative positions (if any) for trading or speculative purposes. The following disclosures discuss potential fluctuations in interest rates and foreign currency exchange rates and 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. Readers are cautioned that many of the statements contained in these paragraphs are forward-looking and should be read in conjunction with our disclosures under the heading "Forward-Looking Statements" set forth above. The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented below are not necessarily indicative of the amounts we would realize in a current market exchange.

[Table of Contents](#)**Interest Rate Risk**

We borrow debt at a combination of variable and fixed rates. Movements in interest rates on our variable rate borrowings would change our future earnings and cash flows but not significantly affect the fair value of those instruments. During the ~~quarter~~^{nine} months ended June 30/September 30, 2024, there were ~~we~~ incurred interest expense of \$8.6 million related to variable rate borrowings outstanding under our Revolving Credit Facility, one term loan and the 2026 Mortgage Loan, after considering the impact of interest rate swaps. Assuming no ~~material~~ changes in ~~outstanding~~ balances, and inclusive of the impact of interest rate swaps and interest rate caps designated as cash flow hedges noted below, a hypothetical 1% increase in interest rates would result in a \$0.6 million increase in our ~~primary market~~ risk exposures or ~~how those exposures~~ annual interest expense. A hypothetical 1% decrease in interest rates would result in a \$1.0 million decrease in our annual interest expense. As of September 30, 2024, only our Revolving Credit Facility and 2026 Mortgage Loan have variable rate borrowings, when considering the impact of interest rate swaps that are ~~managed from~~ designated as cash flow hedges for the ~~information disclosed under Item 7A~~ 2025 Term Loan and the OP Term Loan. As of September 30, 2024, the interest rate on the 2026 Mortgage Loan was variable as SONIA did not exceed the cap rate.

A change in interest rates will not affect the interest expense associated with our long-term fixed rate borrowings but will affect the fair value of our ~~Annual Report~~ long-term fixed rate borrowings. The estimated fair value of our total long-term fixed-rate borrowings at September 30, 2024 was approximately \$4.0 billion, which includes our senior notes and outstanding HUD mortgage loans. A hypothetical 1% increase in interest rates would result in a decrease in the fair value of long-term fixed-rate borrowings by approximately \$148.0 million at September 30, 2024. A hypothetical 1% decrease in interest rates would result in an increase in the fair value of long-term fixed-rate borrowings by approximately \$157.2 million at September 30, 2024.

At September 30, 2024, we have \$478.5 million of interest rate swaps outstanding and £190.0 million of interest rate caps outstanding that are recorded at fair value in other assets and accrued expenses and other liabilities on [Form 10-K](#)our Consolidated Balance Sheets. The interest rate swaps and interest rate caps hedge the interest rate risk associated with interest payments on the 2025 Term Loan, the OP Term Loan and the 2026 Mortgage Loan.

Foreign Currency Risk

We are exposed to foreign currency risk through our investments in the U.K. Increases or decreases in the value of the British Pound Sterling relative to the U.S. Dollar impact the amount of net income we earn from our investments in the U.K. Based solely on our results for the ~~year~~^{nine} months ended December 31, 2023/September 30, 2024, if the applicable exchange rate were to increase or decrease by 10%, our net income from our consolidated U.K.-based investments would increase or decrease, as applicable, by \$2.1 million.

To hedge a portion of our net investments in the U.K., at September 30, 2024, we have 11 foreign currency forward contracts with notional amounts totaling £258.0 million that mature between 2027 and 2031.

Item 4 – Controls and Procedures*Disclosure Controls and Procedures*

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the

"Exchange Act") as of **June** **September** 30, 2024. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures of the Company were effective at a reasonable assurance level as of **June** **September** 30, 2024.

59

[Table of Contents](#)

Internal Control Over Financial Reporting

During the quarter ended **September** 30, 2024, the Company completed the implementation of a new general ledger and reporting system. As a result of the system implementation, in the third quarter of 2024, certain internal controls over financial reporting were automated, modified or implemented to address the new control environment and processes associated with the new general ledger and reporting system. Management conducted testing and validation of the new system's functionality and implemented additional controls to mitigate potential risks associated with our new system.

There were no other changes in the Company's internal control over financial reporting during the quarter ended **June** **September** 30, 2024 (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

See Note 18 – Commitments and Contingencies to the Consolidated Financial Statements - 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 our Annual Report on [Form 10-K](#) for the year ended December 31, 2023.

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

From time to time, the Company issues shares of common stock in reliance on the private placement exemption under Section 4(a)(2) of the Securities Act of 1933, as amended, in exchange for Omega OP Units. During the quarter ended **June** **September** 30, 2024, **Omega** **issued an aggregate of 1,000** **we did not issue any** shares of Omega common stock in exchange for an equivalent number of Omega OP Units tendered to Omega OP for redemption in accordance with the provisions of the partnership agreement governing Omega OP in reliance on this exemption.

54

[Table of Contents](#)

Issuer Purchases of Equity Securities

On January 27, 2022, the Board of Directors authorized the Company to repurchase up to \$500 million of its outstanding common stock from time to time through March 2025. The Company is authorized to repurchase shares of its common stock in open market and privately negotiated transactions or in any other manner as

determined by the Company's management and in accordance with applicable law. The timing and amount of stock repurchases will be determined, in management's discretion, based on a variety of factors, including but not limited to market conditions, other capital management needs and opportunities, and corporate and regulatory considerations. The Company has no obligation to repurchase any amount of its common stock, and such repurchases, if any, may be discontinued at any time.

During the **second****third** quarter of 2024, we did not repurchase any shares of our outstanding common stock.

Item 5 – Other Information

Rule 10b5-1 Trading Plans

No officers or directors, as defined in Rule 16a-1(f), adopted, modified and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, during the **second****third** quarter of 2024.

55 60

[Table of Contents](#)

Item 6–Exhibits

Exhibit No.	
10.1	At-the Market Equity Offering Sales Agreement, dated September 6, 2024, among the Company, the Sales Agents, the Forward Sellers and the Forward Purchasers (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K, filed September 6, 2024).
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.*
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.*
101	The following financial statements (unaudited) from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 September 30, 2024, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).

* Exhibits that are filed or furnished herewith.

56 61

[Table of Contents](#)

SIGNATURES

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

OMEGA HEALTHCARE INVESTORS, INC.

Registrant

Date: **August 2, October 31, 2024**

By: **/S/ C. TAYLOR PICKETT**

C. Taylor Pickett
Chief Executive Officer

Date: **August 2, 2024 October 31, 2024**

By: **/S/ ROBERT O. STEPHENSON**

Robert O. Stephenson
Chief Financial Officer

5762

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):

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

Date: **August 2, October 31, 2024**

/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

Certification

I, Robert O. Stephenson, certify that:

- I have reviewed this Quarterly Report on Form 10-Q of Omega Healthcare Investors, Inc.;
- 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;
- 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;
- 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:
 - 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;
 - 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;
 - Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **August 2, October 31, 2024**

/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 **June 30, 2024** **September 30, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **August 2, October 31, 2024**

/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 **June 30, 2024** **September 30, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **August 2, October 31, 2024**

/s/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.