

March 7, 2018



# Omega Announces Restructuring Plan for Orianna Facilities

*Reaffirms Adjusted FFO Guidance*

DALLAS--(BUSINESS WIRE)-- Omega Healthcare Investors, Inc. (NYSE:OHI) (the “**Company**” or “**Omega**”) today announced that its tenant, 4 West Holdings, Inc. (“**Orianna**”) and certain of its affiliates (the “**Debtors**”), commenced voluntary Chapter 11 proceedings in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division.

The action is styled *In re 4 West Holdings, Inc.*, Case No. 18-30777-hdh11 (Bankr. N.D. Tex.). Copies of all materials filed in this action are available at <http://www.omnimgt.com/4west>.

C. Taylor Pickett, Omega’s Chief Executive Officer, stated, “We supported Orianna’s decision to pursue a restructuring in the context of a Chapter 11 proceeding as we believe that this will ensure that the interests of the residents will be protected while at the same time providing for an orderly and balanced process that will address and definitively resolve the interests and legitimate concerns of the various constituencies involved in Orianna’s business. As described in Orianna’s filings with the Bankruptcy Court, Omega has entered into a Restructuring Support Agreement (“**RSA**”) that will form the basis for Orianna’s restructuring. The RSA provides for the recommencement of partial rent payments at \$1.0 million per month (prorated for March) and establishes a specific timeline for the implementation of Orianna’s planned restructuring.”

While subject to Bankruptcy Court approval, the RSA provides for the orderly transition to new operators of 23 of the 42 facilities Orianna currently leases from Omega. The RSA contemplates that these transfers will be approved by the Bankruptcy Court within 45 days and thereafter such transfers will be completed promptly upon obtaining any required state-level regulatory approvals. The RSA also provides for the sale of the remaining 19 facilities pursuant to a plan of reorganization to be confirmed by the Bankruptcy Court. The RSA contemplates that the plan confirmation will occur within 110 days and that such sale will be concluded by the end of 2018.

In order to provide liquidity to the Debtors during their Chapter 11 proceedings, Omega has provided a commitment for up to \$30 million in debtor-in-possession (“**DIP**”) financing. Subject to Bankruptcy Court approval, this DIP financing would be used to repay in full the Debtors’ current working capital lender and to provide the Debtors’ with additional liquidity to fund on-going business operations. Omega’s commitment to provide the DIP financing is conditioned on obtaining first priority liens on the Debtors’ assets and being granted superpriority claim status in the bankruptcy cases. It is anticipated that the Bankruptcy Court will provide an interim ruling on this request within several days and a final ruling within 30 days.

Mr. Pickett noted, “We continue to expect that our post-transition restructuring rent for the

transition portfolio and rent equivalent for the 19 properties to be sold will ultimately be in our previously-estimated range of \$32.0 million - \$38.0 million. Last year, we recorded impairments on our Orianna direct financing leases reflecting assumed annual rents in that range, rental yields between 9% and 10%, and certain assumptions regarding current and projected operating performance of the facilities, coverage ratios and bed values. We do not believe Orianna's filing for bankruptcy protection materially affects the fair value of the facilities, and accordingly, at this time we do not expect to record further impairments on the Orianna direct financing leases as a result."

Regarding guidance, Mr. Pickett added, "Our previously announced guidance assumed the Company will not be recording revenue related to its Orianna portfolio for the majority of 2018. Orianna's Chapter 11 filing does not change our estimates and, accordingly, we reaffirm the adjusted funds from operations ("**Adjusted FFO**") guidance contained in our February 13, 2018 earnings release in the range of \$2.96 - \$3.06. Of course, our actual results will depend on the timing of the transitions and sales contemplated by the RSA."

\* \* \* \* \*

Omega is a real estate investment trust that invests in the long-term healthcare industry, primarily in skilled nursing and assisted living facilities. Its portfolio of assets is operated by a diverse group of healthcare companies, predominantly in a triple-net lease structure. The assets span all regions within the US, as well as in the UK.

The following table presents a reconciliation of Omega's guidance regarding Adjusted FFO to projected GAAP earnings.

	2018 Annual Adjusted FFO Guidance Range (per diluted common share)
	Full Year
Net Income	\$1.43 - \$1.53
Depreciation	1.45
Gain on assets sold	-
Real estate impairment	-
FFO	\$2.88 - \$2.98
Adjustments:	
Acquisition/transaction costs	-
Interest – refinancing costs	-
Stock-based compensation expense	0.08
Adjusted FFO	\$2.96 - \$3.06

*Note: All per share numbers rounded to 2 decimals.*

The Company's Adjusted FFO guidance for 2018 reflects the impact of approximately \$100 million of planned capital renovation projects, the sale of \$87 million of assets held for sale, approximately \$300 million of potential divestitures and the redeployment of capital from asset sales. The Company's guidance excludes the impact of gains and losses from the sale of assets, certain revenue and expense items, interest refinancing expense, capital transactions, acquisition costs, and additional provisions for uncollectible accounts, if any. The Company may, from time to time, update its publicly announced Adjusted FFO guidance, but it is not obligated to do so.

The Company's guidance is based on a number of assumptions, which are subject to change and many of which are outside the Company's control. If actual results vary from these assumptions, the Company's expectations may change. Without limiting the generality of the foregoing, the timing and completion of acquisitions, divestitures, capital and financing transactions, and variations in stock-based compensation expense may cause actual results to vary materially from our current expectations. There can be no assurance that the Company will achieve its projected results.

*This press release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements regarding Omega's or its tenants', operators', borrowers' or managers' expected future financial condition, results of operations, cash flows, funds from operations, dividends and dividend plans, financing opportunities and plans, capital markets transactions, business strategy, budgets, projected costs, operating metrics, capital expenditures, competitive positions, acquisitions, investment opportunities, dispositions, facility transitions, growth opportunities, expected lease income, continued qualification as a real estate investment trusts ("REIT"), plans and objectives of management for future operations and statements that include words such as "anticipate," "if," "believe," "plan," "estimate," "expect," "intend," "may," "could," "should," "will" and other similar expressions are forward-looking statements. These forward-looking statements are inherently uncertain, and actual results may differ from Omega's expectations. Omega does not undertake a duty to update these forward-looking statements, which speak only as of the date on which they are made.*

*Omega's actual results may differ materially from those reflected in such forward-looking statements as a result of a variety of factors, including, among other things: (i) uncertainties relating to the business operations of the operators of Omega's properties, including those relating to reimbursement by third-party payors, regulatory matters and occupancy levels; (ii) regulatory and other changes in the healthcare sector; (iii) changes in the financial position of Omega's operators; (iv) the ability of any of Omega's operators in bankruptcy to reject unexpired lease obligations, modify the terms of Omega's mortgages and impede the ability of Omega to collect unpaid rent or interest during the pendency of a bankruptcy proceeding and retain security deposits for the debtor's obligations; (v) the availability and cost of capital; (vi) changes in Omega's credit ratings and the ratings of its debt securities; (vii) competition in the financing of healthcare facilities; (viii) Omega's ability to maintain its status as a REIT; (ix) Omega's ability to sell assets held for sale or complete potential asset sales on a timely basis and on terms that allow Omega to realize the carrying value of these assets; (x) Omega's ability to re-lease, otherwise transition or sell underperforming assets on a timely basis and on terms that allow Omega to realize the carrying value of these assets; (xi) the effect of economic and market conditions generally, and particularly in the healthcare industry; (xii) the potential impact of changes in the SNF and assisted living facility ("ALF") market or local real estate conditions on the Company's ability to dispose of assets held for sale for the anticipated proceeds or on a timely basis, or to redeploy the proceeds therefrom on favorable terms; (xiii) changes in interest rates; (xiv) changes in tax laws and regulations affecting REITs, (xv) risks and uncertainties regarding Orianna's bankruptcy, including without limitation, the potential that the Bankruptcy Court may not approve the RSA or not approve the RSA on the terms contemplated by Omega, potential delays in the anticipated transition and sale of the Orianna facilities, potential objections from other creditors of Orianna, and possibility of declines in the operating performance of the Orianna facilities*

*resulting from the bankruptcy process and (xvi) other factors identified in Omega's filings with the Securities and Exchange Commission. Statements regarding future events and developments and Omega's future performance, as well as management's expectations, beliefs, plans, estimates or projections relating to the future, are forward looking statements. Omega undertakes no obligation to update any forward-looking statements contained in this announcement.*

Funds From Operations ("FFO") and Adjusted FFO are non-GAAP financial measures. For purposes of the Securities and Exchange Commission's Regulation G, a non-GAAP financial measure is a numerical measure of a company's historical or future financial performance, financial position or cash flows that exclude amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable financial measure calculated and presented in accordance with GAAP in the statement of operations, balance sheet or statement of cash flows (or equivalent statements) of the company, or include amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable financial measure so calculated and presented. As used in this press release, GAAP refers to generally accepted accounting principles in the United States of America. Pursuant to the requirements of Regulation G, the Company has provided reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

The Company calculates and reports FFO in accordance with the definition and interpretive guidelines issued by the National Association of Real Estate Investment Trusts ("NAREIT"), and consequently, FFO is defined as net income (computed in accordance with GAAP), adjusted for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization and impairments on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. The Company believes that FFO and Adjusted FFO are important supplemental measures of its operating performance. Because the historical cost accounting convention used for real estate assets requires depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time, while real estate values instead have historically risen or fallen with market conditions. The term FFO was designed by the real estate industry to address this issue. FFO described herein is not necessarily comparable to FFO of other real estate investment trusts, or REITs, that do not use the same definition or implementation guidelines or interpret the standards differently from the Company.

Adjusted FFO is calculated as FFO excluding the impact of non-cash stock-based compensation and certain revenue and expense items identified above. The Company believes these measures provide an enhanced measure of the operating performance of the Company's core portfolio as a REIT. The Company's computation of Adjusted FFO is not comparable to the NAREIT definition of FFO or to similar measures reported by other REITs, but the Company believes that they are appropriate measures for this Company.

The Company uses these non-GAAP measures among the criteria to measure the operating performance of its business. The Company also uses Adjusted FFO among the performance metrics for performance-based compensation of officers. The Company further believes that by excluding the effect of depreciation, amortization, impairments on real estate assets and

gains or losses from sales of real estate, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO can facilitate comparisons of operating performance between periods and between other REITs. The Company offers these measures to assist the users of its financial statements in analyzing its operating performance and not as measures of liquidity or cash flow. These non-GAAP measures are not measures of financial performance under GAAP and should not be considered as measures of liquidity, alternatives to net income or indicators of any other performance measure determined in accordance with GAAP. Investors and potential investors in the Company's securities should not rely on these non-GAAP measures as substitutes for any GAAP measure, including net income.

View source version on businesswire.com:

<http://www.businesswire.com/news/home/20180307005624/en/>

Omega Healthcare Investors, Inc.  
Matthew Gourmand, 410-427-1700  
SVP, Investor Relations  
or  
Bob Stephenson, 410-427-1700  
CFO

Source: Omega Healthcare Investors, Inc.