

OMEGA HEALTHCARE INVESTORS INC
Form 10-Q
May 07, 2014

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 March 31, 2014

or

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

For the transition period from _____ to _____

Commission file number 1-11316

OMEGA HEALTHCARE
INVESTORS, INC.

(Exact name of Registrant as specified in its charter)

Maryland

38-3041398

(State of incorporation)

(IRS Employer
Identification No.)

200 International Circle, Suite 3500, Hunt Valley, MD 21030

(Address of principal executive offices)

(410) 427-1700

(Telephone number, including area code)

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

Yes

No

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

Yes

No

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of April 30, 2014.

Common Stock, \$.10 par value (Class)	126,039,605 (Number of shares)
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OMEGA HEALTHCARE INVESTORS, INC.
FORM 10-Q
March 31, 2014

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PART I – FINANCIAL INFORMATION

Item 1 - Financial Statements

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

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Real estate properties		
Land and buildings	\$ 3,107,285	\$ 3,099,547
Less accumulated depreciation	(738,708)	(707,410)
Real estate properties – net	2,368,577	2,392,137
Investment in direct financing leases	531,795	529,445
Mortgage notes receivable – net	354,497	241,515
	3,254,869	3,163,097
Other investments – net	56,052	53,054
	3,310,921	3,216,151
Assets held for sale – net	820	1,356
Total investments	3,311,741	3,217,507
Cash and cash equivalents	20,374	2,616
Restricted cash	28,817	31,759
Accounts receivable – net	152,863	147,504
Other assets	65,130	62,830
Total assets	\$ 3,578,925	\$ 3,462,216
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Revolving line of credit	\$ —	\$ 326,000
Term loan	200,000	200,000
Secured borrowings	297,016	298,531
Unsecured borrowings – net	1,594,106	1,199,887
Accrued expenses and other liabilities	132,456	137,695
Total liabilities	2,223,578	2,162,113
Stockholders' equity:		
Common stock \$.10 par value authorized – 200,000 shares issued and outstanding – 125,419 shares as of March 31, 2014 and 123,530 as of December 31, 2013	12,542	12,353
Common stock – additional paid-in capital	2,059,085	1,998,169
Cumulative net earnings	982,478	926,649
Cumulative dividends paid	(1,698,758)	(1,637,068)
Total stockholders' equity	1,355,347	1,300,103

Total liabilities and stockholders' equity	\$	3,578,925	\$	3,462,216
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See notes to consolidated financial statements.

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

	2014
Revenue	
Rental income	\$95,918
Income from direct financing leases	14,084
Mortgage interest income	9,326
Other investment income – net	1,421
Miscellaneous	252

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Ms. Eskilson and Mr. Foote do not serve on any Committees of the Board. Mr. Jan M. Winston served

All five Board members, then in office, were in attendance at the 2017 Annual Meeting. During 2017 e

The Bylaws of the Company provide for a range of no less than four and no more than six directors.

The Board does not have a policy on whether or not the roles of Chief Executive Officer and Chairman

Currently, Mr. Winston serves as the Chairman of the Board and Ms. Eskilson serves as a director and

Board's Role in the Oversight of Risk Management

Companies face a variety of risks, including credit risk, liquidity risk, and operational risk. In fulfilling

The Audit Committee has been designated to take the lead in overseeing risk management at the Board

Although the Board's primary risk oversight has been assigned to the Audit Committee, the full Board

In addition, the Board and the Audit Committee encourage management to promote a corporate culture

Audit Committee

The Company has a separately designated standing Audit Committee. Luke P. LaValle, Jr. has served a

The Audit Committee met five times during 2017 with all members in attendance at all of the meetings

Audit Committee Financial Expert

The Board of Directors of the Company has determined that Mr. LaValle is an “audit committee financ

Compensation Committee

The Compensation Committee is comprised of all independent outside directors, and is responsible for

The Compensation Committee has the responsibility of granting equity-based incentive compensation t

The Compensation Committee has the authority to hire independent advisors to help fulfill its duties. N

The Compensation Committee held three meetings during 2017 to review and establish compensation p

Nominating Committee

During 2017, the Nominating Committee was comprised of all independent, outside directors. The Nor

Mr. Dennis Romano has served as Chairman of the Nominating Committee since his appointment by the

Procedures for Considering Nominations Made by Stockholders

The Nominating Committee's charter describes procedures for nominations to be submitted by shareholders

Qualifications

The charter describes the minimum qualifications for nominees and the qualities or skills that are neces

Identification and Evaluation of Candidates for the Board

Candidates to serve on the Board will be identified from all available sources, including recommendati

together with a review of such other information as the Nominating Committee shall determine to be re

Third Party Recommendations

In connection with the 2018 Annual Meeting of Shareholders, the Nominating Committee did not receive

Communication with the Board

The Board has established a procedure that enables shareholders to communicate in writing with members

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Executive Officers of the Registrant

The following table sets forth the name and age of each executive officer of the Company, the period d

Name and Age	Since	Position With the Company
Amy Eskilson, 57	2012	President and Chief Executive Officer
William J. Foote, 67	2006	Chief Financial Officer, Corporate Secretary and Treasurer
Thomas A. Caughey, 69	2011	Vice President of Product Development
George Murray, 54	2013	Vice President of Sales and Marketing

Amy Eskilson joined the Company on February 7, 2011 as Vice President of Sales and Marketing and

William J. Foote joined the Company in May 2006 and was appointed Chief Financial Officer and Cor

Thomas A. Caughey has been with the Company since 1978. He was appointed an officer on March 24

George Murray assumed the role of Vice President of Sales and Marketing on January 14, 2013 and wa

Each of the executive officers has been elected by the Board of Directors to serve as an officer of the C

Executive Compensation

The following Summary Compensation Table sets forth, for the years ended December 31, 2017 and 20

Summary Compensation Table

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$) (1)(2)	Stock Awards (\$)	All Other Compensati (\$) (3)
Amy Eskilson, President and CEO	2017	180,003	—	22,000	—	8,100
	2016	180,003	—	13,480	—	8,100
William J. Foote, CFO, Corporate Secretary and Treasurer	2017	149,656	—	11,000	—	6,735
	2016	149,656	—	6,740	—	6,735
George Murray, Vice President of Sales and Marketing	2017	139,006	—	8,250	—	6,255
	2016	139,006	—	5,055	—	6,368

Employment Agreements

The Company has not entered into any employment agreement with any of Ms. Eskilson, Mr. Foote or

Outstanding Equity-Based Awards at Fiscal Year-End

The following table provides information pertaining to vested and non-vested stock options held by each

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Equity Compensation Plan Information

The following table gives information about the Company's Common Stock that may be issued upon the

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights
Equity Compensation Plans Approved by Shareholders (1)	903,008	\$.58
Equity Compensation Plans Not Approved by Shareholders	—	—
Total	903,008	\$.58

Compliance with Section 16(a) Beneficial Ownership

Section 16(a) of the Securities Exchange Act of 1934 requires the Company’s directors and officers, and

Based solely on our review of (i) Forms 3 and 4 and amendments thereto furnished to the Company during

Certain Relationships and Related Party Transactions

The documented ethics policies of the Company restrict certain types of related party transactions between

In April 2018, the maturity date of a \$1,500,000 Subordinated Convertible Promissory Note issued in f

In addition, in April 2018, the maturity date of a \$1,000,000 Subordinated Convertible Promissory Note

No payments against the total principal of \$2,500,000 have been made. In 2017, the Company paid a total

Code of Ethics

The Company has adopted a Code of Ethics that applies to the Company's principal executive officer, principal

Relationship with Independent Public Accountants

On December 13, 2017, the Company dismissed its independent registered public accounting firm, Baker

(a) Dismissal of Previous Independent Registered Public Accounting Firm

- (i) On December 13, 2017, Inrad Optics, Inc. (the "Company") dismissed its independent registered public accounting firm, Baker Tilly.
- (ii) The report of Baker Tilly on the consolidated financial statements and the related balance sheets and schedules for the years ended December 31, 2016 and 2015 was not audited.
- (iii) The decision to change the independent registered public accounting firm was recommended and approved by the Audit Committee.
- (iv) During the Company's two most recent fiscal years ended December 31, 2016 and December 31, 2015, the Company's financial statements were audited by Baker Tilly.

(b) Appointment of New Independent Registered Public Accounting Firm

On December 13, 2017, the Board of Directors of the Company engaged PKF O'Connor Davies LLP regarding:

- (i) either: the application of accounting principles to a specified transaction, either completed or proposed;
- (ii) any matter that was either the subject of a disagreement as defined in paragraph 304(a)(1)(iv) of the listing standards.

Representatives of PKF will be available by telephone during the annual meeting to respond to any appropriate questions.

Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" of annual meeting materials.

Principal Accounting Fees and Services

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the Audit Committee's charter, the Audit Committee has reviewed and approved the following:

Audit Fees.

Audit fees billed or expected to be billed by the Company's principal accountant, PKF O'Connor Davies LLP, for the year ended December 31, 2017:

Audit fees billed or expected to be billed by the Company's predecessor principal accountant, Baker Tilly Virchow Krause, LLP, for the year ended December 31, 2016:

Audit-Related Fees

The Company was billed \$2,125 and \$1,224 by the Company's principal accountants for the fiscal year

Tax Fees

The Company was billed or is expected to be billed an aggregate of \$15,000 and \$19,000 by the Comp

All Other Fees

The Applicable law and regulations provide an exemption that permits certain services to be provided b

Audit Committee Report

In connection with the preparation and filing of the Company's Annual Report on Form 10-K for the year

(1) the Audit Committee reviewed and discussed the audited financial statements with the Company's management

(2) the Audit Committee discussed with the Company's independent auditors the matters required to be

(3) the Audit Committee received and reviewed the written disclosures and the letter from the Company

based on the review and discussions referred to above, the Audit Committee recommended to the Board of

This report shall not be deemed incorporated by reference by any general statement incorporating this report

This report is furnished by the Audit Committee of the Board of Directors.

Luke P. LaValle, Jr., Audit Committee Chairman

Jan M. Winston

Dennis Romano

N.E. Rick Strandlund

NOTICE REGARDING FILING OF SHAREHOLDERS PROPOSALS

AT 2019 ANNUAL MEETING

Any proposal intended to be presented by a shareholder at the 2019 Annual Meeting of Shareholders m

The Annual Meeting of Shareholders is called for the purposes set forth in the Notice. The Board does

You are cordially invited to attend the Annual Meeting in person. Your participation in discussion of th

/S/ William J. Foote
William J. Foote, Secretary

Dated: April 30, 2018

A copy of the Company's annual report on Form 10-K for the fiscal year ended December 31, 20

