

OMEGA HEALTHCARE INVESTORS INC
Form 10-K/A
April 30, 2015

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

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended December 31, 2014.

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

For the transition period from to

Commission file number 1-11316

OMEGA HEALTHCARE INVESTORS, INC.
(Exact Name of Registrant as Specified in its Charter)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	38-3041398 (I.R.S. Employer Identification No.)
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200 International Circle, Suite 3500 Hunt Valley, MD (Address of Principal Executive Offices)	21030 (Zip Code)
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Registrant's telephone number, including area code: 410-427-1700

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, \$.10 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None.

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 and Exchange Act of 1934 during the preceding twelve 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a 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 Act). Yes No

The aggregate market value of the common stock of the registrant held by non-affiliates was \$4,670,627,910.40 as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter. The aggregate market value was computed using the \$36.86 closing price per share for such stock on the New York Stock Exchange on such date.

As of April 23, 2015, there were 182,683,520 shares of common stock outstanding.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the “Amendment”) amends the Annual Report on Form 10-K filed by Omega Healthcare Investors, Inc., for the fiscal year ended December 31, 2014, originally filed with the SEC on February 27, 2015 (the “Original Filing”). This Amendment is being filed to amend Part III of the Original Filing because the Company no longer intends to file a definitive proxy statement for an annual meeting of stockholders within 120 days of the end of its fiscal year ended December 31, 2014. Part IV of the Original Filing is being amended solely to add as exhibits certain new certifications in accordance with Rule 13a-14(a) promulgated by the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Because no financial statements have been included in this Amendment and this Amendment does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4 and 5 of the certifications have been omitted.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing other than as expressly indicated in this Amendment. Accordingly, this Amendment should be read in conjunction with the Original Filing and the Company’s other filings made with the SEC on or subsequent to February 27, 2015.

OMEGA HEALTHCARE INVESTORS, INC.
ANNUAL REPORT ON FORM 10-K/A
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
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PART III

Item 10 – Directors, Executive Officers and Corporate Governance

Information Regarding Directors

Our Board of Directors consists of eleven members. Set forth below are the names, ages, biographical data, term of office and certain other information with respect to each member. The Board has identified specific attributes of each director that the Board has determined qualify that person for service on the Board.

Director (age as of April 23, 2015)	Year First Became a Director	Business Experience During Past 5 Years	Term to Expire in
Thomas F. Franke (85)	1992	Mr. Franke brings to our Board years of experience in the operation of real estate companies, including long-term care providers. Mr. Franke is Chairman and a principal owner of Cambridge Partners, Inc., an owner, developer and manager of multifamily housing in Grand Rapids, Michigan. He is also a founder in 1992 of Laurel Health Care, Inc. (a private nursing home firm operating in the eastern United States) and serves as the Chairman Emeritus of Laurel. At one time, he was a principal owner of Abacus Hotels LTD. (a private hotel firm in the United Kingdom). Mr. Franke was a founder and previously a Director of Principal Healthcare Finance Limited and Omega Worldwide, Inc.	2015
Bernard J. Korman (83)	1993	Mr. Korman brings to our Board extensive experience in healthcare, experience as a director of a real estate investment trust (“REIT”), and experience as a Chairman from his former role as Chairman of Pep Boys. Mr. Korman has served as Chairman of the Board since March 8, 2004. Mr. Korman served as Chairman of the Board of Trustees of Philadelphia Health Care Trust, a private healthcare foundation, from December 1995 to June 30, 2010. Mr. Korman is also a Director of The New America High Income Fund, Inc. (NYSE:HYB) (financial services) and a past Director of Medical Nutrition USA, Inc., a nutritional products company and NutraMax Products, Inc., a consumer health care products company. He was formerly President, Chief Executive Officer and Director of MEDIQ Incorporated, a publicly held health care service provider from 1977 to 1995. Mr. Korman served as a	2015

Trustee of Kramont Realty Trust (NYSE:KRT), a publicly held REIT, from June 2000 until its merger in April 2005. Mr. Korman also served as a Director of The Pep Boys, Inc. (NYSE:PBX) from 1983, and as Chairman of the Board from May 2003, until his retirement from such Board in September 2004. Mr. Korman was previously a Director of Omega Worldwide, Inc.

Craig R. Callen (59)	<p>2013 Mr. Callen brings to our Board financial and operating experience as an advisor, investment banker and board member in the healthcare industry. Mr. Callen is currently a Senior Advisor at Crestview Partners, a private equity firm. Mr. Callen retired as Senior Vice President of Strategic Planning and Business Development for Aetna Inc., where he also served as a Member of the Executive Committee from 2004-2007. In his role at Aetna, Mr. Callen reported directly to the Chairman and CEO and was responsible for oversight and development of Aetna's corporate strategy, including mergers and acquisitions. Prior to joining Aetna in 2004, Mr. Callen was a Managing Director and Head of U.S. Healthcare Investment Banking at Credit Suisse and co-head of Health Care Investment Banking at Donaldson Lufkin & Jenrette. During his 20 year career as an investment banker in the healthcare practice, Mr. Callen successfully completed over 100 transactions for clients and contributed as an advisor to the boards of directors and managements of many of the leading healthcare companies in the U.S. Mr. Callen currently serves as a board member of HMS Holdings, Inc. (NYSE-HSMY), and Classical Homes Preservation Trust. Previously he served on the boards of Symbion, Inc., a Crestview portfolio company, Sunrise Senior Living, Inc. (NYSE-SRZ) and Kinetic Concepts, Inc. (NYSE-KCI). Mr. Callen is a graduate of Boston University and the Harvard Business School.</p>	2015
Norman R. Bobins (72)	<p>2015 Mr. Bobins brings to our board years of banking experience, financial and accounting knowledge and experience as a director of public companies. Mr. Bobins was named Non-Executive Chairman of The PrivateBank and Trust Company, a bank subsidiary of PrivateBancorp, Inc., in July 2008. From May 2007 until October 2007, Mr. Bobins was Chairman of the Board of LaSalle Bank Corporation and thereafter served as Chairman Emeritus until July 2008. From 2003 to 2007, he was President and Chief Executive Officer of LaSalle Bank Corporation. From 2006 to 2007, he was President and Chief Executive Officer of ABN AMRO North America. Mr. Bobins also serves on the boards of directors of SIMS Metal Management, AAR Corp., AGL Resources Inc., Transco Inc. and RREEF America REIT II, Inc. In the past five years, Mr. Bobins also served on the board of Hyatt Hotels</p>	2015

Corporation and Nicor, Inc.

Edward Lowenthal (70)	1995	Mr. Lowenthal brings to our Board years of experience in the development and operation of real estate. Mr. Lowenthal currently serves as a Director of American Campus Communities (NYSE:ACC) (a public developer, owner and operator of student housing at the university level and serves as a trustee of the Manhattan School of Music). From 2004 to 2013, he was a Director of Desarrolladora Homex (NYSE:HXM) (a Mexican homebuilder) and serves as a Trustee of the Manhattan School of Music. Mr. Lowenthal also served as non-executive Chairman of REIS, Inc. (a public provider of real estate market information and valuation technology (NASDAQ:REIS) from November 2010 until his term expired in 2012. From January 1997 to March 2002, Mr. Lowenthal served as President and Chief Executive Officer of Wellsford Real Properties, Inc. (a real estate merchant bank) and was President of the predecessor of Wellsford Real Properties, Inc. since 1986. He is co-founder of Wellsford Strategic Partners, a private real estate investment company and is non-executive Chairman of Tiburon Lockers, Inc., a private rental locker company.	2016
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Stephen D. Plavin (55)	2000	<p>Mr. Plavin brings to our Board management experience in the banking and mortgage-based real estate investment trust sector, as well as significant experience in real estate capital markets transactions. Mr. Plavin is a Senior Managing Director of the Blackstone Group (since December, 2012) and the Chief Executive Officer and a Director of Capital Trust, Inc., a New York City-based mortgage REIT that is now managed by Blackstone. He has served as CEO of Capital Trust since 2009. From 1998 until 2009, Mr. Plavin was Chief Operating Officer of Capital Trust and was responsible for all of the lending, investing and portfolio management activities of Capital Trust, Inc. Prior to that time, Mr. Plavin was employed for 14 years with Chase Manhattan Bank and its securities affiliate, Chase Securities Inc. Mr. Plavin held various positions within the real estate finance unit of Chase, and its predecessor, Chemical Bank, and in 1997 he became co-head of global real estate for Chase. Mr. Plavin is also a director of WCI Communities, a privately-held developer of residential communities.</p>	2016
Ben W. Perks (73)	2015	<p>Mr. Perks brings to our Board years of public company, financial and accounting experience. Mr. Perks was the Executive Vice President and Chief Financial Officer of Navigant Consulting, Inc. (“Navigant”), an NYSE-listed company, from May 2000 until his retirement in August 2007. Prior to joining Navigant, Mr. Perks was with PricewaterhouseCoopers LLP for 32 years, including 22 years as a Partner in the Audit and Financial Advisory Services groups.</p>	2016
Barbara B. Hill (62)	2013	<p>Ms. Hill brings to our Board years of experience in operating healthcare-related companies. Ms. Hill is currently an Operating Partner of Moelis Capital Partners, a private equity firm, where she focuses on healthcare-related investments and providing strategic and operating support for Moelis’ healthcare portfolio companies. She has served as an Operating Partner of Moelis Capital Partners since March 2011. From March 2006 to September 2010, Ms. Hill served as Chief Executive Officer and a Director of ValueOptions, Inc., a managed behavioral health company, and FHC Health Systems, Inc., its parent company. Prior to that, from August 2004 to March</p>	2017

2006, she served as Chairman and Chief Executive Officer of Woodhaven Health Services, an institutional pharmacy company. In addition, from 2002 to 2003, Ms. Hill served as President and a Director of Express Scripts, Inc., a pharmacy benefits management company. In previous positions, Ms. Hill was responsible for operations nationally for Cigna HealthCare, and also served as the CEO of health plans owned by Prudential, Aetna, and the Johns Hopkins Health System. She was active with the Boards and Committees of the Association of Health Insurance Plans and other health insurance industry groups. Currently, she serves as a Board member of St. Jude Medical Corporation, a medical device company, Revera Inc., a Canadian company operating senior facilities throughout Canada and the U.S. and Integra LifeSciences Holdings Corporation, a medical device company.

Harold J. Kloosterman (73)	1992	Mr. Kloosterman brings to our Board years of experience in the development and management of real estate. Mr. Kloosterman has served as President since 1985 of Cambridge Partners, Inc., a company he formed in 1985. He has been involved in the development and management of commercial, apartment and condominium projects in Grand Rapids and Ann Arbor, Michigan and in the Chicago area. Mr. Kloosterman was formerly a Managing Director of Omega Capital from 1986 to 1992. Mr. Kloosterman has been involved in the acquisition, development and management of commercial and multifamily properties since 1978. He has also been a senior officer of LaSalle Partners, Inc. (now Jones Lang LaSalle).	2017
Craig M. Bernfield (54)	2015	Mr. Bernfield brings to our Board extensive business, managerial and leadership experience with over 20 years of experience as an investor in the skilled nursing facilities (“SNF”) industry. Mr. Bernfield is former Chairman of the Board of Directors and Chief Executive Officer of Aviv REIT, Inc. (“Aviv”) and served in such capacity since he co-founded Aviv Healthcare Properties Limited Partnership in 2005 until our merger with Aviv on April 1, 2015. Prior to co-founding Aviv, Mr. Bernfield was Chief Executive Officer and President of Karell Capital Ventures, Inc. (“KCV”), which he joined in 1990. KCV managed the entities that were combined in 2005 in connection with the formation of our predecessor partnership. Mr. Bernfield has been an investor in the nursing home industry for approximately 20 years and was the co-founder of some of the entities that were combined in 2005.	2017
C. Taylor Pickett (53)	2002	As Chief Executive Officer of our Company, Mr. Pickett brings to our Board a depth of understanding of our business and operations, as well as financial expertise in long-term healthcare services, mergers and acquisitions. Mr. Pickett has served as the Chief Executive Officer of our Company since 2001. Mr. Pickett is also a Director and has served in this capacity since 2002. Mr. Pickett also serves as a Director of Corporate Office Properties Trust (NYSE: OFC), an office property REIT and a Director of Atherio, a technology, outsourcing, consulting and managed services company. From 1998 to 2001, Mr. Pickett	2017

served as the Executive Vice President and Chief Financial Officer of Integrated Health Services, Inc. (“IHS”), a public company specializing in post-acute healthcare services. Mr. Pickett served in a variety of executive roles at IHS from 1993 through 1998. Prior to joining IHS, Mr. Pickett held various positions at PHH Corporation and KPMG Peat Marwick.

Information Regarding Executive Officers

Set forth below are the names, ages, positions and biographical summaries of the experience of our executive officers and key employees.

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C. Taylor Pickett (53) is our Chief Executive Officer and has served in this capacity since June 2001. Further information regarding Mr. Pickett may be found under “Information regarding Directors” above.

Daniel J. Booth (51) is our Chief Operating Officer and has served in this capacity since October 2001. From 1993 to October 2001, Mr. Booth served as a member of the management team of Integrated Health Services, Inc., including serving as Senior Vice President, Finance. Prior to joining Integrated Health Services, Inc., Mr. Booth served as a Vice President in the Healthcare Lending Division of Maryland National Bank (now Bank of America).

Steven J. Insoft (51) is our Chief Corporate Development Officer and has served in such capacity since April 1, 2015. Mr. Insoft previously served as President and Chief Operating Officer of Aviv since 2012, while previously serving as Chief Financial Officer and Treasurer of Aviv. Prior to joining Aviv in 2005, Mr. Insoft spent eight years as a Vice President and Senior Investment Officer of Nationwide Health Properties, Inc., a publicly-traded REIT. Before that, he was President and Chief Financial Officer of CMI Senior Housing & Healthcare, Inc., a privately-held nursing home and assisted living facility operations and development company, for seven years.

R. Lee Crabill, Jr. (61) is our Senior Vice President of Operations and has served in this capacity since July 2001. From 1997 to 2000, Mr. Crabill served as a Senior Vice President of Operations at Mariner Post Acute Network, Inc. Prior to joining Mariner Post Acute Network, Inc., Mr. Crabill served as an Executive Vice President of Operations at Beverly Enterprises, Inc.

Robert O. Stephenson (51) is our Chief Financial Officer and has served in this capacity since August 2001. From 1996 to July 2001, Mr. Stephenson served as the Senior Vice President and Treasurer of Integrated Health Services, Inc. Prior to joining Integrated Health Services, Inc., Mr. Stephenson held various positions at CSX Intermodal, Inc., Martin Marietta Corporation and Electronic Data Systems.

Michael D. Ritz (46) is our Chief Accounting Officer and has served in this capacity since February 2007. From April 2005 to February 2007, Mr. Ritz served as the Vice President, Accounting & Assistant Corporate Controller of Newell Rubbermaid Inc., and from August 2002 to April 2005, Mr. Ritz served as the Director, Financial Reporting of Newell Rubbermaid Inc. From July 2001 through August 2002, Mr. Ritz served as the Director of Accounting and Controller of Novavax Inc.

Audit Committee

The Company has a separately-designated standing Audit Committee. The Audit Committee met seven times in 2014. Its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to: (i) the financial information to be provided to stockholders and the SEC; (ii) the system of internal controls that management has established; and (iii) the external independent audit process. In addition, the Audit Committee selects our Company's independent auditors and provides an avenue for communication between the independent auditors, financial management and the Board of Directors. The Audit Committee is comprised of Stephen D. Plavin (Chairman), Barbara B. Hill, Harold J. Kloosterman and Edward Lowenthal.

Each of the members of the Audit Committee is independent and financially literate, as required of audit committee members by the NYSE. The Board of Directors has determined that Mr. Plavin is qualified to serve as an "audit committee financial expert" as such term is defined in Item 401(h) of Regulation S-K promulgated by the SEC. The Board of Directors made a qualitative assessment of Mr. Plavin's level of knowledge and experience based on a number of factors, including his formal education and his experience as Chief Executive Officer of Capital Trust, Inc., a New York City-based mortgage REIT and investment management company, where he is responsible for all management activities. Additionally, Mr. Plavin holds an M.B.A. from J.L. Kellogg Graduate School of Management at Northwestern University.

Code of Business Conduct and Ethics

We have adopted a written Code of Ethics that applies to all of our directors and employees, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. A copy of our Code of Ethics is available on our website at www.omegahealthcare.com, and print copies are available upon request without charge. You can request print copies by contacting our Chief Financial Officer in writing at Omega Healthcare Investors, Inc., 200 International Circle, Suite 3500, Hunt Valley, Maryland 21030, or by telephone at 410-427-1700. Any amendment to our Code of Ethics or any waiver of our Code of Ethics will be disclosed on our website at www.omegahealthcare.com promptly following the date of such amendment or waiver.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who beneficially own more than 10% of our Company's common stock to file initial reports of ownership and reports of changes in ownership with the SEC. SEC regulations require these individuals to give us copies of all Section 16(a) forms they file.

Based solely on our review of forms that were furnished to us and written representations from reporting persons, we believe that the executive officers, directors and more than 10% stockholders complied with all filing requirements under Section 16(a) during the year ended December 31, 2014, except as follows: Due to an administrative oversight, Messrs. Pickett, Booth, Stephenson, Crabill and Ritz each filed a late Form 4 report covering two transactions relating to the grant of restricted stock units. Mr. Pickett filed one Form 4 report late relating to one additional transaction. One bona fide gift of securities beneficially owned by Mr. Korman was not timely reported on Form 5.

Item 11 - Executive Compensation

Compensation Discussion and Analysis

Our CD&A addresses the following topics:

- the members and role of our Compensation Committee, which we refer to as the “Committee” in this CD&A;
- our compensation-setting process;
- our philosophy and objectives regarding executive compensation;
- the components of our executive compensation program; and
- our compensation decisions for fiscal year 2014 and 2015.

The Compensation Committee

Thomas F. Franke, Harold J. Kloosterman, Bernard J. Korman, Edward Lowenthal and Stephen D. Plavin are the members of the Committee. Mr. Franke is the Chairman of the Committee. Each member of the Committee qualifies as an independent director under the NYSE listing standards and under our Board of Directors’ standards of independence.

The Committee’s responsibilities and functions are governed by its charter, which the Board of Directors has adopted and a copy of which is available at our website at www.omegahealthcare.com. The Committee determines the compensation of our executive officers and reviews with the Board of Directors all aspects of compensation for our executive officers. The Committee also periodically reviews the compensation of our directors and makes recommendations regarding possible adjustments for consideration by the Board of Directors. To the extent not otherwise inconsistent with its obligations and responsibilities, the Committee may form subcommittees (which shall consist of one or more members of the Committee) and delegate authority to such subcommittees as it deems appropriate. The Committee reports to the Board of Directors as it deems appropriate and as the Board of Directors may request.

The Committee is also responsible for the following activities in addition to the other activities listed in the Committee’s charter:

- determining and approving the compensation for the Chief Executive Officer and our other named executive officers following an evaluation of their performance in respect of goals and objectives established by the Committee and such other factors as the Committee deems appropriate;
- reviewing and recommending for the Board of Directors’ approval (or approving, where applicable) the adoption and amendment of our director and executive officer incentive compensation and equity-based plans;
- administering our incentive compensation and equity-based plans and approving such awards thereunder as the Committee deems appropriate;
- reviewing and monitoring succession plans for the Chief Executive Officer and our other senior executives;

preparing, reviewing and discussing with management the CD&A required by SEC rules and regulations, recommending to the Board of Directors whether the CD&A should be included in our proxy statement or other applicable SEC filings;

overseeing and administering any employment agreements, severance agreements or change of control agreements that are entered into between us and any executive officer; and

performing such other activities consistent with its charter, our Bylaws, governing law, the rules and regulations of the NYSE and such other requirements applicable to us as the Committee or the Board of Directors deems necessary or appropriate.

Compensation Committee Meetings and Process

The Committee meets as often as necessary to perform its duties and responsibilities. The Committee met four times during the year ended December 31, 2014. The Chairman of the Committee works, from time to time, with the Chief Executive Officer and other members of the Committee to establish the agenda for the Committee's meetings. The Committee meets in one or more executive sessions each year to evaluate the performance of our named executive officers, to determine their bonuses for the prior year, to establish bonus metrics for the current year, to set salaries for the current year and to approve any grants of equity incentive compensation, as the case may be. Additionally, the Committee meets with Omega's legal counsel and from time to time with other outside advisors as the Committee determines appropriate.

The Committee receives and reviews materials in advance of its meetings. These materials include information that management believes will be helpful to the Committee as well as materials that the Committee may from time to time request. Depending upon the agenda for the particular meeting, these materials may include, among other things:

reports from compensation consultants or legal counsel;

an analysis of the compensation of our executives and directors as compared to the compensation paid to the executives and directors by the members of our peer group prepared by members of the Committee, by management at the Committee's request or by a compensation consultant engaged by the Committee;

financial reports on year-to-date performance versus budget and compared to prior year performance, as well as other financial data regarding us and our performance;

reports on our strategic plan and budget for future periods;

information on the executive officers' stock ownership and holdings of equity-based incentives; and

reports on the levels of achievement by each named executive officer of individual and corporate objectives.

The Committee periodically engages in a comprehensive review to establish the performance goals for multi-year incentive awards and to enter into new employment agreements with our named executive officers. Our Chief Executive Officer meets with the Committee at least annually to provide information to the Committee regarding management's views regarding its performance as well as other factors the Chief Executive Officer believes should impact the compensation of our executive officers. In addition, the Chief Executive Officer provides recommendations to the Committee regarding the compensation for each of the named executive officers and the business and performance targets for incentive awards and bonuses.

Compensation Committee Advisors

The Committee charter grants the Committee the sole and direct authority to engage and terminate advisors and compensation consultants and to approve their fees and retention terms. These advisors and consultants report directly to the Committee, and we are responsible for paying their fees.

2013 Executive Compensation Review

Beginning in late 2012 and continuing in 2013, the Committee undertook to review and update the Company's executive compensation program. In connection with the comprehensive review of the compensation system for our named executive officers, the Committee engaged FPL Associates, L.P. ("FPL") as a consultant to the Committee. FPL has not performed any work for us other than work for which it has been engaged by the Committee from time to time. FPL presented to the Committee FPL's analysis that included, but was not limited to, recommendations regarding the composition of a peer group of companies that would be the basis for a benchmarking evaluation of the Company's compensation programs, the status of our current compensation program as compared to those of our peer companies, the methodologies behind the research and analysis it used to prepare the comparisons, the techniques it used to standardize the compensation programs of peer companies in order to permit more accurate comparisons against our programs and a proposed plan covering all aspects of the compensation for our named executive officers. The analysis and process resulted in executive employment agreements with each of our named executive officers that were entered into in November 2013 and have terms that run through December 31, 2016, and the design and implementation of a compensation program including long-term incentives for periods beginning December 31, 2013 and ending December 31, 2016.

Aviv REIT Merger

On April 1, 2015, Aviv REIT Inc. (“Aviv”) merged (the “Merger”), with and into a wholly owned subsidiary of Omega, pursuant to the terms of that certain Agreement and Plan of Merger, dated as of October 30, 2014 (the “Merger Agreement”), by and among the Company, Aviv, OHI Healthcare Properties Holdco, Inc., a direct wholly-owned subsidiary of Omega (“Merger Sub”), OHI Healthcare Properties Limited Partnership (“Omega OP”) and Aviv Healthcare Properties Limited Partnership (the “Aviv OP”).

Prior to April 1, 2015, the Company restructured the manner in which it holds its assets by converting to an umbrella partnership real estate investment trust (“UPREIT”) structure. As a result of this organizational restructuring, substantially all of the Company’s assets are now held by Omega OP, an operating partnership that is a subsidiary of the Company.

The partnership agreement of Omega OP provides, among other things, for limited partnership units structured as profits interests (“LTIP Units”), which are to be used for incentive compensation awards. When earned and vested, LTIP Units are intended to be convertible into limited partnership interest in Omega OP (“OP Units”), at the election of the holder, on a one-to-one basis, subject to conditions on minimum allocation to the capital accounts of the holders of LTIP Unit for federal income tax purposes. Each OP Unit is redeemable at the election of the holder for cash equal to the then fair market value of one share of Omega common stock, subject to the Company’s election to exchange the OP Units tendered for redemption for unregistered shares of Omega Common Stock on a one-for-one basis, and further subject to adjustment as set forth in the partnership agreement.

2015 Executive Compensation Review

Beginning in late 2014 and continuing in 2015, the Committee undertook to review and update the Company’s executive compensation program in light of the then pending Merger. The Committee considered that among other changes, the Company’s market capitalization was projected on an estimated basis to increase to roughly \$10 billion after the Merger from \$6.5 billion before the Merger. In connection with the comprehensive review of the compensation system for our named executive officers, the Committee engaged FPL as a consultant to the Committee. FPL has not performed any work for us other than work for which it was engaged by the Committee. FPL presented to the Committee FPL’s analysis that included, but was not limited to, recommendations regarding the composition of a peer group of companies that would be the basis for a benchmarking evaluation of the Company’s compensation programs, the status of our current compensation program as compared to those of our peer companies, the methodologies behind the research and analysis it used to prepare the comparisons, the techniques it used to standardize the compensation programs of peer companies in order to permit more accurate comparisons against our programs and a proposed plan covering all aspects of the compensation for our named executive officers. The analysis and process resulted in the design and implementation of a compensation program including long-term incentives for the period beginning January 1, 2015 and ending December 31, 2017. In March 2015 (April 1 for Mr. Insoft), the Company entered into executive employment agreements with each of our named executive officers having terms that run through December 31, 2017.

2013 Peer Group Benchmarking

Based on the analysis provided by FPL and with the input of the members of the Committee, the Committee determined that FPL’s analysis would be benchmarked based on two peer groups of public REITs comparable to the Company that were identified by FPL in December 2013. The “Size Peer Group” consists of the following 11 REITs with market or total capitalization comparable to the Company: BioMed Realty Trust, Inc., Corporate Office

Properties Trust, EPR Properties, Federal Realty Investment Trust, Healthcare Realty Trust Incorporated, LTC Properties, Inc., Medical Properties Trust, Inc., National Health Investors, Inc., National Retail Properties, Inc., Realty Income Corporation, and Washington Real Estate Investment Trust. The “Asset Peer Group” is comprised of the following 7 public REITs, all of which operate in the health care sector: HCP, Inc., Health Care REIT, Inc., Healthcare Realty Trust Incorporated, LTC Properties, Inc., Medical Properties Trust, Inc., National Health Investors, Inc., and Ventas, Inc. The Committee recognized that healthcare REITs can be viewed as a sub-sector of the REIT industry since healthcare REITs are often subject to different market conditions than the real estate industry generally, such as the impact of healthcare reimbursement policy. The Committee also recognized that compensation of REIT executives is generally correlated with the size of the REIT. Accordingly, the Committee considered both the Size Peer Group and the Asset Peer Group and with advice from FPL determined that the data relating to the Size Peer Group would be weighted 66-2/3% and the data relating to the Asset Peer Group would be weighted 33-1/3% for purposes of developing peer group compensation data. Analyses performed included a comparison of salaries, annual bonus programs, short term equity based incentive compensation and multi-year equity based incentive compensation of comparable officers for each company as well as total compensation over a three-year period as compared to total shareholder return generated over such period.

2015 Peer Group Benchmarking

Based on analysis provided by FPL and with the input of the members of the Committee, the Committee determined that a new peer group should be composed in light of the projected increase in Omega's market capitalization of roughly 50% as a result of the then pending Merger. In January 2015, the Committee determined that FPL's analysis would be benchmarked based on one peer group of public REITs that were identified by FPL as being comparable to the Company after the Merger with Aviv based on asset size, asset class, geography and other factors. The peer group consists of the following 14 REITs: BioMed Realty Trust, Inc., Duke Realty Corporation, EPR Properties, Federal Realty Investment Trust, HCP, Inc., Health Care REIT, Inc., Healthcare Trust of America, LaSalle Hotel Properties, Lexington Realty Trust, National Retail Properties, Inc., Realty Income Corporation, Spirit Realty Capital, Inc., Ventas, Inc. and W.P. Carey, Inc. Analyses performed included a comparison of salaries, annual bonus programs, short term equity based incentive compensation and multi-year equity based incentive compensation of comparable officers for each company as well as total compensation over a three-year period as compared to total shareholder return generated over such period.

Compensation Policy and Objectives

Our executive compensation programs are designed to attract and retain the highest quality executive talent possible and, more importantly, to provide meaningful incentives for our executives to strive to enhance shareholder value over both near and longer term periods in a manner that balances potentially competing incentives that could create risk. The Compensation Committee's current executive compensation philosophy is based on these fundamental principles: (i) all compensation should be referenced on an analysis of the practices of appropriate peer groups as well as industry surveys, (ii) compensation grants and changes to compensation should be performance and responsibility based, (iii) base salaries should be at approximately the median for similar positions of the applicable peer groups, and (iv) a substantial portion of executive compensation should be performance-based and tied to shareholder return over time.

The policy and the guidelines followed by the Committee historically have been directed toward providing compensation and incentives to our executive officers in order to achieve the following objectives:

reward performance and initiative;

be competitive with other REITs viewed as competitors for executive talent;

be significantly related to accomplishments and our short-term and long-term successes, particularly measured in terms of growth in adjusted funds from operations on a per share basis and total shareholder return;

structure incentive programs utilizing various performance metrics to minimize the potential for risk associated with over-weighting any particular performance metric;

align the interests of our executive officers with the interests of our stockholders; and

encourage and facilitate our executives' ability to achieve meaningful levels of ownership of our stock.

The Role of Stockholder Say-on-Pay Votes

The Company provides its stockholders with the opportunity to cast an annual advisory vote on executive compensation (a "say-on-pay proposal"). At the Company's 2014 annual meeting of stockholders, over 97% of the votes

cast were voted in favor of the 2014 say-on-pay proposal. The Committee believes the voting results reflect strong stockholder support for the Company's approach to executive compensation. The Committee considered these results in designing an executive compensation program going forward as described herein. The Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the named executive officers.

In considering the voting results of prior say-on-pay proposals, the Committee was aware that the Company's past practice of granting long-term incentives once every three years resulted in significant year to year variation in the value of grants. Accordingly, for performance periods beginning in 2014, the Committee decided to move from the approach of making grants of long-term incentives every three years to making grants of long-term incentives each year for rolling three year periods.

Employment Agreements

Effective November 15, 2013, the Committee and the Board of Directors approved new employment agreements with each of C. Taylor Pickett, Daniel J. Booth, Robert O. Stephenson, R. Lee Crabill and Michael D. Ritz, which were each executed on November 15, 2013. Pursuant to the employment agreements, these five senior executives have similarly structured compensation plans consisting of base salary, annual cash bonus opportunity, and long-term incentive opportunity. All of the employment agreements were set to expire on December 31, 2016. These employment agreements were superseded in 2015 by the employment agreements described in the next paragraph.

Effective March 31, 2015, the Committee approved new employment agreements (superseding the 2013 employment agreements) with each of C. Taylor Pickett, Daniel J. Booth, Robert O. Stephenson, R. Lee Crabill and Michael D. Ritz, which were each executed as of March 31, 2015. Effective April 1, 2015, the Committee approved an employment agreement with Steven J. Insoft, which was executed as of April 1, 2015. Steven Insoft, previously Aviv's President and Chief Operating Officer, was appointed as Omega's Chief Corporate Development Officer effective as of the completion of the Merger with Aviv and, as such, became an Executive Officer of Omega on April 1, 2015. Pursuant to the employment agreements, our six senior executives have similarly structured compensation plans consisting of base salary, annual cash bonus opportunity, and long-term incentive opportunity. All of the employment agreements expire on December 31, 2017. See "Compensation and Severance Agreements" herein.

Elements of Compensation

Annual Base Salary

Our approach to base compensation levels has been to offer competitive salaries in comparison with prevailing market practices for comparable positions at our peer group companies. The Committee evaluates and reviews the executive officers' annual base salaries in connection with its annual review of management's performance and based on input from our Chairman of the Board and our Chief Executive Officer. In undertaking the annual review, the Committee considers the decision-making responsibilities of each position and the experience, work performance and team-building skills of each incumbent officer, as well as our overall performance and the achievement of our strategic objectives and budgets. The Committee generally views work performance as the single most important measurement factor, followed by team-building skills and decision-making responsibilities. The Committee also reviews internal pay equity in the context of the target percentile objectives when making base salary decisions, although neither internal equity nor any percentile target is a dispositive factor. The Committee also considers the effect of increasing base salary on other aspects of the overall compensation program.

For 2013 the Committee determined to target executive base salaries at the market median, based on the Size Peer Group weighted at 66-2/3% and Asset Peer Group weighted at 33-1/3%. This determination was based on advice from FPL which noted that this weighting was warranted given the high correlation between size and level of base pay. For 2014, the Committee approved base salary increases of approximately 2.5% for the executive officers, which the Committee determined to be appropriate taking into account the performance of the officers and inflation. For 2015 the Committee determined to target executive base salaries on an aggregate basis at the market median of executive base salaries on an aggregate basis for each member of the peer group. This determination was based on advice from FPL. The base salaries for our named executive officers for 2015 are set forth below.

Name	2015 Base Salary (\$)
C. Taylor Pickett	750,000
Daniel J. Booth	470,000
Steven J. Insoft	460,000
Robert O. Stephenson	450,000
R. Lee Crabill	350,000
Michael D. Ritz	300,000

Annual Cash Bonus Opportunity

Our historical compensation practices have embodied the principle that annual cash bonuses that are based primarily on achieving objectives that enhance long-term stockholder value are desirable in aligning stockholder and management interests. The Committee strives to award individual annual bonuses for each named executive officer consistent with market practices for positions with comparable decision-making responsibilities and that reward individual contributions by executive officers, all in accordance with the terms of each executive officer's employment agreement as discussed below.

We accrue estimated bonuses for our executive officers throughout the year service is performed relating to such bonuses, and thus bonuses are expensed in the year they are earned, assuming they are approved by our Board of Directors. Each officer must include his bonus in his taxable income in the year in which he receives it.

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2014 Annual Cash Bonus Opportunity. The Committee established the 2014 cash bonus opportunities for the executive officers named below subject to the achievement of the performance criteria described below:

Name	Annual Incentive (% of Base Salary)					
	Threshold		Target		High	
C. Taylor Pickett	100	%	125	%	150	%
Daniel J. Booth	50	%	75	%	100	%
Robert O. Stephenson	50	%	62.5	%	75	%
R. Lee Crabill	30	%	50	%	70	%
Michael Ritz	40	%	50	%	60	%

The Committee established the cash bonus metrics and payout levels as set forth below:

% of Bonus Opportunity	Metric	Threshold(4)	Target(4)	High(4)
40%	Adjusted FFO per share(1)	\$2.69	\$2.72	\$2.75
30%	Tenant quality(2)	Less than 2%	Less than 1.5%	Less than 1%
30%	Subjective(3)			

(1) Adjusted funds from operations per share. The adjusted FFO metric will be subject to adjustment to reflect the pro forma impact of changes to the Company's capital structure that were not contemplated in the annual budget approved by the Board of Directors.

(2) 2014 uncollected rents as a percentage of 2014 gross revenues.

(3) Subjective determination of the committee, including among other things, factors such as subjective evaluation of individual performance, Funded Debt / Total Asset Value and/or credit rating upgrade from a rating agency.

(4) As to any bonus metric except the subjective metric, if the level of achievement of the relevant performance metric is between threshold and target or between target and high, then the portion of the bonus earned with respect to that metric will be based on linear interpolation.

FFO and adjusted FFO are non-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 available to common stockholders, adjusted for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization and impairment on real estate assets. Investors and potential investors in the Company's securities should not rely on non-GAAP financial measures as a substitute for any GAAP measure, including net income. Adjusted FFO is calculated as FFO available to common stockholders excluding the impact of certain non-cash stock-based compensation and certain revenue and expense items as more fully set forth in the reconciliation in the Company's earnings release included as Exhibit 99.1 to the Form 8-K furnished on February 23, 2015. The Company believes that adjusted FFO provides 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.

In connection with determining the level of subjective bonus earned with respect to 2014 performance, the Chief Executive Officer provided the Committee with an assessment of each executive officer's performance in 2014 and his respective contribution to the Company's success in addressing the uncertain economy and challenging conditions in the capital markets. The Committee, after consultation with the Chief Executive Officer, determined to award each named executive officer the full amount of the subjective portion of his bonus for 2014. The principal factors noted in the assessment of the executive officers' performance included:

the entering into a definitive merger agreement to acquire Aviv REIT;

the issuance of the Company's \$400 million aggregate principal amount of its 4.95% Senior Notes due 2024;

the payoff and termination of its \$200 million 2013 term loan facility;

the completion of a new \$1.2 billion unsecured credit facility;

the issuance of the Company's \$250 million aggregate principal amount of its 4.50% Senior Notes due 2025;

the issuance of \$63 million of common stock via the Company's at-the-market equity shelf programs at an average price of \$34.33 per share;

the issuance of \$72 million of common stock under, the Company's Dividend Reinvestment and Common Stock Purchase Plan at an average price of \$34.32 per share;

the payoff of \$37 million long-term debt;

the completion of \$566 million in new investments in 2014;

maintaining modest leverage and significant liquidity, which positioned the Company to take advantage of growth opportunities;

favorable lease extensions and re-leases; and

success in portfolio restructurings and workouts.

Adjusted FFO per share for 2014 was \$2.85 and tenant quality (uncollected rents as a percentage of gross revenues) for 2014 was 0%, both of which achieved and exceeded the high level of performance under the 2014 annual cash bonus program. Based on the actual performance for the 2014 year of the adjusted FFO and tenant quality components at the high level and the Committee's determination that the subjective performance goal had been achieved at the high level, the Committee approved the following cash bonuses relating to 2014 performance:

	Total Cash Bonus Paid for 2014 (\$)				
	C. Taylor Pickett	Daniel J. Booth	Robert O. Stephenson	R. Lee Crabill	Michael D. Ritz
Adjusted FFO (40%)	430,500	180,400	123,000	94,710	65,190
Tenant Quality (30%)	322,875	135,300	92,250	71,033	48,893
Individual/Subjective Measures (30%)	322,875	135,300	92,250	71,032	48,892
Total Cash Bonus Paid for 2014	1,076,250	451,000	307,500	236,775	162,975

2015 Annual Cash Bonus Opportunity. The Committee established the 2015 cash bonus opportunities for the executive officers named below subject to the achievement of the performance criteria established below:

Name	Annual Incentive (% of Base Salary)		
	Threshold	Target	High
C. Taylor Pickett	100%	125%	150%
Daniel J. Booth	50%	75%	100%
Stephen J. Insoft	50%	75%	100%
Robert O. Stephenson	50%	75%	100%
R. Lee Crabill	40%	60%	80%
Michael Ritz	40%	60%	80%

Steven Insoft's 2015 bonus will not be prorated and will be based on his full annual rate of base salary for 2015 reflecting the Committee's assessment of the value of his contribution in connection with the completion of the Merger with Aviv.

The Committee established the cash bonus metrics and payout levels as set forth below:

% of Bonus Opportunity	Metric	Threshold(4)	Target(4)	High(4)
40%	Adjusted FFO per share(1)	\$2.98	\$3.01	\$3.04
30%	Tenant quality(2)	Less than 2%	Less than 1.5%	Less than 1%
30%	Subjective(3)			

(1) Adjusted funds from operations per share. The adjusted FFO metric will be subject to adjustment to reflect the pro forma impact of changes to the Company's capital structure that were not contemplated in the annual budget approved by the Board of Directors.

(2) 2015 uncollected rents as a percentage of 2015 gross revenues.

(3) Subjective determination of the committee, including among other things, factors such as subjective evaluation of individual performance, Funded Debt / Total Asset Value and/or credit rating upgrade from a rating agency.

(4) As to any bonus metric except the subjective metric, if the level of achievement of the relevant performance metric is between threshold and target or between target and high, then the portion of the bonus earned with respect to that metric will be based on linear interpolation.

Stock Incentive Awards

Stock Incentives for 2011-2013

For the period of January 1, 2011 through December 31, 2013, the Committee considered granting equity-based awards in a manner that would provide executives the opportunity to earn, for superior total shareholder return performance above target levels, compensation at the 75th percentile of 2010 peer group. However, the Committee noted that the grant date fair value of performance-based awards is significantly discounted to reflect the risk of achievement of the performance goals, and as a result, the potential realizable value of performance awards at the 75th percentile for high performance would be higher than the level the Committee viewed as appropriate at the time. As a result, the Committee determined that stock incentive grants would be based on potentially realizable values rather than the grant date fair value for accounting purposes, reducing the size of the awards from the levels initially considered. "Potential realizable value" or "targeted realizable value" refers to the projected estimated accrued taxable compensation through December 31, 2013 (including for this purpose the performance restricted stock units ("PRSUs") with a performance period ending December 31, 2013 that vest in 2014), assuming that Total Shareholder Return is at the threshold, target or high level.

The program for 2011 – 2013 was designed as a three-year compensation program, with multi-year PRSUs and time-based restricted stock granted once at the beginning of the cycle, and annual PRSUs granted in each calendar year. The 2011-2013 equity compensation program was comprised of a restricted stock grant, a multi-year PRSU grant and three annual PRSU grants for each named executive officer. Taking all equity compensation awards for the three-year period ending December 31, 2013 into account, 50% of the total equity compensation opportunity at target was performance-based, with the actual number of shares earned based on Total Shareholder Return performance. All equity compensation awards for 2011 – 2013 were earned and vested by December 31, 2013, except for the multi-year PRSUs all of which were earned at the high level as of December 31, 2013, but were subject to quarterly vesting in 2014.

The multi-year PRSUs were granted under the Omega Healthcare Investors, Inc. 2013 Stock Incentive Plan. Each multi-year PRSU award entitled the officer to receive following the end of the performance period a number of shares of common stock that would vary depending on the level of performance (threshold, target or high) over the performance period. The number of shares attributable to the multi-year PRSUs that would be earned depended on the levels (threshold, target or high) of absolute total shareholder return, calculated in accordance with a methodology under the PRSU agreements (“absolute TSR” or “TSR”), and “relative TSR” (defined below) achieved over the three year performance period ending December 31, 2013 as set forth in the table below, with absolute TSR having a 75% weighting and relative TSR having a 25% weighting. “Relative TSR” means TSR ranked on a percentile basis relative to the average total shareholder return achieved by the companies comprising the MSCI U.S. REIT Index for the same period for which TSR is calculated and using the same methodology used for calculating TSR as described above. If performance had been below threshold, no shares under the PRSUs would have been earned. If performance had been between threshold and target or between target and high, the number of shares earned under the PRSUs would have been determined under an interpolation formula. The baseline stock price from which TSR was measured for the multi-year PRSUs over the three-year performance period ending December 31, 2013 was \$21.31, the volume-weighted average price (“VWAP”) for the Company’s common stock for the month of December 2010.

Absolute TSR-Based PRSUs TSR (annualized and compounded annually for the multi-year PRSUs)	Threshold	Target	High
	8%	10%	12%
Relative TSR-Based PRSUs Percentile vs. Peer Group	50th	65th	80th

The multi-year PRSU awards granted by the Committee as of January 1, 2011 allowed the named executive officers to earn the number of shares shown in the applicable column (threshold, target or high) of the chart below depending on performance.

2011 - 2013

Multi-Year Incentive Award

Absolute Total Shareholder Return Metric
(75% Weighting)

Name	Threshold	Target	High
	8%	10%	12%
C. Taylor Pickett	10,178	66,173	117,608
Daniel J. Booth	5,761	37,274	70,566
Robert O. Stephenson	4,064	28,153	44,713
R. Lee Crabill	2,575	20,156	32,327
Michael D. Ritz	1,012	5,105	8,193

2011 - 2013

Multi-Year Incentive Award

Relative Total Shareholder Return Metric
(25% Weighting)

Name	Threshold	Target	High
	50th %-ile	65 th %-ile	80th %-ile

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C. Taylor Pickett	3,392	22,058	39,203
Daniel J. Booth	1,920	12,424	23,522
Robert O. Stephenson	1,354	9,384	14,904
R. Lee Crabill	858	6,718	10,775
Michael D. Ritz	337	1,702	2,731

Our absolute TSR and our relative TSR for the three year period ended December 31, 2013 were 68.1% and the 90th percentile, respectively, and accordingly the multi-year PRSUs were earned at the high level. The multi-year PRSUs that were earned under the preceding table vested quarterly in 2014 (the year following completion of the three-year performance period).

The number of earned and vested multi-year PRSUs were paid in equal quarterly amounts in Omega common stock, along with dividend equivalents to be paid in cash, within ten (10) days following the last day of each calendar quarter in 2014.

Dividend equivalents declared with respect to the applicable performance period accrued on PRSUs that subsequently vested and were paid at the date the shares attributable to vested PRSUs are distributable.

Stock Incentives from December 31, 2013 Forward

Overview

The Committee designed, with assistance and advice from FPL, a new long-term incentive compensation program for periods beginning in 2014. The Committee noted that the Company's historical practice of granting long-term incentive compensation only once every three years resulted in a substantial portion of long-term incentive compensation depending on market price fluctuations during the final month of the three-year performance period. The Committee noted that its past practice of granting long-term incentive awards only once every three years created the appearance of significantly higher compensation (based on the grant date fair value of the full award) in the year of grant than in the remaining years of the program, even though the existing awards are earned over three years (subject to vesting over an additional year in the case of the multi-year PRSUs). Accordingly, rather than making a single round of restricted stock and PRSU awards for the 2014-2016 performance cycle with no additional long-term incentive awards until 2017, the Committee decided to implement a new long-term incentive compensation program effective January 1, 2014 with smaller annual equity grants than previous equity grants made once every three years. As a result, the long-term incentive compensation program was shifted from sequential "end-to-end" grant cycles (i.e., 2008-2010, 2011-2013) to "rolling three-year" grant cycles (i.e., 2014-2016, 2015-2017, 2016-2018). The Committee worked with FPL to determine the appropriate size of the annual awards and appropriate adjustments to reflect the transition to an annual grant cycle. As of November 15, 2013, the Committee approved the grant, effective January 1, 2014, of long-term incentive compensation awards to each of the officers as the first grant under the new annual rolling three year long-term incentive compensation program. As of November 15, 2013, the Committee also approved the grant, effective December 31, 2013, of one-time transition awards to each of the officers to make up for the lost compensation opportunity that the officers would otherwise suffer in the Company's transition in 2014 from the three-year end-to-end long-term incentive compensation program to the annual rolling three-year long-term incentive compensation program.

Like the 2010 process, as part of the 2013 process, the Committee considered granting equity-based awards in a manner that would provide executives the opportunity to earn, for superior Total Shareholder Return performance above target levels, compensation at the 75th percentile of 2013 peer group. However, the Committee noted that the grant date fair value of performance-based awards is significantly discounted to reflect the risk of achievement of the performance goals, and that as a result the potential realizable value of performance awards at the 75th percentile for high performance would be higher than the level that the Committee viewed as appropriate at the time. As a result, in 2013 the Committee determined that stock incentive grants would be based on potentially realizable value rather than the grant date fair value for accounting purposes, reducing the size of the awards from the levels initially considered. Accordingly, the number of shares of common stock of the Company issuable under the annual grants and the transition grants are based on targeted realizable value potentially realizable by each officer, rather than the estimated compensation expense to be recognized by the Company for accounting purposes. The Company expects that the compensation expense associated with the annual and transition grants for accounting purposes will be substantially less than the targeted realizable value potentially realizable by the officers. Targeted realizable value includes projected dividends and reflects potential accrued taxable income at various levels of the Company's performance as

described below.

The significant features of the long-term incentive compensation grants are summarized below. The descriptions of the timing of payment below assumes that the officer has not elected to defer receipt of the common stock or dividend equivalents under the Company's Deferred Stock Plan.

One-Time Transition Grants effective December 31, 2013

The Committee noted that transitioning from the prior three-year end-to-end long-term incentive compensation program to the annual rolling three-year long-term incentive compensation program would result in a vesting shortfall until the fourth year of rolling three-year grants. FPL calculated this shortfall to be 175% of the targeted realizable value of each executive's annual grants described below. The Committee determined to address this shortfall by making one-time transition grants of time-based restricted stock units ("RSUs") and PRSUs for the period from December 31, 2013 through December 31, 2016 with the projected realizable values at target shown in the table below. The threshold, target and high levels of long-term incentive compensation reflect the aggregate projected realizable value from the vesting of time-based RSUs and from PRSUs based on TSR performance at the indicated performance level over the performance period.

Name	Projected Aggregate Targeted Realizable Value		
	Transition Grants* (\$)		
	Threshold	Target	High
C. Taylor Pickett	3,598,312	7,425,496	13,558,791
Daniel J. Booth	2,113,236	4,076,529	7,276,645
Robert O. Stephenson	1,491,260	3,117,939	5,737,421
R. Lee Crabill	1,100,234	2,213,936	4,042,656
Michael D. Ritz	215,215	440,967	1,213,120

* Represents aggregate projected accrued taxable income realizable by the officer through December 31, 2016. The Company's anticipated compensation expense is expected to be materially lower. See "Overview" above.

The Committee determined that the target realizable value of the transition grants should be split equally between time-based RSUs as a retention incentive and PRSUs as a performance incentive.

Restricted Stock Unit Awards. The number of shares of the Company's common stock subject to the transition RSU grants was determined based on FPL's calculation of the number of shares projected to produce as of December 31, 2016, one-half of the targeted realizable value at target in the table immediately above. Each RSU award is subject to three-year ratable vesting (1/3 per year) on December 31, 2014, 2015 and 2016 and will be subject to the officer's continued employment on the vesting date, except in the case of death, "disability," termination by the Company without "cause," or resignation for "good reason" (as those terms are defined in the award agreement, each a "Qualifying Termination") that occurs after, or within 60 days before, a "change in control" (as defined in the award agreement), in which case vesting is accelerated 100%. Dividend equivalents accrue on the RSUs and will be paid currently on unvested and vested units. The number of vested RSUs will be paid in Company common stock upon vesting.

The time-based RSUs granted by the Committee as of December 31, 2013 were for the number of shares shown in the chart below.

Name	12/31/2013 Grants of Time-Based Restricted Stock Units
C. Taylor Pickett	90,149
Daniel J. Booth	49,491
Robert O. Stephenson	37,853
R. Lee Crabill	26,878
Michael D. Ritz	5,354

Performance Restricted Stock Unit Awards. The number of shares of Company common stock subject to the transition grants of PRSUs at each performance level (threshold, target and high) is that number of shares that is projected to produce as of December 31, 2016, an amount equal to the targeted realizable value shown in the table above less the targeted realizable value attributable to the RSUs under the transition grants. Therefore, the total number of shares issued under the PRSUs if target performance is achieved will be equal to the number of shares subject to the RSUs under the transition grant. The total number of shares issued under the PRSUs if threshold performance is achieved will be less, and if high performance is achieved will be more, than the number of shares subject to the RSUs under the transition grant. The PRSUs are split into three component grants relating to the one-, two- and three-year

performance periods starting December 31, 2013, respectively. The Committee determined to more heavily weight the three-year performance period by allocating 42.8% of targeted realizable value of the transition PRSUs to the three-year performance period component and 28.6% to each of the one-year and two-year performance period components. The number of PRSUs that will be earned for each performance period will depend 50% on the level of absolute TSR and 50% on the level of relative TSR achieved over the performance periods ending December 31, 2014, December 31, 2015 and December 31, 2016, respectively, as set forth in the table below.

TSR-Based PRSUs	Threshold	Target	High
TSR (annualized and compounded annually)	8%	10%	12%
Relative TSR-Based PRSUs			
Basis Points	-300	0	+300

If TSR is between threshold and target or between target and high, TSR is rounded to the closest 0.5% percentage points and the number of PRSUs earned is determined by interpolation. If Relative TSR is between threshold and target or between target and high, Relative TSR is rounded to the closest 50 basis points and the number of PRSUs earned is determined by interpolation. The baseline stock price from which TSR will be measured for the PRSUs over each of the three performance periods is \$31.43, the average closing price per share of the Company's common stock for November and December 2013. Absolute TSR or TSR is determined by reference to the total aggregate change in the Company's stock price per share over the performance period plus dividends per share declared with respect to the performance period. Relative TSR means the Company's TSR as compared to the total shareholder return reported for the MSCI U.S. REIT Index for the performance period. For calculating absolute TSR and relative TSR, the starting and ending stock prices used are the November and December average closing price per share at the beginning and the end of the performance periods.

The number of shares earned under the PRSUs will be determined as of the last day of each performance period. The earned PRSUs vest on the last day of the performance period, subject to the officer's continued employment on the vesting date, except in the case of a Qualifying Termination or a change in control. If the Qualifying Termination is not in connection with a change in control, vesting will be prorated based on days elapsed through the date of the Qualifying Termination. If a change in control occurs, the performance period will end on the date of the change in control. If the Officer is employed on the date of the change in control or has a Qualifying Termination within 60 days after the change in control, depending on the level of TSR and Relative TSR as of the date of the change in control, all, a portion or none of the PRSUs will be earned and vested on the date of the change in control.

The PRSU awards granted by the Committee as of December 31, 2013 allow the officers to earn a number of shares shown in the applicable column (threshold, target or high) of the chart depending on the level of absolute (50% weighting) and relative TSR (50% weighting) performance over the applicable performance period as set forth above.

PRSUs Granted 12/31/2013 for 12/31/2013-12/31/2014
Performance Period

Name	Threshold	Target	High
C. Taylor Pickett	554	25,782	63,620
Daniel J. Booth	1,312		