Sabra Health Care REIT, Inc.
Form 424B5
May 07, 2014
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-188696

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, par value $0.01 per share	8,050,000 (1)	$28.35	$228,217,500	$29,395 (2)

(1) Assumes exercise in full of the underwriters option to purchase up to 1,050,000 additional shares of common stock.
(2) The filing fee of $29,395 is calculated in accordance with Rules 457(o) and 457(r) of the Securities Act of 1933, as amended, or the Act. In accordance with Rules 456(b) and 457(r) of the Act, the registrant initially deferred payment of all of the registration fees for Registration Statement No. 333-188696 filed by the registrant on May 20, 2013, as amended by a Post-Effective Amendment No. 1 filed by the registrant on January 8, 2014.

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PROSPECTUS SUPPLEMENT

(To Prospectus Dated May 20, 2013)

7,000,000 Shares

Sabra Health Care REIT, Inc.

Common Stock

We are offering 7,000,000 shares of our common stock.

Our common stock is listed on the NASDAQ Global Select Market under the symbol SBRA. The last reported sale price of our common stock on the NASDAQ Global Select Market on May 5, 2014 was $30.13 per share.

To assist us in qualifying as a real estate investment trust, or REIT, among other purposes, stockholders are generally restricted from owning more than 9.9% in value or number of shares, whichever is more restrictive, of our outstanding shares of common stock or more than 9.9% in value of the aggregate of our outstanding stock. See Description of Capital Stock Restrictions on Transfer and Ownership of Stock in the accompanying prospectus.

Investing in our common stock involves risks. See Risk Factors beginning on page S-11 of this prospectus supplement and the Risk Factors section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which is incorporated by reference into this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 28.35	$ 198,450,000

	Per Share	Total
Underwriting discount	$ 1.134	$ 7,938,000
Proceeds to Sabra Health Care REIT, Inc. (before expenses)	$ 27.216	$ 190,512,000

We have granted the underwriters an option to purchase up to 1,050,000 additional shares of our common stock within 30 days from the date of this prospectus supplement.

The underwriters expect to deliver the shares to purchasers on or about May 12, 2014 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

Citigroup **BofA Merrill Lynch** **Wells Fargo Securities**

Barclays **RBC Capital Markets**

Co-Managers

Raymond James **Stifel**

May 6, 2014

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This document consists of two parts. The first part is this prospectus supplement, which relates to the potential offer and sale of shares of our common stock and supplements and updates information contained in the accompanying prospectus and the documents incorporated by reference therein. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to any potential sale of shares of our common stock. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus or any document incorporated by reference herein that was filed with the Securities and Exchange Commission (the SEC) before the date of this prospectus supplement, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus, or the information we have previously filed with the SEC and incorporated by reference, is accurate as of any date other than the date specified in such documents. Our business, financial condition, results of operations and prospects may have changed since such dates.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein by reference contain forward-looking information as that term is defined by the Private Securities Litigation Reform Act of 1995 and the federal securities laws. Any statements that do not relate to historical or current facts or matters are forward-looking statements.

Examples of forward-looking statements include all statements regarding our expected future financial position, results of operations, cash flows, liquidity, financing plans, business strategy, budgets, the expected amounts and timing of dividends and other distributions, projected expenses and capital expenditures, competitive position, growth opportunities, potential acquisitions, plans and objectives for future operations, and compliance with and changes in governmental regulations. You can identify some of the forward-looking statements by the use of forward-looking words such as anticipate, believe, plan, estimate, expect, intend, should, may and other similar expressions, althou forward-looking statements contain these identifying words.

Our actual results may differ materially from those projected or contemplated by our forward-looking statements as a result of various factors, including among others, the following:

our dependence on Genesis HealthCare LLC (Genesis), the parent of Sun Healthcare Group, Inc. (Sun), until we are able to further diversify our portfolio;

our dependence on the operating success of our tenants;

changes in general economic conditions and volatility in financial and credit markets;

the dependence of our tenants on reimbursement from governmental and other third-party payors;

the significant amount of and our ability to service our indebtedness;

covenants in our debt agreements that may restrict our ability to make acquisitions, incur additional indebtedness and refinance indebtedness on favorable terms;

increases in market interest rates;

our ability to raise capital through equity financings;

the relatively illiquid nature of real estate investments;

competitive conditions in our industry;

the loss of key management personnel or other employees;

the impact of litigation and rising insurance costs on the business of our tenants;

uninsured or underinsured losses affecting our properties and the possibility of environmental compliance costs and liabilities;

our ability to maintain our status as a real estate investment trust (REIT); and

compliance with REIT requirements and certain tax matters related to our status as a REIT.

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We urge you to carefully consider these risks and review the additional disclosures we make concerning risks and other factors that may materially affect the outcome of our forward-looking statements and our future business and operating results, including those made under Risk Factors beginning on page S-11 of this prospectus supplement, on page 6 of the accompanying prospectus, and beginning on page 11 of our Annual Report on Form 10-K for the year ended December 31, 2013. We caution you that any forward-looking statements made in this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein by reference are not guarantees of future performance, events or results, and you should not place undue reliance on these forward-looking statements, which speak only as of their respective dates.

We do not intend, and we undertake no obligation, to update any forward-looking information to reflect future events or circumstances or to reflect the occurrence of unanticipated events, unless required by law to do so.

SUMMARY

This summary only highlights the more detailed information appearing elsewhere in this prospectus supplement or incorporated by reference in this prospectus supplement. It may not contain all of the information that is important to you. You should carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement before deciding whether to invest in shares of our common stock.

As used in this prospectus supplement, unless otherwise specified or the context otherwise requires, the terms Company, Sabra, we, our, and us refer to Sabra Health Care REIT, Inc. and its subsidiaries on a consolidated basis.

Our Company

We operate as a self-administered, self-managed REIT that, through our subsidiaries, owns and invests in real estate serving the healthcare industry. We primarily generate revenues by leasing properties to tenants and operators throughout the United States.

As of May 5, 2014, our investment portfolio consisted of 130 real estate properties held for investment (consisting of (i) 102 skilled nursing/post-acute facilities, (ii) 26 senior housing facilities, and (iii) two acute care hospitals), 11 debt investments (consisting of (i) four mortgage loans, (ii) three construction loans, (iii) one mezzanine loan, and (iv) three pre-development loans) and three preferred equity investments. Included in the 130 real estate properties held for investment is one 100% owned senior housing facility leased to a 50%/50% RIDEA-compliant joint venture tenant. As of May 5, 2014, our real estate properties held for investment had a total of 13,550 licensed beds/units, spread across 28 states. As of March 31, 2014, all of our real estate properties were leased under triple-net operating leases with expirations ranging from seven to 21 years.

We expect to continue to grow our portfolio primarily through the acquisition of senior housing and memory care facilities and with a secondary focus on acquiring skilled nursing facilities. We have and will continue to opportunistically acquire other types of healthcare real estate (including acute care hospitals) and originate financing secured directly or indirectly by healthcare facilities. We also expect to continue to work with operators to identify strategic development opportunities. These opportunities may involve replacing or renovating facilities in our portfolio that may have become less competitive and new development opportunities that present attractive risk-adjusted returns. In addition to pursuing acquisitions with triple-net leases, we expect to continue to pursue other forms of investment, including investments in senior housing through RIDEA-compliant structures, mezzanine and secured debt investments, and joint ventures for senior housing, memory care and skilled nursing assets.

As we acquire additional properties and expand our portfolio, we expect to further diversify by tenant, asset class and geography within the healthcare sector. We employ a disciplined, opportunistic approach in our healthcare real estate investment strategy by investing in assets that provide attractive opportunities for dividend growth and appreciation of asset values, while maintaining balance sheet strength and liquidity, thereby creating long-term stockholder value.

Competitive Strengths

We believe the following competitive strengths contribute significantly to our success:

Geographically Diverse and Stable Property Portfolio

Our portfolio of 130 properties held for investment as of May 5, 2014, comprising 13,550 licensed beds/units, is broadly diversified by location across 28 states. Our properties in any one state did not account for more

than 14% of our total licensed beds/units as of March 31, 2014, and our properties in any one state did not account for more than 13%, 14% and 16%, respectively, of our total rental revenue during the years ended December 31, 2013, 2012 and 2011. Our geographic diversification will limit the effect of a decline in any one regional market on our overall performance. The annual weighted average occupancy percentages of our properties remained stable at between 88.2% and 90.2% over the last five years. We have also been able to diversify through acquisitions the extent to which our revenues are dependent on our tenants and borrowers revenue from federal, state and local government reimbursement programs. Based on the information provided to us by our tenants and borrowers, which information is provided quarterly in arrears, on an annualized basis as of March 31, 2014, 59.8% of our tenants and borrowers revenue was from federal, state and local government reimbursement programs compared to 76.3% on an annualized basis as of December 31, 2010.

Long-Term, Triple-Net Lease Structure

All of our real estate properties are leased under triple-net operating leases with expirations ranging from seven to 21 years, pursuant to which the tenants are responsible for all facility maintenance, insurance required in connection with the leased properties and the business conducted on the leased properties, taxes levied on or with respect to the leased properties and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. As of March 31, 2014, the leases had a weighted-average remaining term of 11 years. We retain substantially all of the risks and benefits of ownership of the real estate assets leased to tenants. As of March 31, 2014, the lease agreements with subsidiaries of Genesis are guaranteed by Genesis, and as a result, we did not require a security deposit from any of Genesis s subsidiaries. For our properties that are leased to tenants other than Genesis s subsidiaries, we have, in certain instances, obtained security deposits.

Strong Relationships with Operators

The members of our management team have developed an extensive network of relationships with qualified local, regional and national operators of skilled nursing and senior housing facilities across the United States. This extensive network has been built by our management team through over 20 years of operating experience, involvement in industry trade organizations and the development of banking relationships and investor relations within the skilled nursing and senior housing industries. We work collaboratively with our operators to help them achieve their growth and business objectives. We believe these strong relationships with operators help us to source investment opportunities.

Our relationships with operators include pipeline agreements that we have entered into with certain operators that provide for the acquisition of, and interim capital commitments for, various health care facilities. These pipeline agreements, together with repeat transactions with other operators, help support our future growth by providing additional investment opportunities with lower acquisition pursuit costs than would be required for investments with new operators.

Ability to Identify Talented Operators

As a result of our management team s operating experience, network of relationships and industry insight, we have been able and expect to continue to be able to identify qualified local, regional and national operators. We seek operators who possess local market knowledge, demonstrate hands-on management, have proven track records and emphasize patient care. We believe our management team s experience gives us a key competitive advantage in objectively evaluating an operator s financial position, emphasis on care and operating efficiency.

Significant Experience in Proactive Asset Management

The members of our management team have significant experience developing systems to collect and evaluate data relating to the underlying operational and financial success of healthcare companies and healthcare-related real estate assets. We are able to utilize this experience and expertise to provide our operators, when requested, with significant assistance in the areas of marketing, development, facility expansion and strategic planning. We actively monitor the operating results of our tenants and, when requested, will work closely with our operators to identify and capitalize on opportunities to improve the operations of our facilities and the overall financial and operating strength of our operators.

Experienced Management Team

Our management team has extensive healthcare and real estate experience. Richard K. Matros, Chairman, President and Chief Executive Officer of Sabra, has more than 25 years of experience in the acquisition, development and disposition of skilled nursing facilities and other healthcare facilities, including nine years at Old Sun (as defined below). Harold W. Andrews, Jr., Executive Vice President, Chief Financial Officer and Secretary of Sabra, is a finance professional with more than 15 years of experience in both the provision of healthcare services and healthcare real estate. Talya Nevo-Hacohen, Executive Vice President, Chief Investment Officer and Treasurer of Sabra, is a real estate finance executive with more than 20 years of experience in real estate finance, acquisition and development, including three years of experience managing and implementing the capital markets strategy of an S&P 500 healthcare REIT. Through years of public company experience, our management team also has extensive experience accessing both debt and equity capital markets to fund growth and maintain a flexible capital structure.

Flexible UPREIT Structure

We operate through an umbrella partnership, commonly referred to as an UPREIT structure, in which substantially all of our properties and assets are held by Sabra Health Care Limited Partnership, a Delaware limited partnership (the Operating Partnership), in which we and our wholly owned subsidiaries are currently the only partners, or by subsidiaries of the Operating Partnership. Conducting business through the Operating Partnership allows us flexibility in the manner in which we acquire properties. In particular, an UPREIT structure enables us to acquire additional properties from sellers in exchange for limited partnership units, which may provide property owners the opportunity to defer the tax consequences that would otherwise arise from a sale of their real properties and other assets to us. As a result, this structure allows us to acquire assets more efficiently and may allow us to acquire assets that the owner would otherwise be unwilling to sell because of tax considerations.

We were incorporated on May 10, 2010 as a wholly owned subsidiary of Sun Healthcare Group, Inc. (Old Sun), a provider of nursing, rehabilitative and related specialty healthcare services principally to the senior population in the United States. Pursuant to a restructuring plan by Old Sun, Old Sun restructured its business by separating its real estate assets and its operating assets into two separate publicly traded companies, Sabra and SHG Services, Inc. (which was then renamed Sun Healthcare Group, Inc. or Sun). In order to effect the restructuring, Old Sun distributed to its stockholders on a pro rata basis all of the outstanding shares of common stock of Sun (the Separation), together with an additional cash distribution. Immediately following the Separation, Old Sun merged with and into Sabra, with Sabra surviving the merger and Old Sun stockholders receiving shares of Sabra common stock in exchange for their shares of Old Sun common stock (the REIT Conversion Merger). The Separation and REIT Conversion Merger were completed on November 15, 2010.

Following the restructuring of Old Sun s business and the completion of the Separation and REIT Conversion Merger, we began operating as a self-administered, self-managed REIT that, directly or indirectly,

owns and invests in real estate serving the healthcare industry. We elected to be treated as a REIT with the filing of our U.S. federal income tax return for the taxable year beginning January 1, 2011. We believe that we have been organized and have operated, and we intend to continue to operate, in a manner to qualify as a REIT.

Our principal executive offices are located at 18500 Von Karman Avenue, Suite 550, Irvine, California 92612 and our telephone number is (888) 393-8248. Our website is *www.sabrahealth.com*. **None of the information contained on our website or on websites linked to our website is part of this prospectus supplement or the accompanying prospectus.**

THE OFFERING

Common stock offered by us	7,000,000 shares (or 8,050,000 shares if the underwriters exercise their option to purchase additional shares in full).
Common stock outstanding immediately after this offering	46,213,151 shares (or 47,263,151 shares if the underwriters exercise their option to purchase additional shares in full).
Use of proceeds	We expect to receive approximately $189.9 million in net proceeds from this offering (or approximately $218.5 million if the underwriters exercise in full their option to purchase additional shares of our common stock), after deducting the underwriting discounts and our estimated offering expenses. We intend to contribute the net proceeds from this offering to the Operating Partnership, which will in turn apply a portion of the net proceeds to repay borrowings outstanding on our revolving credit facility as more fully described in Use of Proceeds. The remaining proceeds to us will be used to fund possible future acquisitions or for general corporate purposes. Pending such uses, we may invest the proceeds to us from this offering in interest-bearing short-term investments, including money market funds and/or accounts, that are consistent with our ability to maintain our qualification as a REIT. See Use of Proceeds in this prospectus supplement.
Conflicts of interest	As described in Use of Proceeds, we intend to contribute the net proceeds from this offering to the Operating Partnership, which will in turn apply a portion of the net proceeds to repay borrowings outstanding on our revolving credit facility. Affiliates of each of the underwriters are lenders under our revolving credit facility and, in such capacity, will each receive a portion of the net proceeds from this offering. See Use of Proceeds and Underwriting (Conflicts of Interest) in this prospectus supplement.
NASDAQ Global Select Market symbol	SBRA
Ownership and transfer restrictions	To assist us in qualifying as a REIT, among other purposes, stockholders are generally restricted from owning more than 9.9% in value or number of shares, whichever is more restrictive, of our outstanding shares of common stock or more than 9.9% in value of the aggregate of our outstanding stock. See Description of Capital Stock Restrictions on Transfer and Ownership of Stock in the accompanying prospectus.
Risk factors	Investing in our common stock involves risks. See Risk Factors beginning on page S-11 of this prospectus supplement, on page 6 of the accompanying prospectus and beginning on page 11 of our Annual Report on Form 10-K for the year ended December 31, 2013, which is incorporated by reference herein, to read about factors you should consider before buying our common stock.

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The number of shares of common stock to be outstanding immediately after this offering excludes:

- 1,079,264 shares of common stock issuable upon vesting of restricted stock units or upon the payment of restricted stock units that have been deferred, which were outstanding under our 2009 Performance Incentive Plan as of March 31, 2014; and

- 1,633,393 additional shares of common stock reserved for issuance under our 2009 Performance Incentive Plan, assuming the approval of amendments to the 2009 Performance Incentive Plan by our stockholders at our 2014 annual meeting of stockholders to be held on June 24, 2014.

Unless otherwise stated, all information contained in this prospectus supplement assumes no exercise of the underwriters option to purchase up to 1,050,000 additional shares.

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SUMMARY CONDENSED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth summary condensed consolidated financial and other data for each of the periods indicated. You should read the following summary condensed consolidated financial and other data in conjunction with our consolidated financial statements and related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2013 and in our Quarterly Report on Form 10-Q for the three months ended March 31, 2014, each of which is incorporated by reference into this prospectus supplement. The financial data as of and for the three months ended March 31, 2014 and March 31, 2013 are derived from our unaudited consolidated financial statements and are not necessarily indicative of results for any future period. The unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments necessary for the fair presentation of the financial condition and results of operations for such periods.

	Three Months Ended March 31,		Year Ended December 31,		
	2014 (unaudited)	2013 (unaudited)	2013	2012	2011
	(dollars in thousands)				
Operating Data:					
Revenues	$ 40,850	$ 32,022	$ 134,780	$ 103,170	$ 84,225
Expenses:					
Depreciation and amortization	9,350	8,246	33,281	30,263	26,591
Interest	11,134	10,002	40,460	34,335	30,319
General and administrative	5,853	4,717	16,423	16,104	14,473
Impairment				2,481	
Total expenses	26,337	22,965	90,164	83,183	71,383
Loss on extinguishment of debt	(22,134)		(10,101)	(2,670)	
Other income (expense)	300	500	(800)	2,196	
Net (loss) income	(7,321)	9,557	33,715	19,513	12,842
Preferred stock dividends	(2,561)	(304)	(7,966)		
Net income (loss) attributable to common stockholders	$ (9,864)	$ 9,253	$ 25,749	$ 19,513	$ 12,842
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 4,286	$ 53,565	$ 4,308	$ 17,101	$ 42,250
Real estate investments, net of accumulated depreciation	1,021,704	819,026	915,418	827,135	653,377
Loans receivable and other investments, net	199,603	24,978	185,293	12,017	
Total assets	1,331,356	964,566	1,197,835	916,882	749,650
Total debt (1)	842,106	481,800	691,230	575,488	382,898
Net debt (2)	837,820	428,235	686,922	558,387	340,648
Total equity	438,723	440,140	460,164	305,488	326,573
Other Financial Data (unaudited):					
FFO (3)(5)	$ (514)	$ 17,499	$ 59,030	$ 52,257	$ 39,433
AFFO (3)(5)	324	16,559	57,942	60,287	47,142
Normalized FFO (4)(5)	21,719	17,499	69,901	54,927	39,433
Normalized AFFO (4)(5)	21,120	16,559	67,954	60,134	45,858

(1) Total debt does not include $0.5 million of mortgage premium as of December 31, 2011.

(2) Net debt consists of total debt, less cash and cash equivalents.

(3) We believe that net income attributable to common stockholders as defined by GAAP is the most appropriate earnings measure. We also believe that funds from operations (FFO), as defined in accordance with the definition used by the National Association of Real Estate Investment Trusts (NAREIT), and adjusted funds from operations (AFFO) (and related per share amounts) are important non-GAAP supplemental measures of our operating performance. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income attributable to common stockholders, as defined by GAAP. FFO is defined as net income attributable to common stockholders, computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization and impairment charges. AFFO is defined as FFO excluding non-cash revenues (including, but not limited to, straight-line rental income adjustments and write-offs, non-cash interest income adjustments and amortization of debt premium), non-cash expenses (including, but not limited to, stock-based compensation expense, amortization of deferred financing costs and amortization of debt discounts) and acquisition pursuit costs. We believe that the use of FFO and AFFO (and the related per share amounts), combined with the required GAAP presentations, improves the understanding of our operating results among investors and makes comparisons of operating results among REITs more meaningful. We consider FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding gains or losses from real estate dispositions, impairment charges, and real estate depreciation and amortization, and for AFFO, by excluding non-cash revenues (including, but not limited to, straight-line rental income adjustments and write-offs, non-cash interest income adjustments and amortization of debt premium), non-cash expenses (including, but not limited to, stock-based compensation expense, amortization of deferred financing costs and amortization of debt discounts) and acquisition pursuit costs, FFO and AFFO can help investors compare our operating performance between periods or as compared to other companies. While FFO and AFFO are relevant and widely used measures of operating performance of REITs, they do not represent cash flows from operations or net income attributable to common stockholders as defined by GAAP and should not be considered an alternative to those measures in evaluating our liquidity or operating performance. FFO and AFFO also do not consider the costs associated with capital expenditures related to our real estate assets nor do they purport to be indicative of cash available to fund our future cash requirements. Further, our computation of FFO and AFFO may not be comparable to FFO and AFFO reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define AFFO differently than we do.

(4) In addition to FFO and AFFO, we believe that normalized FFO and normalized AFFO are important supplemental measures of our operating performance. Normalized FFO represents FFO adjusted for certain income and expense items that we do not believe are indicative of our ongoing operating results. Normalized AFFO represents AFFO adjusted for one-time start-up costs and certain income and expense items that we do not believe are indicative of our ongoing operating results. By excluding these income and expense items, we believe that normalized FFO and AFFO are useful measures that can help investors compare our operating performance between periods or as compared to other companies. Normalized FFO and AFFO do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating the Company s liquidity or operating performance. Normalized FFO and AFFO also do not consider the costs associated with capital expenditures related to our real estate assets nor do they purport to be indicative of cash available to fund our future cash requirements. Further, our computation of normalized FFO and AFFO may not be comparable to

normalized FFO and AFFO reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define FFO and AFFO or normalized FFO and normalized AFFO differently than we do.

(5) The following table reconciles our calculations of FFO, normalized FFO, AFFO, and normalized AFFO for the three months ended March 31, 2014 and 2013, and for the years ended December 31, 2013, 2012, and 2011 to net income (loss) attributable to common stockholders, the most directly comparable GAAP financial measure, for the same periods (in thousands):

	Three Months Ended March 31,		Year ended December 31,		
	2014	2013	2013	2012	2011
Net income (loss) attributable to common stockholders	$ (9,864)	$ 9,253	$ 25,749	$ 19,513	$ 12,842
Depreciation and amortization	9,350	8,246	33,281	30,263	26,591
Impairment				2,481	
FFO	$ (514)	$ 17,499	$ 59,030	$ 52,257	$ 39,433
Loss on extinguishment of debt(a)	22,134		10,101	2,670	
Write-off of straight-line rental income(b)	99				
Additional interest on 2018 Notes(c)			770		
Normalized FFO	$ 21,719	$ 17,499	$ 69,901	$ 54,927	$ 39,443
FFO	$ (514)	$ 17,499	$ 59,030	$ 52,257	$ 39,433
Acquisition pursuit costs	392	197	1,455	1,654	3,218
Stock-based compensation expense	2,513	2,474	7,819	8,279	4,600
Straight-line rental income adjustments	(4,186)	(3,683)	(14,709)	(4,893)	(2,092)
Amortization of deferred financing costs	945	766	3,280	2,685	1,998
Amortization of debt premiums	(33)	(199)	(671)	(347)	(15)
Change in fair value of contingent consideration	(300)	(500)	800		
Non-cash portion of loss on extinguishment of debt	1,338		859	628	
Non-cash interest income adjustments	70	5	79	24	
Write-off of straight-line rental income	99				
AFFO	$ 324	$ 16,559	$ 57,942	$ 60,287	$ 47,142
Cash portion of loss on extinguishment of debt(d)	20,796		9,242	2,043	
Additional interest on 2018 Notes(c)			770		
Consent fee				(2,196)	
Hillside Terrace interest income, net of expense					(1,594)
Start-up costs					310
Normalized AFFO	$ 21,120	$ 16,559	$ 67,954	$ 60,134	$ 45,858

(a) The loss on extinguishment of debt for the three months ended March 31, 2014 consisted of (i) $21.6 million related to the redemption fee paid and the write-offs of deferred financing costs and issuance premium in connection with the January 2014 redemption of our then outstanding 8.125% senior notes due 2018 (the 2018 Notes) and (ii) $0.5 million related to the write-offs of deferred financing costs in connection with our mortgage debt refinancing. The loss on extinguishment of debt for the year ended December 31, 2013 consisted of (i) $9.8 million related to the redemption fee paid and the write-offs of deferred financing costs and issuance premium in connection with the June 2013 redemption of $113.8 million in aggregate principal amount of our then outstanding 2018 Notes and (ii) $0.3 million

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related to the write-offs of deferred financing costs in connection with amending and restating our revolving credit facility. The loss on extinguishment of debt for the year ended December 31, 2012 was due to prepayment penalty fees and the write-offs of unamortized deferred financing costs and issuance premiums associated with mortgage debt refinancing.

(b) The write-off of straight line rental income for the three months ended March 31, 2014 related to a new lease agreement for the senior housing facility that is part of our 50%/50% RIDEA-compliant senior housing operations joint venture.

(c) The additional interest on the 2018 Notes for the year ended December 31, 2013 consisted of additional interest we paid in connection with the June 2013 redemption of $113.8 million in aggregate principal amount of our then outstanding 2018 Notes.

(d) The cash portion of loss on extinguishment of debt consists of the cash portion of the amounts described in footnote (a) above.

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RISK FACTORS

You should carefully consider, among other factors, the matters described below, those in the accompanying prospectus on page 6, and those under the heading Risk Factors beginning on page 11 of our Annual Report on Form 10-K for the year ended December 31, 2013, as well as the other information contained in and incorporated by reference in this prospectus supplement and the accompanying prospectus, before you make a decision to invest in our securities. See Incorporation of Certain Information by Reference.

Risks Related to Our Common Stock and this Offering

We may experience volatility in the market price of our common stock, which may make it difficult for you to sell the common stock when you want or at prices you find attractive.

The market price of our common stock has fluctuated significantly and may continue to fluctuate significantly. Between November 15, 2010, the date of the Separation and REIT Conversion Merger, and May 5, 2014, the market price of our stock ranged from a high of $32.40 per share to a low of $7.86 per share. Many factors could cause the market price of our common stock to rise or fall. In addition to the matters discussed in other risk factors included herein and those incorporated by reference herein, some of the reasons for the fluctuations in our stock price include:

- our operating performance and the performance of other similar companies;
- actual or anticipated changes in our business, operations, and prospects;
- the ability of our tenants, including Genesis and its subsidiaries, to pay rent to us and meet their other obligations to us under current lease terms;
- legislative or other regulatory developments, including regulations proposed or issued by the Centers for Medicare and Medicaid Services;
- the hiring or departure of key personnel;
- announcements or activities by our competitors;
- proposed acquisitions by us or our competitors;
- financial results that fail to meet public market analysts expectations and changes in stock market analysts recommendations regarding us, other healthcare or real estate-based companies, or the healthcare industry in general;
- any future issuances of equity securities;
- our access to financing;

increases in market interest rates that lead investors in our common stock to demand a higher yield;

our ability to comply with the financial covenants in our debt agreements and the impact of restrictive covenants in our debt agreements;

adverse judgments or settlements obligating us to pay damages;

the failure to maintain REIT qualification;

- our ability to comply with current and future regulations with respect to our qualification as a REIT and restrictions imposed on us and our business by those regulations;

- the risk that if we fail to qualify as a REIT, we will have reduced funds available for distributions, will not be allowed a deduction for distributions, and will be subject to U.S. federal income tax at regular corporate rates;

- acts of war, terrorism, or national calamities;

- industry, domestic, and international market and economic conditions;

- decisions by investors to de-emphasize investment categories, groups, or strategies that include our company or industry; and

- low trading volume of our common stock.

In addition, the stock market has experienced significant price and volume fluctuations over the past several years. These fluctuations are often unrelated to the operating performance of particular companies and may adversely affect the market price of our common stock. When the market price of a company s stock drops significantly, stockholders often institute securities class action litigation against that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management, or otherwise harm our business.

Future offerings of debt securities, which would be senior to our common stock, or equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of distributions, may adversely affect the market price of our common stock.

We may attempt to increase our capital resources by making additional offerings of debt or equity securities, including senior or subordinated notes and classes of preferred stock. For example, in March 2013, we issued 5.8 million shares of 7.125% Series A Cumulative Redeemable Preferred Stock; in May 2013, we issued $200.0 million aggregate principal amount of 5.375% senior notes due 2023; and in January 2014, we issued $350.0 million aggregate principal amount of 5.5% senior notes due 2021. In March 2013, we also established an at-the-market common stock offering program (ATM Program) and, as of March 31, 2014, we had $57.1 million available under our ATM Program. Upon our liquidation, holders of our debt securities and shares of preferred stock, lenders with respect to other borrowings and all of our creditors will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings by us may dilute the stock holdings of our existing stockholders or reduce the value of our common stock, or both. Our Series A Preferred Stock has, and other classes or series of our preferred stock may have, a preference on distributions that could limit our ability to make distributions to the holders of our common stock. Because our decision to issue securities will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk of our future offerings reducing the value of our common stock and diluting the value of their stock holdings in us.

Our ability to pay dividends on our common stock may be limited.

To comply with the 90% distribution requirement applicable to REITs and to avoid the nondeductible excise tax, we must make distributions to our stockholders. Because we conduct all of our operations through the Operating Partnership, our ability to pay dividends on our common stock will depend almost entirely on payments and dividends received on our interests in the Operating Partnership. Additionally, the terms of some of the debt to which the Operating Partnership is a party limits its ability to make some types of payments and other dividends to us, and the Operating Partnership may enter into similar agreements in the future. This in turn limits our ability to make some types of payments, including payment of dividends on our common stock, unless

we meet certain financial tests or such payments or dividends are required to maintain our qualification as a REIT. As a result, if we are unable to meet the applicable financial tests, we may be unable to pay dividends on our common stock in one or more periods.

Our ability to pay dividends also depends on our ability to operate profitably and to generate cash from our operations. We may be unable to pay dividends on our stock on a regular quarterly basis in the future. Furthermore, additional common stock issuances could substantially increase the cash required to pay cash dividends. Any common stock or preferred stock that may in the future be issued to finance acquisitions, upon exercise of stock options or otherwise would have a similar effect.

Further, under Maryland law, no distributions on stock may be made if, after giving effect to the distribution, (a) the corporation would not be able to pay indebtedness of the corporation as such indebtedness becomes due in the usual course of business or, (b) except in certain limited circumstances when distributions are made from net earnings, the corporation s total assets would be less than the sum of the corporation s total liabilities plus, unless the charter provides otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the distribution.

Holders of our outstanding shares of Series A Preferred Stock have, and holders of any future outstanding shares of preferred stock will have, dividend rights and rights upon our liquidation, dissolution or winding up of our affairs that are senior to the rights of the holders of our common stock.

Since our board of directors has the authority to classify and issue preferred stock with dividend rights and rights upon our liquidation, dissolution or winding up of our affairs that are senior to those of our common stock, the holders of our issued and outstanding shares of Series A Preferred Stock, as well as any preferred stock that may be issued in the future, would receive, upon our voluntary or involuntary liquidation, dissolution or winding up of our affairs, before any payment is made to holders of our common stock, their liquidation preferences as well as any accrued and unpaid dividends. These payments would reduce the remaining amount of our assets, if any, available for distribution to holders of our common stock.

Our charter contains restrictions upon transfer and ownership of our common stock, which may impair the ability of holders to acquire our common stock.

In order for us to maintain our qualification as a REIT, no more than 50% of the value of our outstanding stock may be owned, directly or constructively, by five or fewer individuals, as defined in the Code. For the purpose of preserving our REIT qualification, our charter prohibits, subject to certain exceptions, beneficial and constructive ownership of more than 9.9% in value or in number of shares, whichever is more restrictive, of our outstanding common stock or more than 9.9% in value of all classes or series of our outstanding stock. The constructive ownership rules are complex and may cause shares of stock owned directly or constructively by a group of related individuals to be constructively owned by one individual or entity. See Description of Capital Stock Restrictions on Transfer and Ownership of Stock in the accompanying prospectus. You should consider these ownership limitations prior to your purchase of our common stock.

Market interest rates may have an effect on the value of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell our common stock will be the distribution rate on our common stock as a percentage of our stock price, relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our common stock to expect a higher dividend yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to decrease.

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We expect to seek to raise additional proceeds in one or more additional equity offerings or incur additional debt.

We expect to seek to raise additional proceeds for future acquisitions in one or more additional equity offerings or incur additional debt. Additional issuances of our common stock, or the perception that such issuances could occur, may cause prevailing market prices to decline and may adversely affect our ability to raise additional proceeds at a time and price favorable to us. Any additional future issuance of our common stock will also reduce the percentage of our common stock owned by investors purchasing shares in this offering that do not participate in such future issuances. As of March 31, 2014, 1,079,264 shares of common stock were issuable upon vesting of restricted stock units or upon the payment of restricted stock units that have been deferred, which are outstanding under our 2009 Performance Incentive Plan. In addition, as of March 31, 2014, we had $57.1 million available under our ATM Program.

USE OF PROCEEDS

The net proceeds to us from this offering (after deducting the underwriting discounts and our estimated offering expenses) are estimated to be approximately $189.9 million, or approximately $218.5 million if the underwriters exercise in full their option to purchase additional shares of our common stock. We intend to contribute the net proceeds from this offering to the Operating Partnership, which will in turn apply a portion of the net proceeds to repay borrowings outstanding on our revolving credit facility. The remaining proceeds will be used to fund possible future acquisitions or for general corporate purposes. We had $162.0 million outstanding, and $125.5 million available for borrowing, under our revolving credit facility as of March 31, 2014. Subsequent to March 31, 2014, we borrowed an additional net $25.6 million under our revolving credit facility to fund our investment activity and financing activity as described further under Capitalization. The outstanding borrowings under our revolving credit facility bear interest at a rate equal to an applicable percentage plus, at the option of the Operating Partnership and certain subsidiaries of the Operating Partnership, either (a) LIBOR or (b) a base rate determined as the greater of (i) the federal funds rate plus 0.5%, (ii) the prime rate, and (iii) one-month LIBOR plus 1.0%. Following repayment of the outstanding borrowings under our revolving credit facility with a portion of the net proceeds from this offering, we expect to have availability for future borrowings of $287.5 million. The revolving credit facility has a maturity date of July 29, 2016, and includes a one year extension option.

Pending the uses described above, we may invest the net proceeds from this offering in interest-bearing short-term investments, including money market funds and/or accounts, that are consistent with our ability to maintain our qualification as a REIT. These investments are expected to provide a lower net return than we will seek to achieve from property acquisitions.

Affiliates of each of the underwriters are lenders under our revolving credit facility and, in such capacity, will receive a portion of the net proceeds from this offering. See Underwriting (Conflicts of Interest).

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COMMON STOCK PRICE RANGE AND DIVIDEND PAYMENTS

Our common stock is listed on The NASDAQ Stock Market LLC and trades on the NASDAQ Global Select Market under the symbol SBRA. Set forth below for the fiscal quarters indicated are the reported high and low sales prices per share of our common stock on the NASDAQ Stock Market and the dividends paid per share of common stock.

	Sales Price		
	High	**Low**	**Dividends Paid**
2012			
First quarter	$ 16.99	$ 11.91	$ 0.33
Second quarter	$ 17.24	$ 13.37	$ 0.33
Third quarter	$ 20.90	$ 17.07	$ 0.33
Fourth quarter	$ 22.86	$ 19.89	$ 0.33
2013			
First quarter	$ 29.14	$ 22.08	$ 0.34
Second quarter	$ 32.40		