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

FORM 10-Q

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

For the quarterly period ended March 31, 2000
or
___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 1-11316

OMEGA HEALTHCARE
INVESTORS, INC.
(Exact name of Registrant as specified in its charter)

Maryland	38-3041398
(State of Incorporation)	(I.R.S. Employer Identification No.)

900 Victors Way, Suite 350, Ann Arbor, MI 48108
(Address of principal executive offices)

(734) 887-0200
(Telephone number, including area code)

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

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of March 31, 2000

Common Stock, $.10 par value	20,127,957
(Class)	(Number of shares)

OMEGA HEALTHCARE INVESTORS, INC.

FORM 10-Q

March 31, 2000

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

OMEGA HEALTHCARE INVESTORS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

<TABLE>
<CAPTION>

<S>	March 31, 2000 (Unaudited) <C>	December 31, 1999 (See Note) <C>
ASSETS		
Real estate properties		
Land and buildings at cost	$ 605,183	$ 678,605
Less accumulated depreciation	(65,255)	(65,854)
Real estate properties - net	539,928	612,751
Mortgage notes receivable	213,229	213,617
	753,157	826,368
Other real estate - net	147,097	65,847
Other investments	58,075	61,705
	958,329	953,920
Assets held for sale	36,705	36,406
Total Investments (Cost of $1,060,289 at March 31, 2000 and $1,056,180 at December 31, 1999)	995,034	990,326
Cash and short-term investments	2,509	4,105
Goodwill and non-compete agreements - net	2,847	3,013
Other assets	13,606	16,407
Total Assets	$ 1,013,996	$ 1,013,851
LIABILITIES AND SHAREHOLDERS' EQUITY		
Acquisition lines of credit	$ 177,000	$ 166,600
Unsecured borrowings	310,996	310,996
Secured borrowings	15,878	15,951
Subordinated convertible debentures	48,405	48,405
Accrued expenses and other liabilities	13,699	14,818
Total Liabilities	565,978	556,770
Preferred Stock	107,500	107,500
Common stock and additional paid-in capital	450,939	449,292
Cumulative net earnings	235,123	232,105
Cumulative dividends paid	(343,749)	(331,341)
Stock option loans	(2,427)	(2,499)
Unamortized restricted stock awards	(1,592)	(526)
Accumulated other comprehensive income	2,224	2,550
Total Shareholders' Equity	448,018	457,081
Total Liabilities and Shareholders' Equity	$ 1,013,996	$ 1,013,851

</TABLE>

Note - The balance sheet at December 31, 1999, has been derived from audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to condensed consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

(In Thousands, Except Per Share Amounts)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999
<S>	<C>	<C>
Revenues		
Rental income	$ 17,944	$ 18,128
Mortgage interest income	6,000	10,217
Other investment income	1,628	1,662
Other real estate income	518	-
Miscellaneous	27	16
	26,117	30,023
Expenses		
Depreciation and amortization	5,910	5,595
Interest	10,966	10,106
General and administrative	1,723	1,497
	18,599	17,198
Net earnings before provision for loss on assets held for sale	7,518	12,825
Provision for loss on assets held for sale - net	(4,500)	-
Net earnings	3,018	12,825
Preferred stock dividends	(2,408)	(2,408)
Net earnings available to common	$ 610	$ 10,417
Net Earnings per common share:		
Basic before provision for loss on assets held for sale	$ 0.26	$ 0.52
Diluted before provision for loss on assets held for sale	$ 0.26	$ 0.52
Basic after provision for loss on assets held for sale	$ 0.03	$ 0.52
Diluted after provision for loss on assets held for sale	$ 0.03	$ 0.52
Dividends paid per common share	$ 0.50	$ 0.70
Average Shares Outstanding, Basic	19,982	19,899
Average Shares Outstanding, Diluted	19,982	19,901
Other comprehensive income (loss):		
Unrealized Gain (Loss) on Omega Worldwide, Inc.	$ (326)	$ 735
Total comprehensive income	$ 2,692	$ 13,560

</TABLE>

See notes to condensed consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
(In Thousands)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999

<S>	<C>	<C>
Operating activities		
Net earnings	$ 3,018	$ 12,825
Adjustment to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	5,910	5,595
Provision for impairment loss	4,500	-
Provision for collection losses	1,437	-
Other	633	998
Funds from operations available for distribution and investment	15,498	19,418
Net change in operating assets and liabilities	(1,271)	(4,069)
Net cash provided by operating activities	14,227	15,349
Cash flows from financing activities		
Proceeds of acquisition lines of credit	10,400	53,155
Payments of long-term borrowings	(73)	(76)
Receipts from Dividend Reinvestment Plan	349	260
Dividends paid	(12,408)	(16,409)
Purchase of Company common stock	-	(8,740)
Other	-	1,283
Net cash (used in) provided by financing activities	(1,732)	29,473
Cash flow from investing activities		
Acquisition of real estate	-	(33,921)
Placement of mortgage loans	-	(16,891)
Fundings of foreclosure activities	(11,644)	-
Proceeds from sale of real estate investments - net	230	2,914
Fundings of other investments - net	(3,065)	(2,532)
Collection of mortgage principal	388	5,776
Other	-	(482)
Net cash used in investing activities	(14,091)	(45,136)
Decrease in cash and short-term investments	$ (1,596)	$ (314)

</TABLE>

See notes to condensed consolidated financial statements.

Omega Healthcare Investors, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

March 31, 2000

Note A - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements for Omega Healthcare Investors, Inc. (the "Company"), have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and impairment provisions to adjust the carrying value of assets held for sale to fair value less cost of disposal) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2000, are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1999.

Note B - Concentration of Risk and Related Issues

As a result of certain recent developments, the risks associated with investing in long-term healthcare facilities, stemming in large part from government legislation and regulation of operators of the facilities, has increased. The Company's tenants/mortgagors depend on reimbursement legislation which will provide them adequate payments for services because a significant portion of their revenue is derived from government programs funded under Medicare and Medicaid. The Medicare program implemented a Prospective Payment System for skilled nursing facilities, which replaced cost-based reimbursements with an acuity based system. The immediate effect was to significantly reduce payments for services provided. Additionally, certain State Medicaid programs

have implemented similar acuity based systems. The reduction in payments to nursing home operators pursuant to the Medicare and Medicaid payment changes has negatively affected the revenues of the Company's nursing home facilities and the ability of the operators of these facilities to service the capital costs with capital providers like the Company. As a result, a number of the Company's operators have filed petitions seeking reorganization under chapter 11 of the U.S. Bankruptcy Code.

Most of the Company's nursing home investments were designed exclusively to provide long-term healthcare services. These facilities are also subject to detailed and complex specifications for the physical characteristics as mandated by various governmental authorities. If the facilities cannot be

operated as long-term care facilities, finding alternative uses may be difficult. The Company's triple-net leases require its tenants to comply with such regulations affecting the physical characteristics of its facilities, and the Company regularly monitors compliance by tenants with healthcare facilities' regulations. Nevertheless, if tenants fail to perform these obligations, and the Company recovers the facility through repossession, the Company may be required to expend capital to comply with such regulations and maintain the value of its investments.

As of March 31, 2000, 88.6% of the Company's real estate investments ($818.4 million) are related to long-term care skilled nursing facilities, 4.9% to assisted living facilities, 2.8% to rehabilitation hospitals, and 3.7% to medical office facilities. These healthcare facilities are located in 27 states and are operated by 23 independent healthcare operating companies.

Approximately 80.2% of the Company's investments are operated by eight public companies, including Sun Healthcare Group, Inc. (25.0%), Integrated Health Services, Inc. (16.8%, including 9.9% as the manager for Lyric Health Care LLC), Advocat, Inc. (11.6%), Vencor Operating, Inc. (7.7%), Genesis Health Ventures, Inc. (6.3%), Mariner Post-Acute Network (6.1%), Alterra Healthcare Corporation (3.6%) and Tenet Healthcare Corp. (3.1%). Vencor and Genesis manage facilities for the Company's own account as explained more fully in Note C. The two largest private operators represent 4.3% and 3.3% of investments. No other operator represents more than 1.8% of investments. The three states in which the Company has its highest concentration of investments are located are Florida (15.3%), California (7.0%) and Illinois (6.9%).

Many of the public nursing home companies operating the Company's facilities have recently reported significant operating and impairment losses. Sun Healthcare Group, Inc., Mariner Post-Acute Network, Integrated Health Services, Inc. and RainTree Healthcare Corporation have each filed for protection under the Bankruptcy Code, with the last three filing during the first quarter of 2000. These filings have interrupted the payment of interest on mortgages. These operators collectively represent 45.7% of the Company's investments as of March 31, 2000. Additionally, Advocat, Inc. has announced a restatement of certain of its financial statements, and other operators are experiencing financial difficulties. Advocat also suspended the payment of rents during the period but recently reinstated partial payments under a standstill agreement. The Company has initiated discussions with all operators who are experiencing financial difficulties, as well as state officials who regulate its properties. It also has proactively initiated various other actions to protect its interests under its leases and mortgages. Given the current challenges to its customers, the Company is actively involved with workout negotiations and bankruptcy proceedings to preserve and protect the value of its investments. While the earning capacity of certain properties has been reduced and the reductions may extend to future periods, management believes that it has recorded appropriate accounting impairment provisions based on its assessment of current circumstances. However, upon foreclosure or lease termination, there can be no assurance that the Company's investments in facilities would not be written down based on appraisals.

During the period ended March 31, 2000, Mariner Post-Acute Network, Advocat, Inc. and Integrated Health Services, Inc. discontinued payments to the Company. Payments from Advocat, Inc. (on a reduced basis pursuant to a standstill agreement) and from Integrated Health Services, Inc. were resumed in April 2000, but Integrated Health Services, Inc. has not yet made its May

payment. There can be no assurance that these customers will be able to continue those payments or that other customers will continue to make their payments as scheduled.

Note C - Portfolio Valuation Matters

In the ordinary course of its business activities, the Company

periodically evaluates investment opportunities and extends credit to customers. It also is regularly engaged in lease and loan extensions and modifications. Additionally, the Company actively monitors and manages its investment portfolio with the objectives of improving credit quality and increasing returns. In connection with portfolio management, the Company engages in various collection and foreclosure activities, and it believes management has the skills, knowledge and experience to deal with such issues as may arise from time to time.

When the Company acquires real estate pursuant to a foreclosure or bankruptcy proceeding and does not immediately release the properties to new operators, the reacquired assets are classified on the balance sheet as "other real estate" and the value of such assets is reported at the lower of cost or fair value. Additionally, when a plan to sell real estate is adopted, the real estate is classified as "assets held for sale," with the net carrying amount adjusted to the lower of cost or fair value, less cost of disposal. Based on management's current review of the portfolio, a $1.4 million provision for collection losses was recorded for the three-month period ended March 31, 2000.

Assets Held For Sale

During 1998, management initiated a plan to dispose of certain properties judged to have limited long-term potential and to redeploy the proceeds. Following a review of the portfolio, assets identified for sale had a cost of $95 million, a net carrying value of $83 million, and annualized revenues of approximately $11.4 million. In 1998, the Company recorded a provision for impairment of $6.8 million to adjust the carrying value of those assets judged to be impaired to their fair value, less cost of disposal. During 1998, the Company completed sales of two groups of assets, yielding sales proceeds of $42,036,000. Gains realized in 1998 from the dispositions approximated $2.8 million. During 1999, the Company completed asset sales yielding net proceeds of $18.2 million, realizing losses of $10.5 million. In addition, management initiated a plan in the 1999 fourth quarter for additional asset sales to be completed in 2000. The additional assets identified as assets held for sale had a cost of $33.8 million, a net carrying value of $28.6 million and annualized revenue of approximately $3.4 million. As a result of this review, the Company recorded a provision for impairment of $19.5 million to adjust the carrying value of assets held for sale to their fair value, less cost of disposal. The Company intends to sell the remaining facilities as soon as practicable, although there can be no assurance sales will be completed or completed on favorable terms.

As of March 31, 2000, the carrying value of assets held for sale totals $36.7 million. Of the 38 facilities held for sale, 32 are operated for the Company's own account. During the three-month period ended March 31, 2000, the Company realized disposition proceeds of $230,000, and recognized an additional $4.5 million provision for impairment on assets held for sale. The Company

intends to sell the remaining facilities as soon as practicable. However, a number of other companies are actively marketing portfolios of similar assets and, in light of the existing conditions in the long-term care industry generally, it has become more difficult to sell such properties and for potential buyers to obtain financing for such acquisitions. Thus, there can be no assurance if or when such sales will be completed or whether such sales will be completed on terms that allow the Company to realize the fair value of such assets.

Other Real Estate

The Company owns 42 facilities with 4,100 beds or assisted living units located in eight states, which were recovered from customers and are operated for the Company's own account. The investment in this real estate is classified under Other Real Estate as of March 31, 2000. It includes 10 nursing homes located in Massachusetts and Connecticut with 1,052 licensed beds. These facilities were acquired by the Company on July 14, 1999 in lieu of foreclosure and are currently being managed by Genesis Health Ventures, Inc. At March 31, 2000, the Company had invested approximately $68.5 million in these facilities. The Company presently is considering various alternatives, including negotiating a lease with one or more new operators or selling one or more of the facilities. Income from these facilities approximated $460,000 for the three-month period ended March 31, 2000.

At March 31, 2000, Other Real Estate also includes 18 facilities formerly leased to RainTree Healthcare Corporation ("RainTree") which were taken back by the Company on February 29, 2000 when RainTree filed for bankruptcy; in connection with the bankruptcy proceeding, the Company bid $3.1 million for the leasehold interest in 12 other RainTree facilities, all of which are now operated for the account of the Company under a management agreement with Vencor Operating, Inc. The carrying amount of the Company's investment in all 30 facilities is $75.8 million. Appraisals are being sought to determine if fair market value is lower than the current carrying amount. Based on information

presently available, management believes there is no material impairment in the carrying value of the facilities. However, there can be no assurance that the value based on appraisals will not be less than cost. Information was not available as to the operating income or loss for these facilities for the month of March 2000.

Note D - Preferred Stock

During the three-month periods ended March 31, 2000 and March 31, 1999, the Company paid dividends of $1.3 million and $1.1 million, respectively, on its 9.25% Series A Cumulative Preferred Stock and 8.625% Series B Cumulative Preferred Stock. Dividends on the preferred stock are payable quarterly.

Note E - Net Earnings Per Share

Net earnings per share is computed based on the weighted average number of common shares outstanding during the respective periods. Diluted earnings per share reflect the dilutive effect, if any, of stock options (2,701 shares for the three-month period in 1999). Assumed conversion of the Company's 1996 convertible debentures is antidilutive.

Note F - Omega Worldwide, Inc.

As of March 31, 2000 the Company holds a $7,688,000 investment in Omega Worldwide, Inc. ("Worldwide"), represented by 1,163,000 shares of common stock and 260,000 shares of preferred stock. The Company has guaranteed repayment of borrowings pursuant to a revolving credit facility in exchange for a 1% annual fee and a facility fee of 25 basis points. The Company has been advised that at March 31, 2000 borrowings of $8,850,000 are outstanding under Worldwide's revolving credit facility. As of March 31, 2000, Worldwide was in default under the revolving credit facility due to a decline in the Company's credit rating. Worldwide's lender has waived the defaults under the revolving credit facility through June 29, 2000.

Additionally, the Company has a Services Agreement with Worldwide, which provides for the allocation of indirect costs incurred by the Company to Worldwide. The allocation of indirect costs is based on the relationship of assets under the Company's management to the combined total of those assets and assets under Worldwide's management. Indirect costs allocated to Worldwide for the three-month period ending March 31, 2000 were $205,000, compared with $198,000 for the same period in 1999.

Note G - Subsequent Events

On May 2, 2000, the Board of Directors declared its regular quarterly dividends of $.578 per share and $.539 per share, respectively, to be paid on May 15, 2000 to Series A and Series B Cumulative Preferred shareholders of record on May 5, 2000.

On May 5, 2000, the Company completed negotiations with its bank group to replace its $200 million unsecured revolving credit facility with a new $175 million secured revolving credit facility that expires in December 2002, subject to completion of definitive documentation. The Company was not in compliance with certain financial covenants under the existing $200 million facility and, as a result, borrowings thereunder are currently prohibited. The Company has received waivers of these covenant defaults under the existing facility through June 29, 2000 to permit completion of documentation for the new facility. However, borrowings will continue to be prohibited until the Company completes the Equity Investment (defined below) and addresses the July 15, 2000 and February 1, 2001 maturities of borrowings totaling $130 million.

On May 11, 2000, the Company announced the execution of definitive documentation with Explorer Holdings, L.P. pursuant to which the Company will issue and sell up to $200.0 million of its capital stock to Explorer ("the Equity Investment"). Initially, 1.0 million shares of a new series of convertible preferred stock ("Series C Preferred") will be issued for an aggregate

purchase price of $100.0 million, and up to an additional $100 million of new capital will be available for liquidity and growth purposes upon satisfaction of certain conditions. The shares of Series C Preferred will receive dividends at the greater of 10% per annum or the dividend payable on shares of Common Stock (with the Series C Preferred participating on an "as converted" basis). Dividends on Series C Preferred accrue from the date of issuance and, for any dividend period ending prior to February 1, 2001, may be paid in cash or additional shares of Series C Preferred. Thereafter, all dividends must be

paid in cash. Other provisions of this arrangement are explained more fully in Item 2 - Management's Discussion and Analysis of Financial Conditions and Results of Operations.

On May 12, 2000, the Company entered into an agreement with Tenet Healthsystem Philadelphia, Inc. to sell three medical office buildings and a parking garage to Tenet for gross proceeds of $34,000,000. The transaction is presently scheduled to close on or before May 31, 2000. The properties have a current carrying value of approximately $23,000,000, and revenues from these facilities totaled $1,076,000 for the three months ended March 31, 2000.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

"Safe Harbor" Statement Under the United States Private Securities Litigation Reform Act of 1995. Statements contained in this document that are not based on historical fact are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding the Company's future development activities, the future condition and expansion of the Company's markets, the sale of certain assets that have been identified for disposition, dividend policy, the Company's ability to meet its liquidity requirements and the Company's growth strategies, as well as other statements which may be identified by the use of forward-looking terminology such as "may," "will," "expect," "estimate," "anticipate," or similar terms, variations of those terms or the negative of those terms. These forward-looking statements involve risks and uncertainties that could cause actual results to differ from projected results. Some of the factors that could cause actual results to differ materially include: the financial strength of the Company's facilities as it affects the operators' continuing ability to meet their obligations to the Company under the terms of the Company's agreements with such operators; the Company's ability to complete the contemplated asset sales, Equity Investment and bank financing, and if completed, the ability to do so on terms contemplated as favorable to the Company; changes in the reimbursement levels under the Medicare and Medicaid programs; operators' continued eligibility to participate in the Medicare and Medicaid programs; changes in reimbursement by other third party payors; occupancy levels at the Company's facilities; the limited availability and cost of capital to fund or carry healthcare investments; the strength and financial resources of the Company's competitors; the Company's ability to make additional real estate investments at attractive yields; and changes in tax laws and regulations affecting real estate investment trusts; and the risks identified in Item 1, Note C above.

Following is a discussion of the consolidated results of operations, financial position and liquidity and capital resources of the Company, which should be read in conjunction with the consolidated financial statements and accompanying notes. See also, Item 1, Note B regarding Concentration of Risk and Related Issues and Note C regarding portfolio valuation matters above.

Results of Operations

Revenues for the three-month period ending March 31, 2000 totaled $26.1 million, a decrease of $3.9 million over the period ending March 31, 1999. The decrease in 2000 revenue is due in part to approximately $2.6 million from reductions in earning investments due to foreclosure and bankruptcy, $2.0 million from reduced investment caused by 1999 asset sales and the prepayment and foreclosure of mortgages and a $1.4 million provision for losses on restructuring of customer obligations. These decreases are offset by $1.5 million in additional revenue from 1999 investments and $591,000 of revenue growth from participating incremental net revenues that became effective in 2000. As of March 31, 2000, gross real estate investments of $818 million have an average annualized yield of approximately 11.6%.

Expenses for the three-month period ended March 31, 2000 totaled $18.6 million, an increase of $1.4 million over expenses for 1999. The provision for depreciation and amortization for the three-month period ended March 31, 2000 totaled $5,910,000, increasing $315,000 over the same period in 1999. This increase consists of $563,000 additional depreciation expense from properties previously classified as mortgages offset by a reduction in amortization of non-compete agreements of $249,000.

Interest expense for the three-month period ended March 31, 2000 was $11.0 million, compared with $10.1 million for the same period in 1999. The increase in 2000 is primarily due to higher average outstanding borrowings during the 2000 period at slightly higher rates than the same period in the prior year.

General and administrative expenses for the three-month period ended

March 31, 2000 totaled $1.7 million, an increase of $226,500 over the same period in 1999. These expenses for the three-month period were approximately 6.6% of revenues, as compared to 5.0% of revenues for the 1999 period. The increase in 2000 is due in part to payments of legal and financial advisory fees.

Net earnings available to common shareholders were $5,110,000 for the three-month period ended March 31, 2000 (excluding the non-recurring charge of $4.5 million), decreasing approximately $5,307,000 from the 1999 period. This decrease is largely the result of decrease in revenues, including provision of collection losses. Higher depreciation, interest and general & administrative costs also contributed to the reduction in net earnings. Net earnings per diluted common share (excluding the loss on asset dispositions) decreased from $0.52 for the three-month period ended March 31, 1999 to $0.26 for the three-month period ended March 31, 2000.

Funds from Operations ("FFO") totaled $11,020,000 for the three-month period ending March 31, 2000, representing a decrease of approximately $5,765,000 over the same period in 1999 due to factors mentioned above. FFO is net earnings available to common shareholders, excluding any gains or losses from debt restructuring and the effects of asset dispositions, plus depreciation and amortization associated with real estate investments. Properties recovered by the Company required funding of $11.4 million for working capital during the three-month period. Accordingly, cash available for distribution was negative for the quarter.

No provision for Federal income taxes has been made since the Company intends to continue to qualify as a real estate investment trust under the provisions of Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. Accordingly, the Company will not be subject to Federal income taxes on amounts distributed to shareholders, provided it distributes at least 95% of its real estate investment trust taxable income and meets certain other conditions. Although the Company has suspended dividends on its common stock pending completion of the Equity Investment discussed below, the Company fully intends to meet the 95% distribution test with dividends to be declared later in 2000. Profits from operations of recovered properties are subject to tax, and the Company intends to hold and operate recovered properties only long enough to stabilize and then release or sell them.

Liquidity and Capital Resources

Overview

At March 31, 2000, the Company had total assets of $1.0 billion, shareholders' equity of $448.0 million, and long-term debt of $375.3 million, representing approximately 37% of total capitalization. Long-term debt excludes funds borrowed under its acquisition credit agreements. The Company has $177.0 million drawn on its credit facilities at March 31, 2000. Proceeds from asset sales and mortgage payments are currently expected to reduce borrowings on the credit facility by approximately $45.0 million during 2000.

The Company has approximately $81.0 million of indebtedness that matures July 15, 2000, and approximately $48.0 million of convertible debentures that mature February 2001. Additionally, the term of the Company's $200.0 million revolving credit facility expires September 30, 2000.

In order to meet the Company's upcoming debt maturities, finance operations and fund future investments, the Company has agreed to issue $100.0 million of Series C Preferred Stock (the "Equity Investment") to a private equity investor, with up to an additional $100.0 million investment available for future liquidity needs or growth opportunities on certain conditions. See "-Equity Investment" below. The Equity Investment is subject to certain conditions, including shareholder approval, and completion of documentation for the Company's new credit facility and management incentive arrangements on terms acceptable to the investor, and therefore the completion of the transaction cannot be assured. The Company believes the proceeds from the first $100.0 million of the Equity Investment, together with the proceeds of certain asset dispositions, will provide the Company sufficient liquidity to meet its near-term debt maturities and working capital needs as well as the opportunity to take advantage of certain growth opportunities. As the Company does not otherwise have sufficient existing capital resources to repay the $81.0 million of indebtedness that matures July 15, 2000, the Company would need funding from other sources which have not been identified and may not be available or seek to delay the repayment of the July maturities if the $100.0 million Equity Investment has not been consummated prior to July 15, 2000.

Dividend Policy

The Company distributes a large portion of the cash available from

operations. Prior to March 31, 2000, the Company's historical policy had been to make distributions on common stock of approximately 80% of FFO. Cash dividends paid totaled $0.50 per share for the three-month period ending March 31, 2000, compared with $0.70 per share for the same period in 1999. The dividend payout ratio, that is the ratio of per share amounts for dividends paid to the per share amounts of funds from operations, was approximately 90.7% for the three-month period ending March 31, 2000 compared with 85.0% for the same period in 1999.

Subject to completion of the $100.0 million Equity Investment, the Board of Directors has announced its intention to declare dividends on the Company's common stock at the annual rate of $1.00 per share. No common stock dividend will be paid in the second quarter of 2000. Subject to the completion of the Equity Investments, the Company intends to resume regularly quarterly dividends of $0.25 per common share commencing with the dividend to be paid in the 2000 third quarter. The Company currently intends to declare and pay regular quarterly dividends on its preferred shares.

Equity Investment

On May 11, 2000, the Company announced the execution of definitive documentation with Explorer Holdings, L.P. ("Explorer"), a private equity investor, pursuant to which the Company will issue and sell up to $200.0 million of its capital stock to Explorer. Initially, 1.0 million shares of a new series of convertible preferred stock ("Series C Preferred") will be issued for an aggregate purchase price of $100.0 million. The descriptions of the transaction documents set forth herein do not purport to be complete and are qualified in their entirety by the forms of such documents filed as exhibits to this report.

Terms of Series C Preferred: The shares of Series C Preferred will be issued and sold for $100.00 per share and will be convertible into Common Stock at any time by the holder at an initial conversion price of $6.25 per share of Common Stock. The conversion price is subject to possible future adjustment in accordance with customary antidilution provisions, including, in certain circumstances, the issuance of Common Stock at an effective price less than the then fair market value of the Common Stock. The Series C Preferred will rank on a parity with the Company's outstanding shares of Series A and Series B preferred stock as to priority with respect to dividends and upon liquidation. The shares of Series C Preferred will receive dividends at the greater of 10% per annum or the dividend payable on shares of Common Stock, with the Series C Preferred participating on an "as converted" basis. Dividends on Series C Preferred accrue from the date of issuance and, for dividend periods ending prior to February 1, 2001, may be paid at the option of the Company in cash or additional shares of Series C Preferred. Thereafter, dividends must be paid in cash. The Series C Preferred will vote (on an "as converted" basis) together with the Common Stock on all matters submitted to stockholders. However, without the consent of the Company's Board of Directors, no holder of Series C Preferred may vote or convert shares of Series C Preferred if the effect thereof would be to cause such holder to beneficially own more than 49.9% of the Company's Voting Securities. If dividends on the Series C Preferred are in arrears for four quarters, the holders of the Series C Preferred, voting separately as a class (and together with the holder of Series A and Series B Preferred if and when dividends on such series are in arrears for six or more quarters and special class voting rights are in effect with respect to the Series A and Series B Preferred), will be entitled to elect directors who, together with the other directors designated by the holders of Series C Preferred, would constitute a majority of the Company's Board of Directors.

Investment Agreement: The general terms of the Equity Investment are set forth in the Investment Agreement. In addition to setting forth the terms on which Explorer will acquire initially the $100.0 million of Series C Preferred, the Investment Agreement also contains provisions pursuant to which Explorer will make available, upon satisfaction of certain conditions, up to $50.0

million to be used to pay indebtedness maturing on or before February 1, 2001 (the "Liquidity Commitment"). Any amounts drawn under the Liquidity Commitment will be evidenced by the issuance of additional shares of Series C Preferred at a conversion price equal to the lower of $6.25 or the then fair market value of the Company's Common Stock.

Any amounts of the Liquidity Commitment not utilized by the Company are available to the Company through July 1, 2001, upon satisfaction of certain conditions, to fund growth (the "Growth Equity Commitment"). Draws under the Growth Equity Commitment will be evidenced by Common Stock issued at the then

fair market value less a discount agreed to by Explorer and the Company representing the customary discount applied in rights offerings to an issuer's existing security holders, or, if not agreed, 6%. Draws under the Growth Equity Commitment will reduce the amounts available under the Liquidity Commitment. Following the drawing in full of the Growth Equity Commitment or upon expiration of the initial Growth Equity Commitment, Explorer will have the option to provide up to an additional $50.0 million to fund growth for an additional twelve month period (the "Increased Growth Equity Commitment"). Draws under the Increased Growth Equity Commitment will be subject to the same conditions as applied to the Growth Equity Commitment and the Common Stock so issued will be priced in the same manner described above.

If Explorer exercises its option to fund the Increased Growth Equity Commitment, the Company will have the option to engage in a Rights Offering to all common stockholders other than Explorer and its Affiliates. In the Rights Offering, stockholders will be entitled to acquire their proportionate share of the Common Stock issued in connection with the Growth Equity Commitment at the same price paid by Explorer. Proceeds received from the Rights Offering will be used to repurchase Common Stock issued to Explorer under the Growth Equity Commitment.

Upon the first to occur of the drawing in full of the Increased Growth Equity Commitment or the expiration of the Increased Growth Equity Commitment, the Company will again have the option to engage in a second Rights Offering. Stockholders (other than Explorer and its Affiliates) will be entitled to acquire their proportionate share of the Common Stock issued in connection with the Increased Growth Equity Commitment at the same price paid by Explorer. Proceeds received in connection with the second Rights Offering will be used to repurchase Common Stock issued to Explorer under the Increased Growth Equity Commitment.

In connection with obtaining stockholder approval of the issuance of the capital stock to be issued to Explorer in the subject transaction, stockholders will be asked to elect to the Company's Board of Directors four nominees designated by Explorer. A fifth "independent" director nominee, mutually determined by the Company and Explorer will also be nominated for election to the Company's Board of Directors. The remaining four directors will be comprised of individuals, including Essel W. Bailey, Jr., Chairman and Chief Executive Officer, designated by the incumbent directors and acceptable to Explorer.

The Investment Agreement contains representations, warranties and indemnification provisions customary for a transaction of this nature. The consummation of the contemplated transaction is subject to the completion of the new $175 million secured credit facility with Fleet Bank, N.A., a waiver from one of the Company's lenders and compensation and severance arrangements with members of the Company's senior management team, in each case on terms acceptable to Explorer, as well as other customary closing conditions, and therefore the completion of the transaction cannot be assured.

The Company has agreed not to solicit or enter into discussions regarding an Alternative Proposal, provided that the Company may consider an unsolicited proposal that the Board of Directors determines in good faith is reasonably likely to result in a Superior Proposal. The Company has agreed to pay Explorer $6.0 million (the "Termination Fee") if the transaction is terminated under certain circumstances, including termination in connection with the acceptance of a Superior Proposal (as defined in the Investment Agreement). Under certain circumstances, the Company will be required to pay Explorer the Termination Fee if an Alternative Proposal results in a transaction within 18 months following termination. The Company has agreed to reimburse Explorer for up to $2.5 million in out-of-pocket expenses.

Stockholders Agreement: In connection with the Equity Investment, the Company will enter into a Stockholders Agreement with Explorer pursuant to which Explorer will be entitled to designate up to four members of the Company's Board of Directors depending on the percentage of either Series C Preferred or total Voting Securities acquired from time to time by Explorer pursuant to the Investment Agreement. The director designation rights will terminate upon the first to occur of the tenth anniversary of the Stockholders Agreement or when Explorer beneficially owns less than 5% of the total Voting Securities of the Company.

In addition, Explorer will agree not to transfer any shares of Series C Preferred (or the Common Stock issuable upon conversion of the Series C Preferred) without board approval until the first anniversary of Explorer's initial investment. Thereafter, Explorer will be permitted to transfer shares in accordance with certain exemptions from the registration requirements imposed by the Securities Act of 1933, as amended, or upon exercise of certain registration rights granted to Explorer by the Company and set forth in a Registration Rights

Agreement (a "Public Sale"). After July 1, 2001, Explorer will be permitted to transfer its Voting Securities to a Qualified Institutional Buyer ("QIB") if either (i) the total amount of Voting Securities does not exceed 9.9% of the Company's total Voting Securities or (ii) the QIB transferee becomes a party to the standstill agreement contained in the Stockholders Agreement. Any transfer of Voting Securities by Explorer or its Affiliates (other than in connection with a Public Sale) is subject to a right of first offer that can be exercised by the Company or any other purchaser that the Company may designate. These transfer restrictions will terminate on the fifth anniversary of Explorer's initial investment.

Pursuant to the standstill provisions in the Stockholders Agreement, Explorer has agreed that until the fifth anniversary of the consummation of Explorer's initial investment, it will not acquire, without the prior approval of the Company's Board of Directors, beneficial ownership of any Voting Securities (other than pursuant to the Liquidity Commitment, the Growth Equity Commitment and the Increased Growth Equity Commitment and additional acquisitions of up to 5% of the Company's Voting Securities). In the event that Explorer or its Affiliates beneficially own Voting Securities representing more than 49.9% of the total voting power of the Company, the terms of the Series C Preferred and the Stockholders Agreement provide that no holder of Series C Preferred shall be entitled to vote any shares of Series C Preferred that would result in such holder, together with its affiliates, voting in excess of 49.9%

of the then outstanding voting power of the Company. In addition, shares of Series C Preferred cannot be converted to the extent that such conversion would cause the converting stockholder to beneficially own in excess of 49.9% of the then outstanding voting power of the Company.

The Company has amended its Stockholders' Right Plan to exempt Explorer and any of its transferees that become parties to the standstill as Acquiring Persons under such plan. Subsequent acquisitions of Voting Securities by a transferee of more than 9.9% of Voting Securities from Explorer are limited to not more than 2% of the total amount of outstanding Voting Securities in any 12 month period.

Miscellaneous: The Company has agreed to indemnify Explorer, its Affiliates and the individuals that will serve as directors of the Company against any losses and expenses that may be incurred as a result of the assertion of certain claims, provided that the conduct of the indemnified parties meets certain required standards. In addition, the Company has agreed to pay Explorer an advisory fee if Explorer provides assistance to the Company in connection with evaluating growth opportunities or other financing matters. The amount of the advisory fee will be mutually determined by the Company and Explorer at the time the services are rendered based upon the nature and extent of the services provided. The Company will also reimburse Explorer on or before closing for Explorer's out-of-pocket expenses, up to a maximum of $2.5 million, incurred in connection with the Equity Investment.

Credit Facilities

Depending on the availability and cost of external capital, the Company anticipates making additional investments in healthcare facilities. New investments generally are funded from temporary borrowings under the Company's acquisition credit line agreements. Interest cost incurred by the Company on borrowings under the revolving credit line facilities will vary depending upon fluctuations in prime and/or LIBOR rates. With respect to the unsecured acquisition credit line, interest rates depend in part upon changes in the Company's ratings by national agencies, which were significantly downgraded during 2000. The term of the $200.0 million unsecured facility expires on September 30, 2000. Borrowings under the facility bear interest at LIBOR plus 1.5% or, at the Company's option, at the prime rate. On May 5, 2000, the Company completed negotiations with its bank group to replace its $200.0 million unsecured revolving credit facility with a new $175.0 million secured revolving credit facility that expires in December 2002. The Company was not in compliance with certain financial covenants under the subject facility and, as a result, borrowings thereunder are currently prohibited. The Company has received waivers of these covenant defaults under the existing facility through June 29 to permit completion of documentation for the new facility. Borrowings under the new facility will bear interest at 3.25% over LIBOR until March 31, 2001. Additional borrowings under the $175 million credit facility will not be available until the Company has provided for repayment of the $48.0 convertible notes maturing in February 2001 and has received at least $75.0 million of new equity pursuant to the Equity Investment. The Company also has a $50 million secured revolving credit facility with a group of banks under which borrowings bear interest at LIBOR plus 2.00% or, at the Company's option, at the prime rate.

The Company has historically replaced funds drawn on the revolving credit facilities through fixed-rate long-term borrowings, the placement of

convertible debentures, or the issuance of additional shares of common and/or preferred stock. Industry turmoil and continuing adverse economic conditions affecting the long-term care industry cause the terms on which the Company can obtain additional borrowings to become unfavorable. If the Company is in need of capital to repay indebtedness as it matures, the Company may be required to liquidate properties at times which may not permit realization of maximum recovery in such investments. In recent periods, the Company's ability to execute this strategy has been severely limited by conditions in the credit and capital markets and the long-term care industry.

Year 2000 Compliance

The Company is not aware of any significant adverse effects of Year 2000 on its systems and operations.

Item 3 - Market Risk

The Company is exposed to various market risks, including the potential loss arising from adverse changes in interest rates. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes. The Company seeks to mitigate the effects of fluctuations in interest rates by matching the term of new investments with new long-term fixed rate borrowing to the extent possible.

The market value of the Company's long-term fixed rate borrowings and mortgages are subject to interest rate risk. Generally, the market value of fixed rate financial instruments will decrease as interest rates rise and increase as interest rates fall. The estimated fair value of the Company's total long-term borrowings at March 31, 2000 was $299 million. A 1% increase in interest rates would result in a decrease in fair value of long-term borrowings by approximately $6.5 million.

The Company is subject to risks associated with debt or preferred equity financing, including the risk that existing indebtedness may not be refinanced or that the terms of such refinancing may not be as favorable as the terms of current indebtedness. If the Company were unable to refinance its indebtedness on acceptable terms, it might be forced to dispose of properties on disadvantageous terms, which might result in losses to the Company and might adversely affect the cash available for distribution to shareholders. If interest rates or other factors at the time of the refinancing result in higher interest rates upon refinancing, the Company's interest expense would increase, which might affect the Company's ability to make distributions on its Common Stock. Dividends on the Company's Common Stock have been suspended pending completion of the Equity Investment.

The majority of the Company's borrowings were completed pursuant to indentures which limit the amount of indebtedness the Company may incur. Accordingly, in the event that the Company is unable to raise additional equity or borrow money because of these limitations, the Company's ability to acquire additional properties may be limited. If the Company is unable to acquire additional properties, its ability to increase the distributions with respect to common shares will be limited to management's ability to increase funds from operations, and thereby cash available for distribution, from the existing properties in the Company's portfolio.

Potential Risks from Bankruptcies

Generally, the Company's lease arrangements with a single operator who operates more than one of the Company's facilities is pursuant to a single master lease (a "Master Lease" or collectively, the "Master Leases"). Although each lease or Master Lease provides that the Company may terminate the Master Lease upon the bankruptcy or insolvency of the tenant, the Bankruptcy Reform Act of 1978 ("Bankruptcy Code") provides that a trustee in a bankruptcy or reorganization proceeding under the Bankruptcy Code (or debtor-in-possession in a reorganization under the Bankruptcy Code) has the power and the option to assume or reject the unexpired lease obligations of a debtor-lessee. In the event that the unexpired lease is assumed on behalf of the debtor-lessee, all the rental obligations thereunder generally would be entitled to a priority over other unsecured claims. However, the court also has the power to modify a lease

if a debtor-lessee in reorganization were required to perform certain provisions of a lease that the court determined to be unduly burdensome. It is not possible to determine at this time whether or not any lease or Master Lease contains any such provisions. If a lease is rejected, the lessor has a general unsecured claim limited to any unpaid rent already due plus an amount equal to the rent

reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of such lease, not to exceed three years. If any lease is rejected, the Company may also lose the benefit of any participation interest or conversion right.

Generally, with respect to the Company's mortgage loans, the imposition of an automatic stay under the Bankruptcy Code precludes lenders from exercising foreclosure or other remedies against the debtor. A mortgagee also is treated differently from a landlord in three key respects. First, the mortgage loan is not subject to assumption or rejection because it is not an executory contract or a lease. Second, the mortgagee's loan may be divided into (1) a secured loan for the portion of the mortgage debt that does not exceed the value of the property and (2) a general unsecured loan for the portion of the mortgage debt that exceeds the value of the property. A secured creditor such as the Company is entitled to the recovery of interest and costs only if and to the extent that the value of the collateral exceeds the amount owed. If the value of the collateral is less than the debt, a lender such as the Company would not receive or be entitled to any interest for the time period between the filing of the case and confirmation. If the value of the collateral does exceed the debt, interest and allowed costs may not be paid during the bankruptcy proceeding, but accrue until confirmation of a plan or reorganization or some other time as the court orders. Finally, while a lease generally would either be rejected or assumed with all of its benefits and burdens intact, the terms of a mortgage, including the rate of interest and timing of principal payments, may be modified if the debtor is able to effect a "cramdown" under the Bankruptcy Code.

The receipt of liquidation proceeds or the replacement of an operator that has defaulted on its lease or loan could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the property or the replacement of the operator licensed to manage the facility. In addition, certain significant expenditures associated with real estate investment (such as real estate taxes and maintenance costs) are generally not reduced when circumstances cause a reduction in income from the investment. In order to protect its investments, the Company may take possession of a property or even become licensed as an operator, which might expose the Company to successorship liability to government programs or require indemnity of subsequent operators to whom it might transfer the operating rights and licenses. Should such events occur, the Company's income and cash flows from operations would be adversely affected.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - The following Exhibits are filed herewith:

Exhibit	Description
4.1	First Amendment to the Omega Healthcare Investors, Inc. 1993 Stock Option and Restricted Stock Plan As Amended and Restated
4.2	Amendment No. 1, dated May 11, 2000 to Rights Agreement, dated as of May 12, 1999, between Omega Healthcare Investors, Inc. and First Chicago Trust Company, as Rights Agent
10.1	Change in Control Agreement, dated March 22, 2000, by and between Omega Healthcare Investors, Inc. and certain of the Company's Officers
10.2	Investment Agreement, dated as of May 11, 2000, by and among Omega Healthcare Investors, Inc. and Explorer Holdings, L.P., including Exhibit A thereto (Form of Articles Supplementary for Series C Convertible Preferred Stock), Exhibit B thereto (Form of Additional Equity Financing) and Exhibit C thereto (Form of Stockholders Agreement)
10.3	Agreement of Sale and Purchase dated May 12, 2000, by and between Omega Healthcare Investors, Inc. and Tenet Healthsystem Philadelphia, Inc.
27	Financial Data Schedule

(b) Reports on Form 8-K - None were filed.

SIGNATURES

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

OMEGA HEALTHCARE INVESTORS, INC.
Registrant

Date: May 19, 2000 By: /s/ESSEL W. BAILEY, JR.

Essel W. Bailey, Jr.
President

Date: May 19, 2000 By: /s/DAVID A. STOVER

David A. Stover
Chief Financial Officer

FIRST AMENDMENT TO THE
OMEGA HEALTHCARE INVESTORS, INC.
1993 STOCK OPTION AND RESTRICTED STOCK PLAN
AS AMENDED AND RESTATED DECEMBER 19, 1997

THIS FIRST AMENDMENT is made as of March 22, 2000, by Omega Healthcare Investors, Inc., a Maryland corporation (the "Corporation").

WHEREAS, the Corporation maintains the Omega Healthcare Investors, Inc. Stock Option and Restricted Stock Plan As Amended and Restated December 19, 1997 (the "Plan"); and

WHEREAS, the Corporation desires to amend the Plan to modify the definition of change of control and the vesting provisions for stock options and restricted stock awards.

NOW, THEREFORE, BE IT RESOLVED, that the Corporation does hereby amend the Plan as follows:

1. By adding the following new subsection (o) to Section 2 of the Plan:

   (o) "Performance-Based Restricted Stock. This term shall mean those shares of Restricted Stock granted to executive officers of the Company on February 10, 2000."

2. By deleting the existing Section 8(a) of the Plan and substituting therefor the following new Section 8(a):

   "(a) Certain Terms. Subject to Section 19 hereof, the shares of Restricted Stock granted to a Grantee shall be released to him in accordance with such schedule as the Plan Committee, in its sole discretion, shall determine at the time of grant. All shares of Restricted Stock shall be fully released not later than ten (10) years from the date of grant. Except for normal retirement, or pursuant to the terms of the written agreement with a non-employee director, the Grantee shall have no vested interest in the unreleased stock of any grant in the event of his termination with the Corporation for any reason (unless the Plan Committee, in its sole discretion, decides to terminate the forfeiture restriction following the termination of employment of such Grantee and accelerate the release of the shares of Restricted Stock in accordance with Section 19 of the Plan) and the unreleased stock certificates shall be canceled. During the Grantee's continued employment or affiliation, however, he shall have the right to vote all shares and to receive all dividends as though all shares granted were his without restrictions."

3. By deleting the third paragraph of Section 19 of the Plan and substituting therefor the following new third paragraph:

   "Notwithstanding the preceding two paragraphs or any other provision of this Plan, in the event of a Change of Control, as hereinafter defined, all Restricted Stock granted under the Plan (other than Performance-Based Restricted Stock) which has not previously been forfeited shall immediately vest as of the effective date of the Change of Control and all Stock Options granted under the Plan which have not previously been forfeited shall be immediately vested and exercisable in full as of the effective date of the Change of Control. For purposes of this Plan, `Change of Control' shall mean the occurrence of any of the following events:

      (a) a change in control of the Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A, Regulation 240, 14a-101, promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") as in effect on the date hereof, or, if Item 6(e) is no longer in effect, any regulation issued by the Securities Exchange Commission pursuant to the Exchange Act which serves similar purposes;

      (b) any "Person" (as defined in Section 3(a)(9) of the Exchange Act as modified and used in Sections 13(d) and 14(d) of the Exchange Act), is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of equity securities of the Corporation representing more than fifty percent (50%) of the combined voting power or value of the surviving entity's then outstanding voting equity securities;

      (c) during any period of not more than two (2) consecutive years, not including any period prior to the Effective Date, individuals who at the beginning of such period constitute the Board (the `Incumbent Directors'), cease for any reason to constitute at least a majority thereof;

provided, however, that any director who was not a director as of the Effective Date shall be deemed to be Incumbent Director if that director was elected to such board of directors on the recommendation of or with the approval of, at least two-thirds (2/3) of the directors who then qualified as Incumbent Directors; and provided further that no director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors shall be deemed to be an Incumbent Director;

(d) the approval by the shareholders of the Corporation of a merger, consolidation, share exchange or other reorganization in which the shareholders of the Corporation immediately prior to the transaction do not own equity securities of the surviving entity representing at least fifty percent (50%)of the combined voting power or value of the surviving entity's then outstanding voting securities immediately after the transaction;

(e) the sale or transfer of more than fifty percent (50%) of the value of the assets of the Corporation, in a single transaction, in a series of related transactions, or in a series of transactions over any one year period; or

(f) a dissolution or liquidation of the Corporation.

Notwithstanding any other provision of the Plan or any applicable agreement documenting an award under the Plan, in the event of a termination of a Grantee's or Optionee's employment, other than a termination for cause (as defined in Section 15 of the Plan), the Plan Committee may accelerate the vesting of any shares of Restricted Stock or Stock Option granted under the Plan."

4. By deleting the existing second paragraph of Section 20 of the Plan in its entirety.

Except as specifically amended hereby, the remaining provisions of the Plan shall remain in full force and effect as prior to the adoption of this First Amendment.

IN WITNESS WHEREOF, the Corporation has caused this First Amendment to be executed, effective as of the date first above written.

ATTEST: OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Susan A. Kovach By: /s/ Essel W. Bailey, Jr.

Title: Corporate Secretary Title: Chief Executive Officer

OMEGA HEALTHCARE INVESTORS, INC.
900 Victors Way, Suite 350
Ann Arbor, Michigan 48108

May 11, 2000

First Chicago Trust Company
525 Washington Blvd., 3rd Floor
Suite 4660
Jersey City, New Jersey 07310

Attention: Corporate Actions Administrator

Re: Amendment No. 1 to Rights Agreement

Ladies and Gentlemen:

Pursuant to Section 27 of the Rights Agreement (the "Rights Agreement"), dated as of May 12, 1999, between Omega Healthcare Investors, Inc. (the "Company"), and First Chicago Trust Company, as rights agent, the Company, by resolution adopted by its Board of Directors, hereby amends the Rights Agreement as follows:

1. Section 1 of the Rights Agreement is hereby amended by adding the following new subsection to Section 1:

   "`Investment Agreement' shall mean the Investment Agreement, dated as of May __, 2000, by and between the Company and Explorer Holdings, L.P., a Delaware limited partnership (`Purchaser')."

   "`Stockholders Agreement' shall mean the Stockholders Agreement to be entered into by Purchaser and the Company pursuant to the Investment Agreement'."

2. Section 1 of the Rights Agreement is hereby amended by adding the following sentence at the end of the definition of "Acquiring Person":

   "Notwithstanding any other provision hereof, (i) in no event will Purchaser (together with its successors, assigns and Permitted Transferees (as defined in the Stockholders Agreement), and their respective successors, assigns and Permitted Transferees, `Authorized Holder'), individually or together with any other Person in which Authorized Holder has, directly or indirectly, an ownership interest (such other Persons, `Related Companies'), or any Affiliate, Associate, director, officer, employer, partner, member or other related Person of Authorized Holder or a Related Company (collectively, a `Related Person' and, together with Authorized Holder and the Related Companies, `Acquiror'), be deemed to be an "Acquiring Person" for purposes hereof, nor shall a Distribution Date, a Stock Acquisition Date, a Triggering Event or any other event hereunder occur as a result of Acquiror's Beneficial Ownership of Common Stock (any such event, an `Acquiror Triggering Event') acquired pursuant to the Investment Agreement and in accordance with the terms of the Stockholders Agreement and (ii) no Acquiror Triggering Event will be deemed to have occurred unless and until (A) Acquiror shall have received written notice from the Company that, notwithstanding the foregoing, the Board of Directors has determined that Acquiror constitutes an Acquiring Person hereunder and, within 30 calendar days after receipt of notice of such determination from the Company, Acquiror shall not have divested itself of Common Stock, cured any breach under the Stockholders Agreement resulting in such Acquiror Triggering Event or taken such other action as it determines, after consultation with counsel, is sufficient, so that an Acquiror Triggering Event is no longer continuing or (B) during any period of twelve consecutive calendar months commencing on the date the Permitted Transferee acquired Beneficial Ownership of Common Stock pursuant to the Stockholders Agreement, such Permitted Transferee who would be an Acquiring Person but for the preceding sentence acquired Beneficial Ownership of more than 2% of the outstanding Common Stock."

3. Section 1 of the Rights Agreement is hereby amended by adding the

following new sentence at the end of that Section:

> "Notwithstanding anything in this Agreement to the contrary, Acquiror shall not be deemed an Acquiring Person and none of a Distribution Date, a Stock Acquisition Date, or a Triggering Event shall be deemed to occur or to have occurred, and the Rights will not become separable, distributable, unredeemable or exercisable, in each such case, by reason or as a result of the approval, execution or delivery of the Investment Agreement or the consummation of the transactions contemplated by the Investment Agreement (including, without limitation, the consummation of the Additional Equity Financing (as defined in the Investment Agreement))."

4. The Rights Agreement shall not otherwise be supplemented or amended by virtue of this Amendment No. 1 to the Rights Agreement, but shall remain in full force and effect.

5. Capitalized terms used without other definition in this Amendment No. 1 to the Rights Agreement shall be used as defined in the Rights Agreement.

6. This Amendment No. 1 to the Rights Agreement shall be deemed to be a contract made under the laws of the State of Maryland and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State, except that those provisions of this Amendment No. 1 to the Rights Agreement affecting the rights, duties and responsibility of the Rights Agent shall be governed by and construed in accordance with the laws of the State of Illinois.

7. This Amendment No. 1 to the Rights Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

8. This Amendment No. 1 to the Rights Agreement shall be effective as of, and immediately prior to, the execution and delivery of the Investment Agreement, and all references to the Rights Agreement shall, from and after such time, be deemed to be references to the Rights Agreement as amended hereby.

9. Exhibits A and B to the Rights Agreement shall be deemed amended in a manner consistent with this Amendment No. 1 to the Rights Agreement.

Very truly yours,

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Essel W. Bailey, JR.

Name: Essel W. Bailey, Jr.
Title: Chief Executive Officer

Accepted and agreed to as of the effective time specified above:

FIRST CHICAGO TRUST COMPANY

By: /s/ Craig Broomfield

Name: Craig Broomfield
Title: Senior Account Manager

OMEGA HEALTHCARE INVESTORS, INC.
CHANGE IN CONTROL AGREEMENT

This Change in Control Agreement (the "Agreement") is made as of March 22, 2000 (the "Effective Date") by and between _____________ (the "Officer"), and OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation.

WHEREAS, the Officer presently serves at the pleasure of the Board of Directors of the Company as _________________ of the Company and performs significant strategic and management responsibilities necessary to the continued conduct of the Company's business and operations.

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Officer, notwithstanding the possibility or occurrence of a Change in Control (as defined below) of the Company.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and in consideration of the continuing employment of Officer by the Company, the parties agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth in this Section 1:

(a) "Board" means the Board of Directors of the Company.

(b) "Cause" means (i) willful refusal to follow a lawful written order of the Board; (ii) willful misconduct or reckless disregard of his or her duties by the Officer; (iii) any act of fraud, misappropriation, dishonesty or moral turpitude; or (iv) the conviction of the Officer of any felony.

(c) "Change in Control" means the occurrence of any of the following events:

(i) A change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A, Regulation 240, 14a-101, promulgated under the Securities Exchange Act of 1934 as in effect on the date hereof (the "Exchange Act"), or, if Item 6(e) is no longer in effect, any regulation issued by the Securities and Exchange Commission pursuant to the Exchange Act which serves similar purposes.

(ii) any "Person" (as defined in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of equity securities of the Company representing more than fifty percent (50%) of the combined voting power or value of the surviving entity's then outstanding voting equity securities.

(iii) during any period of not more than two (2) consecutive years, not including any period prior to the Effective Date, individuals who at the beginning of such period constitute the Board (the "Incumbent Directors"), cease for any reason to constitute at least a majority thereof; provided, however, that any director who was not a director as of the Effective Date shall be deemed to be an Incumbent Director if that director was elected to such board of directors on the recommendation, or with the approval, of at least two-thirds (2/3) of the directors who then qualified as Incumbent Directors; and provided further, that no director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors shall be deemed to be an Incumbent Director;

(iv) the approval by the shareholders of the Company of a merger, consolidation, share

exchange or other reorganization in which the shareholders of the Company immediately prior to the transaction do not own equity securities of the surviving entity representing at least fifty percent (50%) of the combined voting power or value of the surviving entity's then outstanding voting securities immediately after the transaction;

(v) the sale or transfer of more than fifty percent (50%) of the value of the assets of the Company, in a single transaction, in a series of related transactions, or in a series of transactions over any one year period; or

(vi) a dissolution or liquidation of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Company" means Omega Healthcare Investors, Inc.

(f) "Compensation Committee" means the Compensation Committee of the Board.

(g) "Confidential Information" means data and information relating to the business of the Company (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Officer or of which the Officer became aware as a consequence of or through the Officer's relationship to the Company and which has value to the Company and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company (except where such public disclosure has been made by the Officer without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

(h) "Disability" has the same meaning as provided in the long-term disability plan or policy maintained or, if applicable, most recently maintained, by the Company for the Officer. If no long-term disability plan or policy was ever maintained on behalf of the Officer, Disability means that condition described in Code Section 22(e)(3), as amended from time to time. In the event of a dispute, the determination of Disability shall be made by the Board and shall be supported by advice of a physician competent in the area to which such Disability relates.

(i) "Fair Market Value of Restricted Stock Awards" means an amount equal to the value per share of common stock of the Company multiplied by the number of shares of common stock subject to restricted stock awards granted to the Officer during the twelve (12) full months (excluding any partial month in which the Change in Control occurs) immediately preceding termination of the Officer's employment. The value per share will be equal to:

(i) the closing price per share at which sales of the common stock of the Company shall have been sold on the most recent trading date immediately prior to the date of grant of the restricted stock award, as reported by any such exchange or system selected by the Company on which the shares of common stock are then traded;

(ii) if such market information is not published, the price of one share of common stock in the over-the-counter market on the most recent trading date prior to the date of grant of the restricted stock award that is available as reported by the Nasdaq Stock Market or, if not so reported, by a generally accepted reporting service; or

(iii) if no such information is available, the value of one share of common stock as of the date of grant of the restricted stock award, as determined in good faith by the Company with due consideration being given to the most recent independent appraisal of the Company and the valuation methodology used in the appraisal.

(j) "Quit With Good Reason" mean the Officer's resignation within ninety (90) days following the occurrence of any of the following events which (except as to Subsection (j)(vi)) occurs without the Officer's written consent:

(i) the failure of the Board to reelect the Officer to his or her then existing office;

(ii) a diminution in the Officer's title, position, authority or responsibility or the assignment to the Officer of duties or work responsibilities which are inconsistent with his or her title, position, authority or responsibility;

(iii) any reduction in the Officer's base salary, bonus opportunity or other compensation, or a material reduction in employee benefits;

(iv) a change in the position to which the Officer reports or the positions which report to the Officer;

(v) the relocation of the Company's headquarters or the primary place at which the Officer is to perform his or her duties to a location more than fifty (50) miles from the location at which the Officer previously performed his or her duties; or

(vi) the expiration of one hundred eighty (180) days after the occurrence of a Change in Control, regardless of whether the Officer consented to the Change in Control.

Each separate event meeting the above requirements will allow the Officer to terminate his or her employment due to a Quit With Good Reason and the failure of the Officer to do so within one hundred eighty (180) days from the occurrence of such event in any given case will not prevent the Officer from terminating his or her employment due to a Quit With Good Reason if a later event occurs which entitles the Officer to do so.

(k) "Period of Employment" means the number of months that the Officer has been an employee of the Company. Prior service may be included within "Period of Employment" at the discretion of the Compensation Committee. "Period of Employment" shall include disability, sick leave, vacation and military leaves of absence but exclude other leaves of absence unless such leaves of absence are for the convenience of the Company and are approved by the Compensation Committee.

(l) "Termination Payment" means a payment under this Agreement equal to [three (3) times or five (5) times] the Officer's Total Compensation less one dollar ($1.00).

(m) "Total Compensation" means that amount paid to the Officer by the Company during the last twelve (12) full months (excluding any partial month in which the Change in Control occurs) immediately preceding termination of Officer's employment equal to aggregate compensation (salary, inclusive of any elective salary reductions, such as contributions to a plan described in Code Section 401(k) or to a nonqualified deferred compensation plan, plus any cash bonus) plus the Fair Market Value of Restricted Stock Awards (whether or not such awards are vested).

(n) "Trade Secrets" means Employer information including, but not limited to, technical or nontechnical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Eligibility. Unless otherwise determined by the Compensation Committee, no Termination Payment shall be paid to the Officer unless, at the time that the Change in Control occurs, his or her Period of Employment is at least two (2) years.

3. Severance Benefits Upon Termination Of Employment. If, within three (3) years after a Change in Control, the Officer's employment is terminated by the Company without Cause or by the Officer due to a Quit With Good Reason, the Company shall pay to the Officer, a Termination Payment in a lump sum cash payment within thirty (30) days following the later of the Officer's termination of employment or the occurrence of the Change in Control. Payments made to the Officer hereunder as a Termination Payment shall be subject to applicable federal, state and local tax withholding requirements. If the Officer's employment is terminated due to his death or Disability, that will not be deemed a termination of employment by the Company without Cause or by a Quit With Good Reason.

4. Death Of Officer. If the Officer is entitled to receive a Termination Payment and dies before receiving the Termination Payment, the Company will pay the Termination Payment to his or her beneficiary as designated

in writing by the Officer or, in the absence of such written designation, his or her estate. The Officer shall designate in writing a beneficiary or beneficiaries to receive the Termination Payment hereunder. The Officer may revoke or change his or her designation of a beneficiary at any time by written notice to the Company.

5. Other Company Employment Benefits. If the Officer is entitled to receive a Termination Payment, the Officer shall be entitled to participate in certain employee insurance plans (as described below) for three (3) years following the date of termination (the "Termination Coverage Period"). During the Termination Coverage Period, the officer shall be treated as a continuing employee for purposes of participation in and accrual of rights and benefits under all of the Company's life, accident, medical and dental insurance plans for Officer and his or her spouse. If such participation in one or more of such plans is not possible, Company shall arrange to provide Officer with benefits substantially similar to those which the Officer would have been entitled to receive if he or she had continued as an employee at the Total Compensation level. Benefits of continued participation in the Company deferred compensation plan and any retirement plans hereafter adopted in which the Officer was entitled to participate prior to the date of termination shall continue; provided, however, that if Officer's continued participation is not possible under the general terms and provisions of the foregoing plans, the Company shall arrange to provide Officer with benefits substantially similar to those which the Officer would have been entitled to receive under the foregoing plans if he or she had continued as an employee of the Company during the Termination Coverage Period.

6. Tax Indemnity Payment. Should any of the payments or benefits that are provided for hereunder to be paid to or for the benefit of Officer or payments or benefits under any other plan, agreement or arrangement between Officer and the Company, be determined or alleged to be subject to an excise or similar purpose tax pursuant to Code Section 4999 or any successor or other comparable federal, state or local tax laws, the Company shall pay to the Officer such additional compensation as is necessary (after taking into account all federal, state and local income taxes payable by the Officer as a result of the receipt of such additional compensation) to place the Officer in the same after-tax position (including federal, state and local taxes) the Officer would have been in had no such excise or similar purpose tax (or any interest or penalties thereon) been paid or incurred. The Company hereby agrees to pay such additional compensation within ten (10) business days after the Officer notifies the Company that the Officer intends to file a tax return which takes the position that such excise or similar purpose tax is due and payable in reliance upon a written opinion of the Officer's tax counsel (such tax counsel to be chosen solely by the Officer), that is more likely than not that such excise tax is due and payable. The costs of obtaining such tax counsel's opinion shall be borne by the Company, and as long as such tax counsel was chosen by the Officer in good faith, the conclusions reached in such opinion shall not be challenged or disputed by the Company. If the Officer intends to make any payment with respect to any such excise or similar purpose tax as a result of an adjustment to the Officer's tax liability by any federal, state or local tax authority, the Company will pay such additional compensation by delivering its cashier's check payable in such amount to the Officer within ten (10) business days after the Officer notifies the Company of his intention to make such payment. Without limiting the obligation of the Company hereunder, the Officer agrees, in the event the Officer makes any payment pursuant to the preceding sentence, to negotiate with the Company in good faith with respect to procedures reasonably requested by the Company which would afford the Officer the ability to contest the imposition of such excise tax; provided, however, that the Officer will not be required to afford the Company any right to contest the applicability of any such excise tax to the extent that the Officer reasonably determines (based upon the opinion of his tax counsel) that such contest is inconsistent with the overall tax interests of the Officer.

7. No Mitigation. No amounts or benefits payable to the Officer hereunder shall be subject to mitigation or reduction by income or benefits the Officer receives from other sources.

8. Nondisclosure Of Confidential Information. The Officer agrees not to disclose, directly or indirectly to any third person any Confidential Information, Trade Secrets or customer list relating to Company's business within three (3) years following payment of the Termination Payment.

9. Continued Employment. Nothing herein shall entitle Officer to continued employment with the Company or to continued tenure in any specific office or position.

10. Sole Remedy. The Termination Payment provided hereby supersedes and replaces any and all other termination compensation to which Officer is or might become entitled, except termination compensation covered by an agreement in effect on the Effective Date that has separately been approved by the Compensation Committee or by the Board.

11. Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of the Company's successors and assigns. This Agreement may be assigned by the Company to any legal successor to the

Company or to an entity which purchases all or substantially all of the assets of the Company. In the event the Company assigns this Agreement as permitted by this Agreement and the Officer remains employed by the assignee, the "Company" as defined herein will refer to the assignee and the Officer will not be deemed to have terminated employment hereunder until the Officer terminates employment from the assignee.

12. Attorneys' Fees. If the Officer (or the Officer's estate in the event of his or her death) brings any action at law or in equity to enforce any of the provisions or rights hereunder, the Company shall pay all costs, expenses and reasonable attorneys' fees incurred by the Officer.

13. Headings. Sections or other headings contained herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

14. Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof.

15. Supersedes Prior Agreement. This Agreement completely supersedes the Change in Control Agreement dated ___________, 19___, between the Company and the Officer, which agreement is hereby terminated and void.

16. Severability. In the event that one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

17. Governing Law. To the full extent controllable by stipulation of the parties, this Agreement shall be interpreted and enforced under Michigan law.

18. Amendment. This Agreement may not be modified, amended, supplemented or terminated except by a written agreement between the Company and the Officer.

IN WITNESS WHEREOF, each of the parties has executed this Agreement as of the date and year first above written.

COMPANY:

OMEGA HEALTHCARE INVESTORS, INC.,
a Maryland corporation

By:____
Its:____

OFFICER:

____

INVESTMENT AGREEMENT

INVESTMENT AGREEMENT (this "Agreement"), dated as of May 11, 2000, by and among Omega Healthcare Investors, Inc., a Maryland corporation (the "Company"), and Explorer Holdings, L.P., a Delaware limited partnership ("Purchaser").

I. SHARE PURCHASE

1.1 Share Purchase.

(a) The Board of Directors of the Company has authorized the issuance and sale to Purchaser hereunder of 1,000,000 newly issued shares of Series C Preferred Stock of the Company, par value $1.00 per share (the "Series C Preferred Stock" and such shares, the "Shares"), having the designations, voting powers, preferences and relative, participating, optional and other special rights, qualifications, limitations and restrictions thereof, set forth in the Articles Supplementary attached hereto as Exhibit A (the "Series C Articles Supplementary").

(b) On the terms and subject to the conditions hereinafter set forth, at the Closing, the Company will issue and sell to Purchaser, and Purchaser will purchase from the Company, for an aggregate price equal to $100.0 million (the "Purchase Price"), the Shares.

(c) As an inducement for the Company and the Purchaser to enter into this Agreement and to consummate the transactions contemplated hereby, Purchaser will under certain circumstances make available to the Company, and the Company will under certain circumstances issue and sell to Purchaser, up to $50.0 million (which may be increased by $50.0 million by Purchaser under certain circumstances) in Common Stock or newly issued shares of Series C Preferred Stock (provided, however, if at the time of such issuance, the Fair Market Value (as defined in the Series C Articles Supplementary) of one share of Common Stock is less than $6.25 (as adjusted to the same extent the Conversion Price for the Series C Preferred issued on the Closing Date has been previously adjusted pursuant to Section 8.4 of the Series C Articles Supplementary) such additional shares of Series C Preferred Stock shall be issued as a sub-series of Series C Preferred Stock with a Conversion Price (as defined in the Series C Articles Supplementary) equal to the Fair Market Value of one share of Common Stock calculated as of the date of issuance of such Series C Preferred), in each such case such issuance to be on the terms and subject to the conditions and use of proceeds limitations set forth on Exhibit B (the "Additional Equity Financing"). Notwithstanding any other provision hereof, the parties acknowledge that (i) until the entire amount of Additional Equity Financing otherwise available under this Section 1.1(c) shall have been invested or, if applicable, the period therefor shall have expired, the Company shall not arrange any alternative source or form of equity financing for any Acquisition (defined in Exhibit B) if Purchaser would be required to purchase Common Stock in respect of such Acquisition pursuant to the Initial Growth Equity Commitment or the Increased Additional Growth Equity Commitment, if any and (ii) the Company shall use the proceeds of any Additional Equity Financing solely for Acquisitions in accordance with the limitations in Exhibit B and will not, directly or indirectly, use such proceeds for, without limitation, paying or refinancing any indebtedness (other than indebtedness of the acquired entity) or for working capital purposes, except solely on the terms and subject to the conditions of Section 2 of Exhibit B.

1.2 Purchase Price. The Purchase Price will be payable on the terms and subject to the conditions hereof in cash by bank wire transfer of immediate available funds to an account of the Company designated by the Company by written notice to Purchaser at least two Business Days prior to the Closing Date.

1.3 Closing. The closing (the "Closing") of the purchase and sale of the Shares will take place at the offices of Jones, Day, Reavis & Pogue, 599 Lexington Avenue, New York, New York at 10:00 a.m. local time on the second Business Day after satisfaction or waiver of the conditions (other than the conditions to be satisfied concurrently with the Closing) set forth in Article V (or such other date, time and place to which the parties may agree). The date on which the Closing occurs is the "Closing Date."

1.4 Closing Deliveries.

(a) At or prior to the Closing, Purchaser will deliver to the Company:

(i) the Purchase Price, in accordance with Section 1.2;

(ii) a certificate executed by the general partner of Purchaser certifying that the conditions set forth in Section 5.2(a) have been satisfied;

(iii) a Stockholders Agreement in the form attached hereto as Exhibit C (the "Stockholders Agreement"), duly executed by Purchaser

(iv) a Registration Rights Agreement in the form attached hereto as Exhibit D (the "Registration Rights Agreement"), duly executed by Purchaser; and

(v) an Advisory Agreement in the form attached hereto as Exhibit E (the "Advisory Agreement"), duly executed by an Affiliate of Purchaser.

(b) At or prior to the Closing, the Company will deliver to Purchaser:

(i) such number of validly issued stock certificates evidencing the Shares as Purchaser requests at least two Business Days before the Closing Date;

(ii) a certificate executed by each of the Chief Executive Officer and Chief Financial Officer of the Company certifying that the conditions set forth in Section 5.3(a) have been satisfied;

(iii) the Stockholders Agreement duly executed by the Company; (iv) the Registration Rights Agreement duly executed by the Company; (v) the Advisory Agreement, duly executed by the Company;

(vi) an Indemnification Agreement in the form attached hereto as Exhibit F, duly executed by the Company;

(vii) Director Indemnification Agreements in the form attached hereto as Exhibit G for each director designee of the Purchaser, duly executed by the Company; and

(viii) the legal opinion of Powell, Goldstein, Frazer & Murphy LLP, counsel to the Company, addressed to Purchaser and dated as of the Closing Date, generally as to the matters set forth in Sections 2.1 (as to the Company only), 2.2, 2.3(a), 2.4 and 2.7(a)(i) and (ii).

(c) At or prior to the Closing, the Company and Purchaser will deliver to each other such other supporting documents and certificates as the other party may reasonably request.

1.5 Use of Proceeds. The Company shall use the proceeds from the issuance and sale of the Series C Preferred sold at the Closing (i) first, to pay all amounts outstanding under the Senior Unsecured Notes and (ii) second, for general working capital purposes.

II. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Purchaser, except as set forth in the letter, dated the date hereof, from the Company to Purchaser specifically referencing this Agreement and delivered prior to the execution of this Agreement and initialed by the parties hereto (the "Company Disclosure Letter"), as follows:

2.1 Existence; Good Standing; Corporate Authority. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maryland. The Company is duly licensed or qualified to do business as a foreign corporation and is in good standing under the laws of each state in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary, except where the failure to be so qualified or to be in good standing would not have a Company Material Adverse Effect. The Company has all requisite corporate power and authority to own, operate and lease its properties and carry on its business as now conducted. The copies of the Company's articles of incorporation and bylaws previously made available to Purchaser are true, correct and complete. As used in this Agreement, the term "Company Material Adverse Effect" means any change, effect, event or condition that has had or could reasonably be expected to (i) have a material adverse effect on the business, results of operations or financial condition of the Company and its Subsidiaries, taken as a whole, or (ii) prevent or materially delay the Company's ability to consummate the transactions contemplated hereby; provided, however, that without waiving any representation, warranty or covenant in no event will any of the following constitute a Company Material Adverse

Effect: (a) a change in the trading prices of any of the Company's securities, in and of itself; (b) effects, changes, events, circumstances or conditions generally affecting the long-term care or real estate finance industries or arising from changes in general business or economic conditions, provided that the effect thereof is not materially disproportionate on the Company and its Subsidiaries than the effect on similarly situated companies; (c) effects, changes, events, circumstances or conditions directly attributable to out-of-pocket fees and expenses (including without limitation legal, accounting, investigatory, investment banking and other fees and expenses) incurred in connection with the transactions contemplated by the Transaction Documents; (d) any effects, changes, events, circumstances or conditions resulting from the announcement or pendency of any of the transactions provided for in the Transaction Documents; (e) any effects, changes, events, circumstances or conditions resulting from compliance by Purchaser or the Company with the terms of, or the taking of any actions specifically required to be taken in, the Transaction Documents; (f) the effect of the financial condition of any operator of any of the Company Properties described in Section 2.1 of the Company Disclosure Letter; (g) the effect of any operator of any of the Company Properties in bankruptcy proceedings as of the date hereof rejecting leases to Company Properties or Material Contacts; and (h) the effect of any matters specifically disclosed in the Company Disclosure Letter except with respect to items 1 and 9 of Section 2.10 of the Company Disclosure Letter to the extent the ultimate liability associated therewith shall exceed $15.0 million in the aggregate after application of any available insurance proceeds and reimbursement available to the Company as a result of rights of contribution, subrogation and other similar sources of reimbursement for such liabilities and provided, however, that any change, effect, event or condition arising after the date hereof in any of the matters specifically disclosed in the Company Disclosure Letter shall not be excluded from the definition of Company Material Adverse Effect for purposes of Section 5.3. As used in this Agreement, the term "Subsidiary" (i) when used with respect to any party, means any corporation or other organization, whether incorporated or unincorporated, of which such party directly or indirectly owns or controls more than 50% of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions and (ii) when used with respect to the Company, shall also include each of the following entities: (1) Bayside Street II, Inc., a Delaware corporation, (2) Bayside Alabama Healthcare Second, Inc., an Alabama corporation, (3) Bayside Arizona Healthcare Second, Inc., an Arizona corporation, and (4) Bayside Colorado Healthcare Second, Inc., a Colorado corporation.

2.2 Authorization, Validity and Effect of Agreement. The Company has the requisite corporate power and authority to execute and deliver this Agreement and all agreements and documents contemplated hereby to be executed and delivered by it. This Agreement and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all requisite corporate action. This Agreement has been duly and validly executed and delivered by the Company and constitutes, and the Stockholders Agreement, the Registration Rights Agreement, the Indemnification Agreement, the Director Indemnification Agreement and the Advisory Agreement (together with this Agreement, referred to collectively as the "Transaction Documents") contemplated hereby to be executed and delivered by the Company (when executed and delivered pursuant hereto) will constitute, the valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except that (i) such enforceability may be subject to applicable bankruptcy, insolvency or other similar laws now or hereinafter in effect affecting creditors' rights generally, (ii) the availability of the remedy of specific performance or injunctive or other forms of equitable relief may be subject to equitable defenses and would be subject to the discretion of the court before which any proceeding therefor may be brought, and (iii) rights to indemnification may be limited by public policy considerations.

2.3 Capitalization; Rights Agreement. (a) The authorized capital stock of the Company consists of 100,000,000 shares of the Company's common stock, par value $0.10 per share (the "Common Stock"), 2,300,000 shares of 9.25% Series A Preferred Stock, par value $1.00 per share (the "Series A Preferred Stock"), 2,000,000 shares of 8.625% Series B Preferred Stock, par value $1.00 per share (the "Series B Preferred Stock"), and 100,000 shares of

Series A Junior Participating Preferred Stock, par value $1.00 per share. As of the close of business on the last Business Day immediately preceding the date hereof (the "Measurement Date"), (i) 20,129,626 shares of Common Stock were issued and outstanding, each of which was duly authorized, validly issued, fully paid and nonassessable and issued free of any preemptive rights, (ii) 1,100,000 shares of Common Stock were reserved for issuance under the stock option plans listed in Section 2.3 of the Company Disclosure Letter (the "Stock Option Plans"), (iii) options to purchase not more than 349,000 shares of Common Stock in the aggregate were outstanding under the Stock Option Plans as more particularly described in Section 2.3 of the Company Disclosure Letter (including the holders thereof, the expiration date, the exercise prices thereof and the dates of grant), (iv) an aggregate of not more than 42,600 Deferred Compensation Units are issued and outstanding pursuant to the Company's 1993 Deferred Compensation Plan, (v) 2,300,000 shares of Series A Preferred Stock were issued and outstanding, each of which was duly authorized, validly issued, fully paid and nonassessable and issued free of any preemptive rights, (vi) 2,000,000 shares of Series B Preferred Stock were issued and outstanding, each of which was duly authorized, validly issued, fully paid and nonassessable and issued free of any preemptive rights, and (vii) $48,405,000 principal amount of the Company's 8.5% Convertible Debentures due January 24, 2001 (the "Company Convertible Debentures"), were issued and outstanding. Since the Measurement Date, no additional shares of capital stock of the Company have been issued and no other options, warrants or other rights to acquire shares of the Company's capital stock (collectively, the "Rights To Acquire") have been granted. Except as described in the second preceding sentence, the Company has no outstanding bonds, debentures, notes or other securities or obligations the holders of which have the right to vote or which are or were convertible into or exercisable for, voting securities, capital stock or other equity ownership interests in the Company. Except as set forth in Section 2.3 of the Company Disclosure Letter, there are not at the date of this Agreement any existing options, warrants, calls, subscriptions, convertible securities or other Rights To Acquire which obligate the Company or any of its Subsidiaries to issue, exchange, transfer or sell any shares of capital stock of the Company or any of its Subsidiaries other than shares of Common Stock issuable under the Stock Option Plans or awards granted pursuant thereto. There are no outstanding contractual or legal obligations of the Company or any of its Subsidiaries (x) to repurchase, redeem or otherwise acquire any shares of capital stock of the Company or any of its Subsidiaries, or (y) to vote or to dispose of any shares of the capital stock of any of its Subsidiaries. Except as contemplated by this Agreement or the transactions contemplated hereby, after the purchase of the Shares by Purchaser, none of the Company or any of its Subsidiaries will have any obligation to issue, transfer or sell any shares of the capital stock or other securities of the Company.

(b) The Company has taken all necessary action so that neither the execution, delivery and performance of this Agreement nor the consummation of the transactions contemplated hereby shall (i) cause Purchaser or any of its Affiliates to become an "Acquiring Person" or (ii) result in the occurrence of a "Triggering Event" or "Distribution Date" (as such terms are defined in the Company Rights Agreement, dated as of May 12, 1999 (the "Company Rights Agreement"), between the Company and First Chicago Trust Company, as rights agent). The board of directors of the Company (the "Company Board") has approved, and the Company and First Chicago Trust Company have entered into, an amendment to the Company Rights Agreement having such effect, a copy of which has been delivered to Purchaser (the "Rights Amendment"). Pursuant to the Rights Amendment, among other things, neither the execution, delivery and performance of this Agreement nor the consummation of the transactions contemplated hereby will (x) result in the distribution of separate certificates representing Rights, (y) cause the Rights to become exercisable, or (z) result in the occurrence of a "Triggering Event" or a "Distribution Date" (as such terms are defined the Company Rights Agreement).

2.4 Validity of Shares, Etc. Each of the Shares have been duly authorized for issuance and, when issued to Purchaser for the consideration set forth herein and as otherwise provided herein, will be duly and validity issued, fully paid, non-assessable and free of preemptive rights. Upon conversion of the Shares from time to time, Purchaser will acquire good and valid title to such shares of Common Stock, free and clear of any and all liens, claims, security interests, encumbrances, restrictions on voting or alienation or otherwise, or adverse interests (collectively, "Liens"), except as may be created by Purchaser, the Transaction

Documents or by applicable securities Laws.

2.5 Subsidiaries. Section 2.5 of the Company Disclosure Letter lists all of the Subsidiaries of the Company. Each of the Company's Subsidiaries is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has the corporate, partnership or similar power and authority to own its properties and to carry on its business as it is now being conducted, and is duly qualified to do business and is in good standing in each jurisdiction in which the ownership of its property or the conduct of its business requires such qualification, except for jurisdictions in which such failure to be so qualified or to be in good standing would not have a Company Material Adverse Effect. The Company owns, directly or indirectly, all of the outstanding shares of capital stock (or other ownership interests having by their terms ordinary voting power to elect a majority of directors or others performing similar functions with respect to such Subsidiary) of each of the Company's Subsidiaries, free and clear of all Liens, except as set forth in Section 2.5 of the Company Disclosure Letter. Each of the outstanding shares of capital stock (or such other ownership interests) of each of the Company's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable. Section 2.5 of the Company Disclosure Letter sets forth the following information for each Subsidiary of the Company: (i) its jurisdiction of incorporation or organization, (ii) its authorized capital stock or share capital, and (iii) the number and holder of record of all issued and outstanding shares of capital stock, share capital or other equity interests.

2.6 Other Interests. Except for interests in the Company's Subsidiaries and as set forth in Section 2.5 of the Company Disclosure Letter, neither the Company nor any of the Company's Subsidiaries owns, directly or indirectly, any interest or investment (whether equity or debt) in any domestic or foreign corporation, company, partnership, joint venture, business, trust or entity, other than investments of less than $2.0 million in the aggregate.

2.7 No Conflict; Required Filings and Consents. (a) Except as set forth in Section 2.7 of the Company Disclosure Letter, the execution, delivery and performance of this Agreement by the Company do not, and the consummation by the Company of the transactions contemplated hereby will not, (i) conflict with or violate the articles of incorporation or bylaws or equivalent organizational documents of the Company or any of its Subsidiaries, (ii) subject to the Company making any filings, notifications or registrations and obtaining any approvals identified in Section 2.7(b), conflict with or violate any domestic or foreign statute, rule, regulation or other legal requirement ("Law") or order, judgment, injunction or decree ("Order") applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, or (iii) result in any breach of or constitute a default (or an event which with or without notice or lapse of time or both would become a default) under, result in the loss of a material benefit under, or give to others any right of purchase or sale, or any right of termination, amendment, acceleration, increased payments or cancellation of, or result in the creation of a Lien on any property or asset of the Company or any of its Subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any property or asset of the Company or any of its Subsidiaries is bound or affected, except, in the case of clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults, events, losses, rights, payments, cancellations, encumbrances or other occurrences that, individually or in the aggregate, would not have a Company Material Adverse Effect, or (iv) result in the loss of the Company's status as a real estate investment trust ("REIT") under Section 856 of the Internal Revenue Code of 1986, as amended (the "Code").

(b) The execution and delivery of this Agreement by the Company does not, and the performance of this Agreement and the consummation by the Company of the transactions contemplated hereby will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, domestic or foreign, including without limitation any quasi-governmental, supranational, statutory, environmental entity and any stock exchange, court or arbitral body (each a

"Governmental Entity"), except (i) for (A) applicable requirements, if any, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (B) the applicable notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, if any, and the rules and regulations thereunder (the "HSR Act"), and (C) the consents, approvals and authorizations set forth in Section 2.7 of the Company Disclosure Letter, and (ii) where the failure to obtain any such consent, approval, authorization or permit, or to make any such filing or notification, would not, individually or in the aggregate, have a Company Material Adverse Effect.

2.8 Compliance with Laws. Except as set forth in Section 2.8 of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, (a) any Law or Order applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (provided that no representation or warranty is made in this Section 2.8 with respect to Environmental Laws) or (b) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any property or asset of the Company or any of its Subsidiaries is bound or affected, and to the Knowledge of the Company, neither the Company nor any of its Subsidiaries is under review or investigation with respect to or has been threatened to be charged with or given notice of any violation of any Law or Order, except in each case for such conflicts, defaults, violations, reviews or investigations that would not, individually or in the aggregate, have a Company Material Adverse Effect. The Company and its Subsidiaries hold all licenses, permits orders, registrations and other authorizations ("Permits") and have taken all actions required by applicable Law or regulations of any Governmental Entity in connection with their business as now conducted, except where the failure to obtain any such item or to take any such action would not, individually or in the aggregate, have a Company Material Adverse Effect.

2.9 SEC Documents. (a) The Company has timely filed all forms, reports and documents required to be filed by it with the Securities and Exchange Commission (the "SEC") since January 1, 1997 (collectively, the "Company Reports"). As of their respective dates, the Company Reports and any such reports, forms and other documents filed by the Company with the SEC after the date of this Agreement and until the Closing Date (i) complied, or will comply, in all material respects with the applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act and the rules and regulations thereunder and (ii) did not, and will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The representation in clause (ii) of the preceding sentence does not apply to any misstatement or omission in any Company Report filed prior to the date of this Agreement which was superseded by a subsequent Company Report filed prior to the date of this Agreement. No Subsidiary of the Company is required to file any periodic reports with the SEC under the Exchange Act.

(b) Each of the financial statements included in or incorporated by reference into the Company Reports (including the related notes and schedules) (the "Company Financial Statements") presents fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries as of its date and, to the extent applicable, the results of operations, retained earnings or cash flows, as the case may be, of the Company and its Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to normal recurring year-end audit adjustments, none of which will be material in kind or amount), in each case in accordance with United States generally accepted accounting principles consistently applied ("GAAP") during the periods involved, except as may be noted therein.

2.10 No Undisclosed Material Liabilities. There are no material liabilities or obligations of the Company or any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise that would result in such a liability, other than (a) liabilities or obligations disclosed in the Company Financial Statements or in Section 2.10 of the Company Disclosure Letter and (b) liabilities or obligations incurred in the ordinary course of business consistent with past practices since January 1, 2000 that would

not have, individually or in the aggregate, a Company Material Adverse Effect.

2.11 Litigation. Except as disclosed in Section 2.11 of the Company Disclosure Letter or such of the following as would not have a Company Material Adverse Effect, and other than personal injury and other routine tort litigation arising from the ordinary course of operations of the Company and its Subsidiaries which are covered by adequate insurance, as of the date of this Agreement, there are no actions, suits or proceedings pending, publicly announced or, to the Knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries and there are no Orders of any Governmental Entity outstanding against the Company or any of its Subsidiaries.

2.12 Absence of Certain Changes. From April 1, 2000 through the date of this Agreement, the Company and its Subsidiaries have conducted their respective businesses in the ordinary course consistent with past practice and there has not been (a) any Company Material Adverse Effect or (b) any action that if taken after the date hereof would be a violation of Section 4.1.

2.13 Taxes. (a) Each of the Company and its Subsidiaries and any consolidated, combined, unitary or aggregate group for tax purposes of which the Company or any Subsidiary of the Company is or has been a member has timely filed all Tax Returns required to be filed by it (after giving effect to any extension properly granted by a Tax Authority having authority to do so) and has timely paid (or the Company has timely paid on its behalf) all material Taxes required to be paid by it (whether or not shown on such Tax Returns), except Taxes that are being contested in good faith by appropriate proceedings and for which the Company or the applicable Subsidiary of the Company shall have set aside on its books adequate reserves. Each such Tax Return is complete and accurate in all material respects. The most recent audited financial statements contained in the Company Reports reflect an adequate reserve for all material Taxes payable by the Company and its Subsidiaries for all taxable periods and portions thereof through the date of such financial statements. The Company has incurred no material liability for Taxes under Sections 857(b), 857(f), 860(c) or 4981 of the Code, including without limitation any Tax on net income from foreclosure property described in Section 857(b)(4) of the Code or arising from a prohibited transaction described in Section 857(b)(6) of the Code, and neither the Company nor any of its Subsidiaries has incurred any material liability for Taxes other than in the ordinary course of business. No event has occurred, and no condition or circumstance exists, which would present a risk that any material Tax described in the preceding sentence will be imposed upon the Company or any Subsidiary of the Company. No material deficiencies for any Taxes have been proposed, asserted or assessed in writing against the Company or any Subsidiary of the Company, and no requests for waivers of the time to assess any such Taxes are pending and no extensions of time to assess any such Taxes are in effect and no Tax Returns of the Company or any of its Subsidiaries are currently being audited by any applicable Tax Authority or are threatened with any such audit. All material Taxes required to be withheld, collected and paid over to any Tax Authority by the Company and any Subsidiary of the Company have been timely withheld, collected and paid over to the proper Tax Authority. No Tax Authority has imposed a Lien against the Company or any of its Subsidiaries or any Company Property for any Taxes payable pending actions or proceedings by any Tax Authority for assessment or collection of any Tax. Complete copies of all federal, state and local income or franchise Tax Returns that have been filed by the Company and each Subsidiary of the Company for all taxable years beginning on or after January 1, 1996, all extensions filed with any Tax Authority that are currently in effect and all written communications with a Tax Authority relating thereto have been made available to Purchaser and its representatives. No written claim has been made by a Tax Authority in a jurisdiction where the Company or any Subsidiary of the Company does not file Tax Returns that it is or may be subject to taxation by the jurisdiction. Neither the Company nor any Subsidiary of the Company holds any material asset (A) the disposition of which would be subject to rules similar to Section 1374 of the Code as a result of an election under Internal Revenue Service Notice 88-19 or (B) that is subject to a consent filed pursuant to Section 341(f) of the Code and the regulations thereunder. The Company has no C corporation earnings and profits and did not have any C corporation earnings and profits at the end of any REIT tax year. Neither the Company nor any Subsidiary of the Company is obligated to make after the Closing any payment that would not be deductible under Section 162(m) of the Code.

Neither the Company nor any Subsidiary of the Company is party to, nor has any liability under (including liability with respect to any predecessor entity), any indemnification, allocation or sharing agreement with respect to Taxes.

(b) The Company (i) for all taxable years commencing with its initial taxable year through December 31, 1999, has been properly subject to taxation as a REIT within the meaning of Section 856 of the Code and has qualified as a REIT for such years, (ii) has operated since December 31, 1999, and will continue to operate to the Closing, in such a manner as to qualify as a REIT (determined without regard to the dividends paid deduction requirements for the current year) for the taxable year beginning January 1, 2000 determined as if the taxable year of the REIT ended as of the Closing, and (iii) has not taken or omitted to take any action that would result in loss of or a challenge to its status as a REIT, and no such challenge is pending or, to the Company's Knowledge, threatened. Each Subsidiary of the Company that is a partnership, joint venture or limited liability company has been since its formation and continues to be treated for federal income tax purposes as a partnership or disregarded as a separate entity, as the case may be, and has not been treated for federal income tax purposes as a corporation or an association taxable as a corporation. Neither the Company, any Subsidiary of the Company that is a partnership, joint venture or limited liability company, nor any Subsidiary that is a qualified REIT subsidiary has owned any assets (including, without limitation, securities) that could cause the Company to violate Section 856(c)(4) of the Code. The Company has complied, and reasonably expects to continue complying, with the income qualification tests set out in Section 856(c)(2) and (3) of the Code. Neither the Company nor any Subsidiary has received, or reasonably expects to receive, any material rent that does not qualify as "rents from real property" within the meaning of Section 856(d) of the Code, including rent attributable to personal property under Section 856(d)(1)(C), any contingent rent under Section 856(d)(2)(A) of the Code, or any rent from a related-party tenant under Section 856(d)(2)(B) of the Code. Neither the Company nor any Subsidiary has received, or reasonably expects to receive, any contingent interest that does not qualify as "interest" under Section 856(f) of the Code or any income from a shared appreciation provision, as described under Section 856(j) of the Code, that is subject to the prohibited transaction tax under Section 857(b)(6). The fair market value of the real property securing each mortgage loan held by the Company or any Subsidiary at the time the loan was entered into has exceeded the highest outstanding principal balance of the loans at any time. The Company has not elected to pay Tax on any capital gain recognized on or after January 1, 2000. Each Subsidiary of the Company that is a corporation and of which the Company owns more than 9.9% of the capital stock has been since it became a Subsidiary a qualified REIT subsidiary under Section 856(i) of the Code.

(c) For purposes of this Agreement, (i) "Taxes" means all taxes, charges, fees, levies or other assessments imposed by any United States Federal, state, or local taxing authority or by any non-U.S. taxing authority, including, but not limited to, income, gross receipts, excise, property, sales, use, transfer, payroll, license, ad valorem, value added, withholding, social security, national insurance (or other similar contributions or payments), franchise, estimated, severance, stamp, and other taxes (including any interest, fines, penalties or additions attributable to or imposed on or with respect to any such taxes, charges, fees, levies or other assessments), (ii) "Tax Return" means any return, report, information return or other document (including any related or supporting information and, where applicable, profit and loss accounts and balance sheets) with respect to Taxes, and (iii) "Tax Authority" shall mean the Internal Revenue Service and any other domestic or foreign bureau, department, entity, agency or other Governmental Entity responsible for the administration of any Tax.

2.14 Properties. (a) Except as would not have a Company Material Adverse Effect, the Company or one of its Subsidiaries owns marketable fee simple or leasehold title to, or a valid first priority mortgage Lien on, the real properties identified in Section 2.14 of the Company Disclosure Letter (collectively with all buildings, structures and other improvements thereon, the "Company Properties" and each, collectively with all buildings, structures and other improvements thereon, a "Company Property"), which are all of the real properties that are owned or leased by the Company and its Subsidiaries, or on which the Company holds a mortgage Lien, in either case as of the date hereof. The Company Properties are not subject to any rights of way, written agreements, Laws, ordinances and regulations affecting building

use or occupancy or reservations of an interest in title (collectively, "Property Restrictions") or Liens (including Liens for Taxes), mortgages or deeds of trust, claims against title, charges which are Liens, security interests or other encumbrances on title (the "Encumbrances"), except for (i) Property Restrictions and Encumbrances set forth in Section 2.14 of the Company Disclosure Letter, (ii) Property Restrictions imposed or promulgated by Law or any Governmental Entity with respect to real property, including zoning regulations, which do not adversely affect in any material respect the current use of the applicable property, (iii) Encumbrances and other Property Restrictions disclosed on existing title reports or current surveys (in either case copies of which title reports and surveys have been delivered or made available to Purchaser), (iv) mechanics', carriers', workmen's, repairmen's Liens and other Encumbrances and Property Restrictions, if any, which, individually and in the aggregate, are not substantial in amount, do not materially interfere with the present use of any of the Company Properties subject thereto or affected thereby, and do not otherwise materially impair business operations conducted by the Company and its Subsidiaries, and (v) such other Property Restrictions and Encumbrances that, together with all Property Restrictions and Encumbrances described in clauses (i) through (iv) in this Section 2.14(a), would not have a Company Material Adverse Effect.

(b) Except for such exceptions as would not have a Company Material Adverse Effect, the Company has obtained title insurance insuring the Company's or the applicable Company Subsidiary's fee simple title to each of the Company Properties owned by it and leasehold title to each of the Company's Properties leased by it, in each case, subject only to the matters disclosed in such policies, in clause (a) above and in Section 2.14 of the Company Disclosure Letter, the Company has not received any written notice that any such policy is not in full force and effect. Except as set forth in Section 2.14(b) of the Company Disclosure Letter, no claim has been made against any such policy in excess of $100,000.

(c) Each material certificate, permit or license from any Governmental Entity having jurisdiction over any of the Company Properties and each agreement, easement or other right which is necessary to permit the lawful use and operation of the buildings and improvements on any of the Company Properties or which is material to the operation of the property have been obtained and are in full force and effect, except to the extent that the failure to obtain or maintain any such certificate, permit, license, agreement, easement or other right would not have a Company Material Adverse Effect. Neither the Company nor any of its Subsidiaries has received written notice of any violation of any Law with respect to any of the Company Properties which, individually or in the aggregate, would have a Company Material Adverse Effect. To the Knowledge of the Company, no Governmental Entity having jurisdiction over any Company Properties under development has denied or rejected any applications by the Company for a certificate, permit or license with respect to such Company Property, except to the extent that the denial or rejection of such application would not have a Company Material Adverse Effect.

(d) Neither the Company nor any of its Subsidiaries has received any written notice with respect to any Company Property to the effect that any condemnation or rezoning proceedings are pending or threatened, except as set forth in Section 2.14 of the Company Disclosure Letter.

2.15 Contracts; Debt Instruments. (a) There have been made available to Purchaser true, correct and complete copies of all of the following contracts to which Company or any of its Subsidiaries is a party or by which any of them is bound (collectively, the "Material Contracts"): (i) the agreements pursuant to which the Company or its Subsidiaries holds or grants a leasehold interest in or otherwise has an economic interest in any real property; (ii) contracts with any current or former officer or director of the Company or any of its Subsidiaries; (iii) contracts (A) for the sale of any of the material assets of the Company or any of its Subsidiaries or the acquisition of any material amount of assets by the Company or any of its Subsidiaries, other than contracts entered into in the ordinary course of business, or (B) for the grant to any person of any rights to purchase any of its material assets; (iv) contracts which restrict the Company or any of its Subsidiaries from competing in any line of business or with any person in any geographical area in any material manner or which restrict any other person from competing with the Company or any of its Subsidiaries in any line of business or in any geographical area in any material manner; (v) loan

commitments, indentures, credit agreements, security agreements, mortgages, guarantees, promissory notes, letters of credit, hedging obligations, capitalized lease obligations, take or pay contracts and other contracts relating to Indebtedness (whether owed by or held by the Company or any Subsidiary) in an amount in excess of $1,000,000 (each note and mortgage of such type, a "Mortgage"); (vi) all joint venture agreements; and (vii) any material contract not made in the ordinary course of business. For purposes of this Section 2.15, "Indebtedness" means (i) indebtedness for borrowed money, whether secured or unsecured, (ii) obligations under conditional sale or other title retention agreements relating to property purchased by such Person, (iii) capitalized lease obligations, (iv) obligations under interest rate cap, swap, collar or similar transaction or currency hedging transactions (valued at the termination value thereof), and (v) guarantees of any such indebtedness of any other Person (including any Subsidiary).

(b) All of the Material Contracts are in full force and effect and are the legal, valid and binding obligations of the Company and/or its Subsidiaries, enforceable against them in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting creditors' rights and remedies generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). Except as set forth in Section 2.15 of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries is in breach or default under any Material Contract nor, to the Knowledge of the Company, is any other party to any Material Contract in breach or default thereunder, in either case except for such breaches and defaults of any Material Contract, either individually or in the aggregate, that would not have a Company Material Adverse Effect.

(c) Each Mortgage (or equivalent document) related to Indebtedness held by the Company or any Subsidiary creates in such entity a valid security interest in the property described therein. Except as would not have a Company Material Adverse Effect, valid policies of title insurance have been issued insuring the first priority mortgage of the Company or a wholly owned Subsidiary of the Company in each Mortgage and equivalent documents relating to a Mortgage. To the Knowledge of the Company, the borrower under each Mortgage has no valid defense that prevents the holder thereof or its assigns from enforcing the payment provisions thereof, or from foreclosing against the property subject to such Mortgage. To the Knowledge of the Company, such Mortgage is not subject to any valid right of rescission, setoff, abatement, diminution, counterclaim or defense that prevents the holder thereof or its assigns from enforcing the payment provisions of the Mortgage, if any, or from foreclosing against the mortgaged property subject to such Mortgage, and no such claims have been asserted. Except as set forth on Schedule 2.15 of the Company Disclosure Letter, the Company or the Subsidiary is the sole owner of and holds legal title to each Mortgage, and no Mortgage has been assigned or pledged and each Mortgage is owned by the Company or the Subsidiary free and clear of any right, interest or claim of any third party.

2.16 Environmental Matters. (a) Except as disclosed in Section 2.16 of the Company Disclosure Letter and for such exceptions to any of the following that, individually or in the aggregate, would not have a Company Material Adverse Effect, (A) none of the Company nor any of its Subsidiaries nor any other Person has caused or permitted (i) the presence of any Hazardous Substances on any of the Company's Properties, (ii) any spills, releases, discharges or disposal of Hazardous Substances to have occurred or be presently occurring on or from the Company Properties as a result of any construction on or operation and use of the Company Properties, (B) (i) the Company and its Subsidiaries have complied with all applicable local, state and federal Environmental Laws, including all regulations, ordinances and administrative and judicial orders relating to the generation, recycling, reuse, sale, storage, handling, transport and disposal of any Hazardous Substances, (ii) the Company and its Subsidiaries have obtained, currently maintain and, as currently operating are in compliance with, all Permits necessary under any Environmental Law ("Environmental Permits") for the conduct of the business and operations of the Company and its Subsidiaries in the manner now conducted, and, to the knowledge of the Company, there are no actions or proceedings pending or threatened to revoke or materially modify such Permits; (iii) no Hazardous Substances have been used, stored, manufactured, treated, processed or transported to or from any such Company Property by the Company and its Subsidiaries or any other Person, except as necessary to the customary conduct of business and in

compliance with Law and in a manner that does not result in liability under applicable Environmental Laws; (iv) the Company and its Subsidiaries have not received any written notice of potential responsibility, letter of inquiry or written notice of alleged liability from any Person regarding such Company Property or the business conducted thereon; (v) no investigation, action or review is pending or, to the Knowledge of the Company, threatened by any Governmental Entity or other Person under any Environmental Law, and (vi) all underground storage tanks located on any Company Property have been removed or closed to the extent required under any applicable Environmental Law. For the purposes of this Section 2.16 only, "Company Properties" shall be deemed to include all property formerly owned, operated or leased by the Company or its current or former Subsidiaries, solely, however, as to the period of time when such property was so owned, operated or leased by the Company or its current or former Subsidiaries. Except as described in Section 2.16 of the Company Disclosure Letter, the Company has previously made available to Purchaser complete copies of all final versions of environmental investigations and testing or analysis (other than those which have been superseded by more recent investigations, testing or analyses) that are in the possession, custody or control of any of the Company or any of its Subsidiaries with respect to the environmental condition of the Company Properties.

(b) For purposes of this Agreement, the term (i) "Environmental Laws" means any national, federal, state or local Law (including, without limitation, common law), Order, Permit or any agreement with any Governmental Entity or other third party (whether domestic or foreign) relating to: (A) releases or threatened releases of Hazardous Substances or materials containing Hazardous Substances; (B) the manufacture, processing, distribution, handling, transport, use, treatment, storage or disposal of Hazardous Substances or materials containing Hazardous Substances; or (C) pollution of the environment, and (ii) "Hazardous Substances" means: (A) those materials, pollutants and/or substances defined in or regulated under the following federal statutes and their state counterparts, as each may be amended from time to time, and all regulations thereunder: the Hazardous Materials Transportation Act of 1980, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Safe Drinking Water Act, the Atomic Energy Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Toxic Substances Control Act and the Clean Air Act; (B) petroleum and petroleum products including crude oil and any fractions thereof; (C) natural gas, synthetic gas and any mixtures thereof; (D) radon; (E) asbestos; (F) any other contaminant; and (G) any materials, pollutants and/or substance with respect to which any Governmental Entity requires environmental investigation, monitoring, reporting or remediation.

2.17 Company Benefit Plans; ERISA Compliance. (a) Except as disclosed in Section 2.17(a) of the Company Disclosure Letter, there are no compensation, bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option or other stock related rights, fringe benefit, retirement, vacation, disability, death benefit, supplemental unemployment benefits, hospitalization, medical, dental, life, severance, post-employment benefits or other plan, agreement, arrangement, policies or understanding, or employment severance, retention, consulting, change of control or similar agreement whether formal or informal, oral or written, providing benefits to any current or former employee, officer, director or shareholder of the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries contributes or is or was obligated to contribute (collectively, the "Company Benefit Plans," which will include each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), whether or not subject to ERISA, but shall not include any Multiemployer Plan (as defined below)). Section 2.17(a) of the Company Disclosure Letter contains a true and complete list of all agreements or plans providing for termination or severance pay to any officer, director or employee of the Company.

(b) Each Company Benefit Plan has been administered in accordance with its terms, all applicable Laws, including ERISA and the Code, except to the extent that the failure to so administer the applicable plan would not have a Company Material Adverse Effect. Each Company Benefit Plan is in compliance with all applicable Laws, including the applicable provisions of ERISA, and the Code. Each Company Benefit Plan that is intended to be qualified under Section 401(a) or 401(k) of the Code is so qualified and each trust established in connection with any Company Benefit Plan

that is intended to be exempt from federal income taxation under Section 501(a) of the Code is so exempt. No fact or event has occurred which is reasonably likely to affect adversely the qualified status of any such Company Benefit Plan or the exempt status of any such trust, except for any occurrence that would not, individually or in the aggregate, have a Company Material Adverse Effect. All contributions to, and payments from, each Company Benefit Plan and Multiemployer Plan that are required to be made in accordance with such Plans and applicable Laws (including ERISA and the Code) have been timely made.

(c) No Company Benefit Plan is or at any time was (i) subject to Title IV of ERISA or (ii) subject to the minimum funding standards of Section 302 of ERISA or Section 412 of the Code. Except as set forth in Section 2.17(c) of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries contributes to any "multiemployer plan" within the meaning of Section 3(37) of ERISA or a "multiple employer plan" within the meaning of Section 3(40) of ERISA (each a "Multiemployer Plan").

(d) No Company Benefit Plan provides medical benefits (whether or not insured) with respect to current or former employees, officers or directors after retirement or other termination of service.

(e) Except as set forth on Section 2.17(e) of the Company Disclosure Letter, the consummation of the transactions contemplated by this Agreement will not, either alone or in combination with another event, (i) entitle any current or former employee, officer or director of the Company to severance pay, unemployment compensation or any other payment or (ii) accelerate the time of payment or vesting, or increase the amount of compensation, equity rights or benefits due any such employee, officer or director.

(f) With respect to each Company Benefit Plan, the Company has delivered or made available to Purchaser a true and complete copy of: (A) each writing constituting a part of such Company Benefit Plan, including without limitation all Company Benefit Plan documents and trust agreements; (B) the most recent Annual Report (Form 5500 Series) and accompanying schedule, if any; (C) the most recent annual financial report, if any; (D) the most recent actuarial report, if any; and (E) the most recent determination letter from the IRS, if any.

(g) With respect to each Company Benefit Plan, there have been no prohibited transactions or breaches of any of the duties imposed on "fiduciaries" (within the meaning of Section 3(21) of ERISA) by ERISA with respect to the Company Benefit Plans that would result in any liability or excise tax under ERISA or the Code.

(h) There has been no amendment to, written interpretation of or announcement (whether or not written) by the Company or any of its Subsidiaries relating to, or change in employee participation or coverage under, any Company Benefit Plan which would increase materially the expense of maintaining such Company Benefit Plan above the level of the expense incurred in respect thereof for the 12 months ended on the date of the most recent balance sheet for the Company and its Subsidiaries.

(i) All contributions and payments due under each Company Benefit Plan have either been discharged and paid or are adequately reflected as a liability on the most recent balance sheet for the Company and its Subsidiaries in accordance with GAAP.

(j) Except as set forth on Section 2.17(j) of the Company Disclosure Letter, (i) neither the Company nor any of its Subsidiaries is a party to or subject to any union contract or collective bargaining agreement, (ii) the Company and its Subsidiaries are in compliance in all material respects with all currently applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and are not engaged in any unfair labor practice that would affect the Company in any material respect, and (iii) there is no unfair labor practice complaint pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries before the National Labor Relations Board that would affect the Company in any material respect.

(k) The execution, delivery or performance of the transactions contemplated by the Transaction Documents does not constitute (i) a "Change in Control" as defined in the Company's Change in Control Agreements, dated as of March 22, 2000, with any of Essel W. Bailey, David A. Stover, F. Scott Kellman, Laurence D. Rich or Susan Allene Kovach (collectively, the "Senior Executive Officers" and such agreements, the "Company Change in Control

Agreements") or (ii) "Change of Control" as defined in any of the Stock Option Plans, in each case as in effect on the date of this Agreement. 2.18 Related Party Transactions. Except for such of the following as were filed as Exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (the "1999 Company 10-K"), set forth in Section 2.18 of the Company Disclosure Letter is a list of all written arrangements, agreements and contracts entered into by the Company or any of its Subsidiaries with any Person who is an officer, director or Affiliate of the Company, or any lineal descendent of any of the foregoing, or any entity in which any of the foregoing has an economic interest (excluding ownership of stock of publicly owned companies), except those of a type described in Section 2.17.

2.19 No Brokers. The Company has not entered into any contract, arrangement or understanding with any Person or firm which may result in the obligation of the Company or Purchaser to pay any investment banker's or finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby, except that the Company has retained J.P. Morgan & Co., Incorporated as its financial advisor, the arrangements with which have been disclosed to Purchaser prior to the date hereof. The Company will pay all amounts owed pursuant to the foregoing arrangements.

2.20 Proxy Statement. The proxy statement to be mailed to the stockholders of the Company (the "Company Stockholders") in connection with the meeting of the Stockholders to approve the issuance of the Shares to Purchaser on the Closing Date and the shares of Common Stock and Series C Preferred Stock pursuant to the Additional Equity Financing, to elect the Purchaser Designees and the Independent Director to the Company Board pursuant to Section 4.10, and to authorize the Additional Option Shares (the "Company Stockholders Meeting", and such proxy statement, as amended or supplemented, the "Proxy Statement"), at the date mailed to the Company Stockholders and at the time of the Company Stockholders Meeting (i) will comply in all material respects with the applicable requirements of the Exchange Act and the rules and regulations thereunder and (ii) will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

2.21 Voting Requirements. The affirmative vote of no more than the holders of a majority of the issued and outstanding shares of Common Stock, voting as a single class, at the Company Stockholders Meeting to approve the issuance of the Shares to Purchaser on the Closing Date and shares of Common Stock and Series C Preferred Stock to Purchaser pursuant to the Additional Equity Financing, to elect the Purchaser Designees and the Independent Director to the Company Board pursuant to Section 4.10, and to authorize the Additional Option Shares (the "Company Stockholder Approval"), is the only vote of the holders of any class or series of the Company's capital stock necessary to approve the transactions contemplated hereby.

2.22 State Takeover Statues. The limitations on "business combinations" (as defined in Subtitle 6 of Title 3 of the Maryland General Corporation Law ("MGCL")) and the limitations on voting rights of shares of stock acquired in a "control share acquisition" (as defined in Subtitle 7 of Title 3 of the MGCL) are not applicable to the transactions contemplated hereby. There is no other provision of the MGCL or the Company's bylaws or charter under which special voting or waiting period requirements would become applicable, or Purchaser would not have rights possessed by other stockholders, had the Company issued to Purchaser all Company securities contemplated herein prior to the date hereof.

2.23 Statements True and Correct. The representations made by the Company pursuant to this Agreement, the certificate provided for in Section 1.4(b)(ii) and the Company Disclosure Letter do not or will not contain as of the date made any untrue statement of material fact or do not omit or will not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

III. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to the Company as follows:

3.1 Existence; Good Standing; Corporate Authority. Purchaser is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware. Purchaser is

duly licensed or qualified to do business as a limited partnership and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary, except where the failure to be so qualified or to be in good standing would not have a Purchaser Material Adverse Effect. A "Purchaser Material Adverse Effect" means any change, effect, event or condition that has had or could reasonably be expected to (i) have a material adverse effect on the business, results of operations or financial condition of Purchaser and its Subsidiaries, taken as a whole, provided, however, that no event referred to in clauses (b), (c), (d) or (e) of the proviso to the definition of Company Material Adverse Effect will, as applied to Purchaser, constitute a Purchaser Material Adverse Effect, or (ii) prevent or materially delay Purchaser's ability to consummate the transactions contemplated hereby. Purchaser has all requisite limited partnership power and authority to own, operate and lease its properties and carry on its business as now conducted.

3.2 Authorization, Validity and Effect of Agreement. Purchaser has all requisite limited partnership power and authority to execute and deliver this Agreement and all agreements and documents contemplated hereby and thereby to be executed respectively by it. This Agreement and the consummation by Purchaser of the transactions contemplated hereby have been duly and validly authorized by the general partner of Purchaser and the applicable governing body of Purchaser's general partner, and no other action on the part of Purchaser or Purchaser's general partner is necessary to authorize this Agreement or to consummate the transactions contemplated hereby or thereby. This Agreement constitutes, and all Transaction Documents contemplated hereby to be executed and delivered by Purchaser (when executed and delivered pursuant hereto) will constitute, the valid and binding obligations of Purchaser, enforceable against it in accordance with their respective terms, except that (i) the enforceability hereof and thereof may be subject to applicable bankruptcy, insolvency or other similar laws now or hereinafter in effect affecting creditors' rights generally, (ii) the availability of the remedy of specific performance or injunctive or other forms of equitable relief may be subject to equitable defenses and would be subject to the discretion of the court before which any proceeding therefor may be brought, and (iii) rights to indemnification may be limited by public policy considerations.

3.3 No Conflict; Required Filings and Consents. (a) The execution and delivery of this Agreement by Purchaser do not, and the consummation by Purchaser of the transactions contemplated hereby will not, (i) conflict with or violate the articles of incorporation, bylaws or other similar constituent documents of Purchaser or any of its Subsidiaries, (ii) subject Purchaser to making any filings, notifications or registrations and obtaining any approvals, consents or authorizations identified in Section 3.3(b), conflict with or violate any Law or Order applicable to Purchaser or any of its Subsidiaries or by which any property or asset of Purchaser or any of its Subsidiaries is bound or affected, or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, result in the loss of a material benefit under, or give to others any right of termination, amendment, acceleration, increased payments or cancellation of, or result in the creation of a Lien on any property or asset of Purchaser or any of its Subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Purchaser or any of its Subsidiaries is a party or by which Purchaser or any of its Subsidiaries or any property or asset of Purchaser or any of its Subsidiaries is bound or affected, except in the case of clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults, events, losses, rights, payments, cancellations, encumbrances or other occurrences that would not, individually or in the aggregate, have a Purchaser Material Adverse Effect.

(b) The execution and delivery of this Agreement by Purchaser does not, and the performance of this Agreement and the consummation of the transactions contemplated hereby by it will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except (i) for (A) applicable requirements, if any, of the Exchange Act, and (B) the applicable notification requirements of the HSR Act, and (ii) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not, individually or in the aggregate, have a Purchaser Material Adverse Effect.

3.4 No Brokers. Purchaser has not entered into any contract, arrangement or understanding with any Person or firm which may result in the obligation of the Company or any Subsidiary of the Company to pay any investment banker's or finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby, any such amounts to be the sole liability of Purchaser.

3.5 Proxy Statement. None of the information provided by Purchaser or its officers, directors, representatives, agents or employees specifically for inclusion in the Proxy Statement will, on the date the Proxy Statement is first mailed to the Company Stockholders or at the time of the Company Stockholders Meeting, contain any untrue statement of a material fact, or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.6 Sufficient Funds. After giving effect to the payment by Purchaser of the Purchase Price which will be funded pursuant to valid, binding and enforceable commitments in effect on the date hereof, Purchaser will have sufficient funds available to (a) pay all amounts required to be paid pursuant to this Agreement when due and (b) pay all nonreimbursable fees, costs and expenses incurred by Purchaser in connection with this Agreement and the transactions contemplated herein.

3.7 Investment Intent. Purchaser is purchasing the Shares to be purchased by it for its own account and for investment purposes, and does not intend to redistribute the Shares (except in a transaction or transactions exempt from registration under the federal and state securities laws or pursuant to an effective registration statement under such laws). Purchaser acknowledges that the Shares have not been registered under the Securities Act or any state blue sky or securities Laws and that the transfer of the Shares may be subject to compliance with such Laws (in addition to the restrictions set forth in the Stockholders Agreement).

3.8 Investor Sophistication; Etc. Purchaser is an "accredited investor" as defined in Regulation D under the Securities Act and has such knowledge and experience in financial business matters that it is capable of evaluating the merits and risks of an investment in the Shares. Purchaser is not an "investment company within the meaning of the Investment Company Act of 1940, as amended.

IV. COVENANTS

4.1 Conduct of Business by the Company. During the period from the date of this Agreement to the Closing Date, the Company will, and will cause its Subsidiaries to, carry on their respective businesses in the usual, regular and ordinary course in substantially the same manner as heretofore conducted and, to the extent consistent therewith, use all commercially reasonable efforts to keep available the services of their current officers and other key employees and preserve their relationships with all key customers, suppliers and other Persons having business dealings with them to the end that their goodwill and ongoing businesses will not be materially impaired at the Closing Date. The Company will confer on a regular basis with one or more representatives of Purchaser to report operational matters of materiality and any proposals to engage in material transactions. Without limiting the generality or effect of the foregoing, except as specifically described in Section 4.1 of the Company Disclosure Letter or as expressly provided by this Agreement, during the period from the date of this Agreement to the Closing Date, the Company will not, and will not permit any of its Subsidiaries to, without the prior written consent of Purchaser:

(a) other than dividends and distributions (including liquidating distributions) by a direct or indirect wholly owned Subsidiary of the Company to its parent and quarterly distributions with respect to the Series A Preferred Stock or Series B Preferred Stock in the amounts provided for in the Articles Supplementary in respect of such Series A Preferred Stock or Series B Preferred Stock, as the case may be, and consistent with past practice and regular quarterly dividends not in excess of $0.25 per share of Common Stock which shall commence no earlier than the regular dividend pay date in the third quarter of 2000, (i) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock, (ii) split, combine or reclassify any of its capital stock or issue or authorize the

issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (iii) purchase, redeem or otherwise acquire any shares of capital stock of the Company or any of its Subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities; provided, however, that the foregoing restrictions shall not apply to the extent a distribution by the Company is necessary for the Company to maintain REIT status or to prevent the Company from having to pay federal income or excise tax;

(b) except for the issuance of securities pursuant to the exercise of options that are outstanding on the Measurement Date and are listed in Section 2.3 of the Company Disclosure Letter, issue, deliver, sell, pledge or otherwise encumber any shares of its capital stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities;

(c) except for filing the Series C Articles Supplementary with the Maryland Secretary of State, amend its articles of incorporation or bylaws;

(d) acquire by merging or consolidating with, or by purchasing all or substantially all of the assets of, or in any other manner, any business or any corporation, limited liability company, partnership, joint venture, association or other business organization or division thereof in a transaction or series of related transactions involving a total purchase price (determined in accordance with GAAP) in excess of $1,000,000;

(e) sell, lease, license, mortgage or otherwise encumber or subject to any Lien or otherwise dispose of any of its properties or assets, other than sales of assets which do not individually or in the aggregate exceed $1,000,000;

(f) incur any indebtedness for borrowed money or guarantee any such indebtedness of another Person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Company or any of its Subsidiaries, guarantee any debt securities of another Person, enter into any "keep well" or other agreement to maintain any financial statement condition of another Person or enter into any arrangement having the economic effect of any of the foregoing or enter into any "keep well" or other agreement to maintain any financial statement condition of another Person or enter into any arrangement having the economic effect of any of the foregoing, other than in any such case pursuant to the Company's existing contractual obligations or in accordance with the Company's 2000 operating plan previously provided to Purchaser;

(g) make any loans, advances or capital contributions to, or investments in, any other Person, other than to the Company or any wholly owned Subsidiary of the Company or to officers and employees of the Company or any of its Subsidiaries for travel, business or relocation expenses in the ordinary course of business;

(h) except in accordance with the Company's 2000 operating plan previously provided to Purchaser, make any capital expenditures, unless required in order to cause any Company Property to comply with applicable Law or to maintain Medicare or Medicaid certification.

(i) make any change to its accounting methods, principles or practices, except as may be required by GAAP, or make or change any Tax election or settle or compromise any material Tax liability or refund;

(j) except as required by Law or contemplated hereby, enter into, adopt or amend in any material respect or terminate any Company Benefit Plan or any other agreement, plan or policy involving the Company or any of its Subsidiaries and one or more of their directors, officers or employees;

(k) hire or terminate the employment of any executive officer or key employee or increase the compensation of any director, executive officer or other key employee or pay any benefit or amount not required by a plan or arrangement as in effect on the date of this Agreement to any such Person;

(l) increase the compensation of any employee other than in the ordinary course of business;

(m) pay, discharge or settle any material claims, liabilities or

obligations (absolute, accrued, asserted or unasserted, contingent or otherwise) other than in the ordinary course of business consistent with past practice and not in an amount in excess of the amount reserved for in the Company Financial Statements;

(n) authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of the Company or any of its Subsidiaries;

(o) amend the terms of, relinquish any material right under or terminate any Material Contract, other than in the ordinary course of business;

(p) enter into any material agreement not in the ordinary course of business;.

(q) make, rescind or revoke any material express or deemed election relative to Taxes (unless required by law or necessary to preserve the Company's status as a REIT or the status of any Subsidiary of the Company as a partnership for federal income tax purposes or as a qualified REIT subsidiary under Section 856(i) of the Code, as the case may be); or

(r) authorize, or commit or agree to take, any of the foregoing actions or take any action which would make any of the representations or warranties of the Company contained in this Agreement untrue in any material respect as of the date when made or as of a future date.

4.2 No Solicitation. (a) Prior to the earlier of (i) the Closing and (ii) the termination of this Agreement in accordance with its terms, the Company, its Affiliates and their respective officers, directors, employees, representatives and agents will immediately cease any existing discussions or negotiations, if any, with any parties with respect to any Alternative Proposal, take the necessary steps to inform such parties of the obligations undertaken in this Section 4.2, and request that such parties promptly return all documents (and all copies thereof) furnished to them by the Company or its representatives in connection with such discussions and negotiations or certify that any such materials have been rendered unusable. The Company will not, nor will it permit any of its Subsidiaries, nor any of their respective officers, directors, employees, investment bankers, financial advisors, attorneys, accountants or other representatives, directly or indirectly to, (i) solicit, initiate, encourage (including without limitation by way of furnishing information or providing access to the books, records, properties or assets of the Company or any of its Subsidiaries), or knowingly facilitate the making of any proposal which constitutes an Alternative Proposal, (ii) participate in any discussions or negotiations regarding any Alternative Proposal, or (iii) grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities of the Company or any of its Subsidiaries; provided, however, that if, at any time prior to the Closing Date, the Company Board determines in good faith that it has received an Alternative Proposal that the Company Board determines is reasonably likely to result in a Superior Proposal, the Company may, (A) furnish information with respect to the Company and any of its Subsidiaries to such Person following compliance with its obligations under this Section 4.2(b) pursuant to a customary confidentiality agreement and (B) participate in discussions and negotiations with such Person regarding such Alternative Proposal. For purposes of this Agreement, "Alternative Proposal" means (1) any proposal or offer from any Person relating to any direct or indirect acquisition or purchase of assets or equity or debt securities (or rights to purchase such securities), of the Company and its Subsidiaries for aggregate gross proceeds in excess of $35 million individually or when aggregated with other proposals, offers or transactions, any tender offer or exchange offer for any class of equity securities of the Company or any of its Subsidiaries, or any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company or any of its Subsidiaries, other than the transactions contemplated by this Agreement, the incurrence of more than $25 million in principal amount of indebtedness (other than indebtedness incurred in connection with the permitted acquisition of assets that is secured only by the assets acquired and other than any transaction described in Schedule 4.2) and (2) any other transaction that is conditioned upon the termination of this Agreement or that would be reasonably expected, if consummated, to frustrate the completion of the transactions contemplated

hereby, other than any such transactions described on Schedule 4.2. "Superior Proposal" means any bona fide, unsolicited written Alternative Proposal that did not result from a breach of this Section 4.2 and that involves payment of consideration to all of the Company's stockholders in respect of the Common Stock and other terms and conditions that, taken as a whole, the Company Board determines in good faith, after consulting with a financial advisor of nationally recognized reputation, and taking into account all the terms and conditions of the Alternative Proposal, including the nature and amount of any consideration, interest rates, break-up fees, expense reimbursement provisions, the conditions to consummation and the likelihood of completion, are more favorable and provide greater value to the Company's stockholders than as provided hereunder and for which financing, to the extent required, is then fully committed or available. The Company shall notify Purchaser promptly (but in no event later than 24 hours) after receipt by the Company (or any of its advisors) of any Alternative Proposal or any request for access to the business, properties, assets, books or records of the Company or any of its Subsidiaries by any Person that may be considering making, or has made, an Alternative Proposal. The Company shall provide such notice orally and in writing and shall identify in reasonable detail the Person making, and the material terms and conditions of, any such Alternative Proposal, indication or request. The Company shall keep Purchaser fully informed, on a current basis, of the status and material details of any such Alternative Proposal, indication or request. Prior to furnishing confidential information to, or entering into discussions or negotiations with, any other Persons with respect to an Alternative Proposal, the Company must obtain from such other Persons an executed confidentiality agreement with terms no more favorable to such Person than those contained in the confidentiality agreement between the Company and Affiliates of Purchaser, but which confidentiality agreement may not include any provision calling for an exclusive right to negotiate with such Persons, and the Company must advise Purchaser of the nature of such confidential information delivered to such other Person reasonably promptly following its delivery to the requesting party.

(b) Except as expressly permitted by this Section 4.2(b), neither the Company Board nor any committee thereof may (i) withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to Purchaser, the approval or recommendation by the Company Board or such committee of this Agreement or the transactions contemplated hereby, (ii) approve or recommend, or propose publicly to approve or recommend, any Alternative Proposal, or (iii) cause the Company to enter into any letter of intent, agreement in principle or other agreement related to any Alternative Proposal (each, a "Company Agreement"). Notwithstanding the foregoing, in the event that prior to the Closing Date, the Company has received a Superior Proposal, the Company Board may, subject to Section 7.5(b), withdraw or modify its approval or recommendation of this Agreement or the transactions contemplated hereby, approve or recommend a Superior Proposal or terminate this Agreement pursuant to Section 7.3(c), provided, however, that not fewer than five Business Days prior to such termination, the Company will (i) notify Purchaser of its intention to take such action, (ii) provide Purchaser with a reasonable opportunity to respond to any such Alternative Proposal, and (iii) negotiate in good faith with Purchaser with respect to any modification to the terms of this Agreement.

(c) Nothing contained in this Section 4.2 will prohibit the Company, following its receipt of a Superior Proposal, from taking and disclosing to its Stockholders a position required by law, including pursuant to Rule 14e-2(a) promulgated under the Exchange Act.

4.3 Filings, Reasonable Efforts. Upon the terms and subject to the conditions set forth in this Agreement, each of the parties will use all commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement, including without limitation (i) obtaining of all necessary actions or nonactions, waivers, consents and approvals from Governmental Entities and making of all necessary registrations and filings (including filings with Governmental Entities) and taking of all reasonable steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any Governmental Entity, (ii) obtaining, in writing, of all necessary consents, approvals or waivers from third parties in form reasonably satisfactory to Purchaser, (iii)

performing its obligations under the Amended Fleet Facility and (iv) execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement.

4.4 Inspection of Records. From the date hereof to the Closing Date, the Company will (i) allow all designated officers, attorneys, accountants and other representatives of Purchaser reasonable access at all reasonable times to the officers, key employees, accountants and other representatives of the Company and its Subsidiaries and the books and records of the Company and its Subsidiaries, (ii) furnish to Purchaser and its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information as such Persons may reasonably request, and (iii) allow a representative of Purchaser to attend each meeting of the Company Board, provided that such representative shall not be allowed to attend at any time in which the Company Board is discussing matters relating to Purchaser, the Transaction Documents, or an Alternative Proposal.

4.5 Publicity. The initial press release relating to this Agreement will be in the form of a joint press release previously agreed between Purchaser and the Company and thereafter the Company and Purchaser will, subject to their respective legal obligations (including requirements of stock exchanges and other similar regulatory bodies), consult with each other, and use reasonable efforts to agree upon the text of any press release, before issuing any such press release or otherwise making public statements with respect to the transactions contemplated hereby and in making any filings with any Governmental Entity or with any national securities exchange with respect thereto.

4.6 Proxy Statement; NYSE Listing. (a) The Company will promptly prepare the Proxy Statement and file it with the SEC as soon as practicable after the date hereof and will use its commercially reasonable best efforts to have the Proxy Statement cleared by the SEC on or prior to June 14, 2000 and promptly thereafter and after Purchaser has waived the conditions set forth in Sections 5.3(g) and 5.3(h) will mail the Proxy Statement to the Company Stockholders in order for the Company Stockholders Meeting to occur on or prior to July 14, 2000. Purchaser will use its commercially reasonable best efforts to cooperate with the Company in the preparation and finalization of the Proxy Statement. Any Proxy Statement will disclose the recommendation of the Company Board as of the date hereof that the Company Stockholders approve the transactions contemplated hereby, including the issuance and sale of the Shares to Purchaser on the Closing Date and the possible subsequent shares of Common Stock and Series C Preferred Stock to the Purchaser pursuant to the Additional Equity Financing (subject to the conditions set forth in Exhibit B), the election of the Purchaser Designees and the Independent Director to the Company Board in accordance with Section 4.10 and an increase in the number of shares of Common Stock reserved for issuance under the Stock Option Plans (the "Additional Option Shares"). The Company agrees not to mail the Proxy Statement to the Stockholders until Purchaser confirms that the information provided by Purchaser continues to be accurate. If at any time prior to the Company Stockholders Meeting any event or circumstance relating to the Company or any of its Subsidiaries or Affiliates, or its or their respective officers or directors, should be discovered by the Company that is required to be set forth in a supplement to any Proxy Statement, the Company will inform Purchaser, supplement such Proxy Statement and mail such supplement to the Company Stockholders. The Company will promptly advise the Purchaser of any oral or written comments to the Proxy Statement from the SEC or the issuance of any stop order with respect to the Proxy Statement. The Company will provide the Purchaser and its counsel with a reasonable opportunity to review and comment on the Proxy Statement and any amendment or supplement thereto prior to filing such with the SEC, and will provide the Purchaser with a copy of all such filings made with the SEC.

(b) The Company will use its best efforts to cause the shares of the Common Stock to be issued upon the conversion of the Series C Preferred Stock to be approved for listing on the NYSE, subject to official notice of issuance, prior to the Closing Date.

4.7 Company Stockholders Meeting. The Company will take all action necessary in accordance with applicable Law and its articles of incorporation and bylaws to duly call, give notice of, after the Purchaser has waived the conditions set forth in Sections 5.3(g) and 5.3(h), convene and hold a special meeting of the Company Stockholders as promptly as practicable (but in no event later

than July 14, 2000) and to include for consideration and vote at the Company Stockholders Meeting the approval of the issuance of the Shares to Purchaser on the Closing Date, the reservation of the Additional Option Shares for issuance under the Stock Option Plans, the possible subsequent issuance of the Common Stock and the Series C Preferred Stock pursuant to the Additional Equity Financing (subject to the conditions set forth in Exhibit B), and the election of the Purchaser Designees and the Independent Director to the Company Board pursuant to Section 4.10. Subject to Section 4.2, the Company Board will recommend such approval and adoption and the Company will take all lawful action to solicit such approval, including without limitation timely mailing of the Proxy Statement.

4.8 Reserved.

4.9 REIT-Related Matters. (a) The Company will take such further actions and engage in such further transactions as Purchaser reasonably requests to preserve the Company's status as a REIT under the Code (including with respect to the period following the Closing Date) and to avoid the payment of any Taxes under Sections 857(b), 859(f), 860(c) or 4981 of the Code. The Company will not make or rescind any express or deemed election relative to Taxes (unless required by Law or necessary to preserve the Company's status as a REIT or the status of any Subsidiary as a partnership for federal income Tax purposes or as a qualified REIT subsidiary under Section 856(i) of the Code, as the case may be).

(b) The Company Board will take no action that would render Section 4 of Article V of the Company's articles of incorporation applicable to, and will not exercise any right provided under such section with respect to, Purchaser or to the transactions contemplated by this Agreement.

4.10 Company Board. (a) The Company shall take all necessary action so that, as of the Closing, the Company Board shall be constituted as follows: (i) Essel Bailey, (ii) three individuals who are directors of the Company on the date of this Agreement and who are acceptable to Purchaser, (iii) four individuals designated by Purchaser (the "Purchaser Designees"), and (iv) one additional person acceptable to Purchaser and the existing Board who shall satisfy the qualification requirements as an "independent" director and as a member of the audit committee of both the Company and Purchaser under the rules and regulations of the New York Stock Exchange (assuming for such purpose that Purchaser was a NYSE-listed company) (the "Independent Director"). In the event the Independent Director or any of the Purchaser Designees shall be unable to serve as a director as of the Closing, a replacement for such director shall be designated by the same party which designated such individual and in the same manner as set forth in this Section 4.10.

(b) Effective as of the Closing, the Company will amend its bylaws to provide that (i) each committee of the Company Board will be comprised of that number of Purchaser Designees equal to the product (rounded to the nearest whole number in accordance with established mathematical convention) of the number of directors on such committee multiplied by a fraction, the numerator of which is the number of Purchaser Designees and the denominator of which is the number of directors on the entire Company Board; provided, however, that the number of Purchaser Designees shall not constitute a majority of the members of any committee unless the Purchaser Designees also constitute a majority of the members of the Company Board, and (ii) the total number of directors will not exceed nine. Such amendment may not be further amended by the Company Board without the approval of a majority of the Purchaser Designees.

(c) On the Closing Date, in the event any of the Purchaser Designees or the Independent Director shall not have been elected to the Company Board at the Company Stockholders Meeting, the Company shall use its best efforts to cause the directors of the Company or any Subsidiaries of the Company to submit their resignations from such positions as may be necessary to appoint the Purchaser Designees and the Independent Director to the Company Board in accordance with Section 4.10, effective as of the Closing Date.

4.11 Additional Rights. From and after the date hereof, neither the Company nor the Company Board will declare or distribute any additional Rights or take any other action that would adversely discriminate against Purchaser based on its ownership of shares of capital stock of the Company.

4.12 Further Action. Each of the parties hereto will use all commercially reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things reasonably necessary, proper or advisable under applicable law, and execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and the other documents contemplated hereby and consummate and make effective the transactions contemplated hereby and thereby.

4.13 Amended Fleet Facility; Management Compensation Arrangements; Provident Waiver. The Company will use commercially reasonable efforts to enter into the Amended Fleet Facility, the Management Compensation Arrangements and the Provident Waiver within ten Business Days after the date of this Agreement and, in any event, prior to mailing the Proxy Statement to the Company Stockholders.

V. CONDITIONS TO CLOSING

5.1 Conditions to Each Party's Obligations. The respective obligations of each party to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or prior to the Closing Date of the following conditions:

(a) The Company Stockholder Approval shall have been obtained; and

(b) No Order or Law enacted, entered, promulgated, enforced or issued by any court of competent jurisdiction or other Governmental Entity or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement shall be in effect.

5.2 Conditions to Obligations of the Company. The obligations of the Company to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or prior to the Closing of each of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of Purchaser contained in this Agreement shall have been true and correct when made and shall be true and correct in all material respects (other than those qualified by materiality or Purchaser Material Adverse Effect, which shall be true and correct in all respects) as of the Closing, with the same force and effect as if made as of the Closing, other than such representations and warranties as are made as of another date (which shall be so true and correct as of such other date) (provided that the foregoing condition shall be deemed satisfied so long as any failures of such representations and warranties to be true and correct, taken together, would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect), and the covenants and agreements contained in this Agreement to be complied with by Purchaser as of or before the Closing Date shall have been complied with in all material respects.

(b) Deliveries. All items set forth in Section 1.4(a) hereof shall have been delivered to the Company.

5.3 Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or prior to the Closing of each of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of the Company contained in this Agreement shall have been true and correct when made and shall be true and correct in all material respects (other than those qualified by materiality or Company Material Adverse Effect, which shall be true and correct in all respects) as of the Closing, with the same force and effect as if made as of the Closing, other than such representations and warranties as are made as of another date (which shall be so true and correct as of such other date) (provided that the foregoing condition shall be deemed satisfied so long as any failures of such representations and warranties to be true and correct, taken together, would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect), and the covenants and agreements contained in this Agreement to be complied with by the Company as of or before the Closing Date shall have been complied with in all material respects.

(b) Litigation. No action, suit or proceeding shall have been commenced or threatened in writing by or before any court or other Governmental Entity against Purchaser, the Company or any

of their respective Affiliates, seeking to restrain or materially and adversely alter the transactions contemplated hereby or by the other documents contemplated hereby, which (i) is reasonably likely to render it impossible or unlawful to consummate the transactions contemplated hereby or thereby, (ii) in the good faith judgment of Purchaser could reasonably be expected to have a Company Material Adverse Effect or materially limit or restrict the rights of the Purchaser under the Transaction Documents, or (iii) seeks material damages.

(c) Consents and Approvals. Purchaser and the Company shall have received, each in form and substance satisfactory to Purchaser in its reasonable good faith determination, all authorizations, consents, orders, permits, licenses and approvals of all Governmental Entities and all third party consents and waivers set forth on Schedule 5.3(c), including a permanent waiver from The Provident Bank (the "Provident Waiver") of the requirement that the Company apply any proceeds from the sale of any company securities (including, without limitation, securities sold to Purchaser pursuant to this Agreement) to the repayment of any indebtedness of the Company or to apply such proceeds other than as set forth in Section 1.5.

(d) No Material Adverse Effect. Except as specifically disclosed in the Company Reports filed prior to the date hereof, since January 1, 2000, no event or events shall have occurred with respect to the Company or any Subsidiary, or be reasonably likely to occur with respect to any thereof, which could reasonably be expected to have a Company Material Adverse Effect.

(e) Deliveries. All items set forth in Section 1.4(b) hereof shall have been delivered to Purchaser.

(f) Rights Amendment. The Rights Amendment shall continue to be in effect and no "Triggering Event," "Distribution Date" or "Stock Acquisition Date" shall have occurred pursuant to and as defined in the Company Rights Agreement.

(g) Amended Fleet Facility. The Company and Fleet Bank, N.A. ("Fleet") shall have entered into agreements contemplated by the commitment letter of Fleet, dated May 5, 2000, attached hereto as Exhibit H (the "Amended Fleet Facility") containing, without limitation, terms previously disclosed in writing to the Company by Purchaser, all the terms of the Amended Fleet Facility to be acceptable to Purchaser in Purchaser's sole discretion; provided that if Purchaser has not delivered to the Company a written waiver, on or before 5:30 p.m. (New York City time) on the third Business Day after receipt by Purchaser of a written request by the Company to waive in writing the condition set forth in this Section 5.3(g) as it applies to the final and definitive documentation for the Amended Fleet Facility received by the Company, (i) the restrictions set forth in Section 4.2 of this Agreement and (ii) the Purchaser's right to terminate this Agreement pursuant to Section 7.4(c) shall be rendered inapplicable and of no force and effect until a written waiver from the Purchaser with respect to this Section 5.3(g) has been delivered to the Company which written waiver may be given at any time within or after such three-day period, in which event the foregoing Sections will, without further action, be reinstated.

(h) Management Compensation Arrangements. The Company and each of the Senior Executive Officers shall have entered into salary, bonus, severance and incentive compensation arrangements approved by the Compensation Committee of the Company Board and the full Company Board and on terms acceptable to Purchaser in Purchaser's sole discretion (the "Management Compensation Arrangements"); provided that if Purchaser has not delivered to the Company a written waiver, on or before 5:30 p.m. (New York City time) on the third Business Day after receipt by Purchaser of a written request by the Company to waive in writing the condition set forth in this Section 5.3(h) as it applies to the final and definitive agreements evidencing the Management Compensation Arrangements, (i) the restrictions set forth in Section 4.2 of this Agreement and (ii) the Purchaser's right to terminate this Agreement pursuant to Section 7.4(c) shall be rendered inapplicable and of no force and effect until a written waiver from the Purchaser with respect to this Section 5.3(h) has been delivered to the Company which written waiver may be given at any time within or after such three-day period, in which event the foregoing Sections will, without further action, be reinstated.

(i) REIT Matters. (i) There shall have not been a "change of law" such that the Company would not qualify (prior to or after the Closing Date) as a REIT. For this purpose, the term "change of law" will mean any amendment to or change (including any announced prospective change having a proposed effective date at or prior to the Closing Date) in the federal tax laws of the United States, including any statute, regulation or proposed regulation or any official administrative pronouncement (consisting of the issuance or revocation of any revenue ruling, revenue procedure, notice, private letter ruling or technical advice memorandum) or any judicial decision interpreting such federal tax laws (whether or not such pronouncement or decision is issued to, or in connection with, a proceeding involving the Company or a Subsidiary of the Company or is subject to review or appeal) and (ii) Purchaser shall have received an opinion of Argue, Pearson, Harbison & Myers, LLP Purchaser, dated as of the Closing Date, in the form attached hereto as Exhibit I, to the effect that (A) commencing with its taxable year ended the end of the Company's first REIT tax year, the Company was organized and has operated in conformity with the requirements for qualification as a REIT under the Code and (B) the transactions contemplated by this Agreement will not prevent the Company from continuing to operate in conformity with the requirements for qualification as a REIT under the Code.

(j) NYSE Listing. The NYSE shall have approved for listing the Common Stock issuable upon conversation of the Series C Preferred Stock, subject to official notice of issuance.

(k) Company Board. The Company Board shall have been reconstituted in the manner described in Section 4.10 and the Purchaser Designees and the Independent Director shall have been elected to the Company Board at the Company Stockholders Meeting or shall have been appointed to the Company Board in accordance with Section 4.10, and such election shall have been approved by at least two-thirds of the Incumbent Directors (as defined in the Company Change in Control Agreements).

(l) Fleet Loan Closing. The transactions contemplated under the Amended Fleet Facility shall have closed prior to, or simultaneously on, the Closing Date. (m) Series C Articles Supplementary. The Series C Articles Supplementary shall have been filed and accepted for record by the appropriate Maryland governmental authority, and shall have become effective in accordance with the laws of the State of Maryland.

VI. INDEMNIFICATION

6.1 Indemnification of Purchaser. (a) Right of Indemnification. Subject to the terms of this Article VI, the Company covenants and agrees to indemnify and hold harmless each of Purchaser and its Affiliates and their respective partners, members, officers, directors, employees, attorneys, advisors and agents controlling, and any person or entity controlling, controlled by or under common control with, any of the foregoing within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, including without limitation [Hampstead] and its Affiliates (collectively, the "Indemnified Parties"), from and against all losses, claims, liabilities, damages, costs (including without limitation costs of preparation and reasonable attorneys' fees and charges) and reasonable expenses (including without limitation expenses incurred in connection with investigating, preparing or defending any action, claim or proceeding, whether or not in connection with pending or threatened litigation in which any Indemnified Party is a party) or actions in respect thereof (each such individual occurrence is hereinafter referred to as a "Loss" and collectively, as "Losses") suffered by any Indemnified Party, directly or indirectly, arising out of (i) any inaccuracy in or breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in any other document contemplated hereby or (ii) any actual or threatened claim against such Indemnified Party by a person or entity related to or arising out of or in connection with this Agreement, the Registration Rights Agreement, the Advisory Agreement, the Stockholders Agreement or any other transaction document or any actions taken by any Indemnified Party pursuant hereto or thereto or in connection with the transactions contemplated hereby or thereby (whether or not the transactions contemplated hereby or thereby are consummated) (collectively, "Transactional Losses").

(b) Transactional Losses. The Company will not be liable to any Indemnified Party for any Transactional Losses to the extent, but only to the extent, that it is finally judicially determined by a court of competent jurisdiction (which determination is not subject to appeal) that such Transactional Losses resulted primarily from (i) such Indemnified Party's breach of this Agreement or (ii) a misstatement or omission contained in a report filed by such Indemnified Party pursuant to the Exchange Act, the Securities Act or any other Law unless such misstatement or omission relates to information furnished or confirmed by or on behalf of the Company. The indemnification provisions of this Section 6.1 are expressly intended to cover Transactional Losses relating to an Indemnified Party's own negligence. The Company will promptly reimburse each Indemnified Party for all such Transactional Losses as they are incurred. If the foregoing indemnity is unavailable to any Indemnified Party or insufficient to hold any Indemnified Party harmless, then the Company will contribute to the amount paid or payable by such Indemnified Party as a result of such Transactional Loss in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and such Indemnified Party, on the other, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and any Indemnified Party, on the other, will be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been taken by, or relates to information supplied by, the Company or such Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission. The amount paid or payable by a party as a result of any Transactional Losses will be deemed to include any reasonable legal or other fees or expenses incurred by such party in connection with any action, suit or proceeding. The parties hereto agree that it would not be just and equitable if contribution pursuant to this paragraph were determined by prorata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above. No person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(c) Threshold. No Indemnified Party will be entitled to indemnification pursuant to this Section 6.1 with respect to any Losses in respect of breaches of representations and warranties until the aggregate amount of all such Losses suffered by Indemnified Parties in the aggregate exceeds $500,000 (the "Threshold"), whereupon Indemnified Parties will be entitled to indemnification pursuant to this Section 6.1 from the Company for the full amount of all such Losses suffered by Indemnified Parties (regardless of the Threshold) up to an aggregate total amount of the Purchase Price and any amounts paid by Purchaser pursuant to the Additional Equity Financing (the "Cap"). The foregoing provision of this Section 6.1(c) notwithstanding, the Threshold and the Cap will not apply with respect to any Loss or Losses relating directly or indirectly to claims of any nature whatsoever (i) relating to, resulting from or arising out of any breach of any covenant or agreement made by the Company in this Agreement or in any Transaction Documents or (ii) against any Indemnified Party or Parties made by or on behalf of any director or officer of the Company or any of its Subsidiaries.

(d) Survival. No Indemnified Party will be entitled to give a Notice of Claim with respect to any actual or alleged breach of any representation or warranty herein after the third anniversary of the date of the Closing.

6.2 Procedure for Claims. (a) Notice of Claim. After obtaining knowledge of any claim or demand which has given rise to, or could reasonably give rise to, a claim for indemnification under this Article VI (referred to herein as an "Indemnification Claim"), an Indemnified Party will be required to give written notice to the Company of such Indemnification Claim ("Notice of Claim"). A Notice of Claim will be given with respect to all Indemnification Claims, whether or not the Threshold has been reached; provided, however, that the failure to give Notice of Claim to the Company will not relieve the Company from any liability that it may have to an Indemnified Party hereunder to the extent that the Company is not prejudiced by such failure. The Notice of Claim will be required to set forth the amount (or a reasonable estimate) of the Loss or Losses suffered, or which may be suffered, by an Indemnified Party as a result of such Indemnification Claim, whether or not the Threshold has been

reached, and a brief description of the facts giving rise to such Indemnification Claim. The Indemnified Party will furnish to the Company such information (in reasonable detail) it may have with respect to such Indemnification Claim (including copies of any summons, complaint or other pleading which may have been served on it and any written claim, demand, invoice, billing or other document evidencing or asserting the same).

(b) Third Party Claim. (i) If the claim or demand set forth in the Notice of Claim is a claim or demand asserted by a third party (a "Third Party Claim"), the Company will have 15 calendar days after the date of receipt by the Company of the Notice of Claim (the "Notice Date") to notify the Indemnified Parties in writing of the election by the Company to defend the Third Party Claim on behalf of the Indemnified Parties, provided, however, that the Company will be entitled to assume the defense of any such Third Party Claim only if it unconditionally and irrevocably undertakes to indemnify all Indemnified Parties in respect thereof (subject to any applicable limitations set forth in Section 6.1).

(ii) If the Company elects to defend a Third Party Claim on behalf of the Indemnified Parties, the Indemnified Parties will make available to the Company and their agents and representatives all records and other materials in their possession which are reasonably required in the defense of the Third Party Claim, and the Company will pay all expenses payable in connection with the defense of the Third Party Claim as they are incurred (subject to any applicable limitations set forth in Section 6.1).

(iii) In no event may the Company settle or compromise any Third Party Claim without the Indemnified Parties' consent, which may not be unreasonably withheld, provided, however, that if a settlement is presented by the Company to the Indemnified Parties for approval and the Indemnified Parties withhold their consent thereto, then any amount by which the final Losses (including reasonable attorneys' fees and charges) resulting from the resolution of the matter exceeds the sum of the rejected settlement amount plus attorneys' fees incurred to such date will be excluded from the amount covered by the indemnification provided for in this Agreement and shall be borne by the Indemnified Parties.

(iv) If the Company elects to defend a Third Party Claim, the Indemnified Parties will have the right to participate in the defense of the Third Party Claim, at the Indemnified Parties' expense (and without the right to indemnification for such expense under this Agreement), provided, however, that the reasonable fees and expenses of counsel retained by the Indemnified Parties will be at the expense of the Company if (A) the use of the counsel chosen by the Company to represent the Indemnified Parties would present such counsel with a conflict of interest; (B) the parties to such proceeding include both Indemnified Parties and the Company and there may be legal defenses available to Indemnified Parties which are different from or additional to those available by the Company; (C) within 10 calendar days after being advised by the Company of the identity of counsel to be retained to represent Indemnified Parties, they shall have objected to the retention of such counsel for valid reasons (which shall be stated in a written notice to the Company), and the Company shall not have retained different counsel satisfactory to the Indemnified Parties; or (D) the Company shall have authorized the Indemnified Parties to retain a single separate counsel at the expense of the Company, such authorization to be made by the directors who are not designees of Purchaser or its Affiliates.

(v) If the Company does not elect to defend a Third Party Claim, or does not defend a Third Party Claim in good faith, the Indemnified Parties will have the right, in addition to any other right or remedy it may have hereunder, at the sole and exclusive expense of the Company, to defend such Third Party Claim.

(c) Cooperation in Defense. The Indemnified Parties will cooperate with the Company in the defense of a Third Party Claim and make reasonably available the facts relating to the Third Party Claim. Subject to the foregoing, (i) no Indemnified Party will have any obligation to participate in the defense of or to defend any Third Party Claim and (ii) no Indemnified Parties' defense of, or their participation in, the defense of any Third Party Claim will in any way diminish or lessen their right to indemnification as provided in this Agreement.

6.3 Indemnification of the Company. Purchaser will indemnify and hold harmless the Company and its current and future officers, directors, employees and agents from and against all Losses

suffered by any of them as a result of any inaccuracy in or breach of any of the representations, warranties or covenants made by Purchaser hereunder. The procedures for and limits on indemnification in respect of the obligations of Purchaser under this Section 6.3 will be the same as those set forth in Section 6.1 and 6.2.

6.4 Non-Exclusivity of Indemnification. The rights of any Indemnified Party hereunder will not be exclusive of the rights of any Indemnified Party under any other agreement or instrument to which the Company is a party. Nothing in such other agreement or instrument will be interpreted as limiting or otherwise adversely affecting an Indemnified Party's rights hereunder and nothing in this Agreement will be interpreted as limiting or otherwise adversely affecting the Indemnified Party's rights under any such other agreement or instrument; provided, however, that no Indemnified Party will be entitled hereunder to recover more than its indemnified Losses. The indemnity, contribution and expense reimbursement obligation of the Company in this Agreement will be in addition to any liability the Company may otherwise have. The obligations of the Company to each Indemnified Party will be separate obligations, and the liability of the Company to any Indemnified Party will not be extinguished solely because any other Indemnified Party is not entitled to indemnity or contribution hereunder.

6.5 Survival of Indemnification. The provisions of this Article VI will survive notwithstanding any termination hereof or the Closing of any of the transactions contemplated hereby.

VII. TERMINATION AND WAIVER

7.1 Termination by Mutual Consent. This Agreement may be terminated at any time prior to the Closing Date, whether or not the Company Stockholder Approval has been obtained, by the mutual consent of Purchaser and the Company.

7.2 Termination by Either Purchaser or Company. This Agreement may be terminated by action of the Board of Directors (or similar governing body) of either Purchaser or the Company, whether or not the Company Stockholder Approval has been obtained, if:

(a) the Closing shall not have occurred on or before August 31, 2000 (the "Outside Date"); provided, however, that no party may terminate this Agreement pursuant to this Section 7.2(a) if such party's failure to fulfill any of its obligations under this Agreement shall have been the reason that the Closing shall not have occurred on or before said date; or

(b) the Company Stockholder Approval shall not have been obtained upon the taking of such vote at the Company Stockholder Meeting or at any adjournment thereof; or

(c) any Governmental Entity shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the consummation of this Agreement or any of the other transactions contemplated by this Agreement and such order, decree or ruling or other action shall have become final and nonappealable.

7.3 Termination by Company. This Agreement may be terminated at any time prior to the Closing Date by action of the Company Board, if:

(a) Purchaser shall have materially breached any provision of this Agreement and as a result thereof the conditions to the Company's obligations set forth in Section 5.2(a) shall not be capable of being fulfilled; provided that any breach(s) of any representation or warranty that individually or in the aggregate shall give rise to a Purchaser Material Adverse Effect and providing the basis for such termination is not curable or, if curable, is not cured within ten calendar days after written notice of such breach is given by the Company to Purchaser; or

(b) there has been a material breach or failure to perform of any of the covenants set forth in this Agreement on the part of Purchaser, which breach is not curable or, if curable, is not cured within ten calendar days after written notice of such breach is given by the Company to Purchaser; or

(c) (i) the Company Board shall have authorized the Company, subject to complying with the terms of this Agreement, to enter into a Company Agreement with respect to a Superior Proposal and the Company shall have complied with its obligations under Section 4.2(b), (ii) Purchaser shall not have made, within five Business

Days of receipt of the Company's written notification of its intention to enter into a Company Agreement with respect to a Superior Proposal, an offer that the Company Board determines in good faith, after consultation with its financial advisors, is at least as favorable, from a financial point of view, to the Stockholders as such Superior Proposal, and (iii) the Company prior to such termination pursuant to this clause (c) shall have paid to Purchaser in immediately available funds the fees required to be paid pursuant to Section 7.5; or

(d) The Company shall have complied with its obligations under Sections 5.3(g), 5.3(h) and 4.13, and Purchaser shall not have waived the conditions set forth in Sections 5.3(g) and 5.3(h) within ten Business Days after written request to do so by the Company.

7.4 Termination by Purchaser. This Agreement may be terminated at any time prior to the Closing Date by action of Purchaser, if:

(a) the Company shall have materially breached any provision of this Agreement and as a result thereof the conditions to Purchaser's obligations set forth in Section 5.3(a) shall not be capable of being fulfilled; provided that any breach(s) of any representation or warranty that individually or in the aggregate shall give rise to a Company Material Adverse Effect and providing the basis for such termination is not curable or, if curable, is not cured within ten calendar days after written notice of such breach is given by Purchaser to the Company; or

(b) there has been a material breach or failure to perform of any of the covenants set forth in this Agreement on the part of the Company, which breach is not curable or, if curable, is not cured within ten calendar days after written notice of such breach is given by Purchaser to the Company; or

(c) (i) the Company Board or any committee thereof shall have (A) following receipt of an Alternative Proposal, failed to reconfirm within ten Business Days of a written request by Purchaser to do so, or at any time withdrawn or modified in a manner adverse to Purchaser, its approval or recommendation of this Agreement and the transactions contemplated hereby or (B) approved or recommended, or proposed publicly to approve or recommend, any Alternative Proposal or shall have resolved to do any of the foregoing, or (ii) the Company shall have entered into a Company Agreement or the Company Board shall have authorized the Company to do so; or

(d) (i) any person, entity or group (as defined in Section 13(d)(3) of the Exchange Act) shall have acquired beneficial ownership of more than 10% of the voting securities of the Company through the acquisition of voting securities, the formation of a group or otherwise, or shall have been granted any option, right or warrant, conditional or otherwise, to acquire beneficial ownership of more than 10% of the voting securities of the Company and (ii) the Company Board shall not have exercised its rights under Section 4 of Article V of the Company's articles of incorporation to limit such ownership within five Business Days after notice of such acquisition; or

(e) the indebtedness under the Senior Unsecured Notes shall have matured and become due prior to the Closing Date or there shall have been a default or event of default as to more than $1.0 million of the Company's indebtedness, including without limitation the indebtedness under the Fleet Loan Documents, which is not then subject to a valid and binding agreement of the lenders thereof waiving such default or event of default.

7.5 Effect of Termination and Abandonment; Termination Fee. (a) In the event of termination of this Agreement pursuant to this Article VII, all obligations of the parties hereto will terminate, except the obligations of the parties pursuant to this Section 7.5, Section 4.5, Article VI and Article VIII.

(b) The Company will pay to Purchaser an amount equal to $6.0 million (the "Company Termination Fee") plus the Purchaser Expenses if:

(i) this Agreement is terminated pursuant to Section 7.3(c), Section 7.4(c), or Section 7.4(d); or

(ii) this Agreement is terminated pursuant to Section 7.2(b), Section 7.4(a) or Section 7.4(b) and each of the following shall have occurred:

(A) at any time after the date of this Agreement and at or before the

date of the Company Stockholder Meeting, an Alternative Proposal shall have been publicly announced or publicly communicated (a "Prior Alternative Proposal"); and

(B) within 18 months of the date of the termination of this Agreement, the Company enters into a definitive agreement with respect to (1) such Prior Alternative Proposal or any other Alternative Proposal with any party or Affiliate of any party who made a Prior Alternative Proposal or (2) any Alternative Proposal with any other Person; or

(iii) (A) this Agreement is terminated pursuant to Section 7.3(d) and (B) within 18 months of the date of the termination of this Agreement, the Company enters into a definitive agreement with respect to an Alternative Proposal.

(c) The Company acknowledges that the agreements contained in this Section 7.5 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Purchaser would not enter into this Agreement; accordingly, if the Company fails promptly to pay any amount due pursuant to this Section 7.5, and, in order to obtain such payment, Purchaser commences a suit which results in a judgment against the Company for any amounts set forth in this Section 7.5, the Company will pay to Purchaser its costs and expenses (including attorneys' fees and expenses) in connection with such suit, together with interest on the amount of the fee at the prime rate of Citibank, N.A. in effect on the date such payment was required to be made plus two percent. This Section 7.5 will survive any termination of this Agreement.

(d) As used in this Agreement, "Purchaser Expenses" shall be an amount equal to all out-of-pocket costs and expenses of Purchaser and Purchaser's partners incurred in connection with this Agreement and the transactions contemplated hereby and any litigation associated therewith (including, without limitation, all fees and expenses payable to accountants, counsel, consultants and due diligence expenses, but expressly excluding the costs of Purchaser's employees and Purchaser's overhead), not to exceed $2.5 million in the aggregate. "Purchaser Expenses" shall not include any out-of-pocket costs and expenses of Purchaser for which Purchaser would be entitled to indemnification pursuant to Article VI.

VIII. GENERAL PROVISIONS

8.1 Notices. Any notice or other communication required to be given hereunder shall be in writing, and sent by reputable courier service (with proof of service), by hand delivery or by facsimile (followed on the same day by delivery by courier service (with proof of delivery) or by hand delivery), addressed as follows:

If to Purchaser:

Explorer Holdings, L.P.
4200 Texas Commerce Tower West
2200 Ross Avenue
Dallas, Texas 75201
Attn: William T. Cavanaugh, Jr.
Fax No.: (214) 220-4949

With copies to:

Jones, Day, Reavis & Pogue
599 Lexington Avenue
New York, New York 10022
Attn: Thomas W. Bark
Fax No.: (212) 755-7306

If to the Company:

Omega Healthcare Investors, Inc.
900 Victors Way, Suite 350
Ann Arbor, Michigan 48108
Attn: Susan Allene Kovach
Fax No.: (734) 887-0322

With copies to:

Powell, Goldstein, Frazer & Murphy LLP 191 Peachtree Street, N.E.
Suite 1600
Atlanta, Georgia 30303
Attn: Rick Miller or Eliot Robinson

Fax No.: (404) 572-6999

or to such other address as any party will specify by written notice so given, and such notice will be deemed to have been delivered as of the date so telecommunicated or personally delivered.

8.2 Assignment; Binding Effect. Neither this Agreement nor any of the rights, interests or obligations hereunder will be assigned by any party hereto (whether by operation of Law or otherwise) without the prior written consent of the other party, except that Purchaser will have the right to assign to any direct or indirect wholly owned subsidiary of Purchaser or to the partners of Purchaser any and all rights and obligations of Purchaser under this Agreement, provided, that any such assignment will not relieve Purchaser from any of its obligations hereunder. Any assignment not granted in accordance with the foregoing shall be null and void. Subject to the first sentence of this Section 8.2, this Agreement will be binding upon and will inure to the benefit of the parties hereto and their respective successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, except for the provisions of Article VI, nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto or their respective heirs, successors, executors, administrators and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

8.3 Entire Agreement. This Agreement, the Company Disclosure Letter and any documents delivered by the parties in connection herewith or therewith, constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings among the parties with respect thereto, including, without limitation, any draft letter of intent with respect to the transactions contemplated herein.

8.4 Amendment. This Agreement may be amended by the parties hereto, by action taken by their respective Boards of Directors, or other equivalent governing bodies, at any time before or after approval of matters presented to the Company Stockholders, but after any such Company Stockholder approval, no amendment will be made which by Law requires the further approval of the Company Stockholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

8.5 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflict of laws principles.

8.6 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto. A facsimile copy of a signature page shall be deemed to be an original signature page.

8.7 Headings. Headings of the Articles and Sections of this Agreement are for the convenience of the parties only, and will be given no substantive or interpretive effect whatsoever.

8.8 Certain Definitions/Interpretations. (a) For purposes of this Agreement:

(i) An "Affiliate" of any Person means another Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person;

(ii) "Business Day" means any day other than a Saturday, Sunday or day on which banks in New York, New York are authorized or required by Law to close;

(iii) "Fleet Loan Documents" means the "Loan Documents" (as defined in the Second Amended and Restated Loan Agreement among the Company, the Banks signatory thereto and Fleet, as agent for such Banks, as amended).

(iv) "key employee" means any employee whose current base salary exceeds $100,000 per annum;

(v) "Knowledge" of any Person which is not an individual means the actual knowledge of any of such Person's officers after

reasonable inquiry

(vi) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity; and

(vii) "Senior Unsecured Notes" means the Company's 7.4% and 10% senior unsecured notes due July 15, 2000.

(b) When a reference is made in this Agreement to an Article, Section, Exhibit or Annex, such reference will be to an Article or Section of, or an Annex or Exhibit to, this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement will refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms used herein with initial capital letters have the meanings ascribed to them herein and all terms defined in this Agreement will have such defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

8.9 Waivers. Except as provided in this Agreement, no action taken pursuant to this Agreement, including without limitation any investigation by or on behalf of any party, will be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision hereunder will not operate or be construed as a waiver of any prior or subsequent breach of the same or any other provision hereunder. At any time prior to the Closing Date, any party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party or parties to be bound thereby.

8.10 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision will be interpreted to be only so broad as is enforceable.

8.11 Enforcement of Agreement. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement was not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity.

8.12 Expenses. Without limiting the generality or effect of any other provision hereof, including without limitation Section 6.1 or any agreement or instrument contemplated hereby, whether or not the Closing occurs, the Company will from time to time upon request by Purchaser promptly reimburse Purchaser for all Purchaser Expenses, such reimbursement not to exceed $1.0 million prior to the earlier of the Closing or the termination of this Agreement.

8.13 Jurisdiction; Consent to Service of Process. (a) Each party hereby irrevocably and unconditionally submits, for itself and

its property, to the exclusive jurisdiction of the Chancery Court of the State of Delaware (a "Delaware Court"), and any appellate court from any such court, in any suit, action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment resulting from any such suit, action or proceeding, and each party hereby irrevocably and unconditionally agrees that all claims in respect of any such suit, action or proceeding may be heard and determined in a Delaware Court.

(b) It will be a condition precedent to each party's right to bring any such suit, action or proceeding that such suit, action or proceeding, in the first instance, be brought in a Delaware Court (unless such suit, action or proceeding is brought solely to obtain discovery or to enforce a judgment), and if each such court refuses to accept jurisdiction with respect thereto, such suit, action or proceeding may be brought in any other court with jurisdiction; provided that the foregoing will not apply to any suit, action or proceeding by a party seeking indemnification or contribution pursuant to this Agreement or otherwise in respect of a suit, action or proceeding against such party by a third party if such suit, action or proceeding by such party seeking indemnification or contribution is brought in the same court as the suit, action or proceeding against such party.

(c) No party may move to (i) transfer any such suit, action or proceeding from a Delaware Court to another jurisdiction, (ii) consolidate any such suit, action or proceeding brought in a Delaware Court with a suit, action or proceeding in another jurisdiction, or (iii) dismiss any such suit, action or proceeding brought in a Delaware Court for the purpose of bringing the same in another jurisdiction.

(d) Each party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, (i) any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in a Delaware Court, (ii) the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court, and (iii) the right to object, with respect to such suit, action or proceeding, that such court does not have jurisdiction over such party. Each party irrevocably consents to service of process in any manner permitted by law.

8.14 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

8.15 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties have executed this Agreement and caused the same to be duly delivered on their behalf on the day and year first written above.

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Essel W. Bailey, Jr.

Essel W. Bailey, Jr.
Chief Executive Officer

EXPLORER HOLDINGS, L.P.

By: Explorer Holdings GenPar, LLC,
its General Partner

By: /s/ William T. Cavanaugh

William T. Cavanaugh

Vice President

Exhibit A

OMEGA HEALTHCARE INVESTORS, INC.
FORM OF ARTICLES SUPPLEMENTARY
FOR SERIES C CONVERTIBLE PREFERRED STOCK

OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation (the "Company"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Pursuant to authority contained in the charter of the Company (the "Charter"), 2,000,000 shares of authorized but unissued shares of the Company's Preferred Stock have been duly classified by the Board of Directors of the Company (the "Board") as authorized but unissued shares of the Company's Series C Preferred Stock.

SECOND: A description of the Series C Preferred Stock is as follows:

1. Designation and Number. A series of Preferred Stock, designated the "Series C Convertible Preferred Stock" (the "Series C Preferred Stock"), is hereby established. The number of shares of the Series C Preferred Stock shall be 2,000,000 subject to automatic increase in the event the Company pays any dividend in shares of Series C Preferred Stock in accordance with Section 4.

2.Maturity. The Series C Preferred Stock has no stated maturity.

3. Rank. The Series C Preferred Stock will, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company, rank (i) senior to all
classes or series of Common Stock of the Company, and to all equity securities ranking junior to the Series C Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company, (ii) on a parity with the Series A Preferred Stock, Series B Preferred Stock and all other equity securities issued by the Company the terms of which specifically provide that such equity securities rank on a parity with the Series C Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company, and (iii) junior to all existing and future indebtedness of the Company. The term "equity securities" does not include convertible debt securities, which will rank senior to the Series C Preferred Stock prior to conversion.

4. Dividends. (a) Except as set forth in Section 4(b), holders of shares of the Series C Preferred Stock are entitled to receive, out of funds legally available for the payment of dividends, preferential cumulative dividends at the greater of (i) 10% per annum of the Liquidation Preference per share (equivalent to a fixed annual amount of $10.00 per share)and (ii) the amount per share declared or paid or set aside for payment based on the number of shares of Common Stock into which such shares of Series C Preferred Stock are then convertible in accordance with Section 8 (disregarding Section 8.17 for such purpose). Dividends on each share of the Series C Preferred Stock shall be cumulative commencing from the date of issuance of such share of Series C Preferred Stock and shall be payable in arrears for each period ended July 31, October 31, January 31 and April 30 (each a "Dividend Period")on or before the 15th day of August, November, February and May of each year, or, if not a Business Day, the next succeeding Business Day (each, a "Dividend Payment Date"). The first dividend will be paid on November 15, 2000, with respect to the period commencing on the date of first issuance of Series C Preferred Stock (the "Issue Date") and ending on October 31, 2000. Any dividend payable on shares of the Series C Preferred Stock for any partial period will be computed based on the actual number of days elapsed (commencing with and including the date of issuance of such shares) and on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Company at the close of business on the applicable record date, which shall be the last day of the preceding calendar month prior to the applicable Dividend Payment Date or on such other date designated by the Board that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date").

(b) For any Dividend Period ending prior to February 1, 2001, dividends will be payable, at the election of the Board, (i) by the issuance as of the relevant Dividend Payment Date of additional shares of fully paid, nonassessable Series C Preferred Stock having an aggregate liquidation preference equal to the amount of such accrued dividends or (ii) in cash. In the event that dividends are declared and paid pursuant to clause (i), (A) such dividends will be deemed paid in full and will not accumulate and (B) the number of authorized shares of Series C Preferred Stock will be deemed, without further action, to be increased by the number of shares so issued. The Company will deliver certificates representing shares of Series C Preferred issued pursuant to this Section 4(b) promptly after the relevant Dividend Payment Date. For any Dividend Period ending after February 1, 2001, dividends will be payable in cash.

(c) No dividends on shares of Series C Preferred Stock shall be declared by

the Board or paid or set apart for payment by the Company at such time as the terms and provisions of any agreement of the Company, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(d) Notwithstanding the foregoing, dividends on the Series C Preferred Stock will accrue whether or not the Company has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Series C Preferred Stock will not bear interest and holders of the Series C Preferred Stock will not be entitled to any distributions in excess of full cumulative distributions described above. Except as set forth in the next sentence, no dividends will be declared or paid or set apart for payment on any capital stock of the Company or any other series of Preferred Stock ranking, as to dividends, on a parity with or junior to the Series C Preferred Stock (other than a dividend in shares of the Company's Common Stock or in shares of any other class of stock ranking junior to the Series C Preferred Stock as to dividends and upon liquidation) for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series C Preferred Stock for all past dividend periods and the then current dividend period. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series C Preferred Stock and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Series C Preferred Stock, all dividends declared upon the Series C Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with the Series C Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series C Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Series C Preferred Stock and such other series of Preferred Stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Stock does not have a cumulative dividend) bear to each other.

(e) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series C Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods and the then current dividend period, no dividends (other than in shares of Common Stock or other shares of capital stock ranking junior to the Series C Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon the Common Stock, or any other capital stock of the Company ranking junior to or on a parity with the Series C Preferred Stock as to dividends or upon liquidation, nor shall any shares of Common Stock, or any other shares of capital stock of the Company ranking junior to or on a parity with the Series C Preferred Stock as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Company (except by conversion into or exchange for other capital stock of the Company ranking junior to the Series C Preferred Stock as to dividends and upon liquidation or redemption or for the purpose of preserving the Company's qualification as a real estate investment trust under the Internal Revenue Code of 1986, as amended). Holders of shares of the Series C Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on the Series C Preferred Stock as provided above. Any dividend payment made on shares of the Series C Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

5. Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of shares of Series C Preferred Stock are entitled to be paid out of the assets of the Company legally available for distribution to its shareholders the Liquidation Preference (as defined in Section 10) before any distribution of assets is made to holders of Common Stock or any other class or series of capital stock of the Company that ranks junior to the Series C Preferred Stock as to liquidation rights. The Company will promptly provide to the holders of Series C Preferred Stock written notice of any event triggering the right to receive such Liquidation Preference. After payment of the full amount of the Liquidation Preference, plus any accrued and unpaid dividends to which they are entitled, the holders of Series C Preferred Stock will have no right or claim to any of the remaining assets of the Company. The consolidation or merger of the Company with or into any other corporation, trust or entity or of any other corporation with or into the Company in a manner that constitutes a Change in Control (as defined in Section 10), or the sale, lease or conveyance of all or substantially all of the property or business of the Company, shall be deemed to constitute a liquidation, dissolution or winding up of the Company.

In determining whether a distribution (other than upon voluntary or involuntary liquidation) by dividend, redemption or other acquisition of shares of stock of the Company or otherwise is permitted under the Maryland General Corporation Law (the "MGCL"), no effect shall be given to amounts that would be needed if the

Company would be dissolved at the time of the distribution, to satisfy the preferential rights upon distribution of holders of shares of stock of the Company whose preferential rights upon distribution are superior to those receiving the distribution.

6. Redemption. The Series C Preferred Stock is not redeemable subject, however, to the provisions in paragraph (9) of these Articles Supplementary.

7. Voting Rights. (a) Holders of the Series C Preferred Stock will not have any voting rights, except as set forth below. Notwithstanding the provisions of this Section 7, no holder of Series C Preferred Stock shall be entitled to vote any shares of Series C Preferred Stock that would result in such holder and any of its affiliates controlled by it or any group (as such term is used in Section 13(d)(3) of the Exchange Act) of which any of them is a member voting in excess of 49.9% of the then-outstanding Voting Stock, except in any separate class vote consisting solely of any one or more classes of preferred stock.

(b) Each holder of shares of Series C Preferred Stock shall be entitled to notice of any stockholder meeting in accordance with the bylaws of the Company (the "Bylaws"), shall be entitled to a number of votes equal to the number of shares of Common Stock into which the shares of Series C Preferred Stock held by such holder could then be converted pursuant to Section 8 (giving effect to the limitations on conversion in Section 8.17), shall have voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall vote together as a single class with holders of Common Stock, except as expressly required by law. Fractional votes shall not be permitted, and any fractional voting rights resulting from the right of any holder of Series C Preferred Stock to vote on an as converted basis (after aggregating the shares into which all shares of Series C Preferred Stock held such holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward). The holders of Series C Preferred Stock shall have no separate class or series vote on any matter except as expressly required by law or as otherwise set forth in these Articles Supplementary.

(c) Whenever dividends on any shares of Series C Preferred Stock shall be in arrears for four or more Dividend Periods (a "Preferred Dividend Default"), the number of directors then constituting the Board shall be increased, if necessary, by such number that would, if such number were added to the number of directors already designated by the holders of the Series C Preferred Stock (whether pursuant to the Stockholders Agreement or otherwise), constitute a majority of the Board (if not already increased by reason of a similar arrearage with respect to any Parity Preferred (as hereinafter defined)). The holders of such shares of Series C Preferred Stock (voting separately as a class with all other series of Preferred Stock ranking on a parity with the Series C Preferred Stock as to dividends or upon liquidation ("Parity Preferred") upon which like voting rights have been conferred and are exercisable) will be entitled to vote separately as a class, in order to fill the vacancies thereby created, for the election of such additional number directors of the Company determined pursuant to the first sentence of this Section 7(c) (the "Additional Preferred Stock Directors") at a special meeting called by the holders of record of at least 20% of the Series C Preferred Stock or the holders of record of at least 20% of any series of Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders) or at the next annual meeting of shareholders, and at each subsequent annual meeting until all dividends accumulated on such shares of Series C Preferred Stock and Parity Preferred for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside. In any such election for additional directors, each holder of shares of Series C Preferred Stock or share of Parity Preferred will be entitled to one vote for each $1.00 amount of Liquidation Preference attributable to the aggregate number of such shares held by such holder. In the event the directors of the Company are divided into classes, each such vacancy shall be apportioned among the classes of directors to prevent stacking in any one class and to insure that the number of directors in each of the classes of directors, are as equal as possible. Each Additional Preferred Stock Director, as a qualification for election as such (and regardless of how elected) shall submit to the Board a duly executed, valid, binding and enforceable letter of resignation from the Board, to be effective upon the date upon which all dividends accumulated on such shares of Series C Preferred Stock and Parity Preferred for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment, whereupon the terms of office of all persons elected as Additional Preferred Stock Directors by the holders of the Series C Preferred Stock and any Parity Preferred shall, upon the effectiveness of their respective letters of resignation, forthwith terminate, and the number of directors then constituting the Board shall be reduced accordingly. A quorum for any such meeting shall exist if at least a majority of the outstanding shares of Series C Preferred Stock and shares of Parity Preferred upon which like voting rights have been conferred and are exercisable are represented in person or by proxy at such meeting. Such Additional Preferred Stock Directors shall be elected upon the affirmative vote of a plurality of the shares of Series C Preferred Stock and such Parity Preferred present and voting in person or by proxy at a duly called and held meeting at which a quorum is present. If and when all accumulated dividends and the dividend for the then current dividend period on the Series C

Preferred Stock shall have been paid in full or declared and a sum sufficient for the payment thereof in full shall have been set aside the holders thereof shall be divested of the foregoing voting rights (subject to revesting in the event of each and every Preferred Dividend Default) and, if all accumulated dividends and the dividend for the then current dividend period have been paid in full or sufficient funds shall have been set aside, on all series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Additional Preferred Stock Director so elected shall terminate. Any Additional Preferred Stock Director may be removed at any time with or without cause by, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of the Series C Preferred Stock when they have the voting rights described above (voting separately as a class with all series of Parity Preferred upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of an Additional Preferred Stock Director may be filled by written consent of the Additional Preferred Stock Directors remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series C Preferred Stock when they have the voting rights described above (voting separately as a class with all series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Additional Preferred Stock Directors shall each be entitled to one vote per director on any matter. (d) So long as any shares of Series C Preferred Stock remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series C Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class together with any other classes of preferred stock adversely affected in the same manner), amend, alter or repeal the provisions of the Charter or the Articles Supplementary, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Series C Preferred Stock or the holders thereof, including without limitation, the creation of any series of Preferred Stock ranking senior to the Series C Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, but not including the creation or issuance of Parity Preferred. (e) Except as expressly stated in these Articles Supplementary, the Series C Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers and the consent of the holders thereof shall not be required for the taking of any corporate action, including but not limited to, any merger or consolidation involving the Corporation or a sale of all or substantially all of the assets of the Corporation, irrespective of the effect that such merger, consolidation or sale may have upon the rights, preferences or voting power of the holders of the Series C Preferred Stock.

8. Conversion. The holders of Series C Preferred Stock shall have the following conversion rights with respect to such shares:

8.1 Optional Conversion. Subject to the limitations on conversion in Section 8.17, each share of Series C Preferred Stock (including all accrued and unpaid dividends thereon, to the extent declared) may be converted, at any time at the option of the holder thereof, into fully paid and nonassessable shares of Common Stock (and any other securities or property expressly provided in this Section 8) as set forth in this Section 8.

8.2 Conversion Price. Subject to the limitations on conversion in Section 8.17, each share of Series C Preferred Stock may be converted into such number of shares of Common Stock as is equal to the quotient obtained by dividing the Original Issue Price for such share by the Conversion Price (as defined below) in effect at the time of conversion. The Conversion Price initially shall be equal to the $6.25 per share of Common Stock, subject to adjustment from time to time as provided below (the "Conversion Price").

8.3 Mechanics of Conversion. A holder of Series C Preferred Stock who desires to convert the same into Common Stock shall surrender the certificate or certificates representing such shares, duly endorsed, at the office of the Company or at the office of any transfer agent for the Series C Preferred Stock or Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein both the number of shares of Series C Preferred Stock being converted and the name or names in which the holder wishes the certificate or certificates for Common Stock to be issued. The Company shall, as soon as practicable after such surrender, issue and deliver at such office to such holder a certificate or certificates representing the number of shares of Common Stock to which such holder is entitled and a new certificate or certificates representing the number of shares of Series C Preferred Stock represented by the certificate or certificates surrendered by the holder minus the number of Series C Preferred Stock so converted by the holder. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the Series C Preferred Stock to be converted, and the Person entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such Common Stock on such date. Any Series C Preferred Stock converted into Common Stock shall be retired and may not be reissued by the Company.

8.4 Adjustment for Stock Splits and Combinations. If the Company at any time or

from time to time after the Issue Date effects a subdivision of the outstanding Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased, and conversely, if the Company at any time or from time to time after the Issue Date combines the outstanding Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 8.4 shall become effective at the close of business on the date such subdivision or combination becomes effective.

8.5 Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the Issue Date makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional Common Stock, then and in each such event the Conversion Price then in effect shall be decreased as of the time of such issuance or, in the event such record date is fixed, as of the close of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price shall be adjusted pursuant to this Section 8.5 as of the time of actual payment of such dividends or distributions.

8.6 Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Issue Date makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Company other than Common Stock or other assets or property of the Company (other than ordinary cash dividends and any special dividends necessary to preserve the Company's qualification as a REIT), then and in each such event provision shall be made so that the holders of Series C Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company or other assets or property of the Company which they would have received had their Series C Preferred Stock been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities or other assets or property of the Company receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 8 with respect to the rights of the holders of the Series C Preferred Stock.

8.7 Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the Issue Date, the Common Stock or other securities as provided herein issuable upon the conversion of the Series C Preferred Stock are changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 8), then and in any such event each holder of Series C Preferred Stock shall have the right thereafter to convert such Series C Preferred Stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of Common Stock or other securities as provided herein into which such shares of Series C Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

8.8 Reorganizations, Mergers, Consolidations or Transfers of Assets. If at any time or from time to time after the Issue Date there is a capital reorganization of the Common Stock or other securities issuable upon conversion of Series C Preferred Stock as provided herein (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 8) or a merger or consolidation or statutory binding share exchange of the Company with or into another Person, or the transfer of all or substantially all of the Company's properties and assets to any other person and such capital reorganization, merger, consolidation or transfer does not constitute a Change in Control, then, as a part of such capital reorganization, merger, consolidation, exchange or transfer (subject to the provisions of Section 9), provision shall be made so that the holders of the Series C Preferred Stock shall thereafter be entitled to receive upon conversion of Series C Preferred Stock the number of shares of stock or other securities, cash or property to which a holder of the number of Common Stock or other securities deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, exchange or transfer. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 8 with respect to the rights of the holders of the Series C Preferred Stock after the capital reorganization, merger, consolidation, exchange or transfer to the end that the provisions of this Section 8 (including adjustment of the Conversion Price then in effect and the number of shares

receivable upon conversion of the Series C Preferred Stock) shall be applicable after that event and be as nearly equivalent as may be practicable.

8.9 Sale of Shares Below Fair Market Value. (a) If at any time or from time to time after the Issue Date, the Company issues or sells, or is deemed by the express provisions of this subsection (i) to have issued or sold, Additional Common Stock (as defined below), other than as a dividend or other distribution on any class of stock as provided in Section 8.5 above and other than upon a subdivision or combination of Common Stock as provided in Section 8.4 above, for an Effective Price (as defined below) less than the Fair Market Value, then and in each such case the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, to a price determined by multiplying that Conversion Price by a fraction (i) the numerator of which shall be equal to the sum of (A) the number of shares of Common Stock issued and outstanding at the close of business on the Business Day immediately preceding the date of such issue or sale, (B) the number of shares of Common Stock which the aggregate consideration received (or by the express provisions hereof is deemed to have been received) by the Company for the total number of shares of Additional Common Stock so issued or sold would purchase at such Fair Market Value, (C) the number of shares of Common Stock into which all outstanding Series C Preferred Stock are convertible at the close of business on the Business Day immediately preceding the date of such issuance or sale, and (D) the number of shares of Common Stock underlying all Convertible Securities (as defined below) at the close of business on the Business Day immediately preceding the date of such issue or sale, and (ii) the denominator of which shall be equal to the sum of (A) the number of shares of Common Stock issued and outstanding at the close of business on the date of such issuance or sale after giving effect to such issuance or sale of Additional Common Stock, (B) the number of shares of Common Stock into which all outstanding Series C Preferred Stock are convertible at the close of business on the Business Day immediately preceding the date of such issuance or sale, and (C) the number of shares of Common Stock underlying all Convertible Securities at the close of business on the Business Day immediately preceding the date of such issuance or sale.

(b) For the purpose of making any adjustment required under this Section 8.9, the consideration for any issue or sale of securities shall be deemed to be (A) to the extent it consists of cash, equal to the gross amount paid in such issuance or sale, (B) to the extent it consists of property other than cash, equal to the Fair Market Value of that property, and (C) if Additional Common Stock, Convertible Securities (as defined below) or rights or options to purchase either Additional Common Stock or Convertible Securities are issued or sold together with other stock, securities or assets of the Company for a consideration which covers both, that portion of the consideration so received that is determined in good faith by the Board to be allocable to such Additional Common Stock, Convertible Securities or rights or options.

(c) For the purpose of the adjustment required under this Section 8.9, if the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into or exchangeable or exercisable for, Additional Common Stock (such convertible or exchangeable or exercisable stock or securities being hereinafter referred to as "Convertible Securities") and if the Effective Price of such Additional Common Stock is less than the Fair Market Value, then in each case the Company shall be deemed to have (i) issued at the time of the issuance of such rights or options or Convertible Securities the number of shares of Additional Common Stock issuable upon exercise, conversion or exchange thereof irrespective of whether the holders thereof have the fully vested legal right to exercise, convert or exchange the Convertible Securities for Additional Common Stock and (ii) received as consideration for the issuance of such Additional Common Stock an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the exercise, conversion or exchange thereof. No further adjustment of the Conversion Price, as adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Common Stock on the exercise of any such rights or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only shares of Additional Common Stock so issued were the shares of Additional Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion or exchange of such Convertible Securities, and such shares of Additional Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of the rights or options whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible

Securities) on the conversion or exchange of such Convertible Securities.

(d) "Additional Common Stock" shall mean all Common Stock issued or issuable by the Company after the Issue Date, whether or not subsequently reacquired or retired by the Company, other than (i) Common Stock issued or issuable upon conversion of, or as a dividend on, any sub-series of Series C Preferred Stock, (ii) Common Stock issued or issuable pursuant to any employee benefit plan or similar plan or arrangement intended to provide compensation and other benefits to officers, directors, employees and consultants of the Company provided that such plans and any grants or awards thereunder have been approved by the Board or a committee thereof, (iii) securities issued by the Company in payment of a purchase price to the seller or any Person who beneficially owns equity securities of such seller for any acquisition of assets or a business, which acquisition is approved by the Board, or pursuant to the Additional Equity Financing (as defined in the Investment Agreement dated as of May 11, 2000 (the "Investment Agreement"), by and between Explorer Holdings, L.P. and the Company), and (iv) securities issued pursuant to the Rights Offering (as defined in Exhibit B to the Investment Agreement). The "Effective Price" of Additional Common Stock shall mean the quotient determined by dividing the total number of shares of Additional Common Stock issued or sold, or deemed to have been issued or sold by the Company, by the aggregate consideration received, or deemed to have been received, by the Company for such Additional Common Stock. The share numbers in this Section 8.9(d) shall be appropriately adjusted for any stock dividends, combinations, splits, reverse splits, recapitalizations and similar events affecting the securities of the Company.

8.10 Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price or the number of shares of Common Stock or other securities issuable upon conversion of the Series C Preferred Stock, the Company, at its expense, shall cause the Chief Financial Officer of the Company to compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series C Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to be received by the Company for any Additional Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price in effect immediately prior to the occurrence of the event giving rise to such adjustment, (3) the number of shares of Additional Common Stock and (4) the type and amount, if any, of other property which at the time would be received upon conversion of the Series C Preferred Stock.

8.11 Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or (ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other entity, or any transfer of all or substantially all of the assets of the Company to any other person or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series C Preferred Stock at least ten days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (3) the date, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

8.12 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of Series C Preferred Stock. In lieu of any fractional share to which the holder would otherwise be entitled, the Company shall pay cash equal to the product of such fraction multiplied by the Fair Market Value of one share of Common Stock on the date of conversion.

8.13 Reservation of Stock Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued Common Stock, solely for the purpose of effecting the conversion of the Series C Preferred Stock, such number of shares of its Common Stock and other securities, if any, issuable upon conversion thereof as expressly provided in Section 8 as shall from time to time be sufficient to effect the conversion of all outstanding Series C Preferred Stock.

8.14 Notices. Any notice required or permitted by this Section 8 to be given to a holder of Series C Preferred Stock or to the Company shall be in writing and be deemed given upon the earlier of actual receipt or five days after the same has been deposited in the United States mail, by certified or registered mail, return receipt requested, postage prepaid, and addressed (i) to each holder of record at the address of such holder appearing on the books of the Company, or (ii) to the Company at its registered office, or (iii) to the Company or any

holder, at any other address specified in a written notice given to the other for the giving of notice.

8.15 Payment of Taxes. The Company will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue and delivery of Common Stock upon conversion of Series C Preferred Stock, including without limitation any tax or other charge imposed in connection with the issue and delivery of Common Stock or other securities, if any, issuable upon conversion thereof as expressly provided in Section 8 in a name other than that in which the Series C Preferred Stock so converted were registered.

8.16 Cancellation of Shares. Any shares of Series C Preferred Stock which are converted in accordance with Section 8 or which are redeemed, repurchased or otherwise acquired by the Company, shall be canceled and added to the authorized but undesignated Preferred Stock of the Company but shall not be reissued as Series C Preferred Stock.

8.17 Limitations on Conversions. Notwithstanding the provisions of this Section 8, no holder of Series C Preferred Stock shall be permitted to convert a number of its shares of Series C Preferred Stock which would result in such holder and its Affiliates or any group (as such term is used in Section 13(d)(3) of the Exchange Act) of which any of them is a member having beneficial ownership, after giving effect to such conversion, of more than 49.9% of the then-outstanding Voting Stock.

9. Restrictions on Ownership and Transfer. Once there is a completed public offering of the Series C Preferred Stock, if the Board shall, at any time and in good faith, be of the opinion that actual or constructive ownership of at least 9.9% or more of the value of the outstanding capital stock of the Company has or may become concentrated in the hands of one owner, the Board shall have the power (i) by means deemed equitable by the Board, and pursuant to written notice, to call for the purchase from any shareholder of the corporation a number of shares of Series C Preferred Stock sufficient, in the opinion of the Board, to maintain or bring the direct or indirect ownership of such beneficial owner to no more than 9.9% of the value of the outstanding capital stock of the corporation, and (ii) to refuse to transfer or issue shares of Series C Preferred Stock to any person whose acquisition of such Series C Preferred Stock would, in the opinion of the Board, result in the direct or indirect ownership by that person of more than 9.9% of the value of the outstanding capital stock of the Company. The purchase price for any shares of Series C Preferred Stock shall be equal to the fair market value of the shares reflected in the closing sales price for the shares, if then listed on a national securities exchange, or if the shares are not then listed on a national securities exchange, the purchase price shall be equal to the redemption price of such shares of Series C Preferred Stock. Payment of the purchase price shall be made within thirty days following the date set forth in the notice of call for purchase, and shall be made in such manner as may be determined by the Board. From and after the date fixed for purchase by the Board, as set forth in the notice, the holder of any shares so called for purchase shall cease to be entitled to distributions and other benefits with respect to such shares, excepting only the right to payment of the purchase price fixed as aforesaid. Any transfer of Series C Preferred Shares that would create an actual or constructive owner of more than 9.9% of the value of the outstanding shares of capital stock of this Company shall be deemed void ab initio and the intended transferee shall be deemed never to have had an interest therein. If the foregoing provision is determined to be void or invalid by virtue of any legal decision, statute, rule or regulation, then the transferee of such Series C Preferred Shares shall be deemed, at the option of the Company, to have acted as agent on behalf of the Company in acquiring such shares and to hold such shares on behalf of the Company.

Notwithstanding anything herein to the contrary, the Company and its transfer agent may refuse to transfer any shares of Series C Preferred Stock, passing either by voluntary transfer, by operation of law, or under the last will and testament of any shareholder if such transfer would or might, in the opinion of the Board or counsel to the Company, disqualify the Company as a Real Estate Investment Trust under the Internal Revenue Code. Nothing herein contained shall limit the ability of the Company to impose or to seek judicial or other imposition of additional restrictions if deemed necessary or advisable to preserve the Company's tax status as a qualified Real Estate Investment Trust. Nothing herein contained shall preclude settlement of any transaction entered into through the facilities of the New York Stock Exchange.

10. Certain Defined Terms. In addition to the terms defined elsewhere in these Articles Supplementary or the Charter, the following terms will have the following meanings when used herein with initial capital letters:

(a) "Business Day" means any day (other than a day which is a Saturday, Sunday or legal holiday in New York City, or any day on which banks in New York City are authorized by law to close).

(b) "Change in Control" means the acquisition of the Company by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger, consolidation or other business combination transaction), unless the Company's stockholders of record as

constituted immediately prior to such acquisition will, immediately after such acquisition (by virtue of securities issued as consideration for the Company's acquisition or otherwise), hold at least 50% of the voting power of the surviving or acquiring entity in approximately the same relative percentages after such acquisition or sale as before such acquisition or sale.

(c) "Fair Market Value" of any security or other asset means:

(i) in the case of any security:

(A) if the security is traded on a securities exchange, the weighted average trading volume of the per share closing prices of the security on such exchange over the five trading day period ending three trading days prior to the date on which such value is measured;

(B) if the security is traded over-the-counter, the weighted average trading volume of the per share closing bid prices of the security over the five trading day period ending three trading days prior to the date on which such value is measured; or

(C) if there is no public market for such security that meets the criteria set forth in (A) or (B) above, the Fair Market Value shall be the per share fair market value of such security as of the date on which such value is measured, as determined in good faith by the Board.

(ii) In the case of assets other than securities, the Fair Market Value shall be the fair market value of such assets, as determined in good faith by the Board.

(d) "Liquidation Preference" measured per share of Series C Preferred Stock as of any date in question (the "Relevant Date"), means an amount equal to the Original Issue Price of such share plus any declared but unpaid dividends, but without interest, at the rate set forth in Section 4 hereof, if any, for such share of Series C Preferred Stock. In connection with the determination of the Liquidation Preference of a share of Series C Preferred Stock upon liquidation, dissolution or winding up of the Company, the Relevant Date shall be the date of distribution of amounts payable to stockholders in connection with any such liquidation, dissolution or winding up.

(e) "Original Issue Price" means $100 per share of Series C Preferred Stock, subject to appropriate adjustment to reflect any stock dividends, combinations, splits, reverse splits, recapitalizations or similar events affecting the Series C Preferred Stock after the Issue Date.

(f) "Person" means any individual, firm, corporation, partnership, limited liability company, group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

(g) "Stockholders Agreement" means the Stockholders Agreement by and between Explorer Holdings, L.P. and the Company, dated the Issue Date.

(h) "Voting Stock" means, with respect to the Company, the shares of any class or kind ordinarily having the power to vote for the election of directors or other members of the governing body of the Company. For avoidance of doubt, (i) Common Stock and Series C Preferred Stock both constitute Voting Stock of the Company and (ii) no class of Preferred Stock shall be deemed to be Voting Stock by virtue of the rights of such holder upon any Preferred Dividend Default. 11. Effect of Mergers, Consolidations and Other Business Combination Transactions. In the event of any merger, consolidation or other business combination transaction, the limitations on conversion in Section 8.17 and the limitations on voting in Section 7(a) shall not impair, reduce or otherwise modify the rights of any holder of Series C Preferred in such merger, consolidation or business combination transaction, such holder being entitled to receive upon consummation of such merger, consolidation or other transaction in respect of all shares of Series C Preferred then held the consideration that is receivable with respect to each share of Series C Preferred without regard to any limitation otherwise imposed by Section 7(a) or 8.17.

THIRD: The classification of authorized but unissued shares as set forth in these Articles Supplementary does not increase the authorized capital of the Company or the aggregate par value thereof.

FOURTH: These Articles Supplementary have been approved by the Board in the manner and by the vote required by law.

FIFTH: The undersigned Vice President of the Company acknowledges these Articles Supplementary to be the corporate act of the Company and, as to all matters or facts required to be verified under oath, the undersigned Vice President of the Company acknowledges that to the best of his or her knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Company has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its Vice President and attested to by its Secretary on this ___ day of ___________, 2000.

ATTEST   OMEGA HEALTHCARE INVESTORS, INC.

By:_________________________   By:________________________
Secretary   Vice President

EXHIBIT B

Form of Additional Equity Financing

1. Equity Capital for Acquisitions. If the Company desires to acquire additional skilled nursing, assisted living or healthcare assets or securities, whether by purchase, merger or otherwise (collectively, an "Acquisition"), but excluding any Acquisition in which the Company shall pay consideration consisting entirely of the Company's capital stock, and the Company does not have cash from operations and asset sales sufficient to fund the cash equity capital required to effect such Acquisition and is unable to borrow such cash under credit facilities then available to the Company on terms deemed acceptable by the Board of Directors, then the Company will sell to Purchaser, and Purchaser will purchase from the Company, Common Stock ("Additional Stock") in an amount not to exceed $50.0 million, less any amount previously drawn pursuant to the Liquidity Commitment (as defined below), to fund the portion of such cash equity capital requirement that the Company is not otherwise so able to fund (the "Initial Growth Equity Commitment", together with the Liquidity Commitment, the "Additional Equity Commitment"). Purchaser's obligation to purchase Additional Stock pursuant to the Initial Growth Equity Commitment is subject to satisfaction of the following conditions:

(i) the issuance of such Additional Stock must occur on or before July 1, 2001;

(ii) the proceeds from such sale of Additional Stock must be escrowed or otherwise set aside and directly applied to fund the cash equity capital required to effect such Acquisition and, without limiting the generality or effect of any other provision hereof or of the Investment Agreement, may not be used to refinance or repay any indebtedness or to fund working capital requirements;

(iii) the Acquisition must have been approved by the Board of Directors of the Company and the Company expressly acknowledges that applicable law does not preclude all Purchaser Designees from voting on such Acquisition and no Purchaser Designees shall have been precluded from voting on such Acquisition (unless the Purchaser Designees shall have themselves determined not to vote or that they are not so eligible to vote in which event this condition shall not apply);

(iv) the Company shall not be in default under any Indebtedness or Material Contract and no event of default, circumstance, act or omission by the Company shall have occurred that, with the passing of time or the giving of notice or both would become a default or event of default under any such Indebtedness or Material Contract, including this Agreement, unless such default, event of default, circumstance, act or omission (or the effect thereof) would not have a Company Material Adverse Effect or would be cured in all material respects as a result of the application of the proceeds received from Purchaser's purchase of such Additional Stock (if such proceeds may be used for this purpose or the permitted application thereof would otherwise have such effect); and

(v) Purchaser shall have made a good faith determination that the Company has available adequate sources to repay or refinance all Indebtedness coming due on or before December 31, 2001, which funding sources may include unused portions of the Liquidity Commitment.

All Additional Stock issued and sold by the Company to Purchaser pursuant to the Initial Growth Equity Commitment and the Increased Additional Growth Equity Commitment (as defined below) will be issued and sold to Purchaser at a per share price equal to the Fair Market Value (as defined in the Series C Articles Supplementary) of the Common Stock, determined immediately prior to the date of first public announcement or the date of consummation of the subject Acquisition for which such Additional Stock is issued and sold, whichever is lower, less (i) a discount that is mutually determined by Purchaser and the Company to be consistent with the discount from Fair Market Value that typically applies to a rights offering by a company to its shareholders to subscribe for shares of its

capital stock to its stockholders or (ii) if the parties are unable to agree on such amount, 6%. The Company will provide Purchaser written notice of its intent to draw on the Initial Growth Equity Commitment at least 30 calendar days prior to the closing date of the Acquisition (a "Capital Call Notice"). The closing of the issuance and sale of the subject Additional Stock shall occur no later than 60 calendar days following the date of the Capital Call Notice. In the event the closing of the Acquisition does not occur within such 60 calendar day period, Purchaser will be entitled to return to its investors the amount of capital called in the Capital Call Notice ("Returned Capital"). If Purchaser is unable to re-draw any Returned Capital, the Initial Growth Equity Commitment shall be reduced by such amount of Returned Capital.

2. Capital for Certain Refinancings. Notwithstanding any other provision hereof or of the Investment Agreement, if the Company is unable to fund any portion of the Company's Convertible Debentures due January 2001 (the "Convertible Debentures") or the Company's Senior Unsecured Notes due July 2000 (the "Senior Unsecured Notes") at the maturity thereof in accordance with the terms thereof, then the Company must request Purchaser to purchase, and Purchaser must purchase, such amount of a sub-series of Series C Preferred Stock as is required to provide sufficient funds to discharge the Company's obligations arising pursuant to the Convertible Debentures or the Senior Unsecured Notes, not to exceed $50.0 million, less the sum of any amounts previously drawn under the Initial Growth Equity Commitment or by which the Initial Growth Equity Commitment has been reduced under Section 1 (the "Liquidity Commitment"), provided the following conditions have been satisfied:

(i) the issuance of such Series C Preferred Stock must occur on or before February 1, 2001;

(ii) the proceeds from such sale of Series C Preferred Stock must be escrowed or otherwise set aside and directly applied to fund the discharge of the Company's obligations arising pursuant to the Convertible Debentures or the Senior Unsecured Notes;

(iii) the Company shall not be in default under any Indebtedness or Material Contract and no event of default, circumstance, act or omission by the Company shall have occurred that, with the passing of time or the giving of notice or both would become a default or event of default under any such Indebtedness or Material Contract, including this Agreement, unless such default, event of default, circumstance, act or omission (or the effect thereof) would not have a Company Material Adverse Effect or would be cured in all material respects as a result of the application of the proceeds received from Purchaser's purchase of such Series C Preferred Stock (if such proceeds may be used for this purpose or the permitted application thereof would otherwise have such effect);

(iv) Purchaser shall have made a good faith determination that the Company has adequate available sources to repay or refinance all Indebtedness coming due on or before December 31, 2001 (other than any Indebtedness being repaid as a result of the application of the proceeds received from Purchaser's purchase of such Series C Preferred Stock), the Purchaser expressly acknowledging that such funding sources may include unused portions of the Liquidity Commitment; and

(v) Purchaser shall have made a good faith determination that the Company has liquidity and current assets adequate to enable the Company to carry on its business in a manner consistent with past practice (including the payment of a quarterly dividend of $0.25 per share of Common Stock).

The closing of the issuance and sale of the subject sub-series of Series C Preferred Stock shall occur no sooner than 30 calendar days, and not more than 60 calendar days, after delivery by the Company to Purchaser of written notice stating the Company's intent to draw on the Liquidity Commitment upon the issuance of such Series C Preferred in the name of Purchaser or any Affiliate designated by Purchaser against payment by Purchaser of the required amount by wire transfer to an account designated by the Company. All such shares of Series C Preferred Stock shall be issued with a Conversion Price that is the lower of (i) the Fair Market Value of the Common Stock determined immediately prior to the date of the issuance of such Series C Preferred Stock and (ii) $6.25 (as adjusted to the same extent the Conversion Price for the Series C Preferred issued on the Closing Date has been previously adjusted pursuant to Section 8.4 of the Series C Articles Supplementary).

3. Purchaser Option. Purchaser will have the right to increase the Additional Equity Commitment by up to an additional $50 million (such increased amount, the "Increased Additional Equity Commitment") on written notice to the Company given not later than 30 calendar days after the earlier of (i) the date on which the entire Additional Equity Commitment shall have been invested under Sections 1 or 2 of this Exhibit B and (ii) July 1, 2001 (the earlier such date, the "Extension Date"), in which event the Increased Additional Equity Commitment will be available to fund Acquisitions on the terms and subject to the conditions of Section 1 of this Exhibit B (but not for uses contemplated by Section 2 of this Exhibit B), provided, however, that for all purposes thereof the July 1, 2001 date in Section 1 of this Exhibit B will be extended to a date that is 365 days after the Extension Date.

4. Rights Offerings. (a) If Purchaser exercises its option to provide the Increased Additional Equity Commitment during the 90 calendar day period commencing on the first to occur of 365 days after the Extension Date and the funding in full by Purchaser of the Initial Growth Equity Commitment (or such earlier time to which the parties agree that initiating a rights offering is appropriate given Purchaser's additional investments in the Company), the Company shall be permitted, in the Company's sole discretion, to initiate an offering of non-transferable rights (the "Initial Rights Offering") pursuant to which the holders of shares of Common Stock (other than Purchaser and its Affiliates) will be entitled to purchase shares of Common Stock at a price per share equal to the per share price paid by Purchaser in connection with the issuance and sale of Common Stock pursuant to the Initial Growth Equity Commitment. In the event that Purchaser shall have funded multiple draws under the Initial Growth Equity Commitment, the per share price to be paid in the Initial Rights Offering shall equal the weighted average price per share paid by Purchaser in connection therewith. The number of shares available for purchase pursuant to the Initial Rights Offering shall equal the product obtained by multiplying the number of shares of Additional Stock acquired by Purchaser pursuant to the Initial Growth Equity Commitment by a fraction, the numerator of which will be the number of shares of Common Stock owned by all holders of Common Stock (other than Purchaser and its Affiliates) and the denominator of which shall be the total number of Voting Securities (as defined in the Stockholders Agreement) outstanding, in each case calculated as of the record date for the relevant Rights Offering. Each holder of Common Stock shall be entitled to purchase his or her pro rata share of the shares of Common Stock available for purchase in the Initial Rights Offering, excluding for purposes of such calculation shares of Common Stock owned by Purchaser and its Affiliates. The net proceeds received by the Company in the Initial Rights Offering shall be used to repurchase shares of Common Stock acquired by Purchaser pursuant to the Initial Growth Equity Commitment at a per share price equal to the price per share paid by Purchaser, or, in the event there shall have been multiple draws under the Initial Growth Equity Commitment, the weighted average price per share paid by Purchaser plus, in either case, interest on the amount paid in an amount equal to 10% per annum commencing on the date of Purchaser's acquisition of such Common Stock to the date of repurchase by the Company (calculated on the basis of a 360 day calendar year and based on the actual number of days elapsed).

(b) If Purchaser exercises its option to provide the Incremental Additional Equity Commitment, then during the 90 calendar day period commencing on the first to occur of 365 days after the Extension Date or the funding in full by Purchaser of the Increased Additional Equity Commitment (or such earlier time to which the parties agree that initiating a rights offering is appropriate given Purchaser's additional investments in the Company), the Company shall be permitted to initiate in the Company's sole discretion, an offering of non-transferable rights (the "Second Rights Offering") pursuant to which the holders of shares of Common Stock (other than Purchaser and its Affiliates) will be entitled to purchase shares of Common Stock at a price per share equal to the per share price paid by Purchaser pursuant to the Increased Additional Equity Commitment or, in the case of multiple draws thereunder, the weighted average price per share paid by Purchaser. The Second Rights Offering shall be conducted in accordance with the procedures and methodology set forth above regarding the Initial Rights Offering.

(c) In the Initial or Second Rights Offering, the Company shall distribute to each record holder of shares of its outstanding Common Stock, as of the close of business on a record date determined by the Company (the "Record Date"), at no cost to the record holder, a number of rights determined as provided hereinabove (the "Rights"). The Rights shall be non-transferable and shall be evidenced by subscription certificates (the "Subscription Certificates").

(d) No fractional Rights or cash in lieu of fractional Rights shall be issued or paid, and the number of Rights distributed to each record holder of Common Stock shall be rounded up to the nearest whole number. No Subscription Certificate may be divided in such a way as to permit the record holders of Common Stock to receive a greater number of Rights than the number to which such Subscription Certificate entitles its holder, except that a depositary, bank, trust company or securities broker or dealer holding Common Stock of record on the Record Date for more than one beneficial owner may, upon proper showing to the Company designated subscription agent (the "Subscription Agent"), exchange its Subscription Certificate to obtain a Subscription Certificate for the number of Rights to which all such beneficial owners in the aggregate would have been entitled had each been a holder on the Record Date. The Company may refuse to issue any such Subscription Certificate, if such issuance would, in the Company's sole and absolute discretion, be inconsistent with the principles underlying the Initial or Second Rights Offering.

(e) The Rights shall expire at 5:00 p.m., New York time, on a date determined by the Company (the "Expiration Date"), which shall not be fewer than 30 days or more than 60 days after the Rights Offering commences. After the Expiration Date, all unexercised Rights shall be null and void. The Company shall not be obligated to honor any purported exercise of Rights received by the Subscription Agent after the Expiration Date, regardless of when the documents relating to such exercise were sent.

(f) The Subscription Price shall be payable in full by check or bank draft drawn upon a U.S. bank or postal, telegraphic or express money order payable to the Subscription Agent.

(g) Rights may be exercised by delivering to the Subscription Agent, on or prior to 5:00 p.m., New York time, on the Expiration Date, the properly completed and executed Subscription Certificate evidencing such Rights with any required signature guaranties, together with payment in full of the Subscription Price for the number of shares of Common Stock being acquired pursuant to the exercise of such Rights. The Subscription Price shall be deemed to have been received by the Subscription Agent only upon (i) clearance of any uncertified checks or (ii) receipt by the Subscription Agent of any certified check or bank draft drawn upon a U.S. bank or of any postal, telegraphic or express money order.

(h) Subject to the terms hereof, the Rights Offering shall contain such other terms as the Company shall in good faith determine to be appropriate.

EXHIBIT C

FORM OF
STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT (this "Agreement"), dated as of ________ __, 2000, between Explorer Holdings, L.P., a Delaware limited partnership ("Purchaser" and together with its Permitted Transferees, the "Investor"), and Omega Healthcare Investors, Inc., a Maryland corporation (the "Company").

A. The Company and Purchaser have entered into an Investment Agreement, dated as of May 11, 2000 (the "Investment Agreement"), pursuant to which, among other things, on the terms and subject to the conditions thereof, Purchaser will acquire shares of Series C Preferred Stock, par value $1.00 per share, of the Company (the "Series C Preferred"), and shares of common stock, par value $0.10 per share, of the Company (the "Common Stock").

B. The Company and Purchaser desire to make certain provisions in respect of their relationship.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

I. DEFINITIONS

1.1 Definitions. Capitalized terms used herein and not defined herein will have the meaning set forth in the Investment Agreement. In addition to the terms defined elsewhere herein, the following terms have the following meanings when used herein with initial capital letters:

(a) "Affiliate" of any Person means any other Person, that, directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, such Person; and, for the purposes of this definition only, "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management, policies or activities of a Person whether through the ownership of securities, by contract or agency or otherwise.

(b) "Assumption Agreement" means an agreement in writing in substantially the form of Exhibit A hereto pursuant to which the party thereto agrees to be bound by the terms and provisions of this Agreement.

(c) A Person will be deemed the "beneficial owner" of, and will be deemed to "beneficially own", and will be deemed to have "beneficial ownership" of:

(i) any securities that such Person or any of such Person's Affiliates is deemed to "beneficially own" within the meaning of Rule 13d-3 under the Exchange Act, as in effect on the date of this Agreement; and

(ii) any securities (the "underlying securities") that such Person or any of such Person's Affiliates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (written or oral), or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise (it being understood that such Person will also be deemed to be the beneficial owner of the securities convertible into or exchangeable for the underlying securities).

(d) "Board" means the Board of Directors of the Company.

(e) "Board Approval" means the approval of a majority of the members of the Board who neither (i) have been designated for election to the Board by Purchaser pursuant to Article III hereof or the Articles Supplementary setting forth the terms of the Series C Preferred nor (ii) are Affiliates or associates of the Investors.

(f) "Closing Date" means the date on which the first closing of the transactions contemplated by the Investment Agreement occurs.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(h) "Permitted Acquisition" means (i) any acquisition of Voting Securities pursuant to or as contemplated by the Investment Agreement, including without limitation upon the conversion of the Series C Preferred, (ii) any additional acquisition of up to 5% of the outstanding Voting Securities, and (iii) any other acquisition of Voting Securities after Purchaser has received prior Board Approval of such acquisition.

(i) "Permitted Transferees" means any Person to whom Voting Securities are Transferred in a Transfer not in violation of this Agreement, which includes any Person to whom a Permitted Transferee of any Investor (or a Permitted Transferee of a Permitted Transferee) so further Transfers Voting Securities and who is required to, and does, become bound by the terms of this Agreement.

(j) "Person" means an individual, a corporation, a partnership, a limited partnership, a limited liability company, an association, a trust or other entity or organization, including without limitation a government or political subdivision or an agency or instrumentality thereof.

(k) "Public Offering" means the sale of shares of any class of Voting Securities to the public pursuant to an effective registration statement (other than a registration statement on Form S-4 or S-8 or any similar or successor form) filed under the Securities Act.

(l) "Registration Rights Agreement" means the Registration Rights Agreement, dated as of the date hereof, between Purchaser and the Company and any other registration rights agreement entered into in accordance with Article V hereof.

(m) "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(n) "Standstill Period" means the period commencing on the date of this Agreement and ending on the fifth anniversary thereof.

(o) "Transfer" means a transfer, sale, assignment, pledge, hypothecation or disposition.

(p) "Voting Securities" means the Common Stock, the Series C Preferred (on an as-converted basis), all other securities of the Company entitled to vote generally in the election of directors of the Company, and all other securities convertible into, exchangeable for or exercisable for any such securities (whether immediately or otherwise).

II. STANDSTILL

2.1 Additional Ownership. Except in connection with a Permitted Acquisition, during the Standstill Period, Purchaser will not purchase or otherwise acquire beneficial ownership of any Voting Security.

2.2 Other Restrictions. Without prior Board Approval, except as otherwise permitted hereunder, no Investor will do any of the following:

(a) solicit proxies from other stockholders of the Company in opposition to, or prior to the issuance of, a recommendation of the Board for any matter to be considered at any meeting of holders of securities of the Company, except matters on which a class vote of Series C Preferred is required;

(b) knowingly form, join or participate in or encourage the formation of a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to any securities of the Company, other than a group consisting solely of Affiliates of Purchaser;

(c) deposit any securities of the Company into a voting trust or subject any such securities to any arrangement or agreement with respect to the voting thereof, other than any such trust, arrangement or agreement (i) the only parties to, or beneficiaries of, which are Affiliates of an Investor; and (ii) the terms of which do not require or expressly permit any party thereto to act in a manner inconsistent with this Agreement; or

(d) tender any securities in any tender offer involving the Company

unless such tender offer has received Board Approval.

2.3 Voting Cap. Without prior Board Approval, the Purchaser will not vote any Voting Securities, whether at a meeting of stockholders or pursuant to a written consent of stockholders, to the extent the aggregate amount of Voting Securities beneficially owned by Purchaser and its Affiliates exceeds 49.9% of the outstanding Voting Securities.

III. BOARD REPRESENTATION; CONSULTATION

3.1 Nomination and Voting for Purchaser Designees and Independent Director. (a) Effective as of the Closing Date, Purchaser will be entitled to designate from time to time such number of directors to the Board (the "Purchaser Designees") based on the percentage of the Company's total issued and outstanding Voting Securities beneficially owned by Purchaser that were acquired by Purchaser pursuant to the Investment Agreement, as set forth in the table below:

Percentage of Voting Securities Beneficially Owned by Purchaser	Number of Purchaser Designees
Less than 5.0%	0
5.00% - 16.67%	1
16.67% - 27.78%	2
27.78% - 38.89%	3
Greater than 38.89%	4

For as long as Purchaser beneficially owns at least 25% of the Series C Preferred issued on the date hereof (or the Common Stock issued upon conversion of the Series C Preferred) the Company shall use its best efforts to cause an Independent Director selected in accordance with Section 4.10 of the Investment Agreement to serve on the Company Board. The Company, at each meeting of stockholders of the Company at which directors are elected or pursuant to which such action is to be taken by written consent, will nominate for election as directors of the Company the Purchaser Designees Purchaser is permitted to designate pursuant to this Section 3.1(a). Ninety calendar days prior to any such meeting or action by written consent, Purchaser will provide the Company with the information required pursuant to Regulation 14A under the Exchange Act with respect to each Purchaser Designee. The Company will solicit proxies from its stockholders for such nominees, vote all proxies in favor of such nominees, except for such proxies that specifically indicate to the contrary, and otherwise use its best efforts to cause such nominees to be elected to the Board as herein contemplated.

(b) Notwithstanding anything in this Section 3.1 to the contrary, (i) for so long as the Purchaser and its Affiliates beneficially own at least 50% of the Series C Preferred issued on the date of this Agreement (or the Common Stock issued upon conversion of the Series C Preferred), the Purchaser shall be entitled to designate at least two Purchaser Designees and (ii) for so long as the Purchaser and its Affiliates beneficially own at least 25% of the Series C Preferred issued on the date of this Agreement (or the Common Stock issued upon conversion of the Series C Preferred), the Purchaser shall be entitled to designate at least one Purchaser Designee.

(c) The Company will take all actions as may be necessary to obtain the approval of at least two thirds of the Incumbent Directors (as defined in the Company Change of Control Agreements) to the election, reelection or nomination of any Purchaser Designee or the Independent Director to the Company Board.

(d) The Purchaser Designees will be apportioned among the three classes of directors as equal as possible; provided, however, that in the event that the number of Purchaser Designees determined pursuant to Section 3.1(a) is not evenly divisible by three, such additional Purchaser Designee or Designees shall be nominated to the class or classes of directors with the longest term of office. Each Purchaser Designee will serve until his successor is elected and qualified or until his earlier resignation, retirement, disqualification, removal from office, or death.

(e) If any Purchaser Designee ceases to be a director of the Company for any reason, the Company will promptly upon the request of Purchaser cause a person designated by Purchaser to replace such director if Purchaser is so entitled.

(f) Purchaser agrees to cause a Purchaser Designee to promptly resign in the event Purchaser's beneficial ownership of Voting Securities declines such that Purchaser would no longer have the right to designate such person.

(g) The Company covenants that (i) the total number of seats on the Board (including any vacant seats) will in no event exceed nine and (ii) the directors that are not Purchaser Designees will be reasonably acceptable to both Purchaser and a majority of the current directors.

(h) At all times after the date hereof, the Company will take such action to ensure that the Purchaser Designees are represented on each committee of the Board in proportion to their representation on the entire Board and that each committee will consist of at least three members; provided, however, that for so long as the provisions of Article II are in effect, in no event shall the Purchaser Designees constitute a majority of any such committee.

3.2 Voting for Company Nominees. Each Investor shall vote all Voting Securities that it beneficially owns for the election of directors nominated by the Nominating Committee of the Board at each stockholder meeting at which directors are elected, or shall execute written consents for such purpose at the request of the Company; provided that no Investor shall be required to perform its obligations under this Section 3.2 during any period in which any of the Purchaser Designees or the Independent Director required to be nominated to the Board is not so elected to the Board.

3.3 Other Voting Rights. Purchaser and the Company agree that under applicable law, including without limitation Section 2-419 of the MGCL, and pursuant to the Company's constituent documents, neither the Purchaser nor the Purchaser Designees would be precluded, and the Company agrees that it will not assert that the Purchaser or any of the Purchaser Designees is precluded, from voting with respect to any acquisition or investment by the Company by virtue of such acquisition or investment being funded in whole or in part with proceeds from the Additional Equity Financing or any other transaction contemplated by the Transaction Documents following appropriate disclosure to the then directors of any circumstances that could provide the basis for an assertion of a conflict of interest.

3.4 Access. The Company will, and will cause its subsidiaries and each of the Company's and its subsidiaries' officers, directors, employees, agents, representatives, accountants and counsel to: (a) afford the officers, employees and authorized agents, accountants, counsel, financing sources and representatives of Purchaser reasonable access, during normal business hours, to the offices, properties, other facilities, books and records of the Company and each subsidiary and to those officers, directors, employees, agents, accountants and counsel of the Company and of each subsidiary who have any knowledge relating to the Company or any subsidiary and (b) furnish to the officers, employees and authorized agents, accountants, counsel, financing sources and representatives of Purchaser, such additional financial and operating data and other information regarding the assets, properties and goodwill of the Company and its subsidiaries (or legible copies thereof) as Purchaser may from time to time reasonably request (other than information and material from the Company's counsel which is subject to the attorney/client privilege, which information and material shall be made available to the Purchaser Designees in their capacity as members of the Board).

IV. TRANSFER OF SECURITIES

4.1 Transferability. (a) Each Investor agrees that such Investor will not Transfer any Voting Securities beneficially owned by it, except in strict compliance with the terms of this Article IV.

(b) Any Investor may Transfer all or any part of the Voting Securities beneficially owned by it at any time, without compliance with Section 4.2, to any Affiliate of such Investor; provided that, prior to such Transfer, (i) notice of such Transfer is given to the Company and (ii) the Affiliate to whom such Voting Securities are to be Transferred enters into an Assumption Agreement.

(c) From and after the first anniversary of the Closing Date, any Investor may Transfer all or any part of the Voting Securities beneficially owned by it, without compliance with Section 4.2, pursuant to a Public Offering or in open-market sales in accordance with Rule 144 under the Securities Act.

(d) Subject to compliance with the requirements of Section 4.2 hereof, from and after July 1, 2001, any Investor may Transfer all or any part of the Voting Securities beneficially owned by it, following compliance with Section 4.2, to a "qualified institutional buyer" (as defined in Rule 144A of the Securities Act); provided, that with respect to any such Transfer involving 9.9% or more of the outstanding Voting Securities, such Transfer shall be conditioned on the Transferee agreeing (i) to be bound by the provisions of Article II of this Agreement for a period ending on the fifth anniversary of the Closing Date and (ii) not to acquire more than 2% of the outstanding Voting Securities during any twelve-month period.

(e) In the event of any purported Transfer by any Investor of any Voting Security not made in compliance with this Section 4.1, such purported Transfer will be void and of no effect and the Company will not give effect to such Transfer. The Company shall be entitled to treat the prior owner as the holder of any such securities not Transferred in accordance with this Agreement.

(f) Each certificate representing Voting Securities issued to any

Investor will bear a legend on the face thereof substantially to the following effect (with such additions thereto or changes therein as the Company may be advised by counsel are required by law (the "Legend")):

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A STOCKHOLDERS AGREEMENT BETWEEN THE COMPANY AND EXPLORER HOLDINGS, L.P., A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH STOCKHOLDERS AGREEMENT."

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THEY HAVE BEEN REGISTERED UNDER THAT ACT OR ANY OTHER APPLICABLE LAW OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE."

The Legend will be removed by the Company by the delivery of substitute certificates without such Legend in the event of (i) a Transfer permitted by Section 4.1 to any Person who is not required to enter into an Assumption Agreement as a condition to such Transfer or (ii) the termination of this Article IV pursuant to the terms of this Agreement, provided, however, that the second paragraph of such Legend will only be removed if at such time a legal opinion from counsel to the Transferee shall have been obtained to the effect that such legend is no longer required for purposes of applicable securities laws. In connection with the foregoing, the Company agrees that, if the Company is required to file reports under the Exchange Act, for so long as and to the extent necessary to permit any Investor to sell any Voting Securities pursuant to Rule 144, the Company will use its reasonable efforts to file, on a timely basis, all reports required to be filed with the SEC by it pursuant to Section 13 of the Exchange Act, furnish to the Investors upon request a written statement as to whether the Company has complied with such reporting requirements during the 12 months preceding any proposed sale under Rule 144 and otherwise use its reasonable efforts to permit such sales pursuant to Rule 144.

4.2 Right of First Offer. (a) Prior to any Investor effecting a Transfer described in Section 4.1(d) (a "Third-Party Sale"), such Investor (the "Offering Stockholder") will deliver to the Company a written Notice (an "Offer Notice") specifying the amount of consideration (the "Offer Price") and the other material terms pertaining to such Third Party Sale for which the Offering Stockholder proposes to sell the Securities to be offered in such Third-Party Sale (the "Offered Stock") and, to the extent known or contemplated, the proposed purchaser of the Offered Stock.

(b) If the Company delivers to the Offering Stockholder a written notice (an "Acceptance Notice") within 20 calendar days of receipt of the Offer Notice (such 20 calendar day period being referred to herein as the "ROFO Acceptance Period") stating that the Company or its designee (the "ROFO Purchaser")is willing to purchase all of the Offered Stock for the Offer Price and on the other terms set forth in the Offer Notice, the Offering Stockholder will sell all of the Offered Stock to the ROFO Purchaser, and the Company will purchase such Offered Stock from the Offering Stockholder, on the proposed terms and subject to the conditions set forth below.

(c) The consummation of any purchase of the Offered Stock by the ROFO Purchaser pursuant to this Section 4.2 (the "ROFO Closing") will occur no more than 45 calendar days following the delivery of the Acceptance Notice (such 45 calendar day period being referred to herein as the "ROFO Closing Period") at 10:00 a.m. (Eastern Time) at the Company's offices or at such other time of day and place as may be mutually agreed upon by the Offering Stockholder and the ROFO Purchaser. At the ROFO Closing, (i) the ROFO Purchaser will deliver to the Offering Stockholder by wire transfer to an account designated by the Offering Stockholder an amount in immediately available funds equal to the Offer Price, (ii) the Offering Stockholder will deliver one or more certificates evidencing the Offered Stock, together with such other duly executed instruments or documents (executed by the Offering Stockholder) as may be reasonably requested by the ROFO Purchaser to acquire the Offered Stock free and clear of any and all claims, liens, pledges, charges, encumbrances, security interests, options, trusts, commitments and other restrictions of any kind whatsoever (collectively, "Encumbrances"), except for Encumbrances created by this Agreement, or federal or state securities laws ("Permitted Encumbrances"), and (iii) in connection with foregoing the Offering Stockholder will represent and warrant to the Company that, upon the ROFO Closing, the Offering Stockholder will convey and the Company will acquire the entire record and beneficial ownership of, and good and valid title to, the Offered Stock, free and clear of any and all Encumbrances, except for Permitted Encumbrances.

(d) If no Acceptance Notice relating to the proposed Third-Party Sale is delivered to the Offering Stockholder prior to the expiration of the ROFO Acceptance Period, or an Acceptance Notice is so delivered to the Offering Stockholder but the ROFO Closing fails to occur prior to the

expiration of the ROFO Closing Period (unless the ROFO Purchaser was ready, willing and able prior to the expiration of the ROFO Closing Period to consummate the transactions to be consummated by the ROFO Purchaser at the ROFO Closing), the Offering Stockholder may, during the 360 calendar day period immediately following the expiration of the ROFO Acceptance Period (in the event that no Acceptance Notice was timely delivered to the Offering Stockholder) or the 360 calendar day period immediately following the expiration of the ROFO Closing Period (in the event that an Acceptance Notice was timely delivered to the Offering Stockholder but the ROFO Closing failed timely to occur other than as a result of a failure by the Offering Stockholder to perform its obligations under Section 4.2(c) hereof) at a gross price at least equal to the Offer Price and on such other terms no more favorable to the Transferee than those set forth in the Offer Notice, consummate the Third-Party Sale in accordance with Section 4.1(d). After the applicable 360-day period, any Transfer pursuant to Section 4.1(d) shall not be made unless the Investor again complies with the provisions of this Section 4.2.

(e) For purposes of this Section 4.2, the value of any consideration other than cash that is payable or receivable in the Third Party Sale will be as determined by the Board in good faith or, if the Offering Stockholder gives the Company written notice of its disagreement with such valuation within ten Business Days after receipt of written notice of such value, such value will be determined in accordance with the appraisal procedures set forth on Exhibit B. The various time periods described above relating to any actions regarding the exercise of a right of first offer will be extended for the duration of any period in which the value of any non-cash consideration is subject to dispute pursuant to Section 4.2(e).

V. REGISTRATION RIGHTS

Upon consummation of any Transfer of Securities constituting 5% or more of the Voting Securities to one Transferee (or one Transferee together with its Affiliates) (other than a Transfer in a Public Offering or pursuant to Rule 144 under the Securities Act) that is permitted by this Agreement, the Company and the Transferee thereof will enter into a registration rights agreement substantially in the form of the Registration Rights Agreement, with such modifications thereto as are acceptable to such Transferee that do not materially increase the Company's obligations thereunder (excluding the effects of multiple parties).

VI. TERMINATION

6.1 Termination. The provisions of this Agreement specified below will terminate, and be of no further force or effect (other than with respect to prior breaches), as follows:

(a) Articles II and IV will terminate (but in the case of subparagraph (ii) through (iv), only as to the Investor that has given the notice contemplated thereby), upon the earliest to occur of the following dates or events:

(i) five years after the date of this Agreement;

(ii) notice that an Investor has determined to terminate this Agreement at any time following the consummation of a transaction that has Board Approval that provides for or involves (A) the merger of the Company with or into any other entity, (B) the sale of all or substantially all of the assets of the Company, (C) a tender offer for at least a majority of the Common Stock, (D) the reorganization or liquidation of the Company, or (E) any similar transaction or event that is subject to approval by the stockholders of the Company as a result of which, in the case of any merger, consolidation, reorganization, recapitalization, tender offer or similar transaction or event, the Stockholders of the Company shall not hold at least a majority of the outstanding Voting Securities following the closing of such transaction;

(iii) notice that an Investor has determined to terminate this Agreement following the failure by the Board or the Company to observe any of the provisions of this Agreement hereof which breach has continued for at least 20 calendar days after notice thereof to the Company from Purchaser, which notice shall specify with particularity the basis for such alleged failure or breach; or

(iv) notice that an Investor has determined to terminate this Agreement following either (A) the failure of the stockholders of the Company to elect any director designated under this Agreement by Purchaser, (B) the removal of any such recommended director from the Board and the failure to replace such removed director with a designee designated by Purchaser, (C) the failure of the Board to replace any director designated by an Investor with a person designated by Purchaser, or (D) the failure of the Board to effect without unreasonable delay and maintain the committee appointments required under Section 3.1(g) which failure shall (a) not be due to any Purchaser Designee failing to qualify to serve as a director of the Company due to existence of any applicable law, rule or regulation

imposing or creating standards or eligibility criteria for individuals serving as directors of organizations such as the Company and (b) have continued for at least 30 calendar days following notice thereof to the Company, which notice shall specify with particularity the basis for such alleged failure;

(b) Article III will terminate on the tenth anniversary of the date of this Agreement; and

(c) Any portion or all of this Agreement will terminate and be of no further force and effect upon a written agreement of the parties to that effect.

VII. MISCELLANEOUS

7.1 Specific Performance. The parties agree that any breach by any of them of any provision of this Agreement would irreparably injure the Company or the Investor, as the case may be, and that money damages would be an inadequate remedy therefor. Accordingly, the parties agree that the other parties will be entitled to one or more injunctions enjoining any such breach and requiring specific performance of this Agreement and consent to the entry thereof, in addition to any other remedy to which such other parties are entitled at law or in equity, provided, however, that in the event the Company is legally excused from and does not in fact comply with its obligations under Section 3.1, the obligations of the Investors under Articles II and IV will immediately terminate without further action.

7.2 Notices. All notices, requests and other communications to either party hereunder will be in writing (including telecopy or similar writing) and will be given:

If to the Company, to:

Omega Healthcare Investors, Inc.
900 Victors Way, Suite 350
Ann Arbor, Michigan 48108
Attention: Susan Allene Kovach
Fax: (734) 887-0322

with a copy to:

Powell, Goldstein, Frazer & Murphy LLP 191 Peachtree Street, N.E.
Suite 1600
Atlanta, Georgia 30303
Attention: Rick Miller or
Eliot Robinson
Fax: (404) 572-6999

If to Purchaser, to:

Explorer Holdings, L.P.
c/o The Hampstead Group, L.L.C.
4200 Texas Commerce Tower West
2200 Ross Avenue
Dallas, Texas 75801
Attention: William T. Cavanaugh
Fax: (214) 220-4949

with a copy to:

Jones, Day, Reavis & Pogue
599 Lexington Avenue
New York, New York 10022
Attention: Thomas W. Bark
Fax: (212) 755-7306

or such other address or telecopier number as such party may hereafter specify by notice to the other party hereto. Each such notice, request or other communication shall be effective only when actually delivered at the address specified in this Section 7.2, if delivered prior to 5:00 (local time) and such day is a Business Day, and if not, then such notice, request or other communication shall not be effective until the next succeeding Business Day.

7.3 Amendments: No Waivers. (a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Company and Purchaser (who shall have the authority to bind all Investors), or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or

privilege hereunder will operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided will be cumulative and not exclusive of any rights or remedies provided by law.

7.4 Successors and Assigns. The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided, however, that none of the parties may assign, delegate or otherwise transfer any of their rights or obligations under this Agreement without the written consent of the other parties hereto. Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

7.5 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which will be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement will become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto.

7.6 Entire Agreement. This Agreement, the Investment Agreement, the Registration Rights Agreement and the documents contemplated thereby (and all schedules and exhibits thereto) constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements, understandings and negotiations, both written and oral, between the parties with respect thereto.

7.7 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

7.8 Calculation of Beneficial Ownership. Any provision in this Agreement that refers to a percentage of Voting Securities shall be calculated based on the aggregate number of issued and outstanding shares of Common Stock at the time of such calculation (including any shares of Common Stock that would then be issuable upon the conversion of the Series C Preferred or any outstanding convertible security), but shall not include any shares of Common Stock issuable upon any options, warrants or other securities that are exercisable for Common Stock.

7.9 Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law.

7.10 Jurisdiction; Consent to Service of Process. (a) Each party hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Delaware state court located in Wilmington, Delaware or the United States District for the District of Delaware (as applicable, a "Delaware Court"), and any appellate court from any such court, in any suit, action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment resulting from any such suit, action or proceeding, and each party hereby irrevocably and unconditionally agrees that all claims in respect of any such suit, action or proceeding may be heard and determined in the Delaware Court.

(b) It will be a condition precedent to each party's right to bring any such suit, action or proceeding that such suit, action or proceeding, in the first instance, be brought in the Delaware Court (unless such suit, action or proceeding is brought solely to obtain discovery or to enforce a judgment), and if each such court refuses to accept jurisdiction with respect thereto, such suit, action or proceeding may be brought in any other court with jurisdiction.

(c) No party may move to (i) transfer any such suit, action or proceeding from the Delaware Court to another jurisdiction, (ii) consolidate any such suit, action or proceeding brought in the Delaware Court with a suit, action or proceeding in another jurisdiction, or (iii) dismiss any such suit, action or proceeding brought in the Delaware Court for the purpose of bringing the same in another jurisdiction.

(d) Each party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, (i) any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in the Delaware Court, (ii) the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court, and (iii) the right to object, with respect to such suit, action or proceeding, that such court does not have jurisdiction over such party. Each party irrevocably consents to service of process in any manner permitted by law.

7.11 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM,

WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT.

7.12 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

EXPLORER HOLDINGS, L.P.

By: EXPLORER HOLDINGS GENPAR, L.L.C., its General Partner

By:
Name:
Title:

OMEGA HEALTHCARE INVESTORS, INC.

By:
Name:
Title:

EXHIBIT A

Form of Assumption Agreement

The undersigned hereby agrees, effective as of the date hereof, to become a party to, and be bound by the provisions of, that certain Stockholders Agreement (the "Agreement") dated as of ________ ___, 2000 by and between Omega Healthcare, Inc. and the Explorer Holdings, L.P. and for all purposes of the Agreement, the undersigned shall be included within the term "Investor" (as defined in the Agreement). The address and facsimile number to which notices may be sent to the undersigned is as follows:

Facsimile No._______________

[Name]

By: _____________________________
Name:
Title:

EXHIBIT B

Appraisal Procedures

If the ROFO Purchaser gives the Offering Stockholder written notice of its disagreement as to the valuation of any non-cash consideration payable or receivable in a Third Party Sale in accordance with Section 4.2(e) (the "Agreement Deadline"), then appraisals hereunder shall be undertaken by two Appraisers (as defined below), one selected by the ROFO Purchaser and one selected by the Offering Stockholder, which appointment shall be made within 15 calendar days after the Agreement Deadline. Such Appraisers shall have 30 calendar days following the appointment of the last Appraiser to be appointed to agree upon the value of the consideration other than cash proposed to be received in the Third Party Sale pursuant to Section 4.2 of this Agreement (the "Consideration Value"). In the event that such Appraisers cannot so agree within such period of time, (x) if such Appraisers' valuations do not vary by more than

20%, then the Consideration Value shall be the average of the two valuations and (y) if such Appraisers' valuations differ by more than 20%, such Appraisers shall mutually agree on a third Appraiser who shall calculate the Consideration Value independently. In the event that the two original Appraisers cannot agree upon a third Appraiser within 30 calendar days following the end of the 30-day period referred to above, then the third Appraiser shall be determined by lottery from a group of two Appraisers, one of whom will be designated by the ROFO Purchaser and one of whom will be designated by the Offering Stockholder. The third Appraiser shall make its determination as to Consideration Value within 30 calendar days of its appointment. The third Appraiser's valuation will be the Consideration Value for all purposes hereof and will not be subject to appeal or challenge by either the ROFO Purchaser or the Offering Stockholder.

For purposes of this Exhibit B, "Appraiser" means a nationally recognized investment banking firm that (a) does not have a direct or indirect material financial interest in the ROFO Purchaser or the Offering Stockholder, (b) has not received in excess of $250,000 in fees or other compensation from the ROFO Purchaser, the Offering Stockholder or any of their respective subsidiaries in the preceding 360 days, and (c) is otherwise qualified to render an appraisal of the Consideration Value.

AGREEMENT OF SALE AND PURCHASE

between

OMEGA HEALTHCARE INVESTORS, INC., as Seller

and

TENET HEALTHSYSTEM PHILADELPHIA, INC., as Buyer

AGREEMENT OF SALE AND PURCHASE

THIS AGREEMENT made this 12th day of May, 2000, by and between OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation, having an address at 900 Victors Way, Suite 350, Ann Arbor, Michigan 48103 ("Seller") and TENET HEALTHSYSTEM PHILADELPHIA, INC., a Pennsylvania corporation, having an address at c/o Tenet Healthcare, Center Square-West Tower, 1500 Market Street, 34th Floor, Philadelphia, Pennsylvania 19102 ("Buyer").

W I T N E S S E T H :

In consideration of the covenants and provisions contained herein, the parties agree as follows:

1. Agreement to Sell and Purchase. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, subject to all of the terms and conditions of this Agreement, the Seller's leasehold interest as tenant in the four (4) ground leases and as landlord in the four(4) operating leases, each dated October 27, 1993, by and between Seller on the one hand and The Graduate Hospital or Graduate Health System, Inc. on the other (each "GHS")(predecessor in interest to Allegheny Hospitals, Centennial, which was the predecessor in interest to Buyer) relating to four (4) separate parcels of property located in the City of Philadelphia, Commonwealth of Pennsylvania and consisting of the following:

(1) Real Property. The Seller's leasehold interest as tenant under the ground leases, attached hereto as Exhibit A (the "Ground Leases"), and the Seller's leasehold interest as landlord under the operating leases, attached hereto as Exhibit B (the "Operating Leases"), relating to those certain tracts of land more fully described on Exhibit C to this Agreement containing the following improvements and further described as follows:

(i) The Ground Leases and Operating Leases, each dated October 27, 1993, and originally by and between Seller and GHS and described as follows:

(1) A four (4) floor medical office building located at 520 South 19th Street, Philadelphia, Pennsylvania ("520 South 19th Street");

(2) A thirteen (13) floor medical office (commonly known as Pepper Pavilion) building located at 1800 Lombard Street, Philadelphia, Pennsylvania ("1800 Lombard Street");

(3) A six (6) floor medical office building located at 1740 South Street, Philadelphia, Pennsylvania ("1740 South Street"); and

(4) A five (5) floor parking garage, located at 1700 South Street, Philadelphia, Pennsylvania ("1700 South Street") (520 South 19th Street, 1800 Lombard Street, 1740 South Street and 1700 South Street are herein collectively called the "Locations" and individually a "Location").

(ii) The estate for years in each Location heretofore conveyed to Seller by GHS.

The real property shall include all appurtenances thereto, as well as Seller's interest, if any, in the personal property, equipment and site improvements located at each Location and all right, title and interest of Seller, if any, in and to any land lying in the bed of any street, opened or proposed, abutting each Location, and all right, title and interest of Seller, if any, in and to any unpaid award for the taking by eminent domain of Seller's interest in the Ground Leases and Operating Leases or for damage to the land covered by the Ground Leases by reason of change of grade of any street. The foregoing, together with the Ground Leases and the Operating Leases shall hereinafter be referred to collectively as the "Real Property."

(2) Personal Property. All fixtures, furniture, equipment, supplies and other personal property, if any, owned by Seller and attached or appurtenant to, or located in or on, or used in connection with the Real Property, together with Seller's right, title and interest, if any, in and to all intangible personal property used in the ownership, operation or maintenance of the Real Property (collectively, the "Personal Property").

(3) Property. The Real Property and the Personal Property are sometimes collectively referred to as the "Property".

2. Purchase Price.

Amount and Method of Payment. The purchase price (the "Purchase Price") for the Property, subject to adjustments as provided in this Agreement, shall be Thirty-Four Million Dollars ($34,000,000), and shall be paid to Seller at Closing by wire transfer of immediately available funds.

3. Closing.

(1) Place of Closing. The closing and settlement of this transaction ("Closing") shall take place at the offices of Wolf, Block, Schorr and Solis-Cohen LLP, 1650 Arch Street, 22nd Floor, Philadelphia, Pennsylvania 19103, or pursuant to an escrow agreement mutually satisfactory to Seller and Buyer.

(2) Closing Date. Closing and funding shall occur at 11:00 a.m.(EST) on May 31, 2000, or on such other date as the parties shall jointly designate in writing (the "Closing Date").

4. Condition of Title.

(1) Title to Real Property. Title to the Real Property shall be good and marketable and free and clear of all liens, restrictions, easements, encumbrances, leases, tenancies (other than as provided for in the Ground Leases and the Operating Leases and any subleases made by the lessee under the Operating Leases) and other title objections, except for the Permitted Encumbrances (as hereinafter defined), and shall be insurable as such and as provided in this Agreement by Chicago Title Insurance Company (the "Title Company") pursuant to an ALTA Owner's Policy of Title Insurance (the "Owner's Policy of Title Insurance"). The term "Permitted Encumbrances" shall mean: (i) any lien or other encumbrance that encumbers the Buyer's fee title to the land covered by each Ground Lease (as distinguished from Seller's interests under each Ground Lease and Operating Lease); (ii) the items set forth on Exhibit D to this Agreement; (iii) any items deemed permitted encumbrances pursuant to Section 5(c) hereof; (iv) as to the leasehold estate under each Ground Lease, the terms and conditions of the respective Ground Lease and the rights of Buyer as lessee under the respective Operating Lease; and (v) as to the lessor's interest in each Operating Lease, the rights of Buyer as lessee thereunder. The premium for the Owner's Policy of Title Insurance and such endorsements will be paid by Buyer. Title to the Real Property shall be such that Title Company will commit to the Owner of the fee simple estate in each Location to insure such estate free and clear of any right, title or interest of Seller under the Ground Leases or as holder of an estate for years, upon presentation by Buyer and (if different) Seller's assignee at Closing of instruments of termination.

(2) Title to Personal Property. Title to the Personal Property, if any, shall be good and marketable and free and clear of all liens, security interests and other encumbrances. Seller shall pay at or before Closing all sums required to free the Personal Property, if any, of any interest of any party and shall cause to be filed at or before Closing any termination statement, release, discharge or other document required to remove of record any encumbrance upon the Personal Property, if any, held by any party.

(3) Commitment to Insure. Within one (1) business day after the date of this Agreement, Buyer shall order a commitment to insure with respect to the Real Property from the Title Company, such commitment to show that title to Seller's leasehold interest in the Real Property is vested in Seller, and to commit to insure title to the Real Property as required by Section 5(a). If the commitment to insure discloses that title to the Real Property is subject to any defect, encumbrance or other title objection other than the Permitted Encumbrances, or if Buyer is unable to obtain such commitment to insure, Buyer shall have the right to give to Seller written notice specifying such defect, encumbrance or other title objection, or inability to obtain such commitment to insure, and Seller shall (subject to the remaining provisions of this subparagraph) use its diligent efforts to correct such defect, encumbrance or other title objection and obtain the commitment to insure from a reputable title insurance company acceptable to Buyer, all by the date which is ten (10) days following Buyer's notice specifying the defect. Notwithstanding anything in this Section 5(c) to the contrary, Seller shall not be deemed to have any obligation to correct any defect, encumbrance or other title objection or to obtain the commitment, unless Seller expressly undertakes such an obligation by a written notice to or written notice agreement with Buyer given or entered into on or prior to the expiration of such 10-day period, except at Closing, Seller shall be obligated to cure, satisfy and remove any liens securing a monetary obligation created by Seller and to pay any past due taxes and assessments against the Property and the same shall not constitute Permitted Encumbrances. Buyer's sole right with respect to any matter to which Buyer objects in a timely manner shall be to elect on or before the expiration of the Inspection Period to terminate this Agreement pursuant to Section 14(c) hereof.

5. Possession.

(1) Delivery of Possession. Actual sole and exclusive physical possession of the Property shall be given to Buyer at Closing unoccupied and free of any leases, claims to or rights of possession, other than the rights under the Ground Leases and the Operating Leases and the rights of subtenants, if any, of Buyer under the Operating Leases, by delivery of the keys to the Property and Seller's assignment of leases, in the form attached as Exhibit E (the "Assignment"), Seller's bill of sale in the form of Exhibit F to this Agreement duly executed and acknowledged by Seller (the "Bill of Sale"), and any instrument (including any quit claim deed) necessary to terminate and discharge or vest in Buyer all of Seller's right, title and interest in or to the Improvements and Seller's estate for years in the Locations.

6. Apportionments.

(1) (i) Base Monthly Rent. Base monthly rent paid by Buyer as tenant under the Operating Leases shall be apportioned pro rata between Seller and Buyer on a per diem basis as of the Closing Date, with all base monthly rent for the Closing Date for Buyer's account. If after the Closing Date it is determined that Seller collected any prepaid rents or other charges which were not credited to Buyer at Closing as required by this Section, Seller shall pay such sums to Buyer upon notice from Buyer.

(1) Any credit due to Buyer pursuant to this Section 6(a) shall be applied as a credit against the Purchase Price, and any credit due to Seller pursuant to this Section 6(a) shall be paid by Buyer to Seller at Closing as an addition to the Purchase Price.

(2) Escrow Agreements. The total sum of the amounts, including interest, held by Bank One Trust Company ("Bank One") pursuant to the four (4) escrow agreements, each dated December 17, 1999, by and among Seller, Buyer and Bank One attached hereto as Exhibit G (the "Escrow Agreements"), which escrow accounts and their initial principal amounts are listed as follows: (1)

<TABLE>
<CAPTION>
<S> <C> <C> <C> <C> <C> <C>

Operating Lease	Escrow Account	Initial Principal
520 South 19th Street	850048303	$ 37,500
1800 Lombard Street	850048300	$450,000

1740 South Street	850048302	$199,200
1700 South Street	850048301	$187,500

</TABLE>

together with all interest earned thereon as of the Closing Date, shall be credited to Buyer at Closing and applied as a credit against the Purchase Price. At Closing, Buyer shall give to Bank One written notice, in form reasonably satisfactory to Seller and to Bank One, directing Bank One to deliver to Seller, at Closing, the amounts then held in such escrow accounts, including all interest earned thereon as of the Closing Date.

(3) Transfer and Sales Taxes. The Seller and the Buyer shall equally divide the costs at Closing of all realty transfer taxes, if any, and Buyer shall pay any recordation fees imposed on any documents to be filed of record to reflect the transaction contemplated by this Agreement. Seller and Buyer acknowledge and agree that the Personal Property, if any, to be transferred hereunder is not being sold in the normal course of Seller's trade or business, and agree to execute the appropriate exemption certificates for the purpose of obtaining sales tax exemptions with respect to the transfer of the Personal Property, if necessary.

7. Representations and Warranties of Seller. Seller makes the following representations and warranties to Buyer, which representations and warranties are true and correct as of the date of this Agreement, and shall be true and correct at and as of the Closing Date in all material respects as though such representations and warranties were made both at and as of the date of this Agreement, and at and as of the Closing Date.

(1) Seller has not received any written notice ("Defect Notice"), from any predecessor of Buyer as lessee under the Operating Leases, from any governmental agency or from any insurance company which has issued a policy with respect to the Property or from any board of fire underwriters (or other body exercising similar functions) claiming any defects or deficiencies in the Property or suggesting or requesting the performance of any repairs, alterations or other work to the Property.

(2) There are no management, service, equipment, supply, security, maintenance, construction, or other agreements of Seller with respect to or affecting the Property, which will bind or affect Buyer after Closing.

8. Survival.

(1) Surviving Representations and Warranties. The representations and warranties of Seller set forth in Section 8 shall remain in effect for a period of twelve (12) months following the Closing Date and recovery may occur thereafter as to each breach as to which Buyer shall have given to Seller written notice within such twelve (12) month period.

9. Operations Prior to Closing. Between the date of the execution of this Agreement and Closing:

(a) Compliance with Obligations. Seller shall comply in all material respects with all of the obligations of Seller under the Ground Leases, the Operating Leases, the Escrow Agreements and any other agreements and contractual arrangements of Seller affecting the Property.

10. Environmental Matters. Seller represents and warrants to Buyer that (a) Seller has not received written notice of any or threatened civil, criminal or administrative proceeding relating to environmental laws or contaminants on, over, under, from or affecting the Property; (b) Seller has not received any written notice of violation or potential liability regarding the Property or activities thereon relating to environmental law or contaminants on, over, under, from or affecting the Property; and (c) Seller has not entered into any consent order, consent decree, administrative order, judicial order or settlement relating to environmental laws or contaminants on, over, under, migrating from or affecting the Property.

11. Casualty; Destruction.

(1) Destruction. If at any time prior to the Closing Date any material portion of the Property is destroyed or damaged as a result of fire or any other casualty ("Casualty"), Buyer shall have the right, at its sole option, of (i) terminating this Agreement (by written notice to Seller given within ten

(10) days after such Casualty) or (ii) proceeding with the Closing. If a Casualty occurs less than ten (10) days prior to Closing, at the option of Buyer or Seller, Closing shall be postponed to a date not earlier than ten (10) days after the Casualty. If Buyer does not terminate this Agreement, the proceeds of any insurance with respect to the Property paid between the date of this Agreement and the Closing Date, together with an amount equal to Seller's deductible under the Policy, less sums properly expended by Seller in restoration, shall be paid to Buyer at the time of Closing and all unpaid claims and rights in connection with losses to the Property shall be assigned to Buyer at Closing without in any manner affecting the Purchase Price.

12. Eminent Domain. If at any time prior to the Closing Date: a Taking affects all or any material part of the Property, or if any proceeding for a Taking is commenced, or if notice of the contemplated commencement of a Taking is given, Seller shall promptly give written notice ("Taking Notice") thereof to Buyer. Buyer shall have the right, at its sole option, of terminating this Agreement by written notice to Seller within ten (10) days after receipt by Buyer of the Taking Notice. If a Taking Notice is given to Buyer less than ten (10) days prior to Closing, at the option of Buyer or Seller, Closing shall be postponed to a date not earlier than ten (10) days after Buyer's receipt of the Taking Notice. If Buyer does not terminate this Agreement, the Purchase Price shall be reduced by the total of any awards or damages received by Seller and Seller shall, at Closing, be deemed to have assigned to Buyer all of Seller's right, title and interest in and to any awards or damages to which Seller may have become entitled or may thereafter be entitled by reason of any exercise of the power of eminent domain or condemnation with respect to or for the Taking of the Property or any portion thereof. For purposes of this Section 13, a taking shall be considered to be "material" if the value of the portion of the Property taken materially adversely affects the ability to operate the remainder of the Property for its intended use.

13. Conditions of Buyer's Obligations.

(1) Conditions. The obligations of Buyer under this Agreement are subject to the satisfaction at the time of Closing of each of the following conditions (any one of which may be waived in whole or in part in writing by Buyer at or prior to Closing):

(1) all of the representations and warranties by Seller set forth in this Agreement shall be true and correct at and as of the Closing Date in all material respects as though such representations and warranties were made both at and as of the date of this Agreement and at and as of the Closing Date;

(2) Seller shall have performed in all material respects all covenants, agreements and conditions required by this Agreement to be performed by Seller prior to or as of the Closing Date;

(2) Failure of Condition. In the event any of the conditions set forth in Section 14(a) are not satisfied as of the Closing Date and Buyer has not previously waived such condition in writing, Buyer shall have the right (in addition to all other rights and remedies available to Buyer under this Agreement), at Buyer's sole option (by written notice to Seller) to (i) terminate Buyer's obligations under this Agreement, or (ii) complete Closing notwithstanding the unsatisfied condition, or (iii) adjourn the Closing for not more than thirty (30) days, during which period Seller may, but shall not be obligated to, satisfy any unsatisfied conditions within Seller's power to satisfy, or (iv) if such condition is not fulfilled by reason of Seller's intentional act or omission and can be remedied by the payment of an ascertainable sum, Buyer may complete Closing and deduct such sum from the Purchase Price.

14. Items to be Delivered at Closing.

(1) By Seller. At Closing, Seller shall deliver to Buyer the following:

(1) Assignment of Leases. An Assignment of the Ground Leases and the Operating Leases, duly executed and acknowledged by Seller, assigning to Buyer or Buyer's assignee all of the lessor's and Seller's rights, title and interest in the Ground Leases and Operating Leases.

(2) Bill of Sale. The Bill of Sale.

(3) Deeds or other Discharge of Estate for Years. Any instrument (including any quit claim deed) necessary to terminate and discharge or to vest in Buyer all of Seller's right, title and interest in the ownership of the Improvements and Seller's estate for years in the Locations.

(4) Resolutions; Title Company Affidavits, Etc.; Such resolutions and certificates as the Title Company shall require to evidence the due authorization of the execution and performance of this Agreement and the documents to be delivered pursuant hereto.

(5) Conveyance of Awards. All proper instruments for the conveyance of the awards, if any, referred to in Sections 1(a) and 13.

(6) FIRPTA Affidavit in form attached as Exhibit H

(7) Condominium Matters. If and to the extent that Seller has any authority over any condominium regime affecting any Property, or if any person selected by or affiliated with Seller serves as an officer or director of any such condominium regime, then an instrument of assignment or relinquishment of such authority and resignations of each such officer or director.

(8) Other Documents. Any other documents required to be delivered by Seller pursuant to any other provisions of this Agreement.

(2) By Buyer. At Closing, Buyer shall deliver to Seller the following:

(1) Purchase Price. The Purchase Price subject to the adjustments as provided for in this Agreement.

(2) Assumption of Lease Obligations. The Assignment, duly executed and acknowledged by Buyer and in proper form for recording, pursuant to which Buyer assumes the obligations of Seller arising under the Ground Leases and the Operating Leases from and after the Closing Date.

(3) Other Documents. Any other document required to be delivered by Buyer pursuant to any other provisions of this Agreement.

15. Litigation Matters. There is currently pending before the United States Court of Appeals for the Second Circuit, on appeal from the United States Bankruptcy Court and the United States District Court, an action by Seller seeking reimbursement for taxes paid by Seller in connection with the Operating Leases and it is hereby agreed that any amounts owing to Omega as a result of such action will be assigned to Buyer at Closing by Seller's execution of the Assignment. Litigation Matters. There is currently pending before the United States Court of Appeals for the Second Circuit, on appeal from the United States Bankruptcy Court and the United States District Court, an action by Seller seeking reimbursement for taxes paid by Seller in connection with the Operating Leases and it is hereby agreed that any amounts owing to Omega as a result of such action will be assigned to Buyer at Closing by Seller's execution of the Assignment.

16. Brokerage. Each party represents and warrants to the other that it has dealt with no broker, finder or other intermediary in connection with this sale. Each party agrees to indemnify, defend and hold harmless the other from and against all claims, demands, causes of action, loss, damages, liabilities, costs and expenses (including without limitation reasonable attorneys' fees and court costs) arising from any claims for commissions made by any broker, finder or other intermediary, claiming to have dealt with such party.

17. No Other Representations. Buyer acknowledges that neither Seller nor anyone acting, or purporting to act, on behalf of Seller, has, except as expressly set forth in this Agreement, made any representation or warranty with respect to the Property and that, except for such representations and warranties set forth in this Agreement, Seller shall convey and transfer the Property to Buyer and Buyer shall accept the Property from Seller in an "as is" "where is" condition.

18. Assignability. Buyer shall have the right at Buyer's sole discretion to assign this Agreement and its rights hereunder to any affiliate of Buyer, or with Seller's consent (not to be unreasonably withheld) to a third party; and any assignee of Buyer shall be entitled to exercise all of the rights and powers of Buyer hereunder; provided, however, as a condition to the effectiveness of any such assignment, such assignee shall assume the obligations of Buyer hereunder and no such assignment or assumption shall have the effect of relieving Buyer from its obligations or liability hereunder.

19. FIRPTA.

(1) Parties Who Are Not Foreign. Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code") provides that a transferee of a United States real property interest must withhold tax if the transferor is a foreign person. To inform Buyer that withholding of tax is not required upon the disposition by Seller of a United States real property interest, Seller shall deliver to Buyer at Closing, a FIRPTA certificate in the form of Exhibit H, failing which Buyer may withhold a portion of the Purchase Price in accordance with the Code.

20. Notices.

(1) Written. All notices, demands, requests or other communications from each party to the other required or permitted under the term of this Agreement shall be in writing and, unless and until otherwise specified in a written notice by the party to whom notice is intended to be given, shall be sent to the parties at the following respective addresses:

if intended for Seller:

Omega Healthcare Investors, Inc.
900 Victors Way
Suite 350
Ann Arbor, Michigan 48108
Fax No. (734) 887-0201
Attention: F. Scott Kellman and Susan Allene Kovach

if intended for Buyer:

Tenet Healthsystem Philadelphia, Inc.
c/o Tenent Healthcare
Center Square-West Tower
1500 Market Street, 34th Floor
Philadelphia, PA 19102
Fax No. (215) 832-2331
Attention: Jacinta Titialii Abbott, Esquire

with a copy to:

Wolf, Block, Schorr and Solis-Cohen LLP
1650 Arch Street
22nd Floor
Philadelphia, Pennsylvania 19103
Fax No. (215) 977-2334
Attention: Thomas P. Witt, Esquire

Notices may be given on behalf of any party by its legal counsel.

(2) Manner of Giving. Each such notice, demand, request or other communication shall be given (i) against a written receipt of delivery, or (ii) by registered or certified mail of the United States Postal Service, return receipt requested, postage prepaid, or (iii) by a nationally recognized overnight courier service for next business day delivery, or (iv) via telecopier or facsimile transmission to the facsimile number listed above, provided, however, that if such communication is given via telecopier or facsimile transmission, an original counterpart of such communication shall concurrently be sent in either the manner specified in clause (i) or (iii) above.

(3) Deemed Given. Each such notice, demand, request or other communication shall be deemed to have been given on the day of consignment with a nationally recognized overnight air courier service, on the day of delivery in the case of hand delivery or on the third business day after deposit with the United States Postal Service, as aforesaid and otherwise on actual receipt thereof.

21. Miscellaneous.

(1) Captions. The captions in this Agreement are inserted for convenience of reference only; they form no part of this Agreement and shall not affect its interpretation.

(2) Not Divisible. The obligations of Buyer to buy and Seller to sell the Real Property are not divisible and Buyer and Seller will be compelled to close the transaction contemplated herein only if all of the conditions provided for herein are satisfied as to all of the Real Property.

(3) Confidentiality. All discussions and any exchange of information pursuant to this Agreement shall be considered strictly confidential, except as such information may need to shared with directors, officers, employees and advisors ("Representatives") of either Seller or Buyer on a "need to know" basis. Buyer and Seller acknowledge that each is aware and each agree to advise its Representatives that U.S. securities laws prohibit any person who has material non-public information about a company from purchasing or selling securities of such company or from communicating such information to any other person. Except as required by law, without the prior written consent of the other, Buyer and Seller each agree to direct its Representatives not to disclose (a) the fact discussions have or are taking place between Buyer and Seller, (b) any information or material exchanged between Buyer and Seller, and (c) information developed in evaluating the transaction that is the subject of this Agreement. Buyer and Seller hereby agree that all press releases or public disclosures involving the subject matter of this Agreement shall require the written approval of both Buyer and Seller.

(4) Successors and Assigns. Subject to the provisions of Section 18, this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, personal representatives, successors and assigns.

(5) Entire Agreement; Governing Law. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof, supersedes all prior or other negotiations, representations, understandings and agreements of, by or among the parties, express or implied, oral or written, which are fully merged herein. Any agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of this

Agreement unless such agreement is in writing and signed by the party against whom enforcement of such change, modification, discharge or abandonment is sought. This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

(6) Provisions Separable. The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other provision may be invalid or unenforceable in whole or in part.

(7) Gender, etc. Words used in this Agreement, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context indicates is appropriate.

(8) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall be binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected on this Agreement as the signatories. The parties agree that facsimile signatures shall have the same legal effect as original signatures affixed hereto.

(9) Exhibits. All exhibits attached to this Agreement are incorporated by reference into and made a part of this Agreement as is fully set forth herein.

(10) No Waiver. Neither the failure nor any delay on the part of either party to this Agreement to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of any such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

(11) Interpretation. No provision of this Agreement is to be interpreted for or against either party because that party or that party's legal representative or counsel drafted such provision.

IN WITNESS WHEREOF, intending to be legally bound, the parties have executed this Agreement as a sealed instrument as of the day and year first above written.

Witness: SELLER:

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Susan A. Kovach

Name: Susan A. Kovach
Title: Vice President

BUYER

TENET HEALTHSYSTEM PHILADELPHIA, INC.

By: /s/ Timothy L. Pullen (SEAL)

Name: Timothy L. Pullen
Title: Authorized Signatory

LIST OF EXHIBITS

EXHIBIT A - GROUND LEASES
EXHIBIT B - OPERATING LEASES
EXHIBIT C - LEGAL DESCRIPTION OF REAL PROPERTY
EXHIBIT D - PERMITTED TITLE ENCUMBRANCES
EXHIBIT E - ASSIGNMENT AND ASSUMPTION OF GROUND LEASES AND OPERATING LEASES
EXHIBIT F - BILL OF SALE
EXHIBIT G - ESCROW AGREEMENTS
EXHIBIT H - FIRPTA AFFIDAVIT

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