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 June 30, 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 June 30, 2000

Common Stock, $.10 par value	20,115,024
(Class)	(Number of shares)

OMEGA HEALTHCARE INVESTORS, INC.

FORM 10-Q

June 30, 2000

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

OMEGA HEALTHCARE INVESTORS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

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	June 30, 2000	December 31, 1999
	(Unaudited)	(See Note)
ASSETS		
Real estate properties		
Land and buildings at cost	$ 574,402	$ 678,605
Less accumulated depreciation	(62,256)	(65,854)
Real estate properties - net	512,146	612,751
Mortgage notes receivable	212,375	213,617
	724,521	826,368
Other real estate - net	161,459	65,847
Other investments	58,171	61,705
	944,151	953,920
Assets held for sale	40,717	36,406
Total Investments (Cost of $1,047,124 at June 30, 2000 and $1,056,180 at December 31, 1999)	984,868	990,326
Cash and short-term investments	24,721	4,105
Goodwill and non-compete agreements - net	2,681	3,013
Other assets	15,271	16,407
</TABLE>

Total Assets	$ 1,027,541	$ 1,013,851
LIABILITIES AND SHAREHOLDERS' EQUITY		
Revolving lines of credit	$ 177,000	$ 166,600
Unsecured borrowings	310,996	310,996
Secured borrowings	15,803	15,951
Subordinated convertible debentures	48,405	48,405
Accrued expenses and other liabilities	15,089	14,818
Total Liabilities	567,293	556,770
Preferred Stock	107,500	107,500
Common stock and additional paid-in capital	450,862	449,292
Cumulative net earnings	250,211	232,105
Cumulative dividends paid	(346,157)	(331,341)
Stock option loans	(2,428)	(2,499)
Unamortized restricted stock awards	(1,091)	(526)
Accumulated other comprehensive income	1,351	2,550
Total Shareholders' Equity	460,248	457,081
Total Liabilities and Shareholders' Equity	$ 1,027,541	$ 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>
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	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Revenues				
Rental income	$ 16,205	$ 18,580	$ 34,149	$ 36,708
Mortgage interest income	5,912	10,188	11,912	20,405
Other investment income	1,738	1,749	3,366	

3,411				
Other real estate income	(780)	-	(262)	-
Miscellaneous	330	250	357	266
	23,405	30,767	49,522	60,790
Expenses				
Depreciation and amortization	5,818	5,865	11,728	11,460
Interest	11,154	10,406	22,120	20,512
General and administrative	1,796	1,486	3,519	2,983
	18,768	17,757	37,367	34,955
Net earnings before gain on assets sold and held for sale	4,637	13,010	12,155	25,835
Provision for loss on assets held for sale - net	-	-	(4,500)	-
Gain on assets sold - net	10,451	-	10,451	-
Net earnings	15,088	13,010	18,106	25,835
Preferred stock dividends	(2,408)	(2,408)	(4,816)	(4,816)
Net earnings available to common	$ 12,680	$ 10,602	$ 13,290	$ 21,019
Net Earnings per common share:				
Basic before gain/(loss)on assets sold and held for sale	$ 0.11	$ 0.53	$ 0.37	$ 1.06
Diluted before gain/(loss)on assets sold and held for sale	$ 0.11	$ 0.53	$ 0.37	$ 1.06
Basic after gain/(loss)on assets sold and held for sale	$ 0.63	$ 0.53	$ 0.66	$ 1.06
Diluted after gain/(loss)on assets sold and held for sale	$ 0.63	$ 0.53	$ 0.66	$ 1.06
Dividends paid per common share	$ -	$ 0.70	$ 0.50	$ 1.40
Average Shares Outstanding, Basic	20,129	19,844	20,055	19,871
Average Shares Outstanding, Diluted	20,129	19,857	20,055	19,884
Other comprehensive income (loss):				
Unrealized Gain (Loss) on Omega Worldwide, Inc.	$ (873)	$ 365	$ (1,199)	$ 1,100
Total comprehensive income	$ 14,215	$ 13,375	$ 16,907	$ 26,935

</TABLE>

See notes to condensed consolidated financial statements.

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

<TABLE>
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	Six Months Ended June 30,	
	2000	1999
<S>	<C>	<C>
Operating activities		
Net earnings	$ 18,106	$ 25,835
Adjustment to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	11,728	11,460
Provision for impairment loss	4,500	-
Provision for collection losses	2,937	-
Gain on assets sold and held for sale	(10,451)	-
Other	1,034	1,802
Funds from operations available for distribution and investment	27,854	39,097
Net change in operating assets and liabilities	(6,403)	(1,221)
Net cash provided by operating activities	21,451	37,876
Cash flows from financing activities		
Proceeds of acquisition lines of credit	10,400	82,500
Payments of long-term borrowings	(148)	(198)
Receipts from Dividend Reinvestment Plan	367	1,210
Dividends paid	(14,816)	(32,707)
Purchase of Company common stock	-	(8,740)
Other	-	477
Net cash (used in) provided by financing activities	(4,197)	42,542
Cash flow from investing activities		
Acquisition of real estate	-	(67,958)
Placement of mortgage loans	-	(23,083)
Fundings of foreclosure activities	(28,773)	-
Proceeds from sale of real estate investments - net	35,093	6,795
Fundings of other investments - net	(4,200)	(5,798)
Collection of mortgage principal	1,242	7,814
Other	-	-
Net cash provided by (used in) investing activities	3,362	(82,230)

Increase (decrease) in cash and short-term investments	$ 20,616 $ (1,812)

See notes to condensed consolidated financial statements.

Omega Healthcare Investors, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

June 30, 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 and six-month periods ended June 30, 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, have 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 costs associated with capital provided by 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

subject to detailed and complex specifications affecting 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 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 facilities through repossession, the Company may be required to expend capital to comply with such regulations and maintain the value of its investments.

As of June 30, 2000, 91.9% of the Company's real estate investments ($786.8 million) consist of long-term care skilled nursing facilities, 5.1% of assisted living facilities, and 3.0% of rehabilitation hospitals. These healthcare facilities are located in 27 states and are operated by 22 independent healthcare operating companies.

Seven public companies operate approximately 79.7% of the Company's investments, including Sun Healthcare Group, Inc.(25.9%), Integrated Health Services, Inc.(17.3%, including 10.3% as the manager for Lyric Health Care LLC), Advocat, Inc. (12.0%), Vencor Operating, Inc. (7.9%), Genesis Health Ventures, Inc. (6.6%), Mariner Post-Acute Network (6.3%) and Alterra Healthcare Corporation (3.7%). Vencor and Genesis manage facilities for the Company's own account, as explained more fully in Note C. The two largest private operators represent 3.4% and 3.1%, respectively, of investments. No other operator represents more than 1.9% of investments. The three states in which the Company has its highest concentration of investments are Florida (15.8%), California (7.2%) and Illinois (7.1%).

Many of the public nursing home companies operating the Company's facilities have recently reported significant operating and impairment losses. Each of Vencor Operating, Inc., Sun Healthcare Group, Inc., Mariner Post-Acute Network, Integrated Health Services, Inc., RainTree Healthcare Corporation and Genesis Health Ventures, Inc. has filed for protection under the Bankruptcy Code, with the last four filing during the first half of 2000. These operators collectively represent 61.8% of the Company's investments as of June 30, 2000. As a result of its filing, Mariner has suspended interest payments to the Company. Additionally, Advocat, Inc. has announced a restatement of certain of its financial statements, and other operators are experiencing financial difficulties. Advocat temporarily suspended the payment of rents during the period, but recently reinstated partial payments under a standstill agreement executed in April 2000. 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 require further write-downs.

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) were resumed in April 2000. Payments from Integrated were resumed in June. Mariner continues to be in a non-payment status. 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 regularly engages 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 re-lease the properties to new operators, the re-acquired 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, provisions for collection losses of $1.5 million and $2.9 million were recorded for the three-month and six-month periods ended June 30, 2000, respectively.

Second Quarter Real Estate Dispositions

The Company recognized a gain on disposition of assets during the quarter of $10.5 million. The gain was comprised of an $11.1 million gain on the sale of four facilities previously leased to Tenet Healthsystem Philadelphia, Inc., offset by a loss of $0.6 million on the sale of a 57 bed facility in Colorado.

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. As of June 30, 2000, the carrying value of assets held for sale totals $40.7 million. Of the 35 facilities held for sale, 32 are operated for the Company's own account. During the three-month and six-month periods ended June 30, 2000, the Company realized disposition proceeds of $0.9 million and $1.1 million, respectively. An additional $4.5 million provision for impairment on assets held for sale was recognized during the first quarter of 2000. 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 the assets.

Other Real Estate

The Company owns 42 facilities that were recovered from customers and are operated for the Company's own account. These facilities have 4,100 beds or assisted living units and are located in eight states. The investment in this real estate is classified under Other Real Estate as of June 30, 2000. It includes 10 nursing homes located in Massachusetts and Connecticut with 1,052 licensed beds. The Company acquired these facilities on July 14, 1999 in lieu of foreclosure. Genesis Health Ventures, Inc. currently manages them for the Company's account. At June 30, 2000, the Company had invested approximately $71.1 million in these facilities. The Company presently is considering various alternatives with respect to the facilities, including negotiating a lease with one or more new operators or selling one or more of the facilities. Income from these facilities approximated $283,000 and $743,000 for the three-month and six-month periods ended June 30, 2000, respectively.

At June 30, 2000, Other Real Estate also includes 18 facilities formerly leased to RainTree Healthcare Corporation ("RainTree"). The Company assumed operation of these facilities on February 29, 2000, when RainTree filed for bankruptcy. In connection with the bankruptcy proceeding, the Company bid $3.1 million for the leasehold interests 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 $87.6 million. Appraisals are being sought to determine if fair market value is lower than the current carrying amount. There can be no assurance that the cost of the facilities will be less than the value based on appraisals. The facilities lost approximately $1.1 million for the three-month period ended June 30, 2000.

Note D - Preferred Stock

During the six-month periods ended June 30, 2000 and June 30, 1999, the Company paid dividends of $2.7 million and $2.2 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 (12,587 shares for the six-month period in 1999). Assumed conversion of the Company's 1996 convertible debentures is anti-dilutive.

Note F - Omega Worldwide, Inc.

As of June 30, 2000 the Company holds a $6,816,000 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 June 30, 2000 borrowings of $8,850,000 are outstanding under Worldwide's revolving credit facility. The agreement has been modified and calls for quarterly repayments of $2 million until the full amount is repaid in June 2001. The first $2 million repayment was made July 7, 2000. No further borrowings may be made under this agreement. The Company is required to provide collateral in the amount of $8.8 million related to the guarantee of Worldwide's obligations.

Additionally, the Company had a Services Agreement with Worldwide that provided 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 and six-month periods ending June 30, 2000 were $185,000 and $389,000, respectively, compared with $196,000 and $394,000 for the same periods in 1999. The Services Agreement has expired and currently is being renegotiated.

Note G - Litigation

On June 20, 2000, the Company and its chief executive officer, chief financial officer and chief operating officer were named as defendants in certain litigation brought by Ronald M. Dickerman, in his individual capacity, in the United States District Court for the Southern District of New York. In the complaint, Mr. Dickerman contends that the Company and the named executive officers violated Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Mr. Dickerman subsequently amended the

complaint to assert his claims on behalf of an unnamed class of plaintiffs. The Company has reported the litigation to its directors and officers liability insurer. The Company believes that the litigation is without merit and intends to defend vigorously. On July 28, 2000, a New York law firm issued a press release announcing that it had commenced a class action lawsuit reportedly making similar allegations against the Company and certain of its officers and directors in the United States District Court for the Southern District of New York, reportedly making similar allegations. The Company has not yet been served with that lawsuit.

On June 21, 2000, the Company was named as a defendant in certain litigation brought against it by a Madison/OHI Liquidity Investors, LLC ("Madison"), customer that claims that the Company has breached or anticipatorily breached a commercial contract. Mr. Dickerman is a partner of Madison and is a guarantor of Madison's obligations to the Company. The Company contends that Madison is in default under the contract in question; accordingly, the Company believes that the litigation is meritless. The Company will defend vigorously and pursue whatever rights and remedies against Madison and the guarantors as it determines to be appropriate.

Note H - Subsequent Events

On July 14, 2000 the Company's shareholders approved the issuance of Series C preferred stock to Explorer Holdings, L.P. All closing conditions with respect to the initial equity investment were satisfied, and funding of $100 million of Series C preferred stock was completed on July 17, 2000. A portion of the proceeds from the $100 million initial equity investment was used to repay $81 million of the Company's 10% and 7.4% Senior Notes in accordance with terms of the Notes. (See Liquidity and Capital Resources).

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.

On July 17, 2000, Mr. Essel W. Bailey, Jr., retired as Chairman, CEO, President and a member of the Company's Board of Directors. On that same date, the Company appointed Thomas W. Erickson, Daniel A. Decker, Kurt C. Read, Christopher W. Mahowald and Stephen D. Plavin to the Board of Directors. Pursuant to the investment agreement with Explorer, Messrs. Erickson, Decker, Read and Mahowald were designated by Explorer. Mr. Plavin is the new independent director. In addition, at its board meeting on July 27, 2000, the Company appointed Mr. Decker as Chairman of the Board of Directors. Mr. Decker and Bernard J. Korman were also appointed members of the Company's newly reconstituted Executive Committee of the Board. As reconstituted, the Executive

Committee conforms with certain Bylaw requirements adopted in connection with the equity investment by Explorer Holdings, L.P.

Mr. Erickson is President and Chief Executive Officer of CareSelect Group, a physician-centered, quality-driven physician practice management company. He also is President and Chief Executive Officer of Erickson Capital Group, a healthcare venture capital company.

Mr. Decker and Mr. Read are partners of The Hampstead Group, a private equity firm based in Dallas, Texas, that is affiliated with Explorer. Mr. Decker and Mr. Read engage in a wide variety of activities related to Hampstead's investment activities.

Mr. Mahowald is President of EFO Realty, where he is responsible for the origination, analysis, structuring and execution of new investment activity and asset management relating to EFO Realty's existing real estate assets.

Mr. Plavin is Chief Operating Officer of Capital Trust, a New York City-based specialty finance and investment management company. Mr. Plavin is responsible for all of the lending, investing and portfolio management activities of Capital Trust.

On July 27, 2000, Mr. Richard FitzPatrick was named Acting Chief Financial Officer, replacing Mr. David A. Stover who resigned from the Company on June 15, 2000. Mr. Fitzpatrick has been Chief Financial Officer for The Hampstead Group since 1989 and holds an MBA from DePaul University.

On July 13, 2000, the Company signed an amendment to its loan agreement with The Provident Bank. The amendment calls for certain new collateral to be substituted for existing collateral. Borrowings under the facility will bear interest at 2.5% to 3.25% over LIBOR, based on the Company's leverage ratio.

On July 17, 2000 the Company replaced its $200 million unsecured revolving credit facility with a new $175 million secured revolving credit facility that expires in December 2002. (See Liquidity and Capital Resources).

The Company has an interest rate cap for $100 million of its variable rate debt, capping LIBOR at 7.50% through March 15, 2001. The 30-day LIBOR rate on June 30, 2000 was approximately 6.64%.

On July 26, 2000, the Board of Directors declared its regular quarterly dividends of $.578 per share and $.539 per share, respectively, to be paid on August 15, 2000 to Series A and Series B Cumulative Preferred shareholders of record on August 7, 2000. The Board of Directors also declared a common stock dividend of $.25 per share payable on August 15, 2000 to common shareholders of record on August 7, 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 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; 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 and six-month periods ending June 30, 2000 totaled $23.4 million and $49.5 million, a decrease of $7.4 million and $11.3 million, respectively, over the periods ended June 30, 1999. The decrease in 2000 revenue is due in part to approximately $7.3 million from reductions in earning investments due to foreclosure and bankruptcy, $4.6 million from reduced investments caused by 1999 and 2000 asset sales and the prepayment of mortgages, and a $2.9 million provision for collection losses. These decreases are offset by $2.4 million in additional revenue from 1999 investments and $1.2 million of revenue growth from participating incremental net revenues that became effective in 2000. As of June 30, 2000, gross real estate investments of $786.8 million have an average annualized yield of approximately 11.6%.Expenses for the three-month and six-month periods ended June 30, 2000 totaled $18.8 million and $37.4 million, an increase of $1.0 million and $2.4 million, respectively, over expenses for 1999.

The provision for depreciation and amortization for the three-month and six-month periods ended June 30, 2000 totaled $5,818,000 and $11,728,000, respectively, decreasing $47,000 and increasing $268,000, respectively, over the same periods in 1999. The increase for the six-month period primarily consists of $1,668,000 additional depreciation expense from properties previously classified as mortgages and new 1999 investments placed in service in June of 1999 offset by $840,000 depreciation expense for properties sold or held for sale and a reduction in amortization of non-compete agreements of $498,000.

Interest expense for the three-month and six-month periods ended June 30, 2000 was $11.2 million and $22.1 million, respectively, compared with $10.4 million and $20.5 million, respectively, for the same periods in 1999. The increase in 2000 is primarily due to higher rates during the 2000 period than the same period in the prior year.

General and administrative expenses for the three-month and six-month periods ended June 30, 2000 totaled $1.8 million and $3.5 million, respectively. These expenses for the three-month and six-month periods were approximately 7.7% and 7.1% of revenues, respectively, as compared to 4.8% and 4.9%, respectively, for the 1999 periods. The increase in 2000 is due in part to greater payments of legal fees, largely attributable to the bankruptcy filings and financial difficulties of the Company's operators.

The Company recognized a gain on disposition of assets during the second quarter of $10.5 million. The gain was composed of an $11.1 million gain on sale of four facilities previously leased to Tenet Healthsystem Philadelphia, Inc., offset by a loss of $0.6 million on the sale of a 57 bed facility in Colorado. During the first quarter of 2000, the Company recorded a $4.5 million provision for impairment on assets held for sale.

Net earnings available to common shareholders (excluding the gain of $10.5 million on assets sold in the second quarter and the non-recurring charge for the first quarter of $4.5 million) were $2,229,000 and $7,339,000 for the three-month and six-month periods ended June 30, 2000, respectively, decreasing approximately $8,373,000 and $13,680,000 from the 1999 periods. This decrease is largely the result of the decrease in revenues and the provision for collection losses. Higher depreciation, interest and general and administrative costs also contributed to the reduction in net earnings. Net earnings per diluted common share (excluding gains on asset dispositions and non-recurring charges) decreased from $0.53 and $1.06 for the three-month and six-month periods ended June 30, 1999, respectively, to $0.11 and $0.37 for the same periods in the year 2000.

Funds from Operations ("FFO") totaled $8,047,000 and $19,067,000 for the three-month and six-month periods ending June 30, 2000, representing a decrease of approximately $9,188,000 and $14,953,000, respectively, over the same periods 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 $17.4 million and $28.8 million for working capital during the three-month and six-month periods ending June 30, 2000.

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 federal tax of up to 34%, and the Company intends to hold and operate recovered properties only long enough to stabilize and then re-lease or sell them.

Liquidity and Capital Resources

Overview

At June 30, 2000, the Company had total assets of $1.0 billion, shareholders' equity of $460.2 million, and long-term debt of $375.2 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 June 30, 2000.

At June 30, 2000, the Company had $81.3 million of indebtedness with a maturity date of July 15, 2000, and $48.4 million of convertible debentures that mature in February 2001.

In order to meet the Company's upcoming debt maturities, finance operations and fund future investments, the Company 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 Company used a portion of the proceeds from the first $100.0 million of the Equity Investment to repay the $81M on July 17, 2000 and believes that the remaining proceeds together with the proceeds of certain asset dispositions, will provide the Company sufficient liquidity to meet its debt maturity in February 2001 and working capital needs as well as the opportunity to take advantage of certain growth opportunities.

Dividend Policy

The Company distributes a large portion of the cash available from operations. The Company has historically made distributions on common stock of approximately 80% of FFO. Cash dividends paid totaled $0.50 per share for the six-month period ending June 30, 2000, compared with $1.40 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 52.6% for the six-month period ending June 30, 2000 compared with 83.8% for the same period in 1999.

No common stock dividend was paid in the second quarter of 2000. On July 26, 2000, the Board of Directors declared its regular quarterly dividends of $.578 per share and $.539 per share, respectively, to be paid on August 15, 2000 to Series A and Series B Cumulative Preferred shareholders of record on August 7, 2000. The Board of Directors also declared a common stock dividend of $.25 per share payable on August 15, 2000 to common shareholders of record on August 7, 2000. The Company has the ability, at the Company's option, to pay dividends on shares owned by Explorer Holdings, L.P. ("Explorer") in additional shares of Series C Preferred rather than cash through the dividend periods ending prior to February 1, 2001. See "Equity Investment - Terms of Series C Preferred."

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 agreed to issue and sell up to $200.0 million of its capital stock to Explorer (the "Equity Investment"). On July 17, 2000, 1.0 million shares of a new series of convertible preferred stock ("Series C Preferred") were 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 were 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 ranks 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 has acquired the initial $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 again will 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.

Stockholders Agreement: In connection with the Equity Investment, the Company entered into a Stockholders Agreement with Explorer pursuant to which Explorer is 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. Pursuant to the Stockholders Agreement, Explorer designated Daniel A. Decker, Kurt C. Read, Thomas W. Erickson and Christopher Mahowald as members of the Company's Board. (See Note H - Subsequent Events).

In addition, Explorer has agreed 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 may 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 may 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). If 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 for Explorer's out-of-pocket expenses, up to a maximum of $2.5 million, incurred in connection with the Equity Investment. To date, the Company has reimbursed Explorer for approximately $970,000 of such expenses.

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. On July 17, 2000, the Company replaced its $200.0 million unsecured revolving credit facility with a new $175.0 million secured revolving credit facility that expires in December 2002. Borrowings under the new facility will bear interest at 3.25% over LIBOR until March 31, 2001. (See Note H - Subsequent Events)

On July 13, 2000, the Company signed an amendment to its loan agreement with The Provident Bank. The amendment calls for certain new collateral to be substituted for existing collateral. Borrowings under the facility will bear interest at 2.5% to 3.25% over LIBOR, based on the Company's leverage ratio. (See Note H - Subsequent Events)

The Company has an interest rate cap for $100 million of its variable rate debt, capping LIBOR at 7.50% through March 15, 2001. The 30-day LIBOR rate on June 30, 2000 was approximately 6.64%.

The Company historically has 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 when it may be unable to maximize its recovery on 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. The Company may also draw upon Explorer's Liquidity Commitment to repay indebtedness maturing on or before February 2, 2001 as described under "Equity Investment - Investment Agreement" above.

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 June 30, 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 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.

The majority of the Company's borrowings were completed pursuant to indentures that limit the amount of indebtedness the Company may incur. Accordingly, if 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. If 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 retains ownership of the real estate, but may 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. Additionally, changes in federal and state regulatory environments could cause an increase in the costs of operating such investments, including the cost of professional liability insurance coverage. Should such events occur, the Company's income and cash flows from operations would be adversely affected.

PART II - OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds.

On July 17, 2000, the Company issued 1,000,000 shares of Series C Preferred of the Company to Explorer for $100 million pursuant to the Investment Agreement. The shares of Series C Preferred are governed by the Articles Supplementary for Series A Convertible Preferred Stock (the "Articles Supplementary") filed with the State Department of Assessments and Taxation of Maryland on July 14, 2000, and the shares of Series C Preferred are convertible into 16,000,000 shares of Common Stock of the Company. The stockholders of the Company approved the transaction on July 14, 2000. The shares of Series C Preferred were issued without registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon the private placement exemption provided by Section 4(2) of the Securities Act. (See Liquidity and Capital Resources, Equity Investment.)

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Company's Annual Meeting of Shareholders was held on June 1, 2000.

(b) The following directors were re-elected at the meeting for a three-year term (See Note H - Subsequent Events):

James E. Eden*
Thomas F. Franke
Bernard J. Korman

The following directors were not elected at the meeting but their term

of office continued after the meeting (See Note H Subsequent Events):

Essel W. Bailey, Jr.*
Martha A. Darling*
Henry H. Greer*
Harold J. Kloosterman
Edward Lowenthal
Robert L. Parker*

*subsequently resigned

(c) The results of the vote were as follows:

Manner of Vote Cast	James E. Eden	Thomas F. Franke	Bernard J. Korman
For	17,382,399	17,372,818	17,379,830
Withheld	484,307	503,469	489,445
Against			
Abstentions and broker nonvotes			

(d) Not applicable.

(a) The Company's Special Meeting of Shareholders was held on July 14, 2000.

(b) Stockholders were requested to vote on the approval of the issuance of shares of the Company's Series C Preferred and Common Stock pursuant to an investment agreement with Explorer Holdings, L.P. and also to approve the Company's 2000 Stock Incentive Plan.

(c) The results of the vote were as follows:

Manner of Vote Cast	Issuance of Shares	2000 Stock Incentive Plan
For	11,574,327	9,971,567
Withheld	0	0
Against	661,517	2,166,092
Abstentions and broker nonvotes	139,913	238,098

(d) Not applicable.

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit	Description
4.1	Articles Supplementary for Series C Convertible Preferred Stock
4.2	Stockholders Agreement between Explorer Holdings, L.P. and Omega Healthcare Investors, Inc.
4.3	Registration Rights Agreement between Explorer Holdings, L.P. and Omega Healthcare Investors, Inc.
10.1	Amended and Restated Investment Agreement, by and among Omega Healthcare Investors, Inc. and Explorer Holdings, L.P. (incorporated by reference to Exhibit A of the Company's Proxy Statement dated June 16, 2000)
10.2	Fleet Loan Agreement dated June 15, 2000
10.3	Amendment to Provident Loan Agreement, dated July 13, 2000
10.4	Advisory Agreement between Omega Healthcare Investors, Inc. and The Hampstead Group, L.L.P.
10.5	2000 Stock Incentive Plan
10.6	Amendment to 2000 Stock Incentive Plan
10.7	Consulting and Severance Agreement with Essel W. Bailey, Jr.
10.8	Compensation Agreement with F. Scott Kellman
10.9	Compensation Agreement with Susan Kovach
10.10	Compensation Agreement with Laurence Rich
10.11	Form of Directors and Officers Indemnification Agreement

10.12 Indemnification Agreement between Omega Healthcare Investors, Inc. and Explorer Holdings, L.P.
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(b) Reports on Form 8-K

The following reports on Form 8-K were filed since March 31, 2000:

Form 8-K dated March 14, 2000: Report with the following exhibits:

Press release issued by Omega Healthcare Investors, Inc. on March 14, 2000

Press release issued by Omega Healthcare Investors, Inc. on March 31, 2000

Form 8-K dated June 30, 2000: Report with the following exhibits:

Press release issued by Omega Healthcare Investors, Inc. on June 29, 2000

Form 8-K dated July 12, 2000: Report with the following exhibits:

Press release issued by Omega Healthcare Investors, Inc. on July 12, 2000

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: August 14, 2000 By: /s/ Daniel A. Decker

Daniel A. Decker
Chairman

Date: August 14, 2000 By: /s/ Richard M. FitzPatrick

Richard M. FitzPatrick
Acting Chief Financial Officer

OMEGA HEALTHCARE INVESTORS, INC.
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 increase pursuant to Section 4(b) prior to payment by the Company of 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) prior to paying any such dividends, the Board will take such action as is necessary to increase the number of authorized shares of Series C Preferred Stock by the number of shares to be issued pursuant to this Section 4, including but not limited to the filing of Articles Supplementary with the State Department of Assessments and Taxation of Maryland in accordance with Article VII of the Charter. The Company will deliver certificates representing shares of Series C Preferred Stock 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(e)) 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(b)), 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 Section 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, dissolution or winding up ("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 of 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 and entitled to vote (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 vote to elect or remove additional directors pursuant to this Section 7, each holder of shares of Series C Preferred Stock or Parity Preferred so entitled to vote 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 ensure 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 and when all accumulated dividends and the dividend for the then current dividend period on all series of Parity Preferred upon which like voting rights have been conferred and are exercisable have been paid in full or declared and a sum sufficient for the payment thereof in full shall have been set aside, 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 and Parity Preferred upon which like voting rights have been conferred and are exercisable (voting together as a class). 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 and Parity Preferred upon which like voting rights have been conferred and are exercisable (voting together as a class). 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 Company or a sale of all or substantially all of the assets of the Company, 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 $6.25 per share of Common Stock, subject to adjustment from time to time as provided herein (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 shares of Common Stock or other securities deliverable upon conversion of the Series C Preferred Stock 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 Section 8.9 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 issuance 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 issuance 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 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 Offerings (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 without the prior approval of the Board.

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 (other than Explorer Holdings, L.P. and its direct and indirect equity owners), 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 Liquidation Preference 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 Stock 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 Stock 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) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(d) "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.

(e) "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.

(f) "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.

(g) "Person" means any individual, firm, corporation, partnership, limited liability company, or group (within the meaning of Section 13(d)(3) of the Exchange Act).

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

(i) "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 Stock 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 Stock then held the consideration that is receivable with respect to each share of Series C Preferred Stock 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 13th day of July, 2000.

ATTEST

By:/s/ Susan Allene Kovach

Secretary

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Laurence D. Rich

Vice President

STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT (this "Agreement"), dated as of July 14, 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: /s/ William T. Cavanaugh, Jr.

Name: William T. Cavanaugh, Jr.
Title: Vice President

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Susan Allene Kovach

Name: Susan Allene Kovach
Title: Vice President

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.

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of July 14, 2000, between Explorer Holdings, L.P., a Delaware limited partnership ("Stockholder"), and Omega Healthcare Investors, Inc., a Maryland corporation (the "Company").

RECITALS

The parties hereto have entered into other agreements which contemplate, among other things, the execution and delivery of this Agreement by the parties hereto.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. Definitions. For purposes of this Agreement, the following terms have the following meanings when used herein with initial capital letters:

(a) Advice: As defined in Section 6 hereof.

(b) Common Stock: The Common Stock, par value $0.10 per share, of the Company.

(c) Demand Notice: As defined in Section 3 hereof.

(d) Demand Registration: As defined in Section 3 hereof.

(e) Investment Agreement: The Investment Agreement dated as of May 11, 2000 by and between the Company and Stockholder.

(f) Losses: As defined in Section 8 hereof.

(g) Piggyback Registration: As defined in Section 4 hereof.

(h) Prospectus: The prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

(i) Registrable Securities: All shares of Series C Preferred and Common Stock acquired by Stockholder or any of its Affiliates or any permitted transferee or their respective assigns of any such Person (including all shares of Common Stock issued upon conversion of any shares of Series C Preferred, any shares of Series C Preferred or Common Stock or other securities that may be received by Stockholder or any permitted transferee or their respective assigns (x) as a result of a stock dividend or stock split of Series C Preferred or Common Stock or (y) on account of Series C Preferred or Common Stock in a recapitalization or other transaction involving the Company) upon the respective original issuance thereof, and at all times subsequent thereto, and all other securities of the Company of any class or series that are beneficially owned by Stockholder or any of its Affiliates, until, in the case of any such security, (i) it is effectively registered under the Securities Act and disposed of in accordance with the Registration Statement covering it, (ii) it is saleable by the holder thereof pursuant to Rule 144(k) without any volume limitation applicable thereto, or (iii) it is distributed to the public pursuant to Rule 144.

(j) Registration Expenses: As defined in Section 7 hereof.

(k) Registration Statement: Any registration statement of the Company under the Securities Act that covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the related Prospectus, all amendments and supplements to such registration statement (including post-effective amendments), all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

(l) Rule 144: Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

(m) SEC: The Securities and Exchange Commission.

(n) Securities Act: The Securities Act of 1933, as amended.

(o) Series C Preferred: Shares of Series C Preferred Stock, par value $1.00 per share, of the Company.

(p) Underwritten registration or underwritten offering: A distribution, registered pursuant to the Securities Act in which securities of the Company are sold to an underwriter for reoffering to the public.

2. Holders of Registrable Securities. Whenever a number or percentage of Registrable Securities is to be determined hereunder, each then-outstanding other equity security that is exercisable to purchase, convertible into, or exchangeable for shares of Common Stock of the Company will be deemed to be equal to the number of shares of Common Stock for which such other equity security (or the security into which such other equity security is then convertible) is then so purchasable, convertible, exchangeable or exercisable.

3. Demand Registration. (a) Requests for Registration. At any time and from time to time after the first anniversary of the Closing Date, the holders of Registrable Securities constituting at least 25% of the total number of Registrable Securities then outstanding will have the right by written notice delivered to the Company (a "Demand Notice"), to require the Company to register (a "Demand Registration") under and in accordance with the provisions of the Securities Act a number of Registrable Securities that would reasonably be expected to result in aggregate gross proceeds from such offering of not less than $10 million ($5 million in the case of any Demand Registration that is requested to be effected as a "shelf" registration); provided, however, that no Demand Notice may be given prior to six months after the effective date of the immediately preceding Demand Registration or any Piggyback Registration of which the Company has notified the Holder in accordance with Section 4(a) and for which the number of Registrable Securities requested to be registered by the Holder has not been reduced pursuant to Section 4(b).

The number of Demand Registrations pursuant to this Section 3(a) shall not exceed five; provided, however, that in determining the number of Demand Registrations to which the holders of Registrable Securities are entitled there shall be excluded (1) any Demand Registration that is an underwritten registration if the managing underwriter or underwriters have advised the holders of Registrable Securities that the total number of Registrable Securities requested to be included therein exceeds the number of Registrable Securities that can be sold in such offering in accordance with the provisions of this Agreement without materially and adversely affecting the success of such offering, (2) any Demand Registration that does not become effective or is not maintained effective for the period required pursuant to Section 3(b) hereof, unless in the case of this clause (2) such Demand Registration does not become effective after being filed by the Company solely by reason of the refusal to proceed by the holders of Registrable Securities unless (i) the refusal to proceed is based upon the advice of counsel relating to a matter with respect to the Company or (ii) the holders of the Registrable Securities elect to pay all Registration Expenses in connection with such Demand Registration, and (3) any Demand Registration in connection with which any other stockholder of the Company or the Company exercises a right of first refusal which it may otherwise have and purchases all the stock registered and to be sold pursuant to the Demand Registration.

(b) Filing and Effectiveness. The Company will file a Registration Statement relating to any Demand Registration within 45 calendar days, and will use its best efforts to cause the same to be declared effective by the SEC as soon as practicable thereafter, and in any event, within 90 calendar days, of the date on which the holders of Registrable Securities first give the Demand Notice required by Section 3(a) hereof with respect to such Demand Registration.

All requests made pursuant to this Section 3 will specify the number of Registrable Securities to be registered and will also specify the intended methods of disposition thereof; provided, that if the holder demanding such registration specifies one particular type of underwritten offering, such method of disposition shall be such type of underwritten offering or a series of such underwritten offerings (as such demanding holders of Registrable Securities may elect) during the period during which the Registration Statement is effective.

The Company will keep the Registration Statement filed in respect of a Demand Registration effective for a period of up to 90 calendar days from the date on which the SEC declares such Registration Statement effective (subject to extensions pursuant to Section 6 hereof) or such shorter period that will terminate when all Registrable Securities deemed by such Registration Statement have been sold pursuant to such Registration Statement. If any Demand Registration is requested to be effected as a "shelf" registration by the holders of Registrable Securities demanding such Demand Registration, the Company will keep the Registration Statement filed in respect thereof effective for a period of up to 12 months from the date on which the SEC declares such Registration Statement effective (subject to extension pursuant to Section 6 hereof) or such shorter period that will terminate when all Registrable Securities covered by such Registration Statement have been sold pursuant to such Registration Statement.

Within ten calendar days after receipt of such Demand Notice, the Company will serve written notice thereof (the "Notice") to all other holders of Registrable Securities and will, subject to the provisions of Section 3(c) hereof, include in such registration all Registrable Securities with respect to

which the Company receives written requests for inclusion therein within 20 calendar days after the receipt of the Notice by the applicable holder.

The holders of Registrable Securities will be permitted to withdraw Registrable Securities from a Registration at any time prior to the effective date of such registration.

(c) Priority on Demand Registration. If any of the Registrable Securities registered pursuant to a Demand Registration are to be sold in one or more firm commitment underwritten offerings, the Company may also provide written notice to holders of its equity securities (other than Registrable Securities), if any, who have piggyback registration rights with respect thereto and will permit all such holders who request to be included in the Demand Registration to include any or all equity securities held by such holders in such Demand Registration on the same terms and conditions as the Registrable Securities. Notwithstanding the foregoing, if the managing underwriter or underwriters of the offering to which such Demand Registration relates advises the holders of Registrable Securities that the total amount of Registrable Securities and securities that such equity security holders intend to include in such Demand Registration is in the aggregate such as to materially and adversely affect the success of such offering, then (i) first, the amount of securities to be offered for the account of the holders of such other equity securities will be reduced, to zero if necessary (pro rata among such holders on the basis of the amount of such other securities to be included therein by each such holder), and (ii) second, the number of Registrable Securities included in such Demand Registration will, if necessary, be reduced and there will be included in such firm commitment underwritten offering only the number of Registrable Securities that, in the opinion of such managing underwriter or underwriters, can be sold without materially and adversely affecting the success of such offering, allocated pro rata among the holders of Registrable Securities on the basis of the number of Registrable Securities held by each such holder.

(d) Postponement of Demand Registration. The Company will be entitled to postpone the filing period (or suspend the effectiveness) of any Demand Registration for a reasonable period of time not in excess of 90 calendar days, if the Board of Directors of the Company determines, in the good faith exercise of its reasonable business judgment, that such registration and offering would materially interfere with bona fide financing plans of the Company or would require disclosure of information, the premature disclosure of which could materially and adversely affect the Company; provided, however, that the Company may not exercise such right more than twice or for an aggregate of more than 90 calendar days during any twelve month period. If the Company postpones the filing of a Registration Statement, it will promptly notify the holders of Registrable Securities in writing when the events or circumstances permitting such postponement have ended.

4. Piggyback Registration. (a) Right to Piggyback. If at any time the Company proposes to file a registration statement under the Securities Act with respect to an offering of any class of equity securities (other than a registration statement (i) on Form S-4, S-8 or any successor form thereto or (ii) filed solely in connection with an offering made solely to employees or securityholders of the Company), whether or not for its own account, then the Company will give written notice of such proposed filing to the holders of Registrable Securities at least 20 calendar days before the anticipated filing date. Such notice will offer such holders the opportunity to register such amount of Registrable Securities as each such holder may request (a "Piggyback Registration"). Subject to Section 4(b) hereof, the Company will include in each such Piggyback Registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein. The holders of Registrable Securities will be permitted to withdraw all or part of the Registrable Securities from a Piggyback Registration at any time prior to the effective date of such Piggyback Registration.

(b) Priority on Piggyback Registrations. The Company will cause the managing underwriter or underwriters of a proposed underwritten offering to permit holders of Registrable Securities requested to be included in the registration for such offering to include therein all such Registrable Securities requested to be so included on the same terms and conditions as any similar securities, if any, of the Company included therein. Notwithstanding the foregoing, if the managing underwriter or underwriters of such offering advises the holders of Registrable Securities to the effect that the total amount of securities which such holders, the Company and any other persons having rights to participate in such registration propose to include in such offering is such as to materially and adversely affect the success of such offering, then:

(i) if such registration is a primary registration on behalf of the Company, the amount of securities to be included therein for the account of all other holders of securities of the Company (other than holders of Registrable Securities) will be reduced (to zero if necessary) pro rata in proportion to the number of shares held by each such person, and thereafter, if such reduction is not sufficient so as, in the opinion of such managing underwriters or underwriters, to permit the inclusion of Registrable Securities without adversely affecting the success of the offering, the amount of Registrable Securities so included in the Registration Statement for the account of the holders of Registrable

Securities will be reduced (to zero if necessary) pro rata in proportion to the number of shares held by such persons to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters; and

(ii) if such registration is an underwritten secondary registration on behalf of holders of securities of the Company other than Registrable Securities, the Company will include therein: (x) first, up to the full number of securities of such persons exercising "demand" registration rights that in the opinion of such managing underwriter or underwriters can be sold or allocated among such holders as they may otherwise so determine, (y) second, up to the full amount of Registrable Securities that, in the opinion of such managing underwriter or underwriters, can be sold (allocated pro rata among the holders of such Registrable Securities in proportion to the number of Registrable Securities held by such persons), and (z) third, all other securities proposed to be sold by any other persons that in the opinion of such managing underwriter or underwriters can be sold or allocated among such holders as they may otherwise so determine.

(c) Registration of Securities other than Registrable Securities. Without the written consent of the holders of a majority of the then-outstanding Registrable Securities, the Company will not grant to any person the right to request the Company to register any securities of the Company under the Securities Act unless the rights so granted are subject to the prior rights of the holders of Registrable Securities set forth herein, and, if exercised, would not otherwise conflict or be inconsistent with the provisions of, this Agreement.

5. Restrictions on Sale by Holders of Registrable Securities. Each holder of Registrable Securities whose Registrable Securities are covered by a Registration Statement filed pursuant to Section 3 or Section 4 hereof, agrees and will confirm such agreement in writing, if such holder is so requested (pursuant to a timely written notice) by the managing underwriter or underwriters in an underwritten offering, not to effect any public sale or distribution of any of the Company's equity securities (except as part of such underwritten offering), including a sale pursuant to Rule 144, during the 10-calendar day period prior to, and during such period of time, not to exceed 90 days as any managing underwriter or underwriters may reasonably request in connection with any underwritten public offering beginning on, the closing date of each underwritten offering made pursuant to such Registration Statement or such other shorter period to which the executive officers may agree.

6. Registration Procedures. In connection with the Company's registration obligations pursuant to Sections 3 and 4 hereof, the Company will effect such registrations to permit the sale of such Registrable Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto the Company will as expeditiously as possible:

(a) Prepare and file with the SEC a Registration Statement or Registration Statements on any appropriate form under the Securities Act available for the sale of the Registrable Securities by the holders thereof in accordance with holders' notice to the Company as to the intended method or methods of distribution thereof (including, without limitation, distributions in connection with transactions with broker-dealers or others for the purpose of hedging Registrable Securities, involving possible sales, short sales, options, pledges or other transactions which may require delivery and sale to broker-dealers or others of Registrable Securities), and cause each such Registration Statement to become effective and remain effective as provided herein; provided, however, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto (including documents that would be incorporated or deemed to be incorporated therein by reference) the Company will furnish to the holders of the Registrable Securities covered by such Registration Statement, the Special Counsel and the managing underwriters, if any, copies of all such documents proposed to be filed, which documents will be subject to the review of such holders, the Special Counsel and such underwriters. Notwithstanding Section 3(b), the Company will not file any such Registration Statement or amendment thereto or any Prospectus or any supplement thereto (including such documents which, upon filing, would or would be incorporated or deemed to be incorporated by reference therein) to which the holders of a majority of the Registrable Securities covered by such Registration Statement, the Special Counsel or the managing underwriter, if any, shall reasonably object on a timely basis.

(b) Prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement continuously effective for the applicable period specified in Section 3; cause the related Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement as so amended or to such Prospectus as so supplemented.

(c) Notify the selling holders of Registrable Securities, the Special Counsel and the managing underwriters, if any, promptly, and (if requested by any such person) confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the SEC or any other federal or state governmental authority for amendments or supplements to a Registration Statement or related Prospectus or for additional information, (iii) of the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) if at any time the representations and warranties of the Company contained in any agreement contemplated by Section 6(m) hereof (including any underwriting agreement) cease to be true and correct, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (vi) of the occurrence of any event which makes any statement made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or which requires the making of any changes in a Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and, in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated or is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate.

(d) Use every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable securities for sale in any jurisdiction, at the earliest possible moment.

(e) If requested by the managing underwriters, if any, or the holders of a majority of the Registrable Securities being registered, (i) promptly incorporate in a Prospectus supplement or post-effective amendment such information as the managing underwriters, if any, and such holders agree should be included therein as may be required by applicable law and (ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment; provided, however, that the Company will not be required to take any actions under this Section 6(e) that are not, in the opinion of counsel for the Company, in compliance with applicable law.

(f) Furnish to each selling holder of Registrable Securities, the Special Counsel and each managing underwriter, if any, without charge, at least one conformed copy of the Registration Statement and any post-effective amendment thereto, including financial statements (but excluding schedules, all documents incorporated or deemed incorporated therein by reference and all exhibits, unless requested in writing by such holder, counsel or underwriter).

(g) Deliver to each selling holder of Registrable Securities, the Special Counsel and the underwriters, if any, without charge, as many copies of the Prospectus or Prospectuses relating to such Registrable Securities (including each preliminary prospectus) and any amendment or supplement thereto as such persons may request; and the Company hereby consents to the use of such Prospectus or each amendment or supplement thereto by each of the selling holders of Registrable Securities and the underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto.

(h) Prior to any public offering of Registrable Securities, to register or qualify or cooperate with the selling holders of Registrable Securities, the underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or blue sky laws of such jurisdictions within the United States as any seller or underwriter reasonably requests in writing to the extent such registration or qualification would be required taking into account federal securities laws; keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdiction of the Registrable Securities covered by the applicable Registration Statement; provided, however that the Company will not be required to (i) qualify generally to do business in any jurisdiction in which it is not then so qualified or (ii) take any action that would subject it to general service of process in any such jurisdiction in which it is not then so subject.

(i) Cooperate with the selling holders of Registrable Securities and the

managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, which certificates will not bear any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters, if any, shall request at least two business days prior to any sale of Registrable securities to the underwriters.

(j) Use reasonable efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities within the United States except as may be required solely as a consequence of the nature of such selling holder's business, in which case the Company will cooperate in all reasonable respects with the filing of such Registration Statement and the granting of such approvals as may be necessary to enable the seller or sellers thereof or the underwriters, if any, to consummate the disposition of such Registrable Securities.

(k) Upon the occurrence of any event contemplated by Section 6(c)(vi) or 6(c)(vii) hereof, prepare a supplement or post-effective amendment to each Registration Statement or a supplement to the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to Stockholder of the Registrable Securities being sold thereunder, such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) Use its best efforts to cause all Registrable Securities covered by such Registration Statement to be listed on each securities exchange, if any, on which similar securities issued by the Company are then listed or, if no similar securities issued by the Company are then so listed, on the New York Stock Exchange or another national securities exchange if the securities qualify to be so listed or, if the securities do not qualify for such listing, authorized to be quoted on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or the National Market System of NASDAQ if the securities qualify to be so quoted; in each case, if requested by the holders of a majority of the Registrable Securities covered by such Registration statement or the managing underwriters, if any.

(m) In the event of an underwritten offering, enter into such agreements (including an underwriting agreement in form, scope and substance as is customary in underwritten offerings) and take all such other actions in connection therewith (including those reasonably requested by the holders of a majority of the Registrable Securities being sold or those reasonably requested by the managing underwriters) in order to expedite or facilitate the disposition of such Registrable Securities and in such connection, (i) make such representations and warranties to the underwriters, if any, with respect to the business of the Company and its subsidiaries, the Registration Statement, Prospectus and documents incorporated by reference or deemed incorporated by reference, if any, in each case, in form, substance and scope as are customarily made by issuers to underwriters in underwritten offerings and confirm the same if and when requested; (ii) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any, and the holders of a majority of the Registrable Securities being sold) addressed to such selling holder of Registrable Securities and each of the underwriters, if any, covering the matters customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such holders and underwriters, including without limitation the matters referred to in Section 6(m)(i) hereof; (iii) use its best efforts to obtain "comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data is, or is required to be, included in the Registration Statement), addressed to each selling holder of Registrable Securities and each of the underwriters, if any, such letters to be in customary form and covering matters of the type customarily covered in "comfort" letters in connection with underwritten offerings; and (iv) deliver such documents and certificates as may be requested by the holders of a majority of the Registrable Securities being sold, the Special Counsel and the managing underwriters, if any, to evidence the continued validity of the representations and warranties of the Company and its subsidiaries made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in the underwriting agreement or similar agreement entered into by the Company. The foregoing actions will be taken in connection with each closing under such underwriting or similar agreement as and to the extent required thereunder.

(n) Make available for inspection by a representative of the holders of Registrable Securities being sold, any underwriter participating in any disposition of Registrable Securities, and any attorney or accountant retained by such selling holders or underwriter, all financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries, and cause the officers, directors and employees of the Company and its subsidiaries to supply all information reasonably requested by any such representative, underwriter, attorney or accountant in connection with such

Registration Statement; provided, however, that any records, information or documents that are designated by the Company in writing as confidential at the time of delivery of such records, information or documents will be kept confidential by such persons unless (i) such records, information or documents are in the public domain or otherwise publicly available, (ii) disclosure of such records, information or documents is required by court or administrative order or is necessary to respond to inquires of regulatory authorities, or (iii) disclosure of such records, information or documents, in the opinion of counsel to such person, is otherwise required by law (including, without limitation, pursuant to the requirements of the Securities Act).

(o) Comply with all applicable rules and regulations of the SEC and make generally available to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 calendar days after the end of any 12-month period (or 90 calendar days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm commitment or best efforts underwritten offering, and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of the Company, after the effective date of a Registration Statement, which statements shall cover said 12-month period.

(p) Cooperate with any reasonable request by holders of a majority of the Registrable Securities offered for sale, including by ensuring participation by the executive management of the Company in road shows, so long as such participation does not materially interfere with the operation of the Company's business.

The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish to the Company such information regarding the distribution of such Registrable Securities as the Company may, from time to time, reasonably request in writing and the Company may exclude from such registration the Registrable Securities of any seller who unreasonably fails to furnish such information within a reasonable time after receiving such request.

Each holder of Registrable Securities will be deemed to have agreed by virtue of its acquisition of such Registrable Securities that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 6(c)(ii), 6(c)(iii), 6(c)(v), 6(c)(vi) or 6(c)(vii) hereof, such holder will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus (a "Black-Out") until such holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(k) hereof, or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus, provided, however, that in no event shall the aggregate number of days during which a Black-Out is effective during any period of twelve consecutive months exceed 90 calendar days. In the event the Company shall give any such notice, the time period prescribed in Section 3(b) hereof will be extended by the number of days during the time period from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered by such Registration Statement shall have received (x) the copies of the supplemented or amended Prospectus contemplated by Section 6(k) hereof or (y) the Advice.

7. Registration Expenses. All Registration Expenses will be borne by the Company whether or not any of the Registration Statements become effective. "Registration Expenses" will mean all fees and expenses incident to the performance of or compliance with this Agreement by the Company, including, without limitation, (i) all registration and filing fees (including without limitation fees and expenses (x) with respect to filings required to be made with the National Association of Securities Dealers, Inc. and (y) of compliance with securities or "blue sky" laws (including without limitation fees and disbursements of counsel for the underwriters or selling holders in connection with "blue sky" qualifications of the Registrable Securities and determination of the eligibility of the Registrable Securities for investment under the laws of such jurisdictions as the managing underwriters, if any, or holders of a majority of the Registrable Securities being sold may designate)), (ii) printing expenses (including without limitation expenses of printing certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by the holders of a majority of the Registrable Securities included in any Registration Statement), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) fees and disbursements of all independent certified public accountants referred to in Section 6(m)(iii) hereof (including the expenses of any special audit and "comfort" letters required by or incident to such performance), (vi) fees and expenses of any "qualified independent underwriter" or other independent appraiser participating in an offering pursuant to Section 3 of Schedule E to the By-laws of the National Association of Securities Dealers, Inc., (vii) Securities Act liability insurance if the Company so desires such insurance, (viii) all fees and expenses in listing the Registrable Securities pursuant to

Section 6(e), and (ix) fees and expenses of all other persons retained by the Company, provided, however, that Registration Expenses will not include fees and expenses of counsel for the holders of Registrable Securities and any local counsel nor shall it include underwriting discounts and commissions relating to the offer and sale of Registrable Securities, all of which shall be borne by the holders of Registrable Securities included in such registration pro rata in proportion to the number of Registrable Securities of such holder included in such registration. In addition, the Company will pay its internal expenses (including without limitation all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange on which similar securities issued by the Company are then listed and the fees and expenses of any person, including special experts, retained by the Company.

8. Indemnification. (a) Indemnification by the Company. The Company will, without limitation as to time, indemnify and hold harmless, to the fullest extent permitted by law, each holder of Registrable Securities registered pursuant to this Agreement, the officers, directors and agents and employees of each of them, each person who controls such holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of any such controlling person, from and against all losses, claims, damages, liabilities, costs (including without limitation the costs of investigation and attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of Prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same are based solely upon information furnished in writing to the Company by such holder or any underwriter expressly for use therein; provided, however, that the Company will not be liable to any holder of Registrable Securities to the extent that any such Losses arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus if either (A) (i) such holder failed to send or deliver a copy of the Prospectus with or prior to the delivery of written confirmation of the sale by such holder of a Registrable Security to the person asserting the claim from which such Losses arise and (ii) the Prospectus would have corrected in all material respects such untrue statement or alleged untrue statement or such omission or alleged omission; or (B) such untrue statement or alleged untrue statement, omission or alleged omission is corrected in all material respects in an amendment or supplement to the Prospectus previously furnished by or on behalf of the Company with copies of the Prospectus as so amended or supplemented, and such holder thereafter fails to deliver such Prospectus as so amended or supplemented prior to or concurrently with the sale of a Registrable Security to the person asserting the claim from which such Losses arise.

The rights of any holder of Registrable Securities hereunder will not be exclusive of the rights of any holder of Registrable Securities under any other agreement or instrument of any holder of Registrable Securities to which the Company is a party. Nothing in such other agreement or instrument will be interpreted as limiting or otherwise adversely affecting a holder of Registrable Securities hereunder and nothing in this Agreement will be interpreted as limiting or otherwise adversely affecting the holder of Registrable Securities' 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.

(b) Indemnification by Holders of Registrable Securities. In connection with any Registration Statement in which a holder of Registrable Securities is participating, such holder of Registrable Securities will furnish to the Company in writing such information as the Company reasonably requests for use in connection with any Registration Statement or Prospectus and will severally indemnify, to the fullest extent permitted by law, the Company, its directors and officers, agents and employees, each person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling persons, from and against all Losses arising out of or based upon (i) any disposition of Registrable Securities after receiving notice of a Black-Out and prior to receiving Advice under Section 6 that use of the Prospectus may be resumed or (ii) any untrue statement of a material fact contained in any Registration Statement, Prospectus or preliminary prospectus or arising out of or based upon any omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, to the extent, but only to the extent, that such untrue statement or omission is finally judicially determined by a court to have been contained in any information so furnished in writing by such holder to the Company expressly for use in such Registration Statement or Prospectus and was relied upon by the Company in the preparation of such Registration Statement, Prospectus or preliminary prospectus. In no event will the liability of any selling holder of Registrable Securities hereunder be greater in amount than the dollar amount of the proceeds (net of payment of all expenses and underwriter's discounts and commissions) received by such holder upon the sale of the Registrable Securities giving rise to such indemnification

obligation.

(c) Conduct of Indemnification Proceedings. If any person shall become entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party shall give prompt notice to the party from which such indemnity is sought (the "Indemnifying Party") of any claim or of the commencement of any action or proceeding with respect to which such Indemnified Party seeks indemnification or contribution pursuant hereto; provided, however, that the failure to so notify the Indemnifying Party will not relieve the Indemnifying Party from any obligation or liability except to the extent that the Indemnifying Party has been prejudiced materially by such failure. All fees and expenses (including any fees and expenses incurred in connection with investigating or preparing to defend such action or proceeding) will be paid to the Indemnified Party, as incurred, within five calendar days of written notice thereof to the Indemnifying Party upon receipt of an undertaking to repay such amount if it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder). The Indemnifying Party will not consent to entry of any judgment or enter into any settlement or otherwise seek to terminate any action or proceeding in which any Indemnified Party is or could be a party and as to which indemnification or contribution could be sought by such Indemnified Party under this Section 8, unless such judgment, settlement or other termination includes as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release, in form and substance reasonably satisfactory to the Indemnified Party, from all liability in respect of such claim or litigation for which such Indemnified Party would be entitled to indemnification hereunder.

(d) Contribution. If the indemnification provided for in this Section 8 is unavailable to an Indemnified Party under Section 8(a) or 8(b) hereof in respect of any Losses or is insufficient to hold such Indemnified Party harmless, then each applicable Indemnifying Party, in lieu of indemnifying such Indemnified Party, will, jointly and severally, contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party or Indemnifying Parties, on the one hand, and such Indemnified Party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party or Indemnifying Parties, on the one hand, and such Indemnified Party, on the other hand, 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 of a material fact, has been taken or made by, or related to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses will be deemed to include any legal or other fees or expenses incurred by such party in connection with any action or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provision of this Section 8(d), an Indemnifying Party that is a selling holder of Registrable Securities will not be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by such Indemnifying Party and distributed to the public (net of any related expenses) exceeds the amount of any damages which such Indemnifying Party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person 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.

The indemnity, contribution and expense reimbursement obligations of the Company hereunder will be in addition to any liability the Company may otherwise have hereunder, under the Investment Agreement or otherwise. The provisions of this Section 8 will survive any termination of this Agreement.

9. Rules 144 and 144A. The Company will file the reports required to be filed by it under the Securities Act and the Exchange Act in a timely manner, and will cooperate with any holder of Registrable Securities (including without limitation by making such representations as any such holder may reasonably request), all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitations of the exemptions provided by Rules 144 and 144A (including, without limitation, the requirements of Rule 144A(d)(4)). Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such filing requirements.

10. Underwritten Registrations. If any of the Registrable Securities covered by any Demand Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the holder of Registrable Securities that gave the Demand Notice with respect to such offering; provided that such

investment banker or manager shall be reasonably satisfactory to the Company. If any Piggyback Registration is an underwritten offering, the Company will have the right to select the investment banker or investment bankers and managers to administer the offering.

11. Miscellaneous. (a) Remedies. In the event of a breach by the Company of its obligations under this Agreement, each holder of Registrable Securities, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it will waive the defense that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company has not, as of the date hereof, and will not, on or after the date hereof, enter into any agreement with respect to its securities which conflicts with the rights granted to the holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. This Agreement will be deemed to be an independent agreement and no limitation or restriction contained in this Agreement will be deemed to conflict with, limit or restrict the rights of the Stockholder under this Agreement.

(c) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of holders of a majority of the then-outstanding Registrable Securities. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of holders of Registrable Securities whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other holders of Registrable Securities may be given by holders of at least 51% of the Registrable Securities being sold by such holders; provided, however, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the immediately preceding sentence.

(d) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing and will be deemed given (i) when made, if made by hand delivery, (ii) upon confirmation, if made by fax, or (iii) one business day after being deposited with a reputable next-day courier, postage prepaid, to the parties as follows:

(x) if to the Company, at 900 Victors Way, Suite 350, Ann Arbor, Michigan 48108, Attention: General Counsel; Fax No.: (734) 996-0200, or at such other address, notice of which is given to the holders of Registrable Securities in accordance with the provisions of this Section 11(d);

(y) if to the Stockholder, at 4200 Texas Commerce Tower West, 2200 Ross Avenue, Dallas, Texas 75201, Attention: William T. Cavanaugh; Fax No.: (214) 220-4949, or at such other address, notice of which is given in accordance with the provisions of Section 11(d); and

(z) if to any other holder of Registrable Securities, at the most current address given by such holder to the Company in accordance with the provisions of this Section 11(d).

(e) Owner of Registrable Securities. The Company will maintain, or will cause its registrar and transfer agent to maintain, a stock book with respect to the Series C Preferred and the Common Stock, in which all transfers of Registrable Securities of which the Company has received notice will be recorded. The Company may deem and treat the person in whose name Registrable Securities are registered in the stock book of the Company as the owner thereof for all purposes, including without limitation the giving of notices under this Agreement.

(f) Successors and Assigns. This Agreement will inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and will inure to the benefit of each holder of any Registrable Securities. The Company may not assign its rights or obligations hereunder without the prior written consent of each holder of any Registrable Securities. The holders of the Registrable Securities may assign the rights and obligations under this Agreement to any subsequent holder of such Registrable Securities. Notwithstanding the foregoing, no transferee will have any of the rights granted under this Agreement (i) until such transferee shall have acknowledged its rights and obligations hereunder by a signed written statement of such transferee's acceptance of such rights and obligations or (ii) if the transferor notifies the Company in writing on or prior to such transfer that the transferee shall not have such rights.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which

when so executed will be deemed to be an original and all of which taken together will constitute one and the same instrument.

(h) Headings. The headings in this Agreement are for convenience of reference only and will not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF DELAWARE, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

(j) 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 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; 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 thirty 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 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.

(k) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein will remain in full force and effect and will in no way be affected, impaired or invalidated, and the parties hereto will use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, void or unenforceable.

(l) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings among the parties with respect to such registration rights.

(m) Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the prevailing party, as determined by the court, will be entitled to recover reasonable attorneys' fees in addition to any other available remedy.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

EXPLORER HOLDINGS, L.P.

By: Explorer Holdings GenPar, LLC,
its General Partner

By: /s/ William T. Cavanaugh, Jr.

Name: William T. Cavanaugh, Jr.
Title: Vice President

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Susan Allene Kovach

Name: Susan Allene Kovach
Title: Vice President

LOAN AGREEMENT

BY AND AMONG

OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,

THE BANKS SIGNATORY HERETO

AND

FLEET BANK, N.A.,
AS AGENT FOR SUCH BANKS

JUNE 15, 2000

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LOAN AGREEMENT

AGREEMENT, made this 15th day of June, 2000, by and among:

Each of the corporations listed on Exhibit 1 annexed hereto (individually, a "Borrower" and collectively, the "Borrowers");

The Banks that have executed the signature pages hereto (individually, a "Bank" and collectively, the "Banks"); and

FLEET BANK, N.A., a national banking association, as agent for the Banks (in such capacity, together with its successors in such capacity, the "Agent");

W I T N E S S E T H:

WHEREAS, the Borrowers wish to obtain loans from the Banks in the aggregate principal sum of up to One Hundred Seventy Five Million ($175,000,000) Dollars, and the Banks are willing to make such loans to the Borrowers in an

aggregate principal amount of up to such sum on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

Article 1. Definitions.

Section 1.1. Defined Terms.

As used in this Agreement, the following terms shall have the following meanings:

"Additional Collateral": as defined in subsection 4.1(c) hereof.

"Additional Costs": as defined in subsection 2.19(b) hereof.

"Additional Eligible Healthcare Asset(s)": as of any date as of which such assets are to be determined, all Facilities of the Borrowers other than:

(i) any Facility which has a Fixed Charge Coverage of less than 1.00 to 1.00; and

(ii) any Facility, if the payment of any Lease Rental Expenses or Mortgage Expenses, as applicable, arising from such Facility, are delinquent in payment for thirty (30) days or more.

"Additional Equity Contribution": as defined in the Investment Agreement.

"Adjusted EBITDA": for any period, with respect to Omega on a consolidated basis, determined in accordance with GAAP, the sum of net income (or net loss) for such period plus the sum of all amounts treated as expenses for: (a) interest, (b) depreciation, (c) amortization, and (d) all accrued or paid taxes on or measured by income to the extent included in the determination of such net income (or net loss); provided, however, that net income (or net loss) shall be computed without giving effect to extraordinary losses or gains (it being acknowledged that non-cash gains or losses associated with or resulting from property dispositions or non-cash impairment charges shall be treated as extraordinary); and provided further, however, that the calculation of Adjusted EBITDA for any period during which an Investment or a Disposition was effected shall be determined on a pro forma basis as if such Investment or Disposition were effected on the first day of such period.

"Affected Loans": as defined in Section 2.22 hereof.

"Affected Type": as defined in Section 2.22 hereof.

"Affiliate": as to any Person, any other Person that directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event: (a) any Person that owns directly or indirectly five (5%) percent or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or five (5%) percent or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person; and (b) each shareholder, director and officer of any Borrower shall be deemed to be an Affiliate of such Borrower.

"Agency Fee": as defined in subsection 2.8(c) hereof.

"Alternate Base Rate": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16th of 1%) equal to the greater of (a) the Prime Rate in effect on such day, and (b) 0.5% plus the Federal Funds Rate in effect on such day.

"Applicable Margin": as at any date of determination thereof, the applicable percentage set forth below opposite the Leverage Ratio as at such date of determination:

<TABLE>
<CAPTION>

Leverage Ratio	Applicable Margin for Prime Rate Loans	Applicable Margin for LIBOR Loans

Greater than or equal to 5.0:1.0	1.00%	3.25%
Less than 5.0:1.0 but greater than or equal to 4.5:1.0	0.75%	3.00%
Less than 4.5:1.0 but greater than or equal to 4.0:1.0	0.50%	2.75%
Less than 4.0:1.0	0.25%	2.50%

</TABLE>

The determination of the applicable percentage pursuant to the table set forth above shall be made on a quarterly basis based on an examination of the financial statements of Omega delivered pursuant to and in compliance with Section 5.1 or Section 5.2 hereof, which financial statements, whether annual or quarterly, shall indicate that there exists no Default or Event of Default hereunder. Each determination of the Applicable Margin shall be effective as of the first day of the calendar month following the date on which the financial statements on which such determination was based were received by the Agent. In the event that financial statements for the four full fiscal quarters most recently completed prior to such date of determination have not been delivered to the Agent in compliance with Section 5.1 or 5.2 hereof, then the Agent may determine, in its reasonable judgment, the ratio referred to above that would have been in effect as at such date, and, consequently, the Applicable Margin in effect for the period commencing on such date. Notwithstanding anything to the contrary contained in this definition, during the period commencing on the date hereof through and including March 31, 2001, the Applicable Margin for Prime Rate Loans shall be 1.00% and the Applicable Margin for LIBOR Loans shall be 3.25%

"Application(s)": as defined in subsection 2.2(a)(iv) hereof.

"Appraisal": an appraisal providing an assessment of the fair market value (using the income and comparable sales approaches to valuation, where applicable) of a Facility (whether appraised on a stand-alone basis or "in bulk" together with similar Facilities, i.e. under a Master Lease), which appraisal is independently and impartially prepared by a nationally recognized appraiser or an appraiser acceptable to the Agent and having substantial experience in the appraisal of health care facilities and conforming to Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

"Appraised Value": with respect to any Facility, the value of such Facility reflected in the most recent Appraisal prepared with respect to such Facility.

"Arrangement Fee": as defined in subsection 2.8(c) hereof.

"Assessment Rate": at any time, the rate (rounded upwards, if necessary, to the nearest 1/100 of one (1%) percent) then charged by the Federal Deposit Insurance Corporation (or any successor) to the Reference Bank for deposit insurance for Dollar time deposits with the Reference Bank at the Principal Office as determined by the Reference Bank.

"Assignment and Acceptance": an agreement in the form of Exhibit B hereto.

"Beneficiary Documents": as defined in subsection 2.2(c)(i) hereof.

"Bonds": collectively, the Senior Notes and the Debentures.

"Borrower Mortgage(s)": as defined in subsection 2.10(a)(ii) hereof.

"Borrower Security Agreement": as defined in subsection 2.10(a)(i) hereof.

"Borrowing Notice": as defined in Section 2.3 hereof.

"Business Day": any day other than Saturday, Sunday or any other day on which commercial banks in New York City are authorized or required to close under the laws of the State of New York.

"Capital Expenditures": for any period, the aggregate amount of all payments made or to be made during such period by any Person directly or indirectly for the purpose of acquiring, constructing or maintaining fixed assets, real property or equipment that, in accordance with GAAP, would be added as a debit to the fixed asset account of such Person, including, without limitation, all amounts paid or payable during such period with respect to Capitalized Lease Obligations and interest that are required to be capitalized in accordance with GAAP.

"Capitalized Lease": any lease, the obligations to pay rent or other amounts under which constitute Capitalized Lease Obligations.

"Capitalized Lease Obligations": as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"Cash": as to any Person, such Person's cash and cash equivalents, as defined in accordance with GAAP consistently applied.

"CERCLA": the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 U.S.C. ss.9601, et seq., as amended from time to time.

"Closing Date": the date specified in a written notice from the Agent on which the last of the conditions precedent to the obligations of the Banks to make the initial Credit Loan to be made hereunder has been fulfilled to the satisfaction of the Agent.

"Code": the Internal Revenue Code of 1986, as it may be amended from time to time, and the regulations promulgated thereunder.

"Collateral": all of the assets and properties covered by each of the respective Security Documents.

"Collateral Coverage": as at the last day of any fiscal quarter, the ratio determined by dividing (x) the sum of Lease Rental Expense and Mortgage Expense payments received from Operators (other than from an Investment which as of the date thereof is delinquent for thirty (30) days or more in payments to the Borrowers (after the application of any security deposit with respect thereto)) by (y) all interest paid or payable on the Credit Loans: with respect to each of clause (x) and clause (y), determined with regard to four fiscal quarters of Omega ending on such day.

"Commitment": as to each Bank, such Bank's Revolving Credit Commitment set forth opposite such Bank's name on the signature pages hereof under the caption "Revolving Credit Commitment" as such amount may be increased or reduced in accordance with the terms hereof.

"Commitment Fee": as defined in subsection 2.8(b) hereof.

"Commitment Fee Percentage": as at any date of determination thereof, the applicable percentage set forth below opposite the Leverage Ratio as at such date of determination:

<TABLE>
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Leverage Ratio	Commitment Fee Percentage
Greater than or equal to 5.0:1.0	0.50%
Less than 5.0:1.0 but greater than or equal to 4.5:1.0	0.45%
Less than 4.5:1.0 but greater than or equal to 4.0:1.0	0.35%

Less than 4.0:1.0	0.30%

</TABLE>

The determination of the applicable percentage pursuant to the table set forth above shall be made on a quarterly basis based on an examination of the financial statements of Omega delivered pursuant to and in compliance with Section 5.1 or Section 5.2 hereof, which financial statements, whether annual or quarterly, shall indicate that there exists no Default or Event of Default hereunder. Each determination of the Commitment Fee Percentage shall be effective as of the first day of the calendar month following the date on which the financial statements on which such determination was based were received by the Agent. In the event that financial statements for the four full fiscal quarters most recently completed prior to such date of determination have not been delivered to the Agent in compliance with Section 5.1 or 5.2 hereof, then the Agent may determine, in its reasonable judgment, the ratio referred to above that would have been in effect as at such date, and, consequently, the Commitment Fee Percentage in effect for the period commencing on such date. Notwithstanding anything to the contrary contained in this definition, during the period commencing on the date hereof through and including March 31, 2001, the Commitment Fee Percentage shall be 0.50%.

"Compliance Certificate": a certificate in the form of Exhibit C annexed hereto, executed by the chief executive officer or chief financial officer of Omega to the effect that: (a) as of the effective date of the certificate, no Default or Event of Default under this Agreement exists or would exist after giving effect to the action intended to be taken by the Borrowers as described in such certificate, including, without limitation, that the covenants set forth in Section 6.9 hereof would not be breached after giving effect to such action, together with a calculation in reasonable detail, and in form and substance satisfactory to the Agent, of such compliance, and (b) the representations and warranties contained in Article 3 hereof are true and with the same effect as though such representations and warranties were made on the date of such certificate, except for changes in the ordinary course of business none of which, either singly or in the aggregate, have had a Material Adverse Effect.

"Construction Investment(s)": financing extended by Omega with respect to a Facility which is either under construction (i.e., has not received a certificate of occupancy) or in development (i.e., has received a certificate of occupancy or operating license within the preceding eighteen (18) months); provided, however, that a Facility will not be considered to be in development if at least three (3) calendar months have elapsed since the date on which the Facility received a certificate of occupancy and such Facility has a Fixed Charge Coverage of at least 1.10:1.00, with the Fixed Charge Coverage Ratio computed by reference to the most recent three (3) calendar month period.

"Controlled Group": all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with Omega, are treated as a single employer under Section 414(b), 414(c) or 414(m) of the Code and Section 4001(a)(2) of ERISA.

"Credit Loan(s)": as defined in subsection 2.1(b) hereof.

"Credit Period": the period commencing on the date of this Agreement and ending on the Revolving Credit Commitment Termination Date.

"Debentures": those certain Subordinated Debentures maturing on February 1, 2001.

"Debt Instrument": as defined in subsection 8.4(a) hereof.

"Default": an event which with notice or lapse of time, or both, would constitute an Event of Default.

"Delta": Delta Investors II, LLC, a Maryland limited liability company.

"Disposition": the sale, lease, conveyance, transfer or other disposition of any Facility (whether in one or a series of transactions), including first mortgage notes receivable and sale-leaseback transactions.

"Dollars" and "$": awful money of the United States of America.

"EBITDA": for any period, with respect to Omega on a consolidated basis, determined in accordance with GAAP, the sum of net income (or net loss) for such period plus, the sum of all amounts treated as expenses

for: (a) interest, (b) depreciation, (c) amortization, and (d) all accrued or paid taxes on or measured by income to the extent included in the determination of such net income (or net loss); provided, however, that net income (or net loss) shall be computed without giving effect to extraordinary losses or gains.

"Eligible Assignee": a commercial bank or other financial institution organized under the laws of the United States of America or any state and having a combined capital and surplus of at least One Hundred Million ($100,000,000) Dollars.

"Eligible Healthcare Assets": as of any date as of which such assets are to be determined, all Facilities of the Borrowers other than:

(i) any Facility which has a Fixed Charge Coverage of less than 1.25 to 1.00;

(ii) any Construction Investment;

(iii) any Facility which is subject to any Lien other than a Permitted Lien or a Mortgage;

(iv) any Facility, the Operator of which is acceptable to less than the Required Lenders (provided that the Operators listed on Exhibit 2 hereof constitute approved Operators);

(v) any Facility, if the Lease Rental Expense or Mortgage Expense, as the case may be, arising from such Facility, together with all such amounts arising from all other Facilities operated by the Operator of such Facility (including any Affiliates of such Operator but for purposes of this clause (v), neither Lyric Healthcare Holdings, Inc. nor Lyric Healthcare Holdings II, Inc. shall be considered an Affiliate of Integrated Health Services, Inc.) and included in the Collateral, exceeds twenty-five (25%) percent of the aggregate amount of Lease Rental Expense and Mortgage Expense arising from all of the Facilities comprising the Collateral (except that SunBridge Healthcare Corporation may operate Facilities which generate (A) up to thirty-three (33%) percent of the aggregate amount of Lease Rental Expense and Mortgage Expense arising from all of the Facilities comprising the Collateral); or (B) up to thirty-seven (37%) percent of the aggregate amount of Lease Rental Expense and Mortgage Expense arising from all of the Facilities comprising the Collateral in the event that the percentage increase above thirty-three (33%) percent is solely as a result of self-operative escalations contained in the Lease Rental Expense or the Mortgage Expense related to such Facilities);

(vi).....any Facility, if the Lease Rental Expense or the Mortgage Expense arising from such Facility, together with the aggregate amount of Lease Rental Expense and Mortgage Expense arising from all other Facilities located in the State in which such Facility is located and included in the Collateral, exceeds twenty-five (25%) percent of the aggregate amount of Lease Rental Expense and Mortgage Expense arising from all of the Facilities comprising the Collateral;

(vii)....any Facility covered by a Mortgage, if the Mortgage Expense arising from such Facility, together with the Mortgage Expense arising from each other Facility covered by a Mortgage which is included in the Collateral, exceeds thirty-seven (37%) percent of the Lease Rental Expense and Mortgage Expense arising from all of the Facilities comprising the Collateral; and

(viii)...any Facility covered by a Master Lease if the termination date of the Lease with respect to such Facility is earlier than the Revolving Credit Commitment Termination Date or any Facility covered by a mortgage if the maturity date of such Mortgage is earlier than the Revolving Credit Commitment Termination Date.

Notwithstanding clause (i) above, with respect to Pooled Facilities comprised of two (2) or more properties, any individual Facility which has a Fixed Charge Coverage of less than 1.25 to 1.00 may be included in the computation of Eligible Healthcare Assets if (1) the aggregate Fixed Charge Coverage of the Pooled Facilities which are to be treated as Eligible Healthcare Assets and of which such Facility is a part is greater than or equal to 1.25 to 1.00, and (2) each individual Facility which is a part of such Pooled Facilities which are to be treated as Eligible Healthcare Assets (other than SunBridge Care & Rehab for Lexington, SunBridge Care & Rehab for Coalinga and SunHealth Robert H. Ballard Rehab Hospital) has a Fixed Charge Coverage of not less than .50 to 1.00.

"Employee Benefit Plan": any employee benefit plan within the meaning of Section 3(3) of ERISA which is subject to ERISA and (a) is maintained for employees of Omega, or (b) with respect to which any Loan Party has any liability.

"Environmental Laws and Regulations": all federal, state and local environmental laws, regulations, ordinances, orders, judgments and decrees applicable to the Borrowers or any other Loan Party, or any of their respective assets or properties.

"Environmental Liability": any liability under any applicable Environmental Laws and Regulations for any disposal, release or threatened release of a hazardous substance pollutant or contaminant as those terms are defined under CERCLA, and any liability which would require a removal, remedial or response action, as those terms are defined under CERCLA, by any person or by any environmental regulatory body having jurisdiction over Omega and its Subsidiaries and/or any liability arising under any Environmental Laws and Regulations for Omega's or any Subsidiary's failure to comply with such laws and regulations, including without limitation, the failure to comply with or obtain any applicable environmental permit.

"Environmental Proceeding": any judgment, action, proceeding or investigation pending before any court or governmental authority, with respect to Omega or any Subsidiary and arising under or relating to any Environmental Laws and Regulations.

"Equity Contribution": as defined in subsection 4.1(d) hereof.

"ERISA": the Employee Retirement Income Security Act of 1974, as it may be amended from time to time, and the regulations promulgated thereunder.

"ERISA Affiliate": as applied to any Loan Party, any corporation, person or trade or business which is a member of a group which is under common control with any Loan Party, who together with any Loan Party, is treated as a single employer within the meaning of Section 414(b) - (o) of the Code and, if applicable, Section 4001(a)(14) and (b) of ERISA.

"Event of Default": as defined in Article 8 hereof.

"Existing L/Cs": as defined in subsection 2.2(a)(i) hereof.

"Facility": a health care facility offering health care-related products and services, including any acute care hospital, rehabilitation hospital, nursing home, retirement center, long-term care facility, assisted living facility, or medical office building, and facilities directly related thereto.

"Federal Funds Rate": for any day, the weighted average of the rates on overnight federal funds transactions with member banks of the Federal Reserve System arranged by federal funds brokers as published by the Federal Reserve Bank of New York for such day, or if such day is not a Business Day, for the next preceding Business Day (or, if such rate is not so published for any such day, the average rate charged to the Agent on such day on such transactions as reasonably determined by the Agent).

"Fee(s)": as defined in subsection 2.8(e) hereof.

"Financial Statements": the audited Consolidated Balance Sheets of Omega and its Subsidiaries as of December 31, 1999 and the related audited Consolidated Statements of Operations, Shareholders' Equity and Cash Flows for the fiscal year then ended, certified by Ernst & Young.

"Fixed Charge Coverage": with respect to any Facility, the ratio of: (x) pre-tax net income plus Mortgage Expense (but excluding therefrom any amounts relating to principal), Lease Rental Expense, depreciation and amortization on the Facility and actual management fees paid to any Operator of such Facility less an imputed management fee equal to four (4%) percent of the net revenues of the Facility, to (y) the sum of Lease Rental Expense and Mortgage Expense; all of the foregoing calculated as at any date of determination thereof by reference to the four (4) fiscal quarters ended on such date of determination and based upon the financial statements (or cost reports, as the case may be) provided to Omega by each Operator for such four (4) fiscal quarters of each Operator (or if such financial statements or cost reports have not been so delivered to Omega, then based upon the financial statements or cost reports covering the most recent available four (4) fiscal quarters of any such Operator.

"Fleet": Fleet Bank, N.A., a national banking association, in its capacity as a Bank or L/C Issuer hereunder.

"Funded Indebtedness": as of any date of determination, all Indebtedness of Omega on a consolidated basis (other than contingent liabilities) including, in any event, the Credit Loans.

"GAAP": generally accepted accounting principles, as in effect in the United States.

"Graduate Sale": as defined in subsection 2.8(a)(i)(B) hereof.

"Grantors": as defined in subsection 2.10(a)(i) hereof.

"Hazardous Materials": any toxic chemical, hazardous substances, contaminants or pollutants, medical wastes, infectious wastes, or

hazardous wastes.

"Healthcare Assets": as of any date as of which the amount thereof is to be determined, the aggregate amount equal to the sum of:

(i) the Appraised Value of each Facility owned entirely by a Borrower and leased to an Operator; plus

(ii) the lesser of the Appraised Value of any Facility encumbered by a Mortgage or the outstanding principal amount of the Mortgage which encumbers any such Facility.

"Indebtedness": with respect to any Person, all: (a) liabilities or obligations, direct and contingent, which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person at the date as of which Indebtedness is to be determined, including, without limitation, contingent liabilities that in accordance with such principles, would be set forth in a specific Dollar amount on the liability side of such balance sheet, and Capitalized Lease Obligations of such Person; (b) liabilities or obligations of others for which such Person is directly or indirectly liable, by way of guaranty (whether by direct guaranty, suretyship, discount, endorsement, take-or-pay agreement, agreement to purchase or advance or keep in funds or other agreement having the effect of a guaranty) or otherwise; (c) liabilities or obligations secured by Liens on any assets of such Person, whether or not such liabilities or obligations shall have been assumed by it; and (d) liabilities or obligations of such Person, direct or contingent, with respect to letters of credit issued for the account of such Person and bankers acceptances created for such Person.

"Initial Collateral": as defined in subsection 4.1(c) hereof.

"Interest Coverage": as at the last day of any fiscal quarter, the ratio, determined by dividing EBITDA by Interest Expense; all of the foregoing calculated by reference to the immediately preceding four (4) fiscal quarters of Omega ending on such date of determination, but excluding interest on the Debentures and any other Indebtedness repaid with the proceeds of the Equity Contribution or the Additional Equity Contribution.

"Interest Expense": for any period, on a combined basis, the sum of all interest paid or payable (excluding unamortized debt issuance costs) on all items of Indebtedness of Omega on a consolidated basis outstanding at any time during such period.

"Interest Period": with respect to any LIBOR Loan, each period commencing on the date such Loan is made or converted from a Loan or Loans of another Type into a LIBOR Loan, or the last day of the next preceding Interest Period with respect to such Loan, and ending on the same day 1, 2, 3 or 6 months thereafter, as the Borrowers may select as provided in Section 2.3 hereof, except that each such Interest Period which commences on the last LIBOR Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last LIBOR Business Day of the appropriate subsequent calendar month.

Notwithstanding the foregoing: (a) each Interest Period that would otherwise end on a day which is not a LIBOR Business Day shall end on the next succeeding LIBOR Business Day (or, if such next succeeding LIBOR Business Day falls in the next succeeding calendar month, on the next preceding LIBOR Business Day); (b) with respect to LIBOR Loans, no more than six (6) Interest Periods for Credit Loans shall be in effect at the same time; (c) any Interest Period relating to a Credit Loan that commences before the Revolving Credit Commitment Termination Date shall end no later than the Revolving Credit Commitment Termination Date; and (d) notwithstanding clause (c) above, no Interest Period shall have a duration of less than one month. In the event that the Borrowers fail to select the duration of any Interest Period for any LIBOR Loan within the time period and otherwise as provided in Section 2.3 hereof, such LIBOR Loans will be automatically converted into a Prime Rate Loan on the last day of the preceding Interest Period for such LIBOR Loan.

"Interest Rate Contracts": interest rate swap agreements, interest rate cap agreements, interest rate collar agreements, interest rate insurance and other agreements or arrangements designed to provide protection against fluctuation in interest rates, in each case, in form and substance satisfactory to the Agent and, in each case, with counter-parties satisfactory to the Agent.

"Investment": a Facility or a Mortgage, individually or collectively, as the case may be.

"Investment Agreement": the Investment Agreement dated as of May 11, 2000 by and between Omega and Explorer Holdings, L.P., a Delaware limited partnership.

"Issuance Request": as defined in subsection 2.2(a) hereof.

"Latest Balance Sheet": as defined in subsection 3.9(a)

hereof.

"L/C(s)": any irrevocable letter of credit issued by the L/C Issuer for the account of the Borrowers pursuant to subsection 2.2(a) hereof, in each case, as amended, supplemented or modified from time to time.

"L/C Documents": as defined in subsection 2.2(a) hereof.

"L/C Fee": as defined in subsection 2.8(d) hereof.

"L/C Fee Percentage": as at any date of determination thereof, the applicable percentage set forth below opposite the Leverage Ratio as at such date of determination:

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

Leverage Ratio	L/C Fee Percentage
Greater than or equal to 5.0:1.0	3.25%
Less than 5.0:1.0 but greater than or equal to 4.5:1.0	3.00%
Less than 4.5:1.0 but greater than or equal to 4.0:1.0	2.75%
Less than 4.0:1.0	2.50%

</TABLE>

The determination of the applicable percentage pursuant to the table set forth above shall be made on a quarterly basis based on an examination of the financial statements of Omega delivered pursuant to and in compliance with Section 5.1 or Section 5.2 hereof, which financial statements, whether annual or quarterly, shall indicate that there exists no Default or Event of Default hereunder. Each determination of the L/C Fee Percentage shall be effective as of the first day of the calendar month following the date on which the financial statements on which such determination was based were received by the Agent. In the event that financial statements for the four full fiscal quarters most recently completed prior to such date of determination have not been delivered to the Agent in compliance with Section 5.1 or 5.2 hereof, then the Agent may determine, in its reasonable judgment, the ratio referred to above that would have been in effect as at such date, and, consequently, the L/C Fee Percentage in effect for the period commencing on such date. Notwithstanding anything to the contrary contained in this definition, during the period commencing on the date hereof through and including March 31, 2001, the L/C Fee Percentage shall be 3.25%.

"L/C Issuer": Fleet in its individual capacity as issuer of L/Cs under this Agreement.

"L/C Obligations": as at any date, an amount equal to: (a) the aggregate stated amount (reduced by any partial drawing) of all L/Cs, plus (b) all Unpaid Drawings.

"Lease Rental Expense": for any period and with respect to any Facility, the total amount payable during such period by the lessee of such Facility to any Borrower, including, without limitation, (a) base rent (as adjusted from time to time), plus (b) all incremental charges to which the Facility is subject under the lease relating thereto.

"Lending Office": with respect to each Bank, with respect to each Type of Loan, the Lending Office as designated for such Type of Loan below its name on the signature pages hereof or such other office of such Bank or of an affiliate of such Bank as it may from time to time specify to the Agent and the Borrowers as the office at which its Loans of such Type are to be made and maintained.

"Leverage Ratio": as of any date of determination thereof,

the quotient of (a) Funded Indebtedness as of such date divided by (b) Adjusted EBITDA for the period of four consecutive fiscal quarters ending on, or most recently before, such date.

"LIBOR Base Rate": with respect to any LIBOR Loan, for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/16 of one (1%) percent) quoted by the Reference Bank at approximately 11:00 a.m. London time (or as soon thereafter as practicable) two (2) LIBOR Business Days prior to the first day of such Interest Period as the rate at which the Reference Bank is offered deposits in the applicable Permitted Currency in the London interbank market where the LIBOR and foreign currency and exchange operations of the Reference Bank are customarily conducted, having terms of one (1), two (2), three (3) or six (6) months and in an amount comparable to the principal amount of the LIBOR Loan to be made by the Banks to which such Interest Period relates.

"LIBOR Business Day": a Business Day on which dealings in Dollar deposits and pounds sterling are carried out in the London interbank market.

"LIBOR Loan(s)": any Credit Loan the interest on which is determined on the basis of rates referred to in the definition of "LIBOR Base Rate" in this Article 1.

"LIBOR Rate": for any LIBOR Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of one (1%) percent) determined by the Agent to be equal to: (a) the LIBOR Base Rate for such Loan for such Interest Period; divided by (b) one (1) minus the Reserve Requirement for such Loan. The Agent shall use its best efforts to advise the Borrower of the LIBOR Rate as soon as practicable after each change in the LIBOR Rate; provided, however, that the failure of the Agent to so advise the Borrower on any one or more occasions shall not affect the rights of the Banks or the Agent or the obligations of the Borrowers hereunder.

"Lien": any mortgage, deed of trust, pledge, security interest, encumbrance, lien, claim or charge of any kind (including any agreement to give any of the foregoing), any conditional sale or other title retention agreement, any lease in the nature of any of the foregoing, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.

"Loan(s)": as defined in subsection 2.1(b) hereof. Loans of different Types made or converted from Loans of other Types on the same day (or of the same Type but having different Interest Periods) shall be deemed to be separate Loans for all purposes of this Agreement.

"Loan Documents": this Agreement, the Notes, the Security Documents, the L/C Documents, all Interest Rate Contracts and all other documents executed and delivered in connection herewith or therewith, including all amendments, modifications and supplements of or to all such documents.

"Loan Party": each Borrower and any other Person (other than the Banks and the Agent) which now or hereafter executes and delivers to any Bank or the Agent any Loan Document.

"LTV Ratio": as at any date of determination thereof, the ratio of (i) the aggregate principal amount of all Credit Loans then outstanding plus all L/C Obligations, at such date, to (ii) the Appraised Value of the Facilities comprising the Collateral at such date.

"Mandatory Borrowing": as defined in subsection 2.2(b)(ii) hereof.

"Master Lease": any lease pursuant to which a Borrower leases to an Operator one or more Facilities.

"Material Adverse Effect": any fact or circumstance which (a) materially and adversely affects the business, operation, property or financial condition of the Borrowers taken as a whole, or (b) has a material adverse effect on the ability of the Borrowers to perform their respective obligations under this Agreement, the Notes or the other Loan Documents.

"Mortgage(s)": mortgages of real property constituting a Facility for which any Borrower is the mortgagee.

"Mortgage Expense": for any period and with respect to any Facility, the total amount payable during such period by the mortgagor of such Facility to any Borrower, including, without limitation, (a) interest and principal (as adjusted from time to time) plus (b) all incremental charges to which the Facility is subject under the mortgage.

"Multiemployer Plan": a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which any Loan Party or any ERISA Affiliate is making, or is accruing an obligation to make, contributions or has made, or

been obligated to make, contributions within the preceding six (6) years.

"Net Issuance Proceeds": in respect of any issuance of Indebtedness or equity, the proceeds in Cash received by Omega or any of its Subsidiaries upon or simultaneously with such issuance, net of any payments of any outstanding Indebtedness and any direct costs of such issuance and any taxes paid or payable by the recipient of such proceeds.

"Net Loss": with respect to any period, the excess, if any of: (i) the aggregate amount of expenses of Omega on a consolidated basis, over (ii) the aggregate amount of revenues of Omega on a consolidated basis, in each case, during such period, as to all of the foregoing, as determined in accordance with GAAP.

"Net Proceeds": in respect of any Disposition, the proceeds in Cash received by any of the Borrowers upon or simultaneously with such Disposition, net of (i) direct costs of such Disposition, (ii) any taxes paid or payable by the recipient of such proceeds, and (iii) amounts required to be applied to repay any Indebtedness secured by a lien on the asset which is the subject of the Disposition.

"New Type Loans": as defined in Section 2.22 hereof.

"1997 Loan Agreement": the Second Amended and Restated Loan Agreement, dated September 30, 1997, by and among the Borrowers listed on Exhibit 1 thereto, the Agent and the banks party thereto, as amended from time to time.

"Note(s)": as defined in subsection 2.5(b) hereof.

"NRS": NRS Ventures, L.L.C., a Kentucky limited liability company.

"Obligations": collectively, all of the Indebtedness of the Borrowers to the Banks (and affiliates thereof in connection with Interest Rate Contracts) and the Agent, whether now existing or hereafter arising, whether or not currently contemplated, including, without limitation, those arising under or in relation to the Loan Documents.

"Omega": Omega Healthcare Investors, Inc., a Maryland corporation.

"Omega's Fixed Coverage Ratio": as at the last day of any fiscal quarter, with respect to the immediately preceding four (4) fiscal quarters of Omega ending on such date, the ratio of (x) EBITDA, to (y) the sum of Interest Expense, and Cash dividends.

"Operator": (a) the lessee of any Facility owned or leased by a Borrower, and (b) the mortgagor of a Facility which is subject to a Mortgage to the extent that such entity controls the operation of the Facility.

"Origination Fee": as defined in subsection 2.8(a) hereof.

"Payor": as defined in Section 2.16 hereof.

"PBGC": Pension Benefit Guaranty Corporation.

"Permitted Liens": as to any Person: (a) pledges or deposits by such Person under workers' compensation laws, unemployment insurance laws, social security laws, or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness of such Person), or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of Cash or United States Government Bonds to secure surety, appeal, performance or other similar bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent; (b) liens imposed by law, including without limitation, carriers', warehousemen's, materialmen's and mechanics' liens, or liens arising out of judgments or awards or judicial attachment liens against such Person with respect to which such Person at the time shall currently be prosecuting an appeal or proceedings for review; (c) liens for taxes not yet subject to penalties for non-payment and liens for taxes the payment of which is being contested as permitted by Section 6.6 hereof; (d) non-consensual liens that have been bonded within thirty (30) days after notice of such lien(s) by a Person (not an Affiliate of a Borrower) reasonably satisfactory to the Required Banks in an aggregate amount secured by all such liens not in excess of $5,000,000; and (e) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of, others for rights of way, highways and railroad crossings, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties, or Liens incidental to the conduct of the business of such Person or to the ownership of such Person's property that were not incurred in connection with Indebtedness of such Person, all of which Liens referred to in this clause (e) do not in the aggregate materially impair the value of

the properties to which they relate or materially impair their use in the operation of the business taken as a whole of such Person, and as to all the foregoing only to the extent arising and continuing in the ordinary course of business.

"Person": an individual, a corporation, a partnership, a joint venture, a trust or unincorporated organization, a joint stock company or other similar organization, a government or any political subdivision thereof, a court, or any other legal entity, whether acting in an individual, fiduciary or other capacity.

"Plan": at any time an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either: (a) maintained by Omega or any member of the Controlled Group for employees of Omega, or by Omega for any other member of such Controlled Group, or (b) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which Omega or any member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Pooled Facilities": Facilities which are (i) leased by a Borrower to an Operator or Operators pursuant to a single Master Lease, or (ii) commonly owned by an Operator or Operators, the Mortgages on which are held by a Borrower to secure a single loan.

"Post-Default Rate": (a) in respect of any Loans, a rate per annum equal to: (i) if such Loans are Prime Rate Loans, two (2%) percent above the Alternate Base Rate as in effect from time to time plus the Applicable Margin for Prime Rate Loans, or (ii) if such Loans are LIBOR Loans, two (2%) percent above the rate of interest in effect thereon at the time of the Event of Default that resulted in the Post-Default Rate being instituted until the end of the then current Interest Period therefor and, thereafter, two (2%) above the Alternate Base Rate as in effect from time to time plus the Applicable Margin for Prime Rate Loans; and (b) in respect of other amounts payable by the Borrowers hereunder (other than interest), equal to two (2%) above the Alternate Base Rate as in effect from time to time plus the Applicable Margin for Prime Rate Loans.

"Prime Rate": the variable per annum rate of interest so designated from time to time by Fleet as its prime rate. Notwithstanding the foregoing, the Borrowers acknowledge that the Prime Rate is a reference rate and Fleet may regularly make domestic commercial loans at rates of interest less than the rate of interest referred to in the preceding sentence. Each change in any interest rate provided for herein based upon the Prime Rate resulting from a change in the Prime Rate shall take effect at the time of such change in the Prime Rate.

"Prime Rate Loans": Loans that bear interest at a rate based upon the Alternate Base Rate.

"Principal Office": the office of Fleet presently located at 1185 Avenue of the Americas, New York, New York 10036.

"Projections": (a) the annual cash flow projections relating to Omega and its Subsidiaries for the years ending December 31, 2001 and 2002, and (b) the quarterly cash flow projections relating to Omega and its Subsidiaries for the period commencing April 1, 2000 through and including March 31, 2001, in each case including balance sheets and statements of operations (together with related assumptions) as furnished by Omega to the Agent.

"Property": any estate or interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Quarterly Dates": the first day of each October, January, April and July, the first of which shall be the first such day after the date of this Agreement, provided that, if any such date is not a LIBOR Business Day, the relevant Quarterly Date shall be the next succeeding LIBOR Business Day (or, if the next succeeding LIBOR Business Day falls in the next succeeding calendar month, then on the next preceding LIBOR Business Day).

"Reference Bank": a bank appearing on the display designated as page "LIBOR" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBOR page on that service for the purpose of displaying London interbank offered rates of major banks); provided, that, if no such offered rate shall appear on such display, "Reference Bank" shall mean a bank in the London interbank market as selected by the Agent.

"Regulation D": Regulation D of the Board of Governors of the Federal Reserve System, as the same may be amended or supplemented from time to time.

"Regulatory Change": as to any Bank, any change after the date of this Agreement in United States federal, or state, or foreign, laws or regulations (including Regulation D and the laws or regulations that designate

any assessment rate relating to certificates of deposit or otherwise (including the "Assessment Rate" if applicable to any Loan)) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks, including such Bank, of or under any United States federal, or state, or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"REIT Status": with respect to any Person, (a) the qualification of such Person as a real estate investment trust under Sections 856 through 860 of the Code, and (b) the applicability to such Person and its shareholders of the method of taxation provided for in Sections 857 et seq. of the Code.

"Required Banks": at any time, Banks having at least 66-2/3% of the Total Revolving Credit Commitment hereunder, or if the Total Revolving Credit Commitment has been terminated at such time, Banks having at least 66-2/3% of the aggregate principal amount of Loans and L/C Obligations, in each case then outstanding.

"Required Payment": as defined in Section 2.16 hereof.

"Reserve Requirement": for any LIBOR Loans as to which interest is payable hereunder, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such period under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding One Billion ($1,000,000,000) Dollars against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against: (a) any category of liabilities which includes deposits by references to which the LIBOR Rate for LIBOR Loans is to be determined as provided in the definition of "LIBOR Base Rate" in this Article 1, or (b) any category of extensions of credit or other assets which include LIBOR Loans.

"Revolving Credit Commitment": as to each Bank, its Tranche A Revolving Credit Commitment, Tranche B Revolving Credit Commitment, or collectively its Tranche A Revolving Credit Commitment and Tranche B Revolving Credit Commitment, in each case, as applicable.

"Revolving Credit Commitment Termination Date": December 31, 2002.

"Security Documents": as defined in subsection 2.10(b) hereof.

"Senior Notes": those certain Senior Unsecured Notes maturing July 15, 2000.

"Subsidiary": with respect to any Person, any corporation, partnership, limited liability company, joint venture or other entity, whether now existing or hereafter organized or acquired: (a) in the case of a corporation, of which a majority of the securities having ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) are at the time owned by such Person and/or one or more Subsidiaries of such Person, (b) in the case of a partnership, limited liability company or other entity, in which such Person is a general partner or managing member or of which a majority of the partnership or other equity interests are at the time owned by such Person and/or one or more of its Subsidiaries, or (c) in the case of a joint venture, in which such Person is a joint venturer and of which a majority of the ownership interests are at the time owned by such Person and/or one or more of its Subsidiaries. Unless the context otherwise requires, references in this Agreement to "Subsidiary" or "Subsidiaries" shall be deemed to be references to a Subsidiary or Subsidiaries of Omega.

"Tangible Net Worth": the sum of capital surplus, earned surplus and capital stock, minus deferred charges, intangibles and treasury stock, all as determined in accordance with GAAP consistently applied.

"Total Revolving Credit Commitment": the aggregate obligation of the Banks to make Credit Loans and/or issue or participate in the L/C Documents hereunder up to the aggregate amount of One Hundred Seventy-Five Million ($175,000,000) Dollars, as such amount may be increased or reduced in accordance with the terms hereof.

"Tranche A Credit Loans": as defined in subsection 2.1(a) hereof.

"Tranche A Note(s)": as defined in subsection 2.5(a) hereof.

"Tranche A Revolving Credit Commitment": as to each Bank, the obligation of such Bank to make Tranche A Credit Loans and/or participate in the

Letter of Credit Documents issued on behalf of the Borrowers hereunder in the aggregate amount, if any, set forth opposite such Bank's name on the signature pages hereof under the caption "Tranche A Revolving Credit Commitment" as such amount is subject to increase or reduction in accordance with the terms hereof.

"Tranche B Credit Loans": as defined in subsection 2.1(b) hereof.

"Tranche B Note(s)": as defined in subsection 2.5(a)(ii) hereof.

"Tranche B Revolving Credit Commitment": as to each Bank, the obligation of such Bank to make Tranche B Credit Loans and/or participate in the Letter of Credit Documents issued on behalf of the Borrowers hereunder in the aggregate amount, if any, set forth opposite such Bank's name on the signature pages hereof under the caption "Tranche B Revolving Credit Commitment" as such amount is subject to increase or reduction in accordance with the terms hereof.

"Type": refers to the characteristics of a Loan as a Prime Rate Loan or a LIBOR Loan for a particular Interest Period. All Prime Rate Loans are of the same Type. All LIBOR Loans with identical interest rates and Interest Periods are of the same Type. All other Loans are of different Types. Interest Periods are identical if they begin and end on the same days.

"Unpaid Drawings": any payment or disbursement made by the L/C Issuer with respect to a L/C and not reimbursed by the Borrowers.

"Unused Commitment": as at any date, for each Bank, the difference, if any, between: (a) the amount of such Bank's Tranche A Revolving Credit Commitment and Tranche B Revolving Credit Commitment, each as in effect on such date, and (b) the then aggregate outstanding principal amount of all Credit Loans made by such Bank and such Bank's pro rata share of all L/C Obligations.

Section 1.2. GAAP.

Any accounting terms used in this Agreement that are not specifically defined herein shall have the meanings customarily given to them in accordance with GAAP as in effect on the date of this Agreement, except that references in Article 5 to such principles shall be deemed to refer to such principles as in effect on the date of the financial statements delivered pursuant thereto.

Article 2. Commitments; Loans; Letters of Credit; Collateral.

Section 2.1. Loans.

(a) Tranche A Credit Loans. Each Bank hereby severally agrees, on the terms and subject to the conditions of this Agreement, to make loans (individually a "Tranche A Credit Loan", collectively, the "Tranche A Credit Loans") to the Borrowers during the Credit Period to and including the Revolving Credit Commitment Termination Date in an aggregate principal amount at any one time outstanding up to, but not exceeding, the Tranche A Revolving Credit Commitment of such Bank as then in effect; provided, however, that the sum of (x) the aggregate principal amount of Tranche A Credit Loans, plus (y) the aggregate principal amount of Tranche B Credit Loans, plus (z) L/C Obligations, in each case, at any one time outstanding, shall not exceed the Total Revolving Credit Commitment, as then in effect. Subject to the terms of this Agreement, including the borrowing limitation referred to above, during the Credit Period the Borrowers may borrow, repay and reborrow Tranche A Credit Loans. The Tranche A Credit Loans shall be in amounts up to an aggregate outstanding at any one time of One Hundred Thirty-One Million Nine Hundred Three Thousand Sixteen and 00/100 ($131,903,016.00) Dollars.

(b) Tranche B Credit Loans. Each Bank hereby severally agrees, on the terms and subject to the conditions of this Agreement, to make loans (individually a "Tranche B Credit Loan", collectively, the "Tranche B Credit Loans"; the Tranche A Credit Loans and the Tranche B Credit Loans are hereinafter sometimes referred to individually as a "Credit Loan" or a "Loan" and collectively as the "Credit Loans" or the "Loans") to the Borrowers during the Credit Period to and including the Revolving Credit Commitment Termination Date in an aggregate principal amount at any one time outstanding up to, but not exceeding, the Tranche B Revolving Credit Commitment of such Bank as then in effect; provided, however, that the sum of (x) the aggregate principal amount of Tranche B Credit Loans, plus (y) the aggregate principal amount of Tranche A Credit Loans, plus (z) L/C Obligations, in each case, at any one time outstanding, shall not exceed the Total Revolving Credit Commitment, as then in effect. Subject to the terms of this Agreement, including the borrowing limitation referred to above, during the Credit Period the Borrowers may borrow, repay and reborrow Tranche B Credit Loans. The Tranche B Credit Loans shall be in amounts up to an aggregate outstanding at any one time of Forty-Three Million Ninety-Six Thousand Nine Hundred Eighty-Four and 00/100 ($43,096,984.00) Dollars.

Section 2.2. Letters of Credit.

(a) Issuance.

(i) Subject to the terms and conditions of this Agreement, the Borrowers may request that the L/C Issuer, in its individual capacity, issue L/Cs to beneficiaries designated by the Borrowers pursuant to an Application and other documentation in form and substance satisfactory to the L/C Issuer (collectively, the "L/C Documents"). Each L/C shall be deemed to be a utilization of the Tranche B Revolving Credit Commitment of each Bank in an amount equal to each Bank's pro rata share of the stated amount of each L/C; provided, however, that each L/C currently issued and outstanding under the 1997 Loan Agreement (collectively, the "Existing L/Cs") shall be deemed a utilization of the Tranche A Revolving Credit Commitment of each Bank in an amount equal to each Bank's pro rata share of the face amount of each Existing L/C, and provided further that if at the time the Borrowers make an Issuance Request no availability exists under the Tranche B Revolving Credit Commitment, the L/C shall be deemed a utilization of the Tranche A Revolving Credit Commitment to the extent permitted hereunder.

(ii) Each L/C Document shall provide that drafts drawn thereunder shall be payable on sight (but in no event later than the Revolving Credit Commitment Termination Date). The maximum aggregate stated amount of L/C's issued and outstanding at any one time hereunder (including the Existing L/Cs) shall not exceed Fifteen Million ($15,000,000) Dollars and all L/C's shall be denominated in Dollars.

(iii) The Borrowers shall give notice to the L/C Issuer of a request for issuance of any L/C not less than ten (10) Business Days prior to the proposed issuance date (which prescribed time period may be waived at the option of the L/C Issuer in the exercise of its sole discretion). Each such notice (an "Issuance Request") shall specify: (1) the requested date of such issuance (which shall be a Business Day); (2) the maximum stated amount of such L/C; (3) the expiration date of such L/C; (4) the purpose of such L/C; (5) the name and address of the beneficiary of such L/C; and (6) the required documents under any such L/C.

(iv) Each L/C shall be issued by the L/C Issuer, subject to the payment by the Borrowers of the standard issuance fees and charges customarily imposed by the L/C Issuer in connection with the issuance thereof, pursuant to the L/C Issuer's standard form of application for such L/C Documents (each, an "Application" and collectively, the "Applications") executed by the Borrowers. In the event that any term or condition set forth in any Application shall be inconsistent with the terms and conditions of this Agreement, the terms and conditions herein set forth shall prevail.

(v) Notwithstanding the foregoing, the L/C Issuer shall not be under any obligation to issue any L/C Document if at the time of such issuance any order, judgment or decree of any governmental authority or arbitrator shall purport by its terms to enjoin or restrain the L/C Issuer from issuing such L/C Documents or any requirement of law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from the issuance of letters of credit generally or any such L/C Documents in particular, or shall impose upon the L/C Issuer with respect to any L/C Documents any requirement (for which the L/C Issuer is not otherwise compensated) not in effect on the date hereof.

(b) Repayment; Mandatory Borrowings.

(i) The Borrowers shall be obligated pursuant to each Application to reimburse the L/C Issuer immediately in immediately available funds at the Principal Office for sight drafts drawn under any L/C Document.

(ii) If any drawing under a L/C shall not be reimbursed on the date when due, provided that an event of the type set forth in subsection 8.6(a) has not occurred, the Borrowers' reimbursement obligation in respect of such Unpaid Drawing shall be funded on such date with the borrowing of a Tranche B Credit Loan (or if at the time no availability exists under the Tranche B Revolving Credit Commitment, a Tranche A Credit Loan to the extent permitted hereunder) (each such borrowing a "Mandatory Borrowing") in the full amount of the Unpaid Drawings from all Banks based on each Bank's pro rata share of the Total Revolving Credit Commitment. The L/C Issuer shall promptly notify the Agent of the amount of such Unpaid Drawings and the Agent shall promptly notify the Banks of the amount of each such Mandatory Borrowing not later than 12:00 noon (New York City time) on the date on which such Mandatory Borrowing is to be made. Provided that an event of the type set forth in subsection 8.6(a) has not occurred, each such Bank hereby irrevocably agrees to make Tranche B Credit Loans or Tranche A Credit Loans, as the case may be, pursuant to each Mandatory Borrowing in the amount, and not later than 5:00 p.m. (New York City time), on the date, and in the manner specified in the preceding sentence, notwithstanding that the amount of the Mandatory Borrowing may not comply with the minimum amount for borrowings otherwise required hereunder. In the event that the Agent delivers the above-described notice to any Bank later than 12:00 noon (New York City time) on the date of the required Mandatory Borrowing, then such Bank shall not be obligated to effect such Mandatory Borrowing until the next succeeding Business Day (but not later than 5:00 p.m. (New York City time)).

(iii) Notwithstanding the foregoing, in the event that at any time when a draft is drawn under a L/C Document, there are not sufficient funds in any account of the Borrowers with the L/C Issuer or sufficient availability to permit creation of Tranche B Credit Loans or Tranche A Credit Loans, as the case may be, sufficient to fund payment of the draft(s) in accordance with its terms, any funds advanced by the L/C Issuer and the other Banks in payment thereof shall be due and payable immediately and shall bear interest until paid in full at the Post-Default Rate, such interest to be payable on demand. In the event of any conflict or discrepancy between the terms provided herein and the terms established by the L/C Issuer in its Application or otherwise and this Loan Agreement, the terms provided herein shall prevail.

(c) General Unconditional Obligations. The obligations of the Borrowers under this Agreement, the Applications and any other agreement, instrument or document relating to reimbursement or payment of Unpaid Drawings shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement and the L/C Documents, under all circumstances whatsoever, including, without limitation, the following circumstances, whether relating to any one or more L/C Documents:

(i) any agreement between the Borrower(s) and any beneficiary or any agreement or instrument relating thereto (the "Beneficiary Documents") proving to be forged, fraudulent, invalid, unenforceable or insufficient in any respect;

(ii) any amendment or waiver of or any consent to departure from all or any of the Beneficiary Documents;

(iii) the existence of any claim, setoff, defense or other rights which the Borrower(s) may have at any time against any beneficiary or any transferee of any L/C Document (or any persons or entities for whom any beneficiary or any such transferee may be acting), the L/C Issuer, any other Bank, the Agent or any other person or entity, whether in connection with the Agreement, the Beneficiary Documents or any unrelated transaction;

(iv) any demand presented under any L/C Document (or any endorsement thereon) proving to be forged, fraudulent,

invalid, unenforceable or insufficient in any respect or any statement therein being inaccurate in any respect whatsoever;

(v) the use to which any L/C Document may be put or any acts or omission of any beneficiary in connection therewith; or

(vi) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

(d) Participations by Banks.

(i) On the date of issuance of each L/C, the L/C Issuer thereof shall be deemed irrevocably and unconditionally to have sold and transferred to each Bank (excluding, for all purposes of this paragraph (i), the L/C Issuer, which shall retain a portion equal to its pro rata share of its Tranche A Revolving Credit Commitment or its Tranche B Revolving Credit Commitment, as the case may be) without recourse or warranty, and each Bank shall be deemed to have irrevocably and unconditionally purchased and accepted from the L/C Issuer, an undivided interest and participation, to the extent of such Bank's pro rata share of its Tranche A Revolving Credit Commitment or its Tranche B Revolving Credit Commitment, as the case may be, in effect on the date of such issuance, in such L/C, each substitute therefor, each drawing made thereunder, the related Applications and all obligations relating thereto and all Loan Documents supporting, or otherwise benefiting the payment of such Obligations.

(ii) In the event that any Unpaid Drawing is not paid to the L/C Issuer with respect to any L/C Document in full immediately or by a Mandatory Borrowing from all the Banks, the L/C Issuer shall promptly notify the Agent to that effect, and the Agent shall promptly notify the Banks of the amount of such Unpaid Drawing and each such Bank shall immediately pay to the Agent, for immediate payment to the L/C Issuer, in lawful money of the United States and in immediately available funds, an amount equal to such Bank's ratable portion of the amount of such Unpaid Drawing.

(iii) The obligation of each Bank to make Tranche B Credit Loans or Tranche A Credit Loans, as the case may be, in respect of each Mandatory Borrowing and to make payments under the preceding subparagraph (d)(ii) shall be absolute and unconditional and irrevocable and not subject to any qualification or exception whatsoever (except as set forth in this subsection 2.2(d)(iii)), and shall be made in accordance with the terms and conditions of this Agreement under all circumstances and shall not be subject to any conditions set forth in Article 4 hereof or otherwise affected by any circumstance including, without limitation: (1) the occurrence or continuance of a Default or Event of Default (except that the Banks shall not, and shall not have any obligation to, make any Credit Loan in respect of a Mandatory Borrowing after an event of the type specified in subsection 8.6(a) hereof has occurred); (2) any adverse change in the business condition (financial or otherwise), operations, performance, properties or prospects of any Loan Party; (3) any breach of this Agreement or any Application or other Loan Documents by the Borrowers; (4) any setoff, counterclaim, recoupment, defense or other right which such Bank or the Borrowers may have at any time against the L/C Issuer, any other Bank, or any beneficiary named in any L/C Document in connection herewith or otherwise; (5) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (6) any lack of validity or enforcement of this Agreement or any of the Loan Documents; (7) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing, provided that such circumstances or happenings shall not have constituted gross negligence or willful misconduct of the L/C Issuer. The Borrowers agree that any Bank purchasing a participation in any L/C Document from the L/C Issuer may, to the fullest extent permitted by law, exercise all of its rights of payment with respect to such

participation as fully as if such Bank were the direct creditor of the Borrowers in the amount of such participation.

(iv) If the L/C Issuer receives a payment on account of an Unpaid Drawing with respect to any L/C Document as to which any other Bank has funded its participation pursuant to subparagraph (d)(iii) above, the L/C Issuer shall, within one Business Day, pay to the Agent, and the Agent shall, within one Business Day, pay to each Bank which funded its participation therein, in lawful money of the United States and in the kind of funds so received, an amount equal to such Bank's ratable share thereof plus interest at the Federal Funds Rate if not paid to each such Bank within one Business Day of the date such funds were received by the Agent.

(v) If any payment received on account of any reimbursement obligation with respect to any L/C Document and distributed to a Bank as a participant under paragraph (iv) is thereafter recovered from the L/C Issuer thereof in connection with any bankruptcy or insolvency proceeding relating to the Borrower(s) or otherwise, each Bank which received such distribution shall, upon demand by the Agent, repay to the L/C Issuer such Bank's ratable share of the amount so recovered together with an amount equal to such Bank's ratable share (according to the proportion of (1) the amount of such Bank's required repayment to (2) the total amount so recovered) of any interest or other amount paid or payable by the L/C Issuer in respect of the total amount so recovered.

(e) Non-Liability. The Borrowers assume all risks of the acts or omissions of any beneficiary or transferee of any L/C Document with respect to its use thereof. None of the Agent, the L/C Issuer, or any other Bank, nor any of their respective officers or directors, shall be liable or responsible for: (1) the use that may be made of any L/C Document or any acts or omissions of any beneficiary or transferee in connection therewith; (2) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (3) payment by the L/C Issuer against presentation of documents that do not comply with the terms of the L/C Documents issued by the L/C Issuer, except that the Borrowers shall have a claim against the L/C Issuer, and the L/C Issuer shall be liable to the Borrowers, to the extent of any direct, but not consequential, damages suffered by the Borrowers that the Borrowers prove were caused solely by (A) the L/C Issuer's willful misconduct or gross negligence in determining whether documents presented under any L/C Document comply with the terms of such L/C Document or (B) the L/C Issuer's willful failure to make lawful payment under a L/C Document after the presentation to it of a draft and documents and/or certificates strictly complying with the terms and conditions thereof; (4) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they are in cipher; (5) for errors in interpretation of technical terms; (6) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such L/C Document or of the proceeds thereof; and (6) for any consequence arising from causes beyond the control of the L/C Issuer, including, without limitation, any government acts. The Uniform Customs and Practice for Documentary Credits as most recently published by the International Chamber of Commerce shall be deemed a part of this Section 2.2 as if incorporated herein in all respects and shall apply to the L/Cs.

(f) Indemnification. In addition to amounts payable as elsewhere provided in this Agreement, without duplication, the Borrowers agree to indemnify and save harmless the Agent and each Bank including the L/C Issuer from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees and allocated costs of internal counsel) which such Agent, Bank or L/C Issuer may incur or be subject to as a consequence, direct or indirect, of the issuance of any L/C Document or any action or proceeding relating to a court order, injunction, or other process or decree restraining or seeking to restrain the L/C Issuer or the Agent from paying

any amount under any L/C Document or the failure of the L/C Issuer to honor a drawing under any L/C Document issued by such Issuer as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority, except that no such Person shall be entitled to indemnification for matters caused solely by such Person's gross negligence or willful misconduct. Without modifying the foregoing, and anything contained herein to the contrary notwithstanding, the Borrowers shall cause each L/C issued for its account to be canceled and returned to the L/C Issuer thereof on or before its expiration date.

Section 2.3. Notices Relating to Loans.

The Borrowers shall give the Agent written notice of each termination or reduction of the Commitments, each borrowing,conversion, repayment and prepayment of each Loan and of the duration of each Interest Period applicable to each LIBOR Loan (in each case, a "Borrowing Notice"). Each such written notice shall be irrevocable and shall be effective only if received by the Agent not later than 11 a.m., New York City time on the date that is:

(a) In the case of each notice of termination or reduction of the Commitments, five (5) Business Days prior to the date of the related termination or reduction;

(b) In the case of each notice of borrowing and repayment of, or conversion into, Prime Rate Loans, the same Business Day of the related borrowing or repayment or conversion; and

(c) In the case of each notice of borrowing or repayment of, or conversion into, LIBOR Loans, or the duration of an Interest Period for LIBOR Loans, three (3) LIBOR Business Days prior to the date of the related borrowing, repayment or conversion or the first day of such Interest Period.

Each such notice of termination or reduction shall specify the amount thereof. Each such notice of borrowing, conversion, repayment or prepayment shall specify the amount (subject to Section 2.1 hereof) and Type of Loans to be borrowed, converted, repaid or prepaid (and, in the case of a conversion, the Type of Loans to result from such conversion), the date of borrowing, conversion, repayment or prepayment (which shall be: (i) a Business Day in the case of each borrowing or repayment of Prime Rate Loans, and (ii) a LIBOR Business Day in the case of each borrowing, prepayment, or repayment of LIBOR Loans and each conversion of or into a LIBOR Loan). Each such notice of the duration of an Interest Period shall specify the Loans to which such Interest Period is to relate. The Agent shall notify the Banks of the content of each such Borrowing Notice promptly after its receipt thereof. Except as otherwise specifically stated herein, each borrowing shall be a Tranche A borrowing if and to the extent availability exists under the Tranche A Revolving Credit Commitment; and otherwise shall be a Tranche B borrowing.

Section 2.4. Disbursement of Loan Proceeds.

The Borrowers shall give the Agent notice of each borrowing hereunder as provided in Section 2.3 hereof and the Agent shall promptly notify the Banks thereof. Not later than 1:00 p.m., New York City time, on the date specified for each borrowing hereunder, each Bank shall transfer to the Agent, by wire transfer or otherwise, but in any event in immediately available funds, the amount of the Loan to be made by it on such date, and the Agent, upon its receipt thereof, shall disburse such sum to the Borrowers by depositing the amount thereof in an account of the Borrowers, or any of them, designated by the Borrowers maintained with the Agent.

Section 2.5. Notes.

(a) (i) The Tranche A Credit Loans made by each Bank shall be evidenced by a single joint and several promissory note of the Borrowers in substantially the form of Exhibit A-1 hereto (each, a "Tranche A Note" and collectively, the "Tranche A Notes"). Each Tranche A Note shall be dated as of the Closing Date, shall be payable to the order of such Bank in a principal amount equal to such Bank's Tranche A Revolving Credit Commitment as originally in effect, and shall otherwise be duly completed. The Tranche A Notes shall be payable as provided in Sections 2.1 and 2.6 hereof.

(ii) The Tranche B Credit Loans made by each Bank shall be evidenced by a single joint and several promissory note of the Borrowers in substantially the form of Exhibit A-2 hereto (each, a "Tranche B Note" and collectively, the "Tranche B Notes"; the Tranche A Notes and the Tranche B Notes are hereinafter sometimes referred to individually as a "Note" and collectively as the

"Notes"). Each Tranche B Note shall be dated as of the Closing Date, shall be payable to the order of such Bank in a principal amount equal to such Bank's Tranche B Revolving Credit Commitment as originally in effect, and shall otherwise be duly completed. The Tranche B Notes shall be payable as provided in Sections 2.1 and 2.6 hereof.

(b) Each Bank is authorized to enter on a schedule with respect to its Note(s) a notation with respect to each Loan made hereunder of: (i) the date and principal amount thereof and (ii) each payment and repayment of principal thereof. The failure of any Bank to make a notation on any such schedule as aforesaid shall not limit or otherwise affect the joint and several obligation of the Borrowers to repay the Loans in accordance with their respective terms as set forth herein.

Section 2.6. Payment of Loans; Voluntary Changes in Commitment; Mandatory Repayments

(a) All outstanding Credit Loans shall be paid in full not later than the Revolving Credit Commitment Termination Date.

(b) The Borrowers shall be entitled to terminate or reduce the Total Revolving Credit Commitment and repay or prepay the principal amount of the Loans provided that the Borrowers shall give notice of such termination, reduction, prepayment or repayment to the Agent as provided in Section 2.3 hereof and that any repayment or prepayment or partial reduction of the Total Revolving Credit Commitment shall be in the minimum aggregate amount of Three Million ($3,000,000) Dollars and multiples of One Million ($1,000,000) Dollars in excess thereof. Any such termination or reduction shall be permanent and irrevocable. In connection with any such termination or reduction, the Agent shall, at the request of the Borrowers and subject to the consent (which shall not be unreasonably withheld) of the Required Banks, release from its Lien thereon items of Collateral designated by the Borrowers, provided that, after giving effect to such release, the LTV Ratio shall not be greater than 0.667:1.000 and no Default or Event of Default shall exist. Any repayment of a LIBOR Loan shall be on the last day of the relevant Interest Period and all repayments or prepayments of principal (whether mandatory or voluntary) shall be applied first to Prime Rate Loans, and then to the fewest number of Types of LIBOR Loans as possible. Each partial reduction of the Total Revolving Credit Commitment shall be applied to the Total Revolving Credit Commitment according to each Bank's respective Revolving Credit Commitment.

(c) Notwithstanding any other provision of this Agreement, the Loans (i) shall be repaid as and when necessary to cause the aggregate principal amount of (x) Loans outstanding, plus (y) L/C Obligations not to exceed the Total Revolving Credit Commitment, as at any date of determination thereof; and (ii) shall be repaid in order to maintain a LTV Ratio of not greater than 0.667:1.000.

(d) (i) In the event of a Disposition (which Disposition shall, except as provided in subsection 2.6(d)(ii) below, require the consent (in each case, not to be unreasonably withheld) of (x) the Required Banks and the Agent if the asset(s) to be included in the Disposition constitutes Collateral and if after giving effect to such Disposition the aggregate amount of the Net Proceeds arising from all Dispositions of Collateral is equal to or less than $35,000,000, and (y) the Banks and the Agent if the asset(s) to be included in the Disposition constitutes Collateral and if the aggregate amount of the Net Proceeds of all Dispositions of Collateral theretofore made exceeds $35,000,000), the Borrowers shall either (A) repay the Credit Loans in an amount equal to the aggregate Net Proceeds of such Disposition immediately upon receipt thereof (and, so long as after giving effect thereto no Event of Default exists and the LTV Ratio is not greater than 0.667:1.000 (as evidenced by the relevant Appraisals), the Borrowers may reborrow Tranche A Loans in an amount up to such Net Proceeds from Dispositions plus any other amounts previously repaid from any other source, and apply such amounts to the repayment of the Bonds or for any other purpose permitted under Section 2.9), or (B) pledge additional Collateral to the Agent such that after giving effect to any such pledge and any resulting repayment of the Credit Loans, the LTV Ratio is not greater than 0.667:1.000 (as verified by an Appraisal of the additional Collateral)

which additional Collateral shall, if replacing a portion of the Initial Collateral, meet the criteria contained in the definition of Eligible Healthcare Assets or, if replacing a portion of the Additional Collateral, meet the criteria contained in the definition of Additional Eligible Healthcare Asset. In no event shall the proceeds of any borrowing under Tranche B be used either directly or indirectly to repay amounts outstanding under Tranche A. Simultaneously with the Borrowers fulfilling their obligations under this subsection, the Agent shall release its Lien on any Collateral that is subject to the Disposition.

(ii) The parties hereto acknowledge that the term "Disposition" includes the prepayment or repayment in full in accordance with their respective terms of any Mortgage(s) which constitute Collateral, and notwithstanding anything to the contrary contained in subsection 2.6(d)(i) above in connection with a Disposition arising from any such prepayment or repayment, simultaneously with the Borrowers fulfilling their obligations under subsection 2.6(d)(i) above, the Agent shall release its Lien on such Collateral covering the Mortgage (which release shall not require the consent of any Bank).

(e) If any Borrower shall make any public or private issuance of Indebtedness or equity (other than (i) in connection with any dividend reinvestment program(s), (ii) the Equity Contribution, or (iii) the proceeds of any other issuance of Indebtedness or equity (which issuance of Indebtedness by its terms matures later than December 31, 2002) of up to $50,000,000 received prior to February 1, 2001), Omega shall promptly notify the Agent of such issuance and repay the Credit Loans in an amount equal to the aggregate Net Issuance Proceeds of such issuance immediately upon receipt thereof.

Section 2.7. Interest

(a) The Borrowers shall pay to the Agent for the account of each Bank interest on the unpaid principal amount of each Loan made by such Bank for the period commencing on the date of such Loan until such Loan shall be paid in full, at the following rates per annum:

(i) During such periods that such Loan is a Prime Rate Loan, the Alternate Base Rate plus the Applicable Margin; and

(ii) During such periods that such Loan is a LIBOR Loan, for each Interest Period relating thereto, the LIBOR Rate for such Loan for such Interest Period plus the Applicable Margin.

(b) Notwithstanding the foregoing, the Borrowers shall pay interest on any Loan or any installment thereof, and on any other amount (including Unpaid Drawings) payable by the Borrowers hereunder (to the extent permitted by law) that shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise) for the period commencing on the due date thereof until the same is paid in full at the applicable Post-Default Rate.

(c) Except as provided in the next sentence, accrued interest on each Loan shall be payable: (i) in the case of each Prime Rate Loan, quarterly on the Quarterly Dates, (ii) in the case of a LIBOR Loan, on the last day of each Interest Period for such Loan (and, if such Interest Period exceeds three months' duration, quarterly, commencing on the first quarterly anniversary of the first day of such Interest Period), and (iii) in the case of any Loan, upon the payment, repayment or prepayment thereof or the conversion thereof into a Loan of another Type (but only on the principal so paid, repaid or converted). Interest that is payable at the Post-Default Rate shall be payable from time to time on demand of the Agent. Promptly after the establishment of any interest rate provided for herein or any change therein, the Agent will notify the Banks and the Borrowers thereof, provided that the failure of the Agent to so notify the Banks and the Borrowers shall not affect the obligations of the Borrowers hereunder or under any of the Notes in any respect.

(d) Anything in this Agreement or any of the Notes to the

contrary notwithstanding, the obligation of the Borrowers to make payments of interest shall be subject to the limitation that payments of interest shall not be required to be made to any Bank to the extent that such Bank's receipt thereof would not be permissible under the law or laws applicable to such Bank limiting rates of interest that may be charged or collected by such Bank. Any such payments of interest that are not made as a result of the limitation referred to in the preceding sentence shall be made by the Borrowers to such Bank on the earliest interest payment date or dates on which the receipt thereof would be permissible under the laws applicable to such Bank limiting rates of interest that may be charged or collected by such Bank. Such deferred interest shall not bear interest.

Section 2.8. Fees.

(a) (i) On the later of (A) the execution and delivery of this Agreement, or (B) the closing of the sale by Omega to Tenet Healthsystem Philadelphia, Inc. of three medical office buildings and a parking deck located adjacent to Graduate Hospital in Philadelphia, Pennsylvania (the "Graduate Sale") (but in no event later than the Closing Date), the Borrowers shall pay to the Agent, for the ratable benefit of the Banks, a portion in the amount of $300,000 of the non-refundable origination fee in the aggregate amount of $1,312,500 (the "Origination Fee"), and (ii) on the Closing Date, the Borrowers shall pay to the Agent, for the ratable benefit of the Banks, the balance (in the amount of $1,012,500) of the Origination Fee .

(b) The Borrowers shall pay to the Agent for the account of the Banks, pro rata according to their respective Revolving Credit Commitments, a commitment fee (the "Commitment Fee") on the daily average amount of such Bank's Unused Commitment, for the period from the Closing Date to and including the earlier of (i) the date such Bank's Revolving Credit Commitment is terminated, and (ii) the Revolving Credit Commitment Termination Date, at the rate per annum equal to the Commitment Fee Percentage from time to time in effect on the amount of the Total Revolving Credit Commitment. The accrued Commitment Fee shall be payable on the Quarterly Dates, and on the earlier of (i) the date the Total Revolving Credit Commitment is terminated, or (ii) the Revolving Credit Commitment Termination Date, and in the event the Borrowers reduce the Total Revolving Credit Commitment as provided in subsection 2.6(b) hereof, on the effective date of such reduction.

(c) The Borrowers shall pay to the Agent, for its own account: (i) an annual agency fee (the "Agency Fee") commencing on the Closing Date, (ii) (A) a portion in the amount of $125,000 of the non-refundable arrangement fee (the "Arrangement Fee") on the later of (x) the execution and delivery of this Agreement, or (y) the Graduate Sale (but in no event later than the Closing Date), and (B) the balance of the Arrangement Fee on the Closing Date, and (iii) (A) $250,000 on account of fees and expenses in accordance with Section 10.1 hereof on the later of (i) the execution and delivery of this Agreement, or (ii) the Graduate Sale (but in no event later than the Closing Date), and (B) the balance of such fees and expenses on the Closing Date.

(d) The Borrowers shall pay to the Agent for the account of the Banks, pro rata according to their respective Revolving Credit Commitments, a letter of credit fee (the "L/C Fee") on the daily average amount of the aggregate stated amount of the L/C's, for the period from the date hereof to and including the earlier of (i) the date such Bank's Revolving Credit Commitment is terminated and (ii) the Revolving Credit Commitment Termination Date, at the rate per annum equal to the L/C Fee Percentage from time to time in effect. The accrued L/C Fee shall be payable on the Quarterly Dates, and on the earlier of (i) the date the Total Revolving Credit Commitment is terminated, or (ii) the Revolving Credit Commitment Termination Date.

(e) The Origination Fee, the Commitment Fee, the Agency Fee, the Arrangement Fee and the L/C Fee are hereinafter sometimes referred to individually as a "Fee" and collectively as the "Fees". Each of the Origination Fee, the Agency Fee and the Arrangement Fee are more fully described in a separate written agreement among the Borrowers and the Agent.

Section 2.9. Use of Proceeds of Loans

The proceeds of the Credit Loans hereunder may be used by the Borrowers solely: (a) to repay in full all outstanding Indebtedness under the 1997 Loan Agreement, (b) for working capital purposes, (c) subject to subsection 2.2(a) hereof, for the issuance of L/C's to beneficiaries designated by the Borrowers, and (d) for general corporate purposes (including, without limitation, those permitted under Sections 7.4, 7.5 and 7.8 hereof); provided, however, that prior to the repayment in full of the Bonds or satisfaction to the Banks that sources of funds are and will remain available to repay in full the Bonds, none of the proceeds of the Tranche B Credit Loans may be used for investments in, or acquisitions of, Healthcare Assets. No proceeds of the Credit Loans may be utilized to repay any Indebtedness for borrowed money, including without limitation any of the Bonds, except as provided in subsection 2.6(d) hereof. For purposes of this Agreement, provided no Event of Default is continuing, all funds which under Section 2.6(d) may be reborrowed and used for repayment of the Bonds shall be deemed available for repayment of the Bonds. Furthermore, for purposes of this Agreement, provided that (i) Explorer Holdings, L.P. has purchased $100,000,000 of Series C Preferred Stock of Omega substantially on the terms set forth in the Investment Agreement, (ii) the Senior Notes have been paid in full, and (iii) Explorer Holdings, L.P. remains obligated to provide to Omega the Additional Equity Financing (as defined in the Investment Agreement), the Borrowers shall be deemed to have funds which are and will remain available to repay in full the Bonds.

Section 2.10. Collateral.

(a) In order to secure the due payment and performance by the Borrowers of the Obligations, on the Closing Date each of Omega, OHI, NRS, and Delta (collectively, the "Grantors") shall:

(i) Grant to the Agent for the ratable benefit of the Banks (and affiliates thereof in connection with Interest Rate Contracts) a Lien on such of its personal properties and assets, whether now owned or hereafter acquired, tangible and intangible, related to the Facilities identified on Schedule 2.10 hereto (as the same may be modified from time to time in accordance with the terms hereof) by the execution and delivery to the Agent of a Security Agreement in form and substance satisfactory to the Agent (the "Borrower Security Agreement");

(ii) Grant to the Agent for the ratable benefit of the Banks (and affiliates thereof in connection with Interest Rate Contracts) a Lien on such interests in real property related to the Facilities identified on Schedule 2.10 hereto (as the same may be modified from time to time in accordance with the terms hereof), and all improvements now or hereafter located thereon, as the Agent shall require, by the execution and delivery to the Agent of mortgages, deeds of trust, or assignments of mortgages, in form and substance satisfactory to the Agent (individually, a "Borrower Mortgage" and collectively, the "Borrower Mortgages"); and

(iii) Execute and deliver or cause to be executed and delivered such other agreements, instruments and documents as the Agent may reasonably require in order to effect the purposes of the Borrower Security Agreement, the Borrower Mortgages, this Section 2.10 and this Agreement.

(b) All of the agreements, instruments and documents provided for or referred to in this Section 2.10 are hereinafter sometimes referred to collectively as the "Security Documents".

Section 2.11. Minimum Amounts of Borrowings, Conversions and Repayments.

Except for borrowings, conversions and repayments that exhaust the full remaining amount of a Commitment (in the case of borrowings) or result in the conversion or repayment of all Loans of a particular Type (in the case of conversions or repayments) or conversions made pursuant to Section 2.20 or Section 2.21 hereof, each borrowing from each Bank, each conversion of Loans of one Type into Loans of another Type and each repayment or prepayment of principal of Loans hereunder shall be in a minimum amount of One Million ($1,000,000) Dollars, in the case of Prime Rate Loans, and Three Million ($3,000,000) Dollars, in the case of LIBOR Loans, and in either case if in excess thereof, in integral multiples of One Hundred Thousand ($100,000) Dollars (borrowings, conversions and repayments of different Types of Loans at the same time hereunder to be deemed separate borrowings, conversions and repayments for purposes of the foregoing, one for each Type).

Section 2.12. Time and Method of Payments

All payments of principal, interest, Fees and other amounts (including indemnities) payable by the Borrowers hereunder shall be made in Dollars, in immediately available funds, to the Agent at the Principal Office not later than 11:00 a.m., New York City time, on the date on which such payment shall become due (and the Agent or any Bank for whose account any such payment is to be made may, but shall not be obligated to, debit the amount of any such payment that is not made by such time to any ordinary deposit account of the Borrowers, or any of them, with the Agent or such Bank, as the case may be). Additional provisions relating to payments are set forth in Section 10.3 hereof. Each payment received by the Agent hereunder for the account of a Bank shall be paid promptly to such Bank, in like funds, for the account of such Bank's Lending Office for the Loan in respect of which such payment is made.

Section 2.13. Lending Offices

The Loans of each Type made by each Bank shall be made and maintained at such Bank's applicable Lending Office for Loans of such Type.

Section 2.14. Several Obligations

The failure of any Bank to make any Loan to be made by it on the date specified therefor shall not relieve the other Banks of their respective obligations to make their Loans on such date, but no Bank shall be responsible for the failure of the other Banks to make Loans to be made by such other Banks.

Section 2.15. Pro Rata Treatment Among Banks.

Except as otherwise provided herein: (a) each borrowing from the Banks under Section 2.1 hereof will be made from the Banks and each payment of each Fee (other than as set forth in subsection 2.8(a) hereof and the Agency Fee and the Arrangement Fee) shall be made for the account of the Banks pro rata according to the amount of their respective Commitments; (b) each partial reduction of the Revolving Credit Commitment shall be applied to the Commitments of the Banks pro rata according to each Bank's respective Commitment; (c) each payment and repayment of principal of or interest on Loans will be made to the Agent for the account of the Banks pro rata in accordance with the respective unpaid principal amounts of the Loans held by such Banks; and (d) each conversion of Loans of a particular Type shall be made pro rata among the Banks holding Loans of such type according to the respective principal amounts of such Loans held by such Banks.

Section 2.16. Non-Receipt of Funds by the Agent.

Unless the Agent shall have been notified by a Bank or the Borrowers (the "Payor") prior to the date on which such Bank is to make payment to the Agent of the proceeds of a Loan to be made by it hereunder or the Borrowers are to make a payment to the Agent for the account of one or more of the Banks, as the case may be (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Agent, the Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient on such date and, if the Payor has not in fact made the Required Payment to the Agent, the recipient of such payment shall, on demand, repay to the Agent the amount made available to it together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (i) when the recipient is a Bank, the Federal Funds Rate for such day, or (ii) when the recipient is a Borrower, the rate of interest applicable to such Loan.

Section 2.17. Sharing of Payments and Set-Off Among Banks.

The Borrowers hereby agree that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim a Bank may otherwise have, each Bank shall be entitled, at its option, to offset balances held by it at any of its offices against any principal of or interest on any of its Loans hereunder or any Fee payable to it, that is not paid when due (regardless of whether such balances are then due to the Borrowers), in which case it shall promptly notify the Borrowers and the Agent thereof, provided that its failure to give such notice shall not affect the validity thereof. If a Bank shall effect payment of any principal of or interest or Fee on Loans held by it under this Agreement through the exercise of any right of set-off, banker's lien, counterclaim or similar right, it shall promptly purchase from the other Banks participations in the Loans held by the other Banks in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Banks shall share the benefit of such payment pro rata in accordance with the unpaid amount of principal and interest or Fee on the Loans held by each of them. To such end all the Banks shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Borrowers agree that any Bank so purchasing a participation in the Loans held by the other Banks may, to the

fullest extent permitted by law, exercise all rights of payment (including the rights of set-off, banker's lien, counterclaim or similar rights) with respect to such participation as fully as if such Bank were a direct holder of Loans in the amount of such participation. Nothing contained herein shall require any Bank to exercise any such right or shall affect the right of any Bank to exercise and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrowers.

Section 2.18. Conversion of Loans.

The Borrowers shall have the right to convert Loans of one Type into Loans of another Type from time to time, provided that: (i) the Borrowers shall give the Agent notice of each such conversion as provided in Section 2.3 hereof; (ii) LIBOR Loans may be converted only on the last day of an Interest Period for such Loans; (iii) no LIBOR Loan shall be continued as or converted into another LIBOR Loan, or Prime Rate Loan converted into a LIBOR Loan for a new Interest Period, if the principal amount (determined as of the date of any proposed conversion or continuation thereof) of the aggregate Loans and the L/C Obligations outstanding after giving effect to such continuation or conversion would exceed the Total Revolving Commitment then in effect; and (iv) no Prime Rate Loan may be converted into a LIBOR Loan or LIBOR Loan continued as or converted into another LIBOR Loan if on the proposed date of conversion a Default or an Event of Default exists. The Agent shall use its best efforts to notify the Borrowers of the effectiveness of such conversion, and the new interest rate to which the converted Loans are subject, as soon as practicable after the conversion; provided, however, that any failure to give such notice shall not affect the Borrowers' obligations, or the Agent's or the Banks' rights and remedies, hereunder in any way whatsoever.

Section 2.19. Additional Costs; Capital Requirements.

(a) In the event that any existing or future law or regulation, guideline or interpretation thereof, by any court or administrative or governmental authority (foreign or domestic) charged with the administration thereof, or compliance by any Bank with any request or directive (whether or not having the force of law) of any such authority shall impose, modify or deem applicable or result in the application of, any capital maintenance, capital ratio or similar requirement against loan commitments or other obligations entered into by any Bank hereunder, and the result of any event referred to above is to impose upon any Bank or increase any capital requirement applicable as a result of the making or maintenance of such Bank's Commitment or the obligation of such Bank hereunder with respect to such Commitment or otherwise (which imposition of capital requirements may be determined by each Bank's reasonable allocation of the aggregate of such capital increases or impositions), then, upon demand made by such Bank as promptly as practicable after it obtains knowledge that such law, regulation, guideline, interpretation, request or directive exists and determines to make such demand, the Borrowers shall immediately pay to such Bank from time to time as specified by such Bank additional amounts which shall be sufficient to compensate such Bank for such imposition of or increase in capital requirements together with interest on each such amount from the date demanded until payment in full thereof at the Post-Default Rate. A certificate setting forth in reasonable detail the amount necessary to compensate such Bank as a result of an imposition of or increase in capital requirements submitted by such Bank to the Borrowers shall be conclusive, absent manifest error, as to the amount thereof. All references to any "Bank" shall be deemed to include any participant in such Bank's Commitment.

(b) In the event that any Regulatory Change shall: (i) change the basis of taxation of any amounts payable to any Bank under this Agreement or the Notes in respect of any Loans including, without limitation, LIBOR Loans (other than taxes imposed on the overall net income of such Bank for any such Loans by the United States of America or the jurisdiction in which such Bank has its principal office); or (ii) impose or modify any reserve, Federal Deposit Insurance Corporation premium or assessment, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Bank (including any of such Loans or any deposits referred to in the definition of "LIBOR Base Rate" in Article 1 hereof); or (iii) impose any other conditions affecting this Agreement in respect of Loans or L/C's, including, without limitation, LIBOR Loans (or any of such extensions of credit, assets, deposits or liabilities); and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase such Bank's costs of making or maintaining any Loans or L/C's including, without limitation, LIBOR Loans, or its Commitment, or to reduce any amount receivable by such Bank hereunder in respect of its Commitment (such increases in costs and reductions in amounts receivable are hereinafter referred to

as "Additional Costs") in each case, only to the extent, with respect to LIBOR Loans, that such Additional Costs are not included in the LIBOR Base Rate applicable to LIBOR Loans, then, upon demand made by such Bank as promptly as practicable after it obtains knowledge that such a Regulatory Change exists and determines to make such demand (a copy of which demand shall be delivered to the Agent), the Borrowers shall pay to such Bank from time to time as specified by such Bank, additional amounts which shall be sufficient to compensate such Bank for such increased cost or reduction in amounts receivable by such Bank from the date of such change, together with interest on each such amount from the date demanded until payment in full thereof at the Post-Default Rate. All references to any "Bank" shall be deemed to include any participant in such Bank's Commitment.

(c) Without limiting the effect of the foregoing provisions of this Section 2.19, in the event that, by reason of any Regulatory Change, any Bank either: (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Bank which includes deposits by reference to which the interest rate on LIBOR Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Bank which includes LIBOR Loans, or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets that it may hold, then, if such Bank so elects by notice to the Borrowers (with a copy to the Agent), the obligation of such Bank to make, and to convert Loans of any other Type into, Loans of such Type hereunder shall be suspended until the date such Regulatory Change ceases to be in effect (and all Loans of such Type then outstanding shall be converted into Prime Rate Loans or into LIBOR Loans of another duration as the case may be, in accordance with Sections 2.18 and 2.22).

(d) Determinations by any Bank for purposes of this Section 2.19 of the effect of any Regulatory Change on its costs of making or maintaining Loans or L/C's or on amounts receivable by it in respect of Loans, and of the additional amounts required to compensate such Bank in respect of any Additional Costs, shall be set forth in writing in reasonable detail and shall be conclusive, absent manifest error.

Section 2.20. Limitation on Types of Loans.

Anything herein to the contrary notwithstanding, if, on or prior to the determination of an interest rate for any LIBOR Loans for any Interest Period therefor, the Required Banks determine (which determination shall be conclusive):

(a) by reason of any event affecting the money markets in the United States of America or the London interbank market, quotations of interest rates for the relevant deposits are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for such Loans under this Agreement; or

(b) the rates of interest referred to in the definition of "LIBOR Base Rate" in Article 1 hereof upon the basis of which the rate of interest on any LIBOR Loans for such period is determined, do not accurately reflect the cost to the Banks of making or maintaining such Loans for such period;

then the Agent shall give the Borrowers and each Bank prompt notice thereof (and shall thereafter give the Borrowers and each Bank prompt notice of the cessation, if any, of such condition), and so long as such condition remains in effect, the Banks shall be under no obligation to make Loans of such Type or to convert Loans of any other Type into Loans of such Type and the Borrowers shall, on the last day(s) of the then current Interest Period(s) for the outstanding Loans of the affected Type either repay such Loans in accordance with Section 2.6 hereof or convert such Loans into Loans of another Type.

Section 2.21. Illegality.

Notwithstanding any other provision in this Agreement, in the event that it becomes unlawful for any Bank or its applicable Lending Office to: (a) honor its obligation to make any Type of LIBOR Loans hereunder, or (b) maintain any Type of LIBOR Loans hereunder, then such Bank shall promptly notify the Borrowers thereof (with a copy to the Agent), describing such illegality in reasonable detail (and shall thereafter promptly notify the Borrowers and the Agent of the cessation, if any, of such illegality), and such Bank's obligation to make such Type of LIBOR Loans and to convert Prime Rate Loans into LIBOR Loans hereunder shall, upon written notice given by such Bank to the Borrowers, be suspended until such time as such Bank may again make and maintain such type of LIBOR Loans and such Bank's outstanding LIBOR Loans of such Type shall be converted into Prime Rate Loans, in accordance with Sections 2.18 and 2.22 hereof.

Section 2.22. Certain Conversions pursuant to Sections 2.19 and 2.21.

If the Loans of any Bank of a particular Type (Loans of such Type are hereinafter referred to as "Affected Loans" and such Type is hereinafter referred to as the "Affected Type") are to be converted pursuant to Section 2.19 or 2.21 hereof, such Bank's Affected Loans shall be converted into Prime Rate Loans, or LIBOR Loans of another Type, as the case may be (the "New Type Loans"), on the last day(s) of the then current Interest Period(s) for the Affected Loans (or, in the case of a conversion required by subsection 2.19(b) or Section 2.21 hereof, on such earlier date as such Bank may specify to the Borrowers with a copy to the Agent) and, until such Bank gives notice as provided below that the circumstances specified in Section 2.19 or 2.21 hereof which gave rise to such conversion no longer exist:

(a) to the extent that such Bank's Affected Loans have been so converted, all payments and repayments of principal which would otherwise be applied to such Affected Loans shall be applied instead to its New Type Loans;

(b) all Loans which would otherwise be made by such Bank as Loans of the Affected Type shall be made instead as New Type Loans and all Loans of such Bank which would otherwise be converted into Loans of the Affected Type shall be converted instead into (or shall remain as) New Type Loans.

Section 2.23. Indemnification.

The Borrowers shall pay to the Agent for the account of each Bank, upon the request of such Bank through the Agent, such amount or amounts as shall compensate such Bank for any loss (including loss of profit), cost or expense incurred by such Bank (as reasonably determined by such Bank) as a result of:

(a) any payment or repayment or conversion of a LIBOR Loan held by such Bank on a date other than the last day of an Interest Period for such LIBOR Loan except pursuant to Sections 2.19 or 2.21 hereof; or

(b) any failure by the Borrowers to borrow a LIBOR Loan held by such Bank on the date for such borrowing specified in the relevant Borrowing Notice under Section 2.3 hereof, or

(c) any failure by the Borrowers to continue a LIBOR Loan after giving notice of continuation or to prepay a LIBOR Loan on the date specified in a notice of prepayment,

such compensation to include, without limitation, an amount equal to: (i) any loss or expense suffered by such Bank during the period from the date of receipt of such early payment or repayment or the date of such conversion to the last day of such Interest Period if the rate of interest obtainable by such Bank upon the redeployment of an amount of funds equal to such Bank's pro rata share of such payment, repayment or conversion or failure to borrow or convert or continue or prepay is less than the rate of interest applicable to such LIBOR Loan for such Interest Period, or (ii) any loss or expense suffered by such Bank in liquidating LIBOR deposits prior to maturity which correspond to such Bank's pro rata share of such payment, repayment, conversion, failure to borrow or failure to convert or failure to continue or failure to prepay. The determination by each such Bank of the amount of any such loss or expense, when set forth in a written notice to the Borrowers, containing such Bank's calculation thereof in reasonable detail, shall be presumed correct, in the absence of manifest error.

Article 3. Representations and Warranties.

Each of the Borrowers hereby represents and warrants to the Banks and the Agent, and shall again represent and warrant to the Banks and the Agent on the Closing Date, that:

Section 3.1. Organization.

(a) Each Borrower is duly organized and validly existing under the laws of its state of organization and has the power to own its assets and to transact the business in which it is presently engaged and in which it proposes to be engaged. Schedule 3.1 hereto accurately and completely lists, as to each Borrower: (i) the state of incorporation or organization of each such entity, (ii) as to each of them that is a corporation, the classes and number of authorized and outstanding shares of capital stock of each such corporation and, with respect to the Borrowers other than Omega, the owners of such outstanding shares of capital stock, (iii) as to each of them that is a legal entity other than a corporation (but not a natural person), the type and amount of equity interests authorized and outstanding of each such entity, and the owners of such equity interests, and (iv) the business in which each of such entities is engaged. All of the foregoing

shares or other equity interests that are issued and outstanding have been duly and validly issued and are fully paid and non-assessable. Except as set forth on Schedule 3.1, none of the Borrowers has any Subsidiary.

(b) Each Borrower is in good standing in its state of organization and in each state in which it is qualified to do business. There are no jurisdictions other than as set forth on Schedule 3.1 hereto in which the character of the properties owned or proposed to be owned by each Borrower or in which the transaction of the business of each Borrower as now conducted or as proposed to be conducted requires or will require such Borrower to qualify to do business and as to which failure so to qualify could have a Material Adverse Effect on such Borrower.

Section 3.2. Power, Authority, Consents.

Each Borrower has the power to execute, deliver and perform the Loan Documents to be executed by it. Each Borrower has the power to borrow hereunder and has taken all necessary corporate action to authorize the borrowing hereunder on the terms and conditions of this Agreement. Each Borrower has taken all necessary action, corporate or otherwise, to authorize the execution, delivery and performance of the Loan Documents to be executed by it. No consent or approval of any landlord or mortgagee, no waiver of any Lien or right of distraint or other similar right and no consent, license, certificate of need, approval, authorization or declaration of any governmental authority, bureau or agency, is or will be required in connection with the execution, delivery or performance by each Borrower or any other Loan Party, or the validity or enforcement of the Loan Documents or any Lien created and granted thereunder, except (i) to the extent that the failure to obtain such consent, waiver, license, certificate of need, approval, authorization or declaration could not in the aggregate have a Material Adverse Effect; or (ii) as set forth on Schedule 3.2 hereto, each of which either has been duly and validly obtained on or prior to the date hereof and is now in full force and effect, or is designated on Schedule 3.2 as waived by the Required Banks.

Section 3.3. No Violation of Law or Agreements.

The execution and delivery by each Borrower of each Loan Document to which it is a party and performance by it hereunder and thereunder, will not violate any provision of law and will not conflict with or result in a breach of any order, writ, injunction, ordinance, resolution, decree, or other similar document or instrument of any court or governmental authority, bureau or agency, domestic or foreign, or any certificate of incorporation or by-laws of each Borrower, or create (with or without the giving of notice or lapse of time, or both) a default under or breach of any agreement, bond, note or indenture to which each Borrower is a party, or by which each Borrower is bound or any of their respective properties or assets is affected, except for such defaults and breaches which in the aggregate could not have a Material Adverse Effect on the Borrowers, or result in the imposition of any Lien of any nature whatsoever upon any of the properties or assets owned by or used in connection with the business of each Borrower, except for the Liens created and granted pursuant to the Security Documents.

Section 3.4. Due Execution, Validity, Enforceability.

This Agreement has been, and each other Loan Document to which each Borrower is a party will be, duly executed and delivered by each Borrower that is a party thereto and each constitutes, or will on the Closing Date constitute, the valid and legally binding obligation of each Borrower, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion.

Section 3.5. Title to Properties, Priority of Liens.

Each of the Borrowers has good and marketable title in fee simple to, or valid leasehold interests in, or valid mortgage liens on, all real property necessary or used in the ordinary course of its business, except for such defects in title as could not, individually or in the aggregate, have a Material Adverse Effect. All of the properties and assets covered by a Security Document (other than those encumbered by a Mortgage in favor of one of the Borrowers) are owned by each of the Borrowers, as applicable, free and clear of any Lien of any nature whatsoever, except as provided for in the Security Documents, and as permitted by Section 7.2 hereof. The Liens that, simultaneously with the execution and delivery of this Agreement and the consummation of the initial Loans, have been created and granted by the Security Documents constitute valid perfected first Liens on the properties and assets covered by the Security Documents, subject to no prior or equal Lien except as permitted by Section 7.2 hereof.

Section 3.6. Judgments, Actions, Proceedings.

Except as set forth on Schedule 3.6 hereto, there are no outstanding judgments, actions or proceedings, including, without limitation, any Environmental Proceeding, pending before any court or governmental authority, bureau or agency, with respect to or, to the best of each Borrower's knowledge, threatened against or affecting such Borrower involving, (i) in the case of any court proceeding, a claim in excess of Two Million Five Hundred Thousand ($2,500,000) Dollars, and (ii) in the case of any outstanding judgments, in excess of One Million ($1,000,000) Dollars, nor, to the best of each Borrower's knowledge, is there any reasonable basis for the institution of any such action or proceeding that is probable of assertion, nor are there any such actions or proceedings in which any Borrower is a plaintiff or complainant.

Section 3.7. No Defaults, Compliance With Laws.

Except as set forth on Schedule 3.7 hereto, none of the Borrowers is in default under any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment to which it is a party or by which it is bound, or any other agreement or other instrument by which any of the properties or assets owned by it or used in the conduct of its business is affected, which default could have a Material Adverse Effect on such Borrower. Each Borrower has complied and is in compliance in all respects with all applicable laws, ordinances and regulations, resolutions, ordinances, decrees and other similar documents and instruments of all courts and governmental authorities, bureaus and agencies, domestic and foreign, including, without limitation, all applicable provisions of the Americans with Disabilities Act (42 U.S.C. ss.12101-12213) and the regulations issued thereunder and all applicable Environmental Laws and Regulations, non-compliance with which could have a Material Adverse Effect on such Borrower.

Section 3.8. Burdensome Documents.

Except as set forth on Schedule 3.8 hereto, none of the Borrowers is, to the best of the Borrowers' knowledge, a party to or bound by, nor are any of the properties or assets owned by any of the Borrowers used in the conduct of their respective businesses affected by, any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment, including, without limitation, any of the foregoing relating to any Environmental Liability, that materially and adversely affects their respective businesses, assets or conditions, financial or otherwise.

Section 3.9. Financial Statements; Projections.

(a) Each of the Financial Statements is complete and presents fairly the consolidated financial position of Omega as at its date, and has been prepared in accordance with generally accepted accounting principles. To the best of Omega's knowledge, except as set forth on Schedule 3.9 hereto, none of the Borrowers to which any of the Financial Statements relates, has any material obligation, liability or commitment, direct or contingent (including, without limitation, any Environmental Liability), that is not reflected in the Financial Statements which would be required to be so reflected in accordance with GAAP. There has been no material adverse change in the financial position or operations of any of the Borrowers since the date of the latest balance sheet included in the Financial Statements (the "Latest Balance Sheet"). Each Borrower's fiscal year is the twelve-month period ending on December 31 in each year.

(b) The Projections have been prepared on the basis of the assumptions accompanying them and reflect as of the date thereof Omega's good faith projections, after reasonable analysis, of the matters set forth therein, based on such assumptions.

Section 3.10. Tax Returns

Omega and each of its Subsidiaries have filed all federal, state and local tax returns required to be filed by them and have not failed to pay any taxes, or interest and penalties relating thereto, on or before the due dates thereof. Except to the extent that reserves therefor are reflected in the Financial Statements: (i) there are no material federal, state or local tax liabilities of any of Omega or its Subsidiaries, due or to become due for any tax year ended on or prior to the date of the Latest Balance Sheet relating to such entity, whether incurred in respect of or measured by the income of such entity, that are not properly reflected in the Latest Balance Sheet relating to such entity, and (ii) there are no material claims pending or, to the knowledge of each of the Borrowers, proposed or threatened against such entity for past federal, state or local taxes, except those, if any, as to which proper reserves are reflected in the Financial Statements.

Section 3.11. Intangible Assets

Each Borrower possesses all patents, trademarks, service marks, trade

names, and copyrights, and rights with respect to the foregoing, necessary to conduct its business as now conducted and as proposed to be conducted, without any conflict with the patents, trademarks, service marks, trade names, and copyrights and rights with respect to the foregoing, of any other Person.

Section 3.12. Regulation U.

No part of the proceeds received by any of the Borrowers from the Loans will be used directly or indirectly for: (a) any purpose other than as set forth in Section 2.9 hereof, or (b) the purpose of purchasing or carrying, or for payment in full or in part of Indebtedness that was incurred for the purposes of purchasing or carrying, any "margin stock", as such term is defined in ss.221.3 of Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II, Part 221.

Section 3.13. Name Changes, Mergers, Acquisitions.

(a) Except as set forth on Schedule 3.13 hereto, none of the Borrowers has within the six-year period immediately preceding the date of this Agreement changed its name, been the surviving entity of a merger or consolidation, or acquired all or substantially all of the assets of any Person.

(b) To the best of the Borrowers' knowledge, no Collateral constituting personal property having an aggregate fair market value in excess of $50,000 covered by the Security Documents has, at any time during the four-month period immediately preceding the date hereof, been located anywhere other than at its location on the date hereof.

Section 3.14. Full Disclosure.

None of the Financial Statements, the Projections, nor any certificate, opinion, or any other statement made or furnished in writing to the Agent or any Bank by or on behalf of the Borrowers in connection with this Agreement or the transactions contemplated herein, contains any untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading, as of the date such statement was made. There is no fact known to any Borrower that has, or would in the now foreseeable future have, a Material Adverse Effect on such Borrower, which fact has not been set forth herein, in the Financial Statements, the Projections, or any certificate, opinion or other written statement so made or furnished to the Agent or the Banks.

Section 3.15. Licenses and Approvals.

(a) Each Borrower has all necessary licenses, permits and governmental authorizations, including, without limitation, licenses, permits and authorizations arising under or relating to Environmental Laws and Regulations, to own and operate its properties and to carry on its business as now conducted, except for licenses, permits and authorizations the absence of which would not have a Material Adverse Effect on the Borrowers on a consolidated basis.

(b) To the best of Omega's knowledge, no violation exists of any applicable law pertaining to the ownership or operation of any Facility constituting the Collateral that would have a reasonable likelihood of leading to revocation of any license necessary for the operation of such Facility.

Section 3.16. ERISA.

(a) Except as set forth on Schedule 3.16 hereto, no Employee Benefit Plan is maintained or has ever been maintained by any Loan Party or any ERISA Affiliate, nor has any Loan Party or any ERISA Affiliate ever contributed to a Multiemployer Plan.

(b) There are no agreements which will provide payments to any officer, employee, shareholder or highly compensated individual which will be "parachute payments" under 280G of the Code that are nondeductible to any Loan Party and which will be subject to tax under Section 4999 of the Code which could have a Material Adverse Effect on the Borrowers.

Section 3.17. REIT Status.

Omega currently has REIT Status and has maintained REIT Status on a continuous basis since its formation. None of the Subsidiaries of Omega currently has REIT Status, but each is designated as a qualified REIT subsidiary.

Article 4. Conditions to the Loans and Letters of Credit.

Section 4.1. Conditions to Initial Loan(s).

The obligation of each Bank to make the initial Credit Loan to be made by it hereunder shall be subject to the fulfillment (to the satisfaction of the Agent) of the following conditions precedent:

(a) Each Borrower shall have executed and delivered to each Bank its Tranche A Note and its Tranche B Note.

(b) Each of the Grantors shall have:

(i) executed and delivered to the Agent the Borrower Security Agreement;

(ii) duly filed appropriate Uniform Commercial Code financing statements in order to enable the Agent to perfect and preserve its security interest in the Collateral;

(iii) delivered to the Agent acknowledgment copies thereof evidencing such filings;

(iv) delivered to the Agent: (A) copies of certificates of the issuing companies with respect to policies of insurance owned by the Operators covering or in any manner relating to the Collateral naming the Borrower, in its capacity as such, as additional insured as its interests may appear; and (B) evidence of the Borrowers' and the Operators' liability insurance policies;

(v) executed and delivered to the Agent, the Borrower Mortgages to be executed by it, in proper form for recording, and delivered to the Agent such mortgagee title insurance policies, or commitments to issue such policies, issued by such title insurance companies, in such amounts and with only such exceptions, all as shall be required by and satisfactory to the Agent; and

(vi) otherwise duly complied with all of the terms and conditions of the Security Documents to be executed by it.

(c) The Collateral covered by the Security Documents shall be the Eligible Healthcare Assets set forth on Schedule 2.10 (the "Initial Collateral"). In the event that the Appraised Value of the Initial Collateral is less than $262,500,000 additional Collateral consisting of Additional Eligible Healthcare Assets shall be pledged to the Agent (the "Additional Collateral") such that after giving effect to such pledge, the Appraised Value of all Collateral pledged to the Agent pursuant to the Security Documents shall not be less than $262,500,000.

(d) The Agent shall have received documentation in form and substance satisfactory to it that (i) Explorer Holdings, L.P. has purchased, or shall concurrently purchase, for $100,000,000 (the "Equity Contribution") Series C Preferred Stock of Omega, substantially on the terms set forth in the Investment Agreement, and the Senior Notes shall either have been, or shall concurrently be, paid in full or funds sufficient to pay the Senior Notes in full shall concurrently be deposited in escrow (in a manner and pursuant to documentation reasonably satisfactory to the Agent) and then utilized to repay the Senior Notes; and (ii) the Additional Equity Contribution shall be available to repay, at least five days prior to the required payment date, or earlier as required by the Equity Contribution Documents, the Debentures; it being expressly agreed that the Tranche B Credit Loans shall not be available for this purpose and that the Borrowers shall utilize the Additional Equity Contribution for such repayment in the event that the Borrowers do not have other sources available (except as provided in subsection 2.6(d) hereof).

(e) The Agent and the Banks shall have received general releases from each Borrower in their favor and in form and substance satisfactory to the Agent and the Banks.

(f) The Agent shall have conducted, at the Borrowers' expense, an Appraisal of all Eligible Healthcare Assets comprising the Initial Collateral and the Additional Collateral and the results thereof shall be satisfactory to the Agent and the Banks.

(g) (i) The Borrowers shall have paid to the Agent, for the benefit of the Banks, the Origination Fee.

(h) The Borrowers shall have paid to the Agent, the Agency Fee and the Arrangement Fee.

(i) Counsel to the Borrowers shall have delivered its opinion to, and in form and substance satisfactory to, the Agent.

(j) The Agent shall have received complete copies of the Financial Statements and the Projections, each certified as such in a certificate executed by an executive officer of Omega.

(k) The Agent shall have received copies of the following:

(i) All of the consents, approvals and waivers referred to on Schedule 3.2 hereto (except only those which, as stated on Schedule 3.2, shall not be delivered);

(ii) All of the Mortgages and the Leases covered by the Borrower Mortgages and such agreements and Leases covered by the other Security Documents as shall be specifically requested by the Agent;

(iii) The certificates of incorporation or the articles or certificates of organization of each Borrower, certified by the Secretary of State of their respective states of incorporation or organization;

(iv) The by-laws, operating agreements or regulations or other similar documents of each Borrower, certified by their respective secretaries ;

(v) An incumbency certificate (with specimen signatures) with respect to each Borrower; and

(vi) Good standing certificates as of dates not more than sixty (60) days prior to the date of the initial Loan, with respect to each Borrower, from the Secretary of State of their respective states of incorporation or organization and each state in which each of them is qualified to do business; and

(vii) All corporate action taken by each of the Borrowers to authorize the execution, delivery and performance of each of the Loan Documents to which it is a party and the transactions contemplated thereby, certified by their respective secretaries.

(l) (i) Each of the Borrowers shall have complied and shall then be in compliance with all of the terms, covenants and conditions of this Agreement;

(ii) After giving effect to the initial Loan, there shall exist no Default or Event of Default hereunder; and

(iii) The representations and warranties contained in Article 3 hereof shall be true and correct on the date hereof;

and the Agent shall have received a Compliance Certificate dated the date hereof certifying, inter alia, that the conditions set forth in this subsection 4.1(l) are satisfied on such date.

(m) All legal matters incident to the initial Loans shall be satisfactory to counsel to the Agent.

Section 4.2. Conditions to Subsequent Loans.

The obligation of the Banks to make each Credit Loan subsequent to its initial Loan shall be subject to the fulfillment (to the satisfaction of the Agent) of the following conditions precedent:

(a) The Agent shall have received a Borrowing Notice in accordance with Section 2.3 hereof.

(b) The Agent shall have received a Compliance Certificate dated the date of such Loan and effective as of such date, and the matters certified therein, including, without limitation, the absence of any Default or Event of Default, shall be true as of such date.

(c) All legal matters incident to such Loan shall be

satisfactory to counsel for the Agent.

Section 4.3. Conditions to Issuance of L/Cs.

The obligation of the L/C Issuer to issue an L/C shall be subject to the fulfillment (to the satisfaction of the L/C Issuer) of (a) the conditions set forth in Section 4.1 hereof, and (b) the following additional conditions precedent:

(a) The Borrower(s) shall have delivered to the L/C Issuer an Issuance Request pursuant to subsection 2.2(a)(iii) hereof, together with all other documents required to be delivered in connection therewith and all Applications, and the L/C Issuer shall have been paid any and all fees then due in connection therewith.

(b) The Agent shall have received a Compliance Certificate dated the date of the issuance of the L/C Documents and effective as of such date, and the matters certified therein, including, without limitation, the absence of any Default or Event of Default, shall be true as of such date.

(c) All legal matters incident to the L/C Documents shall be reasonably satisfactory to counsel for the Agent.

Section 4.4. Termination of this Agreement.

The Borrowers, the Banks and the Agent hereby acknowledge that:

(a) the 1997 Loan Agreement will continue to remain in full force and effect until such time as all of the conditions precedent set forth in Section 4.1 hereof have been fulfilled in accordance with the terms thereof; and

(b) in the event that any of the conditions precedent set forth in Section 4.1 hereof has not been waived or fulfilled in accordance with the terms thereof prior to August 15, 2000 or such later date to which all the parties hereto agree in writing, then (i) this Agreement shall terminate and the parties hereto shall be relieved of all further obligations hereunder, and (ii) the 1997 Loan Agreement shall continue to remain and full force and effect in accordance with its terms.

Article 5. Delivery of Financial Reports, Documents and Other Information

While the Commitments are outstanding, and, in the event any Loan remains outstanding, so long as any of the Borrowers are indebted to the Banks or the Agent and until payment in full of the Notes and full and complete performance of all of its other obligations arising hereunder, Omega shall deliver to each Bank:

Section 5.1. Annual Financial Statements

Annually, as soon as available, but in any event within ninety (90) days after the last day of each of its fiscal years, a consolidated and consolidating balance sheet of Omega and its Subsidiaries as at such last day of the fiscal year, and consolidated and consolidating statements of income and retained earnings and statements of cash flow, for such fiscal year, each prepared in accordance with generally accepted accounting principles consistently applied, in reasonable detail, and, as to the consolidated statements, certified without qualification by Ernst & Young or another nationally recognized independent public accounting firm or by any other certified public accounting firm satisfactory to the Agent, and certified, as to the consolidating statements, by the chief financial officer of Omega, as fairly presenting the financial position and results of operations of Omega and its Subsidiaries as at and for the year ending on its date and as having been prepared in accordance with GAAP; provided, however, that, Omega may satisfy its obligations to deliver the consolidated financial statements described in this Section 5.1 by furnishing to the Banks a copy of its annual report on Form 10-K in respect of such fiscal year together with the financial statements required to be attached thereto, provided Omega is required to file such annual report on Form 10-K with the Securities and Exchange Commission and such filing is actually made.

Section 5.2. Quarterly Financial Statements.

As soon as available, but in any event within forty-five (45) days after the end of each of Omega's fiscal quarters, a consolidated and consolidating balance sheet of Omega and the Subsidiaries as of the last day of such quarter and consolidated and consolidating statements of income and retained earnings and statements of cash flow, for such quarter, and on a comparative basis figures for the corresponding period of the immediately preceding fiscal year,

all in reasonable detail, each such statement to be certified in a certificate of the chief financial officer of Omega as accurately presenting the financial position and the results of operations of Omega and its Subsidiaries as at its date and for such quarter and as having been prepared in accordance with GAAP (subject to year-end audit adjustments); provided, however, that, Omega may satisfy its obligations to deliver the consolidated financial statements described in this Section 5.2 by furnishing to the Banks a copy of its quarterly report on Form 10-Q in respect of such fiscal quarter together with the financial statements required to be attached thereto, provided Omega is required to file such quarterly report on Form 10-Q with the Securities and Exchange Commission and such filing is actually made.

Section 5.3. Compliance Information.

Promptly after a written request therefor, such other financial data or information evidencing compliance with the requirements of this Agreement, the Notes and the other Loan Documents, as any Bank may reasonably request from time to time.

Section 5.4. No Default Certificate.

At the same time as it delivers the financial statements required under the provisions of Sections 5.1 and 5.2 hereof, a certificate of the chief executive officer or chief financial officer of Omega to the effect that no Event of Default hereunder and that no default under any other material agreement to which any Borrower is a party or by which it is bound, or by which, to the best knowledge of Omega or any other Borrower, any of its properties or assets, taken as a whole, may be materially affected, and no event which, with the giving of notice or the lapse of time, or both, would constitute such an Event of Default or default, exists, or, if such cannot be so certified, specifying in reasonable detail the exceptions, if any, to such statement. Such certificate shall be accompanied by a detailed calculation indicating compliance with the covenants contained in Section 6.9 hereof in the form annexed hereto as Exhibit C together with supporting documentation evidencing any pro forma adjustments.

Section 5.5. Certificate of Accountants.

At the same time as it delivers the financial statements required under the provisions of Section 5.1 hereof, a certificate of the independent certified public accountants of Omega addressed specifically to both Omega and the Agent to the effect that during the course of their audit of the operations of Omega and its Subsidiaries and its condition as of the end of the fiscal year, nothing has come to their attention which would indicate that a Default or an Event of Default hereunder has occurred or that there was any violation of the covenants of Omega and its Subsidiaries contained in Section 6.9 or Article 7 of this Agreement, or, if such cannot be so certified, specifying in reasonable detail the exceptions, if any, to such statement.

Section 5.6. Intentionally Omitted.

Section 5.7. Business Plan and Budget.

Not later than January 31st in each fiscal year, copies of Omega's business plan and budget for such fiscal year on a quarterly basis (together with a copy in writing of the assumptions on which such business plan and budget were based), each prepared by Omega's chief financial officer and illustrating the projected income statements, balance sheets and statements of changes in cash flow on a consolidated basis.

Section 5.8. Quarterly Operator Reports.

(a) As soon as available after the end of each fiscal quarter of Omega, a copy of the quarterly report submitted by Omega to its Board of Directors with respect to the financial condition of Operators which quarterly report shall include a discussion of Operator performance and a summary of coverage and occupancy by each such Operator.

(b) Such other information regarding the financial condition of the Operators as the Agent may from time to time reasonably request.

Section 5.9. Accountants' Reports.

Promptly upon receipt thereof, copies of all other reports submitted to Omega by its independent accountants in connection with any annual or interim audit or review of the books of Omega or its Subsidiaries made by such accountants.

Section 5.10. Copies of Documents.

Promptly upon their becoming available, copies of any: (i) financial statements, non-routine reports, notices (other than routine correspondence), requests for waivers and proxy statements, in each case, delivered by Omega or

any other Borrower to any of their respective existing lending institutions or creditors; (ii) correspondence or notices received by Omega from any federal, state or local governmental authority that regulates the operations of Omega or any of its Subsidiaries, relating to an actual or threatened change or development that would be materially adverse to Omega and its Subsidiaries on a consolidated basis; (iii) registration statements and any amendments and supplements thereto, and any regular and periodic reports, if any, filed by Omega or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any governmental authority succeeding to any or all of the functions of the said Commission; (iv) letters of comment or correspondence sent to Omega by any such securities exchange or such Commission in relation to Omega or any of its Subsidiaries and its affairs; (v) written reports submitted by Omega to its independent accountants in connection with any annual or interim audit of the books of Omega or its Subsidiaries made by such accountants; and (vi) any appraisals received by Omega or any of its Subsidiaries with respect to the Collateral during the term of this Agreement.

Section 5.11. Notices of Defaults.

Promptly, notice of the occurrence of any Default or Event of Default, or any event that would constitute or cause a Material Adverse Effect in the condition, financial or otherwise, or the operations of Omega and its Subsidiaries on a consolidated basis.

Section 5.12. ERISA Notices and Requests.

(a) Concurrently with such filing, a copy of each Form 5500 that is filed with respect to each Plan with the IRS; and

(b) Promptly, upon their becoming available, copies of: (i) all correspondence with the PBGC, the Secretary of Labor or any representative of the IRS with respect to any Plan, relating to an actual or threatened change or development that would be materially adverse to the Borrower(s); (ii) all actuarial valuations received by the Borrower(s) with respect to any Plan; and (iii) any notices of Plan termination filed by any Plan Administrator (as those terms are used in ERISA) with the PBGC and of any notices from the PBGC to the Borrower(s) with respect to the intent of the PBGC to institute involuntary termination proceedings.

Section 5.13. Additional Information.

Such other material additional information regarding the business, affairs and condition of the Borrowers as the Agent may from time to time reasonably request, including, without limitation, quarterly schedules, in form and substance satisfactory to the Agent, with respect to Omega on a consolidated basis, of recorded liabilities, unfunded commitments, contingent liabilities and other similar material items. In addition, the Borrowers shall notify the Agent in writing of any dividend policy revisions relating to Omega concurrently with public notice or disclosure thereof.

Article 6. Affirmative Covenants.

While the Commitments are outstanding, and, in the event any Loan or L/C Obligation remains outstanding, so long as any Borrower is indebted to the Banks or the Agent, and until payment in full of the Notes and full and complete performance of all of its other obligations arising hereunder, each Borrower shall:

Section 6.1. Books and Records.

Keep proper books of record and account in a manner reasonably satisfactory to the Agent in which full and true entries shall be made of all dealings or transactions in relation to its business and activities.

Section 6.2. Inspections and Audits; Appraisals.

(a) Permit the Banks to make or cause to be made (prior to an Event of Default, at the Banks' expense and after the occurrence of and during the continuance of an Event of Default, at the Borrowers' expense), inspections and audits of any books, records and papers of Omega or any other Borrower and to make extracts therefrom and copies thereof, or to make appraisals, inspections and examinations of any properties and facilities of Omega or any other Borrower on reasonable notice, at all such reasonable times and as often as any Bank may reasonably require, in order to assure that the Borrowers are and will be in compliance with their obligations under the Loan Documents or to evaluate the Banks' investment in the then outstanding Notes.

(b) Upon the occurrence of an Event of Default arising under Section 8.2 as a result of the Borrowers' failure to comply with Section 6.9, the Agent may, at the expense of the Borrowers, obtain an Appraisal with respect to each Facility included in the Collateral and, in the event that based on any such Appraisal, the LTV Ratio is greater than 0.667:1.00, the Borrowers shall within five (5) Business Days of any of the Borrowers obtaining knowledge thereof, prepay the Credit Loans or grant to the Agent for the ratable benefit of the Banks, in order to secure the Obligations, a valid perfected first Lien (subject to no prior or equal Lien except as permitted by this Agreement) on such additional or substituted Eligible Healthcare Assets pursuant to such documents and instruments as shall be satisfactory in form and substance to the Agent, such that after giving effect to such prepayment or such grant, the LTV Ratio shall again be equal to or less than 0.667:1.000.

Section 6.3. Maintenance and Repairs.

Cause to be maintained in good repair, working order and condition, subject to normal wear and tear, all material properties and assets from time to time owned by Omega or any other Borrower and used in or necessary for the operation of its businesses, and make or cause to be made all reasonable repairs, replacements, additions and improvements thereto.

Section 6.4. Continuance of Business.

Do, or cause to be done, all things reasonably necessary to preserve and keep in full force and effect the corporate existence of Omega and each other Borrower and all permits, rights and privileges necessary for the proper conduct of its business, and continue to engage in the same line of business and comply in all material respects with all applicable laws, regulations and orders.

Section 6.5. Copies of Corporate Documents.

Subject to the prohibitions set forth in Section 7.6 hereof, promptly deliver to the Agent copies of any amendments or modifications to the certificate of incorporation and by-laws of Omega and each other Borrower, certified with respect to the certificate of incorporation by the Secretary of State of its state of incorporation and, with respect to the by-laws, by the secretary or assistant secretary of such corporation.

Section 6.6. Perform Obligations.

Pay and discharge all of the obligations and liabilities of Omega and each other Borrower, including, without limitation, all taxes, assessments and governmental charges upon its income and properties when due, unless and to the extent only that such obligations, liabilities, taxes, assessments and governmental charges shall be contested in good faith and by appropriate proceedings and that, to the extent required by generally accepted accounting principles then in effect, proper and adequate book reserves relating thereto are established by Omega or any other Borrower, as applicable, and then only to the extent that a bond is filed in cases where the filing of a bond is necessary to avoid the creation of a Lien against any of its properties.

Section 6.7. Notice of Litigation.

Promptly notify the Agent in writing of any litigation, legal proceeding or dispute, other than disputes in the ordinary course of business or, whether or not in the ordinary course of business, involving amounts in excess of Five Million ($5,000,000) Dollars, affecting Omega or any other Borrower whether or not fully covered by insurance, and regardless of the subject matter thereof (excluding, however, any actions relating to workers' compensation claims or negligence claims relating to use of motor vehicles, if fully covered by insurance, subject to deductibles).

Section 6.8. Insurance.

(a) (i) Maintain with responsible insurance companies acceptable to the Agent such insurance on such of the properties of Omega and each other Borrower, in such amounts and against such risks as is customarily maintained by similar businesses and cause each Operator to do so; (ii) file with the Agent upon its request a detailed list of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby; and (iii) within ten (10) days after notice in writing from the Agent, obtain such additional insurance as the Agent may reasonably

request; and

(b) Carry all insurance available through the PBGC or any private insurance companies covering its obligations to the PBGC.

Section 6.9. Financial Covenants.

(a) Have or maintain, with respect to Omega, on a consolidated basis, as at the last day of each fiscal quarter of Omega, a ratio of Indebtedness to Tangible Net Worth of not more than 1.50:1.00.

(b) Have or maintain, with respect to Omega, on a consolidated basis, as at the last day of each fiscal quarter of Omega, Tangible Net Worth (after the Initial Equity Contribution of $100,000,000) of not less than $445,000,000, plus 50% of (i) the Net Issuance Proceeds received by Omega (or any of its Subsidiaries) in connection with the issuance of any equity interest in Omega (or any of its Subsidiaries) other than any such equity interests issued in connection with the Initial Equity Contribution and any dividend reinvestment program(s), and (ii) the value (determined in accordance with GAAP) of any capital stock by Omega issued upon the conversion of convertible Indebtedness.

(c) Have or maintain, with respect to Omega, on a consolidated basis, as at the last day of each fiscal quarter of Omega, Interest Coverage of not less than 200%.

(d) Omega, on a consolidated basis, shall not incur a Net Loss in any fiscal year commencing with the fiscal year ending December 31, 2001.

(e) Have or maintain as at the last day of each fiscal quarter of Omega, Omega's Fixed Coverage Ratio of not less than 1.00:1.00.

(f) Have or maintain as at the last day of each fiscal quarter of Omega, a Leverage Ratio of not greater than 5.00:1.00.

(g) Have or maintain Collateral Coverage with respect to the Facilities comprising the Collateral of at least 1.40:1.00 at all times.

Section 6.10. Notice of Certain Events

(a) Promptly notify the Agent in writing of the occurrence of any Reportable Event, as defined in Section 4043 of ERISA, if a notice of such Reportable Event is required under ERISA to be delivered to the PBGC within 30 days after the occurrence thereof, together with a description of such Reportable Event and a statement of the action the Borrower(s) or the ERISA Affiliate intends to take with respect thereto, together with a copy of the notice thereof given to the PBGC.

(b) Promptly notify the Agent in writing if the Borrower(s) or ERISA Affiliate receives an assessment of withdrawal liability in connection with a complete or partial withdrawal with respect to any Multiemployer Plan, together with a statement of the action that such Borrower(s) or ERISA Affiliate intends to take with respect thereto.

(c) Promptly notify the Agent in writing if any Borrower receives: (i) any notice of any violation or administrative or judicial complaint or order having been filed or about to be filed against such Borrower alleging violations of any Environmental Law and Regulation, or (ii) any notice from any governmental body or any other Person alleging that such Borrower is or may be subject to any Environmental Liability; and promptly upon receipt thereof, provide the Agent with a copy of such notice together with a statement of the action such Borrower intends to take with respect thereto.

Section 6.11. Comply with ERISA

Materially comply with all applicable provisions of ERISA and the Code now

or hereafter in effect.

Section 6.12. Environmental Compliance.

Operate all property owned, operated or leased by it in compliance with all Environmental Laws and Regulations, such that no Environmental Liability arises under any Environmental Laws and Regulations, which would result in a Lien on any property of any Borrower.

Section 6.13. Maintenance of REIT Status.

Maintain its REIT Status.

Article 7. Negative Covenants.

While the Commitments are outstanding, and, in the event any Loan or L/C Obligation remains outstanding, so long as any Borrower is indebted to the Banks or the Agent and until payment in full of the Notes and full and complete performance of all of its other obligations arising hereunder, none of the Borrowers shall do, agree to do, or permit to be done, any of the following:

Section 7.1. Indebtedness.

Create, incur, permit to exist or have outstanding any Indebtedness, except:

(a) Indebtedness of the Borrowers to the Banks and the Agent under this Agreement and the Notes;

(b) Taxes, assessments and governmental charges, non-interest bearing accounts payable and accrued liabilities, in any case not more than 90 days past due from the original due date thereof, and non-interest bearing deferred liabilities other than for borrowed money (e.g., deferred compensation and deferred taxes), in each case incurred and continuing in the ordinary course of business;

(c) Indebtedness secured by the security interests referred to in subsection 7.2(b) hereof;

(d) Indebtedness consisting of contingent obligations permitted by Section 7.3 hereof;

(e) As set forth on Schedule 7.1 hereto; and

(f) Indebtedness, the terms of which shall not require any principal payments thereon prior to the Revolving Credit Commitment Termination Date.

Section 7.2. Liens.

Create, or assume or permit to exist, any Lien on any of the properties or assets of Omega or any other Borrower, whether now owned or hereafter acquired, except:

(a) Permitted Liens;

(b) Purchase money Liens on Property acquired or held by Omega or its Subsidiaries in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such Property; provided, that (i) any such Lien attaches to such Property concurrently with or within twenty (20) days after the acquisition thereof, (ii) such Lien attaches solely to the Property so acquired in such transaction, and (iii) the principal amount of the debt secured thereby does not exceed 100% of the cost of such Property;

(c) Liens on assets securing Indebtedness permitted under subsection 7.1(e) hereof; and

(d) As set forth on Schedule 7.2 hereto.

Section 7.3. Guaranties.

Assume, endorse, be or become liable for, or guarantee, the obligations of any Person, except (i) by the endorsement of negotiable instruments for deposit or collection in the ordinary course of business, (ii) if, after giving effect to the proposed guarantee, the aggregate amount of all obligations guaranteed by the Borrowers, or any of them, would not exceed Two Million ($2,000,000) Dollars, (iii) guarantees made in the ordinary course of business by Omega of

obligations of any of the Borrowers, provided those obligations are otherwise permitted under this Agreement, and (iv) as set forth on Schedule 7.1 hereto. For the purposes hereof, the term "guarantee" shall include any agreement, whether such agreement is on a contingency or otherwise, to purchase, repurchase or otherwise acquire Indebtedness of any other Person, or to purchase, sell or lease, as lessee or lessor, property or services, in any such case primarily for the purpose of enabling another person to make payment of Indebtedness, or to make any payment (whether as an advance, capital contribution, purchase of an equity interest or otherwise) to assure a minimum equity, asset base, working capital or other balance sheet or financial condition, in connection with the Indebtedness of another Person, or to supply funds to or in any manner invest in another Person in connection with such Person's Indebtedness.

Section 7.4. Mergers, Acquisitions.

Except as expressly permitted by this Agreement, merge or consolidate with any Person, or, acquire all or substantially all of the assets or any of the capital stock of any Person unless (a) Omega is the surviving entity, (b) no Default or Event of Default exists or will occur after giving effect thereto, and (c) the consideration paid in connection with any such merger or acquisition does not exceed an amount equal to twenty-five (25%) percent of Healthcare Assets as at the date of the consummation of such transaction, prior to giving effect to such transaction.

Section 7.5. Redemptions; Distributions.

(a) Purchase, redeem, retire or otherwise acquire, directly or indirectly, or make any sinking fund payments with respect to, any shares of any class of stock of Omega or any Subsidiary now or hereafter outstanding or set apart any sum for any such purpose; unless (i) the Bonds have been paid in full or the Required Banks are satisfied that sources of funds are and will remain available to repay the Bonds in full, and (ii) after giving effect thereto (A) no Event of Default shall exist, (B) there shall be not less than $15,000,000 available under the Revolving Credit Commitment; and (C) the aggregate amount of all such purchases, redemptions and payments shall be less than $15,000,000; or

(b) Declare or pay any dividends or make any distribution of any kind on Omega's outstanding stock, or set aside any sum for any such purpose, except that:

(i) Omega may declare and make dividend payments or other distributions payable solely in its common stock;

(ii) if no Default or Event of Default exists or will occur after giving effect thereto, Omega may declare and pay cash dividends in any fiscal quarter in an amount, when added to the cash dividends paid with respect to the three (3) immediately preceding fiscal quarters, that does not exceed ninety-five (95%) percent of EBITDA (which shall be calculated without adding back interest expense for the purpose hereof) for those four (4) fiscal quarters calculated on a rolling four-quarter basis; and

(iii) If a Default or Event of Default exists or would occur after giving effect thereto, Omega may declare and pay dividends in any fiscal quarter in the minimum amount necessary to maintain its REIT status.

Section 7.6. Changes in Structure.

Except for supplemental issuance of Omega's authorized common stock and preferred stock and as otherwise expressly permitted under Sections 7.5 and 7.8, make any changes in the equity capital structure of Omega or any other Borrower, or amend its certificate of incorporation or by-laws in a manner which would be reasonably likely to cause a Material Adverse Effect.

Section 7.7. Disposition of Assets.

Make any Disposition of Property, or enter into any agreement to do so, unless (a) the Disposition is at fair market value, and (b) at the time of the Disposition, and after giving effect thereto, no Event of Default exists or would exist.

Section 7.8. Investments.

Make, or suffer to exist, any Investment in any Person, including, without limitation, any shareholder, director, officer or employee of Omega or any of its Subsidiaries, except:

(a) Investments in:

(i) obligations issued or guaranteed by the United States of America;

(ii) certificates of deposit, bankers acceptances and other "money market instruments" issued by any bank or trust company organized under the laws of the United States of America or any State thereof and having capital and surplus in an aggregate amount of not less than $100,000,000;

(iii) open market commercial paper bearing the highest credit rating issued by Standard & Poor's Corporation or by another nationally recognized credit rating agency;

(iv) repurchase agreements entered into with any bank or trust company organized under the laws of the United States of America or any State thereof and having capital and surplus in an aggregate amount of not less than $100,000,000 relating to United States of America government obligations; and

(v) shares of "money market funds", each having net assets of not less than $100,000,000;

in each case maturing or being due or payable in full not more than 180 days after the Borrower's acquisition thereof.

(b) The acquisition by Omega and its Subsidiaries, on a consolidated basis, of Healthcare Assets consisting of Facilities and Mortgages which do not exceed twenty-five (25%) percent of Healthcare Assets in any single transaction or series of related transactions as at any date of determination thereof, prior to giving effect to any such acquisition.

(c) Investments for working capital purposes in Subsidiaries that are operating one or more Facilities as a consequence of a foreclosure, deed-in-lieu of foreclosure, termination of a lease or similar event, such investments of working capital to be limited to the amounts reasonably necessary to maintain the Facilities in compliance with all applicable laws and to maintain the Facilities' eligibility for reimbursement as a provider of health care services under the Medicare and Medicaid programs or any equivalent government insurance program that is a successor thereto.

(d) (i) Investments in subsidiaries in an amount equal to that amount, if any, by which One Hundred Million ($100,000,000) Dollars exceeds the portion of the "Liquidity Commitment" (as defined in the Investment Agreement) actually funded and applied to pay the Debentures, provided such Investments may only be made from and after the payment in full of the Debentures or, if prior to the payment in full of the Debentures, upon satisfaction to the Banks that sources of funds are and will remain available to repay in full the Debentures, and (ii) Investments in Subsidiaries in an amount not to exceed Two Hundred Fifty Million ($250,000,000) in the aggregate, in each case, such subsidiaries or Subsidiaries established for the purpose of acquiring Facilities leased to one or more operators or making loans to operators secured by mortgages in favor of such subsidiaries or Subsidiaries, as the case may be; provided, however, that in no event shall the aggregate amount of Investments made under this subsection 7.8(d) exceed $250,000,0000.

(e) In addition to other Investments permitted by this Section 7.8, other Investments by Omega on a consolidated basis, which do not exceed Twenty-Five Million ($25,000,000) Dollars in the aggregate at any time.

(f) As set forth on Schedule 7.8 hereto.

For purposes of this Section 7.8, "Investments" shall mean, by any Person:

(i) the amount paid or committed to be paid, or the value of property or services contributed or committed to be contributed, by such Person for or in connection with the acquisition by such Person of any stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person; and

(ii) the amount of any advance, loan or extension of credit by such Person, to any other Person, or guaranty or other similar obligation of such Person with respect to

any Indebtedness of such other Person, and (without duplication) any amount committed to be advanced, loaned, or extended by such Person to any other Person, or any amount the payment of which is committed to be assured by a guaranty or similar obligation by such Person for the benefit of, such other Person.

Section 7.9. Fiscal Year.

Change its fiscal year.

Section 7.10. ERISA Obligations.

Permit the establishment of any Employee Benefit Plan or amend any Employee Benefit Plan which establishment or amendment could result in liability to any Loan Party or increase the obligation for post-retirement welfare benefits of any Loan Party which liability or increase, individually or together with all similar liabilities and increases, has a Material Adverse Effect on any Loan Party.

Section 7.11. Capital Expenditures.

Except as otherwise permitted under this Agreement, make or be or become obligated to make Capital Expenditures for corporate purposes of the Borrowers in the aggregate for the Borrowers on a consolidated basis, during each fiscal year of the Borrowers, in excess of Two Hundred Fifty Thousand ($250,000) Dollars.

Section 7.12. Use of Cash.

Use, or permit to be used, in any manner or to any extent, each Borrower's Cash from operations for the benefit of any Person, except: (a) in connection with the payment or prepayment of expenses (other than Capital Expenditures) directly incurred for the benefit of each Borrower in the maintenance and operation of its business, in each case only in the ordinary course of its business, (b) for the payment of scheduled, required payments of principal and interest on Indebtedness of each Borrower permitted to exist hereunder, (c) payments or prepayments of (i) Indebtedness for borrowed money permitted to exist hereunder provided the final maturity of such Indebtedness is not later than the Revolving Credit Commitment Termination Date; and (ii) any loan or loans made by The Provident Bank pursuant to a Loan Agreement dated March 31, 1999 between Omega and The Provident Bank, as the same has been or may be amended from time to time during the term of this Agreement, and (c) for uses that are otherwise specifically permitted by this Agreement.

Section 7.13. Transactions with Affiliates.

Except as expressly permitted by this Agreement, directly or indirectly: (a) make any Investment in an Affiliate; (b) transfer, sell, lease, assign or otherwise dispose of any assets to an Affiliate; (c) merge into or consolidate with or purchase or acquire assets from an Affiliate; or (d) enter into any other transaction directly or indirectly with or for the benefit of any Affiliate (including, without limitation, guarantees and assumptions of obligations of an Affiliate); provided, however, that: (i) payments on Investments expressly permitted by Section 7.8 hereof may be made, (ii) any Affiliate who is a natural person may serve as an employee or director of Omega or any Subsidiary and receive reasonable compensation for his services in such capacity, and (iii) any Borrower may enter into any transaction with an Affiliate providing for the leasing of property, the rendering or receipt of services or the purchase or sale of product, inventory and other assets in the ordinary course of business if the monetary or business consideration arising therefrom would be substantially as advantageous to such Borrower as the monetary or business consideration that would obtain in a comparable arm's length transaction with a Person not an Affiliate.

Section 7.14. Hazardous Material.

Cause or permit: (i) any Hazardous Material to be placed, held, located or disposed of, on, under or at any Facility or any part thereof, except for such Hazardous Materials that are necessary for Omega's or any Subsidiary's or any Operator's operation of its business thereon and which shall be used, stored, treated and disposed of in compliance with all applicable Environmental Laws and Regulations or (ii) such Facility or any part thereof to be used as a collection, storage, treatment or disposal site for any Hazardous Material. Omega and each Subsidiary acknowledges and agrees that the Agent and the Banks shall have no liability or responsibility for either:

(i) damage, loss or injury to human health, the environment or natural resources caused by the presence, disposal, release or threatened release of Hazardous Materials on any part of such Facility; or

(ii) abatement and/or clean-up required under any applicable

Environmental Laws and Regulations for a release, threatened release or disposal of any Hazardous Materials located at any Facility or used by or in connection with the Omega's or any Subsidiary's or any Operator's business.

Section 7.15. Interest Rate Protection.

Permit more than twenty-five (25%) percent of Indebtedness (other than outstanding Credit Loans), on a consolidated basis, to bear interest at other than fixed rates; provided, however, that if and to the extent that any such Indebtedness is subject to an Interest Rate Contract, such Indebtedness shall be deemed to bear interest at a fixed rate.

Section 7.16. Double Negative Pledge.

Enter into any agreement which prohibits or limits the ability of Omega to create, incur, assume or suffer to exist any Lien upon any of the issued and outstanding capital stock of the other Grantors.

Article 8. Events of Default.

If any one or more of the following events ("Events of Default") shall occur and be continuing, the Commitments shall terminate and the entire unpaid balance of the principal of and interest on the Notes outstanding and all other obligations and Indebtedness of each of the Borrowers to the Banks and the Agent arising hereunder and under the other Loan Documents shall immediately become due and payable upon written notice to that effect given to each Borrower by the Agent (except that in the case of the occurrence of any Event of Default described in Section 8.6 no such notice shall be required), without presentment or demand for payment, notice of non-payment, protest or further notice or demand of any kind, all of which are expressly waived by each Borrower:

Section 8.1. Payments.

Failure by any Borrower to make any payment or mandatory repayment of principal or interest upon any Note or to make any payment of any Fee when due; or

Section 8.2. Certain Covenants.

Failure by any Borrower to perform or observe any of the agreements of a Borrower contained in Section 6.9 or Article 7 hereof; or

Section 8.3. Other Covenants.

Failure by any Borrower to perform or observe any other term, condition or covenant of this Agreement or of any of the other Loan Documents to which it is a party, which shall remain unremedied for a period of thirty (30) days after notice thereof shall have been given to such Borrower by the Agent; or

Section 8.4. Other Defaults.

(a) Failure by any Borrower to perform or observe any term, condition or covenant of any bond, note, debenture, loan agreement, indenture, guaranty, trust agreement, mortgage or similar instrument to which it is a party or by which it is bound, or by which any of its properties or assets may be affected including, without limitation, any of the subordinated notes or other agreements or evidences of Indebtedness covered by any Subordination Agreement (a "Debt Instrument"), so that, as a result of any such failure to perform, the Indebtedness included therein or secured or covered thereby may be declared due and payable prior to the date on which such Indebtedness would otherwise become due and payable; or

(b) Any event or condition referred to in any Debt Instrument shall occur or fail to occur, so that, as a result thereof, the Indebtedness included therein or secured or covered thereby may be declared due and payable prior to the date on which such Indebtedness would otherwise become due and payable; or

(c) Failure to pay any Indebtedness for borrowed money due at final maturity or pursuant to demand under any Debt Instrument;

provided, however, that the provisions of this Section 8.4 shall not be applicable to any Debt Instrument that on the date this Section 8.4 would otherwise be applicable thereto, relates to or evidences Indebtedness in a principal amount of less than $5,000,000; or

Section 8.5. Representations and Warranties.

Any representation or warranty made in writing to the Banks or the Agent in any of the Loan Documents or in connection with the making of the Loans, or any certificate, statement or report made or delivered in compliance with this Agreement, shall have been false or misleading in any material respect when made or delivered, which in any event results in a Material Adverse Effect; or

Section 8.6. Bankruptcy.

(a) Any Borrower shall make an assignment for the benefit of creditors, file a petition in bankruptcy, be adjudicated insolvent, petition or apply to any tribunal for the appointment of a receiver, custodian, or any trustee for it or a substantial part of its assets, or shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or any Borrower shall take any corporate action to authorize any of the foregoing actions; or there shall have been filed any such petition or application, or any such proceeding shall have been commenced against it, that remains undismissed for a period of thirty (30) days or more; or any order for relief shall be entered in any such proceeding; or any Borrower by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or the appointment of a custodian, receiver or any trustee for it or any substantial part of any of its properties, or shall suffer any custodianship, receivership or trusteeship to continue undischarged for a period of thirty (30) days or more; or

(b) Any Borrower shall generally not pay its debts as such debts become due; or

(c) Any Borrower shall have concealed, removed, or permitted to be concealed or removed, any part of its property, with intent to hinder, delay or defraud its creditors or any of them or made or suffered a transfer of any of its property that may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall have made any transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or shall have suffered or permitted, while insolvent, any creditor to obtain a Lien upon any of its property through legal proceedings or distraint that is not vacated within thirty (30) days from the date thereof; or

Section 8.7. Judgments.

Any judgment against any Borrower or any attachment, levy or execution against any of its properties for any amount in excess of $2,500,000 shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of thirty (30) days or more; or

Section 8.8. ERISA.

(a) The termination of any Plan or the institution by the PBGC of proceedings for the involuntary termination of any Plan, in either case, by reason of, or that results or could result in, a "material accumulated funding deficiency" under Section 412 of the Code; or

(b) Failure by any Borrower to make required contributions, in accordance with the applicable provisions of ERISA, to each of the Plans hereafter established or assumed by it; or

Section 8.9. Material Adverse Effect.

There shall occur a Material Adverse Effect; or

Section 8.10. Ownership.

(a) Any Person, or a group of related Persons, other than Explorer Holdings, L.P., or any successor or assign thereof, shall acquire (i) beneficial ownership in excess of 25% of the outstanding stock of Omega or other voting interest having ordinary voting powers to elect a majority of the directors, managers or trustees of Omega (irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency) or (ii) all or substantially all of the Investments of Omega, or (b) a majority of the Board of Directors of Omega, at any time, shall be composed of Persons other than (i) Persons who were members of the Board of Directors on the date of this Agreement, or (ii)

Persons who subsequently become members of the Board of Directors on the date of this Agreement, or (iii) Persons who subsequently become members of the Board of Directors and who either (x) are appointed or recommended for election with the affirmative vote of a majority of the directors in office as of the date of this Agreement or (y) are appointed or recommended for election with the affirmative vote of a majority of the Board of Directors of Omega then in office; or

Section 8.11. REIT Status, Etc.

Omega shall at any time fail to maintain its REIT Status, or Omega or any other Borrower shall lose, through suspension, termination, impoundment, revocation, failure to renew or otherwise, any license or permit if such loss could result in a Material Adverse Effect on Omega and its Subsidiaries on a consolidated basis; or

Section 8.12. Environmental.

Omega or any of its Facilities shall become subject to one or more liens for costs or damages in excess of $5,000,000 individually or in the aggregate under any Environmental Laws and Regulations and such liens shall remain in place for 30 days after the creation thereof; or

Section 8.13. Default by Operator.

Ninety (90) days after the occurrence of any default by an Operator in the payment of amounts which are due and owing under any lease, note, mortgage or deed of trust (or related security documents) between an Operator and any Borrower or any other event of default by an Operator under the applicable lease, note, mortgage or deed of trust (or related security document) as a result of which such Borrower accelerates the obligations of such Operator, with respect in each case to an Operator whose aggregate Lease Rental Expense and/or Mortgage Expense accounts for 15% or more of the aggregate amount of all Lease Rental Expense and/or Mortgage Expense owing to the Borrowers from all Operators; or

Section 8.14. Liens.

Any of the Liens created and granted to the Agent for the ratable benefit of the Banks under the Security Documents shall fail to be valid, first, perfected Liens, subject to no prior or equal Lien, except as permitted by Section 7.2 hereof, other than as a result of the Agent's failure to record and/or file where and/or when appropriate (based on the Borrowers' representations) the Security Documents and any required continuation statements.

Article 9. The Agent.

Section 9.1. Appointment, Powers and Immunities.

Each Bank hereby irrevocably appoints and authorizes the Agent to act as its agent hereunder and the other Loan Documents with such powers as are specifically delegated to the Agent by the terms of this Agreement and the other Loan Documents together with such other powers as are reasonably incidental thereto. The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Loan Documents and shall not be a trustee for any Bank. The Agent shall not be responsible to the Banks for any recitals, statements, representations or warranties contained in this Agreement or the other Loan Documents in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or the other Loan Documents, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents or any other document referred to or provided for herein or therein or for the collectibility of the Loans or for the validity, effectiveness or value of any interest or security covered by the Security Documents or for the value of any Collateral or for the validity or effectiveness of any assignment, mortgage, pledge, security agreement, financing statement, document or instrument, or for the filing, recording, re-filing, continuing or re-recording of any thereof or for any failure by any Borrower to perform any of its obligations hereunder or under the other Loan Documents. The Agent may employ agents and attorneys-in-fact and shall not be answerable, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Agent nor any of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or the other Loan Documents or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

Section 9.2. Reliance by Agent.

The Agent shall be entitled to rely upon any certification, notice or other

communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper person or persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. As to any matters not expressly provided for by this Agreement or the other Loan Documents, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or the other Loan Documents in accordance with instructions signed by the Required Banks, and such instructions of the Required Banks and any action taken or failure to act pursuant thereto shall be binding on all of the Banks.

Section 9.3. Events of Default.

The Agent shall not be deemed to have knowledge of the occurrence of a Default (other than the non-payment of principal of or interest on Loans) unless the Agent has received notice from a Bank or the Borrower specifying such Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice of the occurrence of a

Default, the Agent shall give notice thereof to the Banks (and shall give each Bank notice of each such non-payment). The Agent shall (subject to Section 9.7 hereof) take such action with respect to such Default as shall be directed by the Required Banks.

Section 9.4. Rights as a Bank.

With respect to its Commitment and the Loans made by it, the Agent in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not acting as the Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent, in its individual capacity, and its Affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with each Borrower or its Affiliates, as if it were not acting as the Agent, and the Agent may accept fees and other consideration from each Borrower or its Affiliates, for services in connection with this Agreement or any of the other Loan Documents or otherwise without having to account for the same to the Banks.

Section 9.5. Indemnification.

The Banks shall indemnify the Agent (to the extent not reimbursed by each Borrower under Sections 10.1 and 10.2 hereof), ratably in accordance with the aggregate principal amount of the Loans made by the Banks (or, if no Loans are at the time outstanding, ratably in accordance with their respective Commitments), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any of the other Loan Documents or any other documents contemplated by or referred to herein or therein or the transactions contemplated by or referred to herein or therein or the transactions contemplated hereby and thereby (including, without limitation, the costs and expenses that each Borrower is obligated to pay under Sections 10.1 and 10.2 hereof, but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties hereunder or under the Security Documents) or the enforcement of any of the terms hereof or of the Security Documents, or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

Section 9.6. Non-Reliance on Agent and other Banks.

Each Bank agrees that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of each Borrower and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or the other Loan Documents. The Agent shall not be required to keep itself informed as to the performance or observance by each Borrower of this Agreement or the other Loan Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of each Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder or the other Loan Documents, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of each Borrower, that may come into the possession of the Agent or any of its Affiliates.

Section 9.7. Failure to Act.

Except for action expressly required of the Agent hereunder, or under the Security Documents, the Agent shall in all cases be fully justified in failing or refusing to act hereunder or thereunder unless it shall be indemnified to its satisfaction by the Banks against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

Section 9.8. Resignation or Removal of Agent.

Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving not less than 10 days' prior written notice thereof to the Banks and each Borrower and the Agent may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation or the Required Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, after consultation with each Borrower, appoint a successor Agent which shall be a bank that has an office in New York, New York with a combined capital and surplus of at least $100,000,000. Upon the acceptance of any appointment as Agent hereunder or under the Security Documents by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder and under the Security Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article 9 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent.

Section 9.9. Sharing of Payments.

(a) Prior to any acceleration by the Agent and the Banks of the Obligations:

(i) in the event that any Bank shall obtain payment in respect of a Note, or interest thereon, whether voluntarily or involuntarily, and whether through the exercise of a right of banker's lien, set-off or counterclaim against each Borrower or otherwise, in a greater proportion than any such payment obtained by any other Bank in respect of the corresponding Note held by it, then the Bank so receiving such greater proportionate payment shall purchase for cash from the other Bank or Banks such portion of each such other Bank's or Banks' Loan as shall be necessary to cause such Bank receiving the proportionate overpayment to share the excess payment with each Bank; and

(ii) in the event that any Bank shall obtain payment in respect of any Interest Rate Contract to which such Bank is a party, whether voluntarily or involuntarily, and whether through the exercise of a right of banker's lien, set-off or counterclaim against each Borrower or otherwise, such Bank shall be permitted to retain the full amount of such payment and shall not be required to share such payment with any other Bank.

(b) Upon or following any acceleration by the Agent and the Banks of the Obligations, in the event that any Bank shall obtain payment in respect of a Note, or interest or Fees thereon, or in respect of an Interest Rate Contract to which such Bank is a party, or receive any Collateral or proceeds thereof with respect to any Note or any Interest Rate Contract to which it is a party, whether voluntarily or involuntarily, and whether through the exercise of a right of banker's lien, set-off or counterclaim against each Borrower or otherwise, in a greater proportion than any such payment obtained by any other Bank in respect of the aggregate amount of the corresponding Note held by such Bank and any Interest Rate Contract to which such Bank is a party, then the Bank so receiving such greater proportionate payment or such greater proportionate amount of Collateral, shall purchase for cash from the other Bank or Banks such portion of each such other Bank's or Banks' Loan, or shall provide the other Banks with the benefits of any such Collateral, or the proceeds thereof, as shall be necessary to cause such Bank receiving the proportionate overpayment to share the excess payment or benefits of such Collateral or proceeds ratably with each Bank. For the purposes of this subsection 9.9(b), payments on Notes received by each Bank and receipt of Collateral by each Bank shall be in the same proportion as the proportion of: (A) the sum of: (x) the Obligations owing to such Bank in respect of the Note held

by such Bank, plus (y) the Obligations owing to such Bank in respect of Interest Rate Contracts to which such Bank is party, if any, to (B) the sum of: (x) the Obligations owing to all of the Banks in respect of all of the Notes, plus (y) the Obligations owing to all of the Banks in respect of all Interest Rate Contracts to which any Bank is a party; provided, however, that, with respect to subsections 9.9(a)(i) and (b) above, if all or any portion of such excess payment or benefits is thereafter recovered from the Bank that received the proportionate overpayment, such purchase of Loans or payment of benefits, as the case may be, shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest unless the Bank from which such payment is recovered is required to pay interest thereon, in which case each Bank returning funds to such Bank shall pay its pro rata share of such interest.

Article 10. Miscellaneous Provisions.

Section 10.1. Fees and Expenses; Indemnity.

The Borrowers will promptly pay all costs of the Agent in preparing the Loan Documents and all costs and expenses of the issue of the Notes and of each Borrower's performance of and compliance with all agreements and conditions contained herein on its part to be performed or complied with (including, without limitation, the reasonable fees of any consultants to the Agent and the Banks, and all costs of filing or recording any assignments, mortgages, financing statements and other documents and all appraisal and environmental review fees and expenses), and the reasonable fees and expenses and disbursements of counsel to the Agent in connection with the preparation, execution and delivery, administration, interpretation and enforcement of this Agreement, the other Loan Documents and all other agreements, instruments and documents relating to this transaction, the consummation of the transactions contemplated by all such documents, the preservation of all rights of the Banks and the Agent, the negotiation, preparation, execution and delivery of any amendment, modification or supplement of or to, or any consent or waiver under, any such document (or any such instrument that is proposed but not executed and delivered) and with any claim or action threatened, made or brought against any of the Banks or the Agent arising out of or relating to any extent to this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby (other than a claim or action resulting from the gross negligence, willful misconduct, or intentional violation of law by the Agent and or the Banks). In addition, the Borrowers will promptly pay all costs and expenses (including, without limitation, reasonable fees and disbursements of counsel) suffered or incurred by each Bank in connection with its enforcement of the payment of the Notes held by it or any other sum due to it under this Agreement or any of the other Loan Documents or any of its other rights hereunder or thereunder. In addition to the foregoing, the Borrowers shall indemnify each Bank and the Agent and each of their respective directors, officers, employees, attorneys, agents and Affiliates against, and hold each of them harmless from, any loss, liabilities, damages, claims, costs and expenses (including reasonable attorneys' fees and disbursements) suffered or incurred by any of them arising out of, resulting from or in any manner connected with, the execution, delivery and performance of each of the Loan Documents, the Loans and any and all transactions related to or consummated in connection with the Loans (other than as a result of the gross negligence, willful misconduct or intentional violation of law by the party seeking indemnification), including, without limitation, losses, liabilities, damages, claims, costs and expenses suffered or incurred by any Bank or the Agent or any of their respective directors, officers, employees, attorneys, agents or Affiliates arising out of or related to any Environmental Liability or Environmental Proceeding, or in investigating, preparing for, defending against, or providing evidence, producing documents or taking any other action in respect of any commenced or threatened litigation, administrative proceeding or investigation under any federal securities law or any other statute of any jurisdiction, or any regulation, or at common law or otherwise against the Agent, the Banks or any of their officers, directors, affiliates, agents or Affiliates, that is alleged to arise out of or is based upon: (i) any untrue statement or alleged untrue statement of any material fact of any Borrower and its affiliates in any document or schedule filed with the Securities and Exchange Commission or any other governmental body; (ii) any omission or alleged omission to state any material fact required to be stated in such document or schedule, or necessary to make the statements made therein, in light of the circumstances under which made, not misleading; (iii) any acts, practices or omission or alleged acts, practices or omissions of any Borrower or its agents related to the making of any acquisition, purchase of shares or assets pursuant thereto, financing of such purchases or the consummation of any other transactions contemplated by any such acquisitions that are alleged to be in violation of any federal securities law or of any other statute, regulation or other law of any jurisdiction applicable to the making of any such acquisition, the purchase of shares or assets pursuant thereto, the financing of such purchases or the consummation of the other transactions contemplated by any such acquisition; or (iv) any withdrawals, termination or cancellation of any such proposed acquisition for any reason whatsoever. The indemnity set forth herein shall be in addition to any other obligations or liabilities of any

Borrower to the Agent and the Banks hereunder or at common law or otherwise. The provisions of this Section 10.1 shall survive the payment of the Notes and the termination of this Agreement.

Section 10.2. Taxes.

If, under any law in effect on the date of the closing of any Loan hereunder, or under any retroactive provision of any law subsequently enacted, it shall be determined that any Federal, state or local tax is payable in respect of the issuance of any Note, or in connection with the filing or recording of any assignments, mortgages, financing statements, or other documents (whether measured by the amount of Indebtedness secured or otherwise) as contemplated by this Agreement, then each Borrower will pay any such tax and all interest and penalties, if any, and will indemnify the Banks and the Agent against and save each of them harmless from any loss or damage resulting from or arising out of the nonpayment or delay in payment of any such tax. If any such tax or taxes shall be assessed or levied against any Bank or any other holder of a Note, such Bank, or such other holder, as the case may be, may notify each Borrower and make immediate payment thereof, together with interest or penalties in connection therewith, and shall thereupon be entitled to and shall receive immediate reimbursement therefor from each Borrower. Notwithstanding any other provision contained in this Agreement, the covenants and agreements of the Borrowers in this Section 10.2 shall survive payment of the Notes and the termination of this Agreement.

Section 10.3. Payments.

As set forth in Article 2 hereof, all payments by each Borrower on account of principal, interest, fees and other charges (including any indemnities) shall be made to the Agent at the Principal Office of the Agent, in lawful money of the United States of America in immediately available funds, by wire transfer or otherwise, not later than 11:00 A.M. New York City time on the date such payment is due. Any such payment made on such date but after such time shall, if the amount paid bears interest, be deemed to have been made on, and interest shall continue to accrue and be payable thereon until, the next succeeding Business Day. Except as otherwise provided in the definition of "Interest Period", if any payment of principal or interest becomes due on a day other than a Business Day, such payment may be made on the next succeeding Business Day and such extension shall be included in computing interest in connection with such payment. All payments hereunder and under the Notes shall be made without set-off or counterclaim and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement and the Notes (after withholding for or on account of: (i) any present or future taxes, levies, imposts, duties or other similar charges of whatever nature imposed by any government or any political subdivision or taxing authority thereof, other than any tax (except those referred to in clause (ii) below) on or measured by the net income of the Bank to which any such payment is due pursuant to applicable federal, state and local income tax laws, and (ii) deduction of amounts equal to the taxes on or measured by the net income of such Bank payable by such Bank with respect to the amount by which the payments required to be made under this sentence exceed the amounts otherwise specified to be paid in this Agreement and the Notes). Upon payment in full of any Note issued to any Bank and/or termination of any Bank's Commitment, the Bank holding such Note shall mark the Note "Paid" and return it to the Borrower specified on such Note.

Section 10.4. Survival of Agreements and Representations; Construction.

All agreements, representations and warranties made herein shall survive the delivery of this Agreement and the Notes. The headings used in this Agreement and the table of contents are for convenience only and shall not be deemed to constitute a part hereof. All uses herein of the masculine gender or of singular or plural terms shall be deemed to include uses of the feminine or neuter gender, or plural or singular terms, as the context may require.

Section 10.5. Lien on and Set-off of Deposits.

As security for the due payment and performance of all the Obligations, each Borrower hereby grants to Agent for the ratable benefit of the Banks a Lien on any and all deposits or other sums at any time credited by or due from the Agent or any Bank to the Borrower, whether in regular or special depository accounts or otherwise, and any and all monies, securities and other property of the Borrower, and the proceeds thereof, now or hereafter held or received by or in transit to any Bank or the Agent from or for such Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and any such deposits, sums, monies, securities and other property, may at any time after the occurrence and during the continuance of any Event of Default be set-off, appropriated and applied by any Bank or the Agent against any of the Obligations, whether or not any of such Obligations is then due or is secured by any collateral. or, if it is so secured, whether or not the collateral held by the Agent is considered to be adequate, all as set forth in and pursuant to Section 2.20 hereof.

Section 10.6. Modifications, Consents and Waivers; Entire

No modification, amendment or waiver of or with respect to any provision of this Agreement, any Notes, or any of the other Loan Documents and all other agreements, instruments and documents delivered pursuant hereto or thereto, nor consent to any departure by any Borrower from any of the terms or conditions thereof, shall in any event be effective unless it shall be in writing and signed by the Agent and each Bank except that: (i) any modification or amendment of, or waiver or consent with respect to, Article 4 shall be required to be signed only by the Agent and the Required Banks (provided, however, that the consummation of a Loan by a Bank shall be deemed, with respect to such Loan only, to have the effect of the execution by such Bank of a waiver of, or consent to a departure from, any term or provision of Article 4 that has not been satisfied as of the date of the consummation of such Loan); and (ii) any modification or amendment of, or waiver or consent with respect to, Articles 1 (other than the definitions of "Alternate Base Rate", "Applicable Margin", "Commitment", "Commitment Fee Percentage", "Federal Funds Rate", "Interest Period", "L/C Fee", "L/C Fee Percentage", "LIBOR Base Rate", "LIBOR Rate", "Post-Default Rate", "Prime Rate", "Quarterly Dates", "Required Banks", "Reserve Requirement", "Revolving Credit Commitment", "Revolving Credit Commitment Termination Date", "Total Revolving Credit Commitment", "Tranche A Revolving Credit Commitment", and "Tranche B Revolving Credit Commitment"), 5, 6, 7, 8 (other than the preamble to Article 8 or Section 8.1 hereof) and 10 (other than this Section 10.6) may be signed only by the Agent and the Required Banks. Any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No consent to or demand on any Borrower in any case shall, of itself, entitle it to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents embody the entire agreement and understanding among the Banks, the Agent and the Borrowers and supersede all prior agreements and understandings relating to the subject matter hereof.

Section 10.7. Remedies Cumulative; Counterclaims.

Each and every right granted to the Agent and the Banks hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of the Agent or any Bank or the holder of any Note to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise of any right preclude any other or future exercise thereof or the exercise of any other right. The due payment and performance of the Obligations shall be without regard to any counterclaim, right of offset or any other claim whatsoever that any Borrower may have against any Bank or the Agent and without regard to any other obligation of any nature whatsoever that any Bank or the Agent may have to any Borrower, and no such counterclaim or offset shall be asserted by any Borrower (unless such counterclaim or offset would, under applicable law, be permanently and irrevocably lost if not brought in such action) in any action, suit or proceeding instituted by any Bank or the Agent for payment or performance of the Obligations .

Section 10.8. Further Assurances.

At any time and from time to time, upon the request of the Agent, each Borrower shall execute, deliver and acknowledge or cause to be executed, delivered and acknowledged, such further documents and instruments and do such other acts and things as the Agent may reasonably request in order to fully effect the purposes of this Agreement, the other Loan Documents and any other agreements, instruments and documents delivered pursuant hereto or in connection with the Loans.

Section 10.9. Notices.

All notices, requests, reports and other communications pursuant to this Agreement shall be in writing, either by letter (delivered by hand or commercial messenger service or sent by certified mail, return receipt requested, except for routine reports delivered in compliance with Article 5 hereof which may be sent by ordinary first-class mail) or telegram or telecopy, addressed as follows:

(a) If to the Borrowers:

c/o Omega Healthcare Investors, Inc.
900 Victors Way, Suite 350
Ann Arbor, Michigan 48108
Attention: Essel W. Bailey,Jr., President
Susan Allene Kovach, General Counsel
Telecopier No: (734) 887-0201

with a copy to:

Dykema Gossett PLLC
1577 North Woodward Avenue/Suite 300
Bloomfield Hills, Michigan 48304-282
Attention: Fred J.Fechheimer, Esq.

Telecopier No.: (810) 540-0763

(b) If to any Bank:

To its address set forth below its name on the signature pages hereof, with a copy to the Agent; and

(c) If to the Agent:

Fleet Bank, N.A., as Agent
1185 Avenue of the Americas
New York, New York 1003
Attention: Mr. Christian J. Covello
Telecopier No.: (212) 819-4120

with a copy (other than in the case of Borrowing Notices and reports and other documents delivered in compliance with Article 5 hereof) to:

Emmet, Marvin & Martin, LLP
120 Broadway
New York, New York 10271
Attention: Richard S. Talesnick, Esq.
Telecopier No.: (212) 238-3100

Any notice, request, demand or other communication hereunder shall be deemed to have been given on: (x) the day on which it is telecopied to such party at its telecopier number specified above (provided such notice shall be effective only if followed by one of the other methods of delivery set forth herein) or delivered by receipted hand or such commercial messenger service to such party at its address specified above, or (y) on the third Business Day after the day deposited in the mail, postage prepaid, if sent by mail, or (z) on the day it is delivered to the telegraph company, addressed as aforesaid, if sent by telegraph. Any party hereto may change the Person, address or telecopier number to whom or which notices are to be given hereunder, by notice duly given hereunder; provided, however, that any such notice shall be deemed to have been given hereunder only when actually received by the party to which it is addressed.

Section 10.10. Counterparts.

This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 10.11. Severability.

The provisions of this Agreement are severable, and if any clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this Agreement in any jurisdiction. Each of the covenants, agreements and conditions contained in this Agreement is independent and compliance by the Borrower with any of them shall not excuse non-compliance by the Borrower with any other. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

Section 10.12. Binding Effect; No Assignment or Delegation by Borrowers.

This Agreement shall be binding upon and inure to the benefit of each of the Borrowers and their respective successors and to the benefit of the Banks and the Agent and their respective successors and assigns. The rights and obligations of each Borrower under this Agreement shall not be assigned or delegated without the prior written consent of the Agent and the Required Banks, and any purported assignment or delegation without such consent shall be void.

Section 10.13. Assignments and Participations by Banks.

(a) Each Bank may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Loans owing to it, and the Note or Notes held by it); provided, however, that: (i) the Borrowers (unless an Event of Default has occurred) and the Agent must give prior written consent to such assignment (unless such assignment is to an Affiliate of such Bank), which consent shall not be unreasonably withheld or delayed, (ii) the parties to each such assignment shall execute and deliver to the Agent an Assignment and Acceptance, and a processing fee of $3,500.00, (iii) each such assignment

shall be of a constant, and not a varying, percentage of all of the assigning Bank's rights and obligations under this Agreement, (iv) the amount of the Revolving Credit Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000 and shall be an integral multiple of $1,000,000, (v) each such assignment shall be to an Eligible Assignee, and (vi) each such assignment shall be on a pro rata basis according to the amount of the assigning Bank's Commitment. Upon such execution, delivery and acceptance, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof: (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of each Borrower or the performance or observance by each Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, together with any Note subject to such assignment, the Agent shall: (i) accept such Assignment and Acceptance, and (ii) give prompt notice thereof to the Borrowers. Within five Business Days after its receipt of such notice, the Borrowers, at their own expense, shall execute and deliver to the Agent in exchange for the surrendered Note(s) a new Note(s) to the order of such Eligible Assignee in an amount equal to the Revolving Credit Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Revolving Credit Commitment hereunder, a new Note(s) to the order of the assigning Bank in an amount equal to the Revolving Credit Commitment retained by it hereunder. Such new Note(s) shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note(s), shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A hereto.

(d) Each Bank may, without the prior consent of the Agent, the other Banks or the Borrowers, sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment, the Loans owing to it, and the Note(s) held by it; provided, however, that: (i) such Bank's obligations under this Agreement (including, without limitation, its Revolving Credit Commitment hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Note(s) for all purposes of this Agreement, and the Borrowers, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement.

(e) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.13, disclose to the assignee or participant or proposed assignee or participant, any information relating to any Borrower furnished to such Bank by or on behalf of such Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to such Borrower received by it from such Bank.

(f) Anything in this Section 10.13 to the contrary notwithstanding, any Bank may assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Bank from its obligations hereunder.

Section 10.14. Delivery of Tax Forms.

Each Bank that is not organized under the laws of the United States or a state thereof shall:

(a) deliver to the Borrowers and the Agent, on or prior to the date of the execution and delivery of this Agreement or the date on which it becomes a Bank hereunder, (i) two accurate and duly completed executed copies of United States IRS Form 1001 or 4224, or successor applicable form, as the case may be, and (ii) an accurate and complete IRS Form W-8 or W-9, or successor applicable form, as the case may be;

(b) deliver to the Borrowers and the Agent two further accurate and complete executed copies of any such form or certification on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrowers; and

(c) obtain such extensions of time for filing and completing such forms or certifications as may reasonably be requested by the Borrowers or the Agent;

unless in any such case under clause (b) above an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form with respect to it and such Bank so advises the Borrowers and the Agent. Such Bank shall certify (i) in the case of a Form W-8BEN or Form W-8ECUI that is provided pursuant to Section 10.14(a), that it is entitled to receive payments under this Agreement without deduction or withholding of any United States Federal income taxes; (ii) in the case of an IRS Form W-8BEN or Form W-8ECUI that is provided pursuant to subsection 10.14(b), to the extent legally entitled to do so, that it is entitled to receive payments under this Agreement without, or at a reduced rate of, deduction or withholding of any United States Federal income taxes; and (iii) and in the case of a Form W-8 or W-9, that it is entitled to an exemption from United States backup withholding tax. Each Person not organized under the laws of the United States or a state thereof that is an assignee hereunder shall, prior to the effectiveness of the related transfer, be required to provide all of the forms and statements required pursuant to this Section 10.14.

Section 10.15. GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF

TRIAL BY JURY.

(a) THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ALL OTHER DOCUMENTS AND INSTRUMENTS EXECUTED AND DELIVERED IN CONNECTION HEREWITH AND THEREWITH, SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS RULES PERTAINING TO CONFLICTS OF LAWS.

(b) EACH BORROWER IRREVOCABLY CONSENTS THAT ANY LEGAL ACTION OR PROCEEDING AGAINST IT UNDER, ARISING OUT OF OR IN ANY MANNER RELATING TO THIS AGREEMENT, AND EACH OTHER LOAN DOCUMENT MAY BE BROUGHT IN ANY COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. EACH BORROWER, BY THE EXECUTION AND DELIVERY OF THIS AGREEMENT, EXPRESSLY AND IRREVOCABLY ASSENTS AND SUBMITS TO THE PERSONAL JURISDICTION OF ANY OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING. EACH BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY COMPLAINT, SUMMONS, NOTICE OR OTHER PROCESS RELATING TO ANY SUCH ACTION OR PROCEEDING BY DELIVERY THEREOF TO IT BY HAND OR BY MAIL IN THE MANNER PROVIDED FOR IN SECTION 10.9 HEREOF. EACH BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY CLAIM OR DEFENSE IN ANY SUCH ACTION OR PROCEEDING BASED ON ANY ALLEGED LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS OR ANY SIMILAR BASIS. EACH BORROWER SHALL NOT BE ENTITLED IN ANY SUCH ACTION OR PROCEEDING TO ASSERT ANY DEFENSE GIVEN OR ALLOWED UNDER THE LAWS OF ANY STATE OTHER THAN THE STATE OF NEW YORK UNLESS SUCH DEFENSE IS ALSO GIVEN OR ALLOWED BY THE LAWS OF THE STATE OF NEW YORK. NOTHING IN THIS SECTION 10.14 SHALL AFFECT OR IMPAIR IN ANY MANNER OR TO ANY EXTENT THE RIGHT OF ANY BANK TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE BORROWER IN ANY JURISDICTION OR TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

(c) EACH BORROWER, THE BANKS AND THE AGENT WAIVE TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF, THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, OR ANY INSTRUMENT OR DOCUMENT DELIVERED PURSUANT TO THIS AGREEMENT, OR THE VALIDITY, PERFECTION, INTERPRETATION, COLLECTION OR ENFORCEMENT THEREOF.

Section 10.16. Joint and Several Obligations.

All of the Obligations, indebtedness, liabilities, undertakings, representations and warranties of the Borrowers hereunder shall be joint and several obligations of the Borrowers.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date first above written.

OMEGA HEALTHCARE INVESTORS, INC.
DELTA INVESTORS I, LLC
DELTA INVESTORS II, LLC
JEFFERSON CLARK, INC.
NRS VENTURES, L.L.C.
OHI (CLEMMONS), INC.
OHI (FLORIDA), INC.
OHI (GREENSBORO), INC.
OHI (ILLINOIS), INC.
OHI (IOWA), INC.
OHI (KANSAS), INC.
OHI OF TEXAS, INC.
OMEGA (KANSAS), INC.
OS LEASING COMPANY
STERLING ACQUISITION CORP.
STERLING ACQUISITION CORP. II

By /s/ Susan Allene Kovach,
---

as an executive officer of all of the aforementioned entities, has executed this Loan Agreement and intending that all entities above named are bound and are to be bound by the one signature as if he had executed this Loan Agreement separately for each of the above named entities.

Signature Page to Loan Agreement dated June 15, 2000 among
Omega Healthcare Investors, Inc., and certain of its Subsidiaries,
the Banks party thereto, and Fleet Bank, N.A. as Agent

Tranche A
Revolving Credit Commitment:
- - ---
$21,434,240.16

FLEET BANK, N.A., as Agent
and as a Bank
By /s/ Christian J. Covello

Vice President

Tranche B
Revolving Credit Commitment:
- - ---
$7,003,259.84

Lending Office for Prime Rate Loans and LIBOR Loans:

1185 Avenue of the Americas New York, New York 10036

Attention: Mr. Christian J. Covello

Address for Notices:

Fleet Bank, N.A.
1185 Avenue of the Americas
New York, New York 10036

Attention: Mr. Christian J. Covello

Telecopier: (212) 819-4110

Tranche A
Revolving Credit Commitment:
- - ----------
$14,839,089.34

Tranche B
Revolving Credit Commitment:
- - ----------
$4,848,410.66

DRESDNER BANK AG, NEW YORK BRANCH
and GRAND CAYMAN BRANCH
By:/s/ Andrew P. Nesi

Name: Andrew P. Nesi
Title:First Vice President

By:/s/ Debra A. Ritzler

Name: Debra A. Ritzler
Title: Assistant Vice President

Lending Office for Prime Rate Loans:

Dresdner Bank AG, Grand Cayman Branch,
c/o Dresdner Bank AG, New York Branch
75 Wall Street
New York, New York 10005
Attn:

Lending Office for LIBOR Loans:

Dresdner Bank AG, New York Branch
and Grand Cayman Branch
75 Wall Street
New York, New York 10005
Attn:

Address for Notices:

Dresdner Bank AG, New York Branch
75 Wall Street
New York, New York 10005
Attn:

Telecopier No.: (212) 429-2130

Tranche A
Revolving Credit Commitment:
- - ----------
$14,839,089.34

Tranche B
Revolving Credit Commitment:
- - ----------
$4,848,410.66

HARRIS TRUST AND SAVINGS BANK

By:/s/ Kirby M. Law

Vice President

Lending Office for Prime Rate Loans
and LIBOR Loans:

111 West Monroe Street
Chicago, Illinois 60603

Attention: Mr. Jeffrey Nicholson

Address for Notices:

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60603

Attention: Mr. Jeffrey Nicholson

Telecopier: (312) 461-5225

Tranche A
Revolving Credit Commitment:
- - ----------
$28,029,390.97

BANK ONE, MICHIGAN

By: /s/ J. Greg Mickens

Vice President

Tranche B
Revolving Credit Commitment:
- - ----------
$9,158,109.03

Lending Office for Prime Rate Loans
and LIBOR Loans:

611 Woodward Avenue
Detroit, Michigan 48226

Attention:

Address for Notices:

Bank One, Michigan
611 Woodward Avenue
Detroit, Michigan 48226

Attention:

Telecopier: (313) 226-0857

Tranche A
Revolving Credit Commitment:
- - ----------
$13,190,301.63

FOOTHILL INCOME TRUST, L.P.
By FIT-GP, LLC

Tranche B

By: /s/ M. Edward Stearns

Managing Member

Revolving Credit Commitment:
- - ----------
$4,309,698.37

Lending Office for Prime Rate Loans
and LIBOR Loans:

11111 Santa Monica Boulevard
Suite 1500
Los Angeles, California 90025-3333
Attention: Mr. M. Edward Stearns

Address for Notices:

11111 Santa Monica Boulevard
Suite 1500
Los Angeles, California 90025-3333
Attention: Mr. M. Edward Stearns

Telecopier:

Tranche A
Revolving Credit Commitment:
- - ----------
$9,892,726.23

MICHIGAN NATIONAL BANK

By: /s/ Draga B. Palincas

Vice President

Tranche B
Revolving Credit Commitment:
- - ----------

$3,232,273.77

Lending Office for Prime Rate Loans
and LIBOR Loans:

Michigan National Bank
27777 Inkster Road
Farmington Hills, MI 48333-9065

Attention: Ms. Draga Palincas

Address for Notices:

Michigan National Bank
27777 Inkster Road
Farmington Hills, MI 48333-9065

Attention: Ms. Draga Palincas

Telecopier: (810) 473-4345

Tranche A
Revolving Credit Commitment:
- - ----------
$9,892,726.23

Tranche B

Revolving Credit Commitment:
- - ----------

$3,232,273.77

LASALLE BANK NATIONAL ASSOCIATION

By /s/ Jody Staszesky

Senior Vice President

Lending Office for Prime Rate Loans
and LIBOR Loans:

LaSalle Bank National Association
135 South LaSalle Street
Chicago, Illinois 60603

Attention: Ms. Jody Staszesky

Address for Notices:
LaSalle Bank National Association
135 South LaSalle Street
Chicago, Illinois 60603

Attention: Ms. Jody Staszesky

Telecopier: (312) 904-6457

Tranche A
Revolving Credit Commitment:
- - ----------
$11,871,271.47

Tranche B
Revolving Credit Commitment:
- - ----------
$3,878,728.53

BHF (USA) CAPITAL CORPORATION

By: /s/ Richard Cameron

Vice President

Lending Office for Prime Rate Loans
and LIBOR Loans:

BHF (USA) Capital Corporation
590 Madison Avenue
New York, New York 10022-2540

Attention: Mr. John Zapalac

Address for Notices:

BHF (USA) Capital Corporation
590 Madison Avenue

New York, New York 10022-2540

Attention: Mr. John Zapalac

Telecopier: (212) 756-5536

Tranche A
Revolving Credit Commitment:
- - ----------
$7,914,180.98

KBC N.V.
By: /s/ Robert Snauffer

Vice President

By /s/ Raymond Murray

First Vice President

Tranche B
Revolving Credit Commitment:
- - ----------
$2,585,819.02

Lending Office for Prime Rate Loans:

KBC N.V.
125 West 55th Street
New York, New York 10019
Attention:

Lending Office for LIBOR Loans:

KBC N.V.
125 West 55th Street
New York, New York 10019
Attention:

Address for Notices:

KBC N.V.
125 West 55th Street
New York, New York 10019
Attention:

Telecopier: (212) 541-0657

EXHIBITS AND SCHEDULES TO
LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

EXHIBITS
- - --------

SCHEDULES
- - ---------

3.6 Judgments, Actions, Proceedings

3.7 Existing Defaults

3.8 Burdensome Documents

3.9 Material Liabilities and Obligations in Addition to those Disclosed on the Company's Financial Statements

3.13 Name Changes, Mergers, Acquisitions

3.16 Employee Benefit Plans

7.1 Permitted Indebtedness and Guaranties

7.2 Permitted Liens

7.8 Permitted Investments

EXHIBIT 1
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

LIST OF BORROWERS

Name of Borrower	State of Organization
Omega Healthcare Investors, Inc.	Maryland
Delta Investors I, LLC	Maryland
Delta Investors II, LLC	Maryland
Jefferson Clark, Inc.	Maryland
NRS Ventures, L.L.C.	Kentucky
OHI (Clemmons), Inc.	North Carolina
OHI (Florida), Inc.	Florida
OHI (Greensboro), Inc.	North Carolina
OHI (Illinois), Inc.	Illinois
OHI (Iowa), Inc.	Iowa
OHI (Kansas), Inc.	Kansas
OHI of Texas, Inc.	Maryland
Omega (Kansas), Inc.	Kansas
OS Leasing Company	Kentucky
Sterling Acquisition Corp.	Kentucky
Sterling Acquisition Corp. II	Kentucky

EXHIBIT 2
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

LIST OF APPROVED OPERATORS

Essex Healthcare Corporation
HQM of Floyd County
Integrated Health Services, Inc.
Lyric Health Care Holdings, LLC
Peak Medical of Idaho, Inc.
Sun Healthcare Group, Inc.
Tiffany Care Centers, Inc.
TLC Health care of Illinois, Inc.
Genesis

EXHIBIT A-1
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

FORM OF TRANCHE A NOTE

$_____ Dated: _____, 2000

FOR VALUE RECEIVED, each of the undersigned corporations (collectively, the "Borrowers"), hereby jointly and severally promises to pay to the order of _____ (the "Bank") on the Revolving Credit Commitment Termination Date (as defined in the Agreement referred to below), the principal sum of _____ Dollars ($_____), or such lesser amount as shall be equal to the aggregate unpaid principal amount of the Tranche A Credit Loans (as defined in the Agreement) outstanding on the close of business on the Revolving Credit Commitment Termination Date made by the Bank to the Borrowers; together, in each case, with interest on any and all principal amounts remaining unpaid hereunder from time to time outstanding. Interest upon the unpaid principal amount hereof shall accrue at the rates, shall be calculated in the manner and shall be payable on the dates set forth in the Agreement. After maturity, whether by acceleration or otherwise, accrued interest shall be payable upon demand. Both principal and interest shall be payable in the applicable currency determined in accordance with the Agreement to Fleet Bank, N.A., as Agent (the "Agent") on behalf of the Bank, at its office determined in accordance with the Agreement in immediately available funds. The Tranche A Credit Loans made by the Bank to the Borrowers pursuant to the Agreement and all payments on account of principal hereof may be recorded by the Bank on Schedule A attached hereto which is part of this Note or otherwise in accordance with its usual practices and such notations shall be conclusively presumed to be accurate absent manifest error; provided, however, that the failure to so record shall not affect the Borrowers' obligations under this Note.

Anything herein to the contrary notwithstanding, the obligation of the Borrowers to make payments of interest shall be subject to the limitation that payments of interest shall not be required to be made to the Bank to the extent that the Bank's receipt thereof would not be permissible under the law or laws applicable to the Bank limiting rates of interest which may be charged or collected by the Bank. Any such payments of interest which are not made as a result of the limitation referred to in the preceding sentence shall be made by the Borrowers to the Bank on the earliest interest payment date or dates on which the receipt thereof would be permissible under the laws applicable to the Bank limiting rates of interest which may be charged or collected by the Bank.

This Note is a Tranche A Note referred to in, and is entitled to the benefits of, the Loan Agreement dated June 15, 2000 by and among the Borrowers, the Banks signatory thereto (including the Bank) and the Agent (as amended, modified or supplemented from time to time, the "Agreement") and the other Loan Documents.

Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Agreement. The Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for repayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

The Borrowers shall pay costs and expenses of collection, including, without limitation, attorneys' fees and disbursements in the event that any action, suit or proceeding is brought by the holder hereof to collect this Note.

The Borrowers hereby waive presentment, demand, protest or notice of any kind in connection with this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS, WITHOUT REGARD TO CONFLICT OF LAWS PROVISIONS, OF THE STATE OF NEW YORK BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

OMEGA HEALTHCARE INVESTORS, INC.
DELTA INVESTORS I, LLC
DELTA INVESTORS II, LLC
JEFFERSON CLARK, INC.

NRS VENTURES, L.L.C.
OHI (CLEMMONS), INC.
OHI (FLORIDA), INC.
OHI (GREENSBORO), INC.
OHI (ILLINOIS), INC.
OHI (IOWA), INC.
OHI (KANSAS), INC.
OHI OF TEXAS, INC.
OMEGA (KANSAS), INC.
OS LEASING COMPANY
STERLING ACQUISITION CORP.
STERLING ACQUISITION CORP. II

By_____

_____, as an executive officer of all of the aforementioned entities, has executed this Note intending that all entities above named are bound and are to be bound by the one signature as if he had executed this Note separately for each of the above named entities.

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

Schedule A

PRINCIPAL PAYMENTS

Note dated _____, 2000 payable to the order of
[Bank]

Date Made By	Principal Amount of Tranche A Credit Loan	Type of Loan	Interest Period (if other than a Prime Rate Loan) and Interest Rate	Amount of Principal Repaid	Unpaid Principal Balance	Notation

</TABLE>

EXHIBIT A-2
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

FORM OF TRANCHE B NOTE

$_____ Dated: _____, 2000

FOR VALUE RECEIVED, each of the undersigned corporations (collectively, the "Borrowers"), hereby jointly and severally promises to pay to the order of _____ (the "Bank") on the Revolving Credit Commitment Termination Date (as defined in the Agreement referred to below), the principal sum of _____ Dollars ($_____), or such lesser amount as shall be equal to the aggregate unpaid principal amount of the Tranche B Credit Loans (as defined in the Agreement) outstanding on the close of business on the Revolving Credit Commitment Termination Date made by the Bank to the Borrowers; together, in each case, with interest on any and all principal amounts remaining unpaid hereunder from time to time outstanding. Interest upon the unpaid principal amount hereof shall accrue at the rates, shall be calculated in the manner and shall be payable on the dates set forth in the Agreement. After maturity, whether by acceleration or otherwise, accrued interest shall be payable upon demand. Both principal and interest shall be payable in the applicable currency determined in accordance with the Agreement to Fleet Bank, N.A., as Agent (the "Agent") on behalf of the Bank, at its office determined in accordance with the Agreement in immediately available funds. The Tranche B Credit Loans made by the Bank to the Borrowers pursuant to the Agreement and all payments on account of principal hereof may be recorded by the Bank on Schedule A attached hereto which is part of this Note or otherwise in accordance with its usual practices and such notations shall be conclusively presumed to be accurate absent manifest error; provided, however, that the failure to so record shall not affect the Borrowers' obligations under this Note.

Anything herein to the contrary notwithstanding, the obligation of the Borrowers to make payments of interest shall be subject to the limitation that payments of interest shall not be required to be made to the Bank to the extent that the Bank's receipt thereof would not be permissible under the law or laws applicable to the Bank limiting rates of interest which may be charged or collected by the Bank. Any such payments of interest which are not made as a result of the limitation referred to in the preceding sentence shall be made by the Borrowers to the Bank on the earliest interest payment date or dates on which the receipt thereof would be permissible under the laws applicable to the Bank limiting rates of interest which may be charged or collected by the Bank.

This Note is a Tranche B Note referred to in, and is entitled to the benefits of, the Loan Agreement dated June 15, 2000 by and among the Borrowers, the Banks signatory thereto (including the Bank) and the Agent (as amended, modified or supplemented from time to time, the "Agreement") and the other Loan Documents.

Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Agreement. The Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for repayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

The Borrowers shall pay costs and expenses of collection, including, without limitation, attorneys' fees and disbursements in the event that any action, suit or proceeding is brought by the holder hereof to collect this Note.

The Borrowers hereby waive presentment, demand, protest or notice of any kind in connection with this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS, WITHOUT REGARD TO CONFLICT OF LAWS PROVISIONS, OF THE STATE OF NEW YORK BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

OMEGA HEALTHCARE INVESTORS, INC.
DELTA INVESTORS I, LLC
DELTA INVESTORS II, LLC
JEFFERSON CLARK, INC.
NRS VENTURES, L.L.C.
OHI (CLEMMONS), INC.
OHI (FLORIDA), INC.
OHI (GREENSBORO), INC.
OHI (ILLINOIS), INC.
OHI (IOWA), INC.
OHI (KANSAS), INC.
OHI OF TEXAS, INC.
OMEGA (KANSAS), INC.
OS LEASING COMPANY
STERLING ACQUISITION CORP.
STERLING ACQUISITION CORP. II

By_____

_____, as an executive officer of all of the aforementioned entities, has executed this Note intending that all entities above named are bound and are to be bound by the one signature as if he had executed this Note separately for each of the above named entities.

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

Schedule A

PRINCIPAL PAYMENTS

Note dated _____, 2000 payable to the order of
[Bank]

Date	Principal Amount of Tranche B Credit Loan	Type of Loan	Interest Period (if other than a Prime Rate Loan) and Interest Rate	Amount of Principal Repaid	Unpaid Principal Balance	Notation Made By

</TABLE>

EXHIBIT B
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

FORM OF ASSIGNMENT AND ACCEPTANCE

Dated _____

Reference is hereby made to the Loan Agreement dated June 15, 2000 (as amended prior to the Effective Date referred to below, the "Loan Agreement") by and among Omega Healthcare Investors, Inc. and certain of its Subsidiaries (collectively, the "Borrowers"), the Banks signatory thereto (collectively, the "Banks") and Fleet Bank, N.A. in its capacity as agent for the Banks (in such capacity, the "Agent"). Capitalized terms used herein that are defined in the Loan Agreement that are not otherwise defined herein shall have the respective meanings ascribed thereto in the Loan Agreement.

_____, a _____ (the "Assignor") and _____, a _____, (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, a __ % interest in and to all of the Assignor's rights and obligations under the Loan Agreement and the other Loan Documents as of the Effective Date (as defined below) (including, without limitation, such percentage interest in the Assignor's Tranche A Revolving Credit Commitment as in effect on the Effective Date, Tranche B Revolving Credit Commitment as in effect on the Effective Date, Tranche A Credit Loans owing to the Assignor on the Effective Date, Tranche B Credit Loans owing to the Assignor on the Effective Date, Tranche A Note held by the Assignor and Tranche B Note held by the Assignor).

2. The Assignor: (i) represents and warrants that as of the Effective Date its Tranche A Revolving Credit Commitment (without giving effect to assignments thereof that have not yet become effective) is $_____, its Tranche B Revolving Credit Commitment (without giving effect to assignments thereof that have not yet become effective) is $_____, the aggregate outstanding principal amount of Tranche A Credit Loans owing to it (without giving effect to assignments thereof that have not yet become effective) is $_____, and the aggregate outstanding principal amount of Tranche B Credit Loans owing to it (without giving effect to assignments thereof that have not yet become effective) is $_____; (ii) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder, and that such interest is free and clear of any adverse claim; (iii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or any other instrument or document furnished pursuant thereto; and (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrowers or any other Loan Party or the performance or observance by the Borrowers or any other Loan Party of any of their respective obligations under the Loan Agreement or any other instrument or document furnished pursuant thereto; and (v) attaches the Notes referred to in paragraph 1 above and requests that the Agent exchange such Notes for new Notes as follows: [a Tranche A Note dated the Effective Date (as such term is defined below) in the principal amount of $_____ payable to the order of the Assignee, a Tranche B Note dated the Effective Date in the principal amount of $_____ payable to the order of the Assignee, a Tranche A Note in the principal amount of $_____ payable to the order of the Assignor, and a Tranche B Note dated the Effective Date in the principal amount of $_____ payable to the order of the Assignor].

3. The Assignee: (i) confirms that it has received a copy of the Loan Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as its agent on its behalf and to exercise such powers under the Loan Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Bank; and (vi) specifies as its addresses for Prime Rate Loans and LIBOR Loans (and address for notices) the offices set forth beneath its name on the signature pages hereof.

4. The effective date for this Assignment and Acceptance shall be _____ (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance by the Agent, together with a processing fee of $3,500.

5. Upon such acceptance, as of the Effective Date: (i) the Assignee shall be a party to the Loan Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Agreement.

6. Upon such acceptance, from and after the Effective Date, the Agent shall make all payments under the Loan Agreement and the Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and commitment fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Loan Agreement and the Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

[NAME OF ASSIGNOR]

By_____
Title

[NAME OF ASSIGNEE]

By_____
Title

Lending Office for Prime Rate Loans:

Lending Office for LIBOR Loans:

Attention:

Address for Notices:

Attention:

Telephone No.:
Telecopier No.:

Accepted this ___ day
of _____, _____

FLEET BANK, N.A., as Agent

By_____
Title

EXHIBIT C
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

FORM OF COMPLIANCE CERTIFICATE

Section 6.9 (Financial Covenants) : Omega Healthcare Investors, Inc. Loan Agreement

Compliance Certificate: Quarter Ended (date)

(a) Maximum Indebtedness to Tangible Net Worth of Not Greater Than 1.50: 1.00:

As of: (date) in thousands

Indebtedness	$	
Shareholders' Equity	$	
less: Goodwill and Noncompete Agreements		
Unamortized Deferred Costs		
Treasury Stock		
Tangible Net Worth	$	
Ratio _____		COMPLIANCE

****

(b) Minimum Tangible Net Worth (after the Initial Equity Contribution) of Not Less Than $445,000,000 plus 50% of (i) Net Issuance Proceeds and (ii) Equity Issued Upon the Conversion of convertible Indebtedness:

As of: (date) in thousands

Tangible Net Worth	$
plus: Net Equity Proceeds (excluding Initial Equity Contribution and DRIP)	
Equity Issued Upon Conversion	

of convertible Indebtedness

Total Tangible Net Worth $

COMPLIANCE

****

(c) Minimum EBITDA/Interest Expense of Not Less than 200% (rolling four quarters basis):

Last Four Quarters EBITDA:
September, 2000 $
December, 2000 $
March, 2001 $
June, 2001 $
Rolling Four Quarter EBITDA $
Last Four Quarters Interest Expense on All Indebtedness:
September, 2000 $
December, 2000 $
March, 2001 $
June, 2001 $
Rolling Four Quarter Interest $

Ratio _____ COMPLIANCE

****

(d) No Net Loss in any fiscal year commencing from and after January 1, 2001:

No Net Loss _____ COMPLIANCE

****

(e) Minimum Omega's Fixed Charge Coverage of Not Less Than 1.00:1.00 (rolling four quarters):

Rolling Four Quarter EBITDA (Above) $
Rolling Four Quarter Interest (Above) $
Cash Dividends Paid for Quarter Ended:
September, 2000 $
December, 2000 $
March, 2001 $
June, 2001 $
Rolling Four Quarter Cash Dividends Paid $
Sub-Total $

Ratio _____ COMPLIANCE

****

(f) Maximum Leverage Ratio of Not Greater Than 5.00:1.00 (rolling four quarters basis):

As of: (date) in thousands

Funded Indebtedness $_____

Last Four Quarters Adjusted EBITDA:
September, 2000 $
December, 2000 $
March, 2001 $
June, 2001 $
Rolling Four Quarter Adjusted EBITDA $

Ratio _____ COMPLIANCE

****

(g) Minimum Collateral Coverage of 1.40:1.00 (rolling four quarters basis):

The sum of Lease Rental Expense and Mortgage Expense payments received from Operators (other than from an Investment which is delinquent for 30 days or more in payments (after the application of any security deposit
with respect thereto)) $_____

All interest paid or payable on Credit
Loans $_____

Ratio _____ COMPLIANCE

I hereby certify that:

(a) Omega Healthcare Investors, Inc. is in compliance with the covenants as set forth above pursuant to Section 6.9 of the Loan Agreement dated June 15, 2000 (the "Loan Agreement") among Omega Healthcare Investors, Inc. and certain of its subsidiaries, the banks party thereto (the "Banks") and you as agent for the Banks, and that all the above computations of the financial covenants are correct and complete as of the close of business [Date] and are in conformity with the terms and conditions of the Loan Agreement.

(b) The representations and warranties contained in Article 3 of the Loan Agreement are true and correct and with the same effect as though such representations and warranties were made on the original date of such certificate, except for changes in the ordinary course of business, none of which either singly or in the aggregate, have a Material Adverse Effect (as defined in the Loan Agreement).

(c) No Event of Default and no Default (as defined in the Loan Agreement) has occurred and is continuing.

OMEGA HEALTHCARE INVESTORS, INC.

By:_____
Chief Financial Officer

Date:

SCHEDULE 2.10
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

COLLATERAL FACILITIES

<TABLE>
<CAPTION>

Property Name	City	State
<S> <C> <C> <C> <C> <C> <C>		
HQM of Floyd County, Inc.		
Mountain Manor of Pikeville	Pikeville	KY
Mountain Manor of Prestonsburg	Prestonsburg	KY
Riverview Manor	Prestonsburg	KY
Lyric I (1/13/98)		
Crestwood Care Center	Shelby	OH
IHS at Chestnut Hill	Glenside	PA
IHS at Claremont	Claremont	NH
IHS at Gainesville	Gainesville	FL
IHS at Governors Park	Barrington	IL
Peak Medical of Idaho, Inc.		
Idaho Falls Care Center	Idaho Falls	ID
Twin Falls Care Center	Twin Falls	ID
Sun Healthcare Group, Inc. - Delta II		
Olive Vista	Pomona	CA
Shandin Hills Behavior Therapy Center	San Bernardino	CA
SunBridge Care & Rehab - Intercommunity	Norwalk	CA
SunBridge Care & Rehab for Newport Beach	Newport Beach	CA
SunBridge Care & Rehab for Pico Rivera	Pico Rivera	CA
SunBridge Care & Rehab. for Dunbar	Dunbar	WV
SunBridge Care & Rehab. for Lexington	Lexington	NC
SunBridge Care & Rehab. for Marion	Marion	OH
SunBridge Care & Rehab. for Parkersberg	Parkersburg	WV
SunBridge Care & Rehab. for Salem	Salem	WV
SunBridge Care & Rehabilitation for Weed	Weed	CA
SunBridge Care Center for Claremont	Pomona	CA
SunBridge Care Center for Coalinga	Coalinga	CA
SunBridge Care Center for Fullerton	Fullerton	CA

SunBridge Care Ctr for Santa Monica-17th	Santa Monica	CA
SunHealth Robert H. Ballard Rehab Hosp.	San Bernardino	CA
Vista Knoll Specialized Care Facility	Vista	CA
TLC Health Care, Inc. (1/7/99)		
Paris Health Care Center	Paris	IL
Park Avenue Health Care Home	Herrin	IL
TLC Health Care, Inc. (1/7/99)		
Cedarcrest Manor Nursing Home	Washington	MO
Cherry Street Annex	Paris	TX
Cherry Street Manor	Paris	TX
Dallas Health and Rehabilitation Center	Dallas	TX
Fountain Manor Care Center	Hicksville	OH
Grandview Healthcare Center	Washington	MO
Parkview Convalescent Center	Paris	TX
Essex Healthcare Corporation		
Canton Healthcare	Canton	OH
Essex of Salem I	Salem	OH
Essex of Salem II	Salem	OH
Essex of Salem III	Salem	OH
Meridian Arms Living Center	Youngstown	OH
St. Marys	St. Mary's	OH
Integrated $12M Note (03/13/1998) (161)		
Bonterra Nursing Center	East Point	GA
Parkview Manor - Atlanta	Atlanta	GA
Integrated Health Services, Inc.		
IHS at Brandon	Brandon	FL
IHS at Central Park Village	Orlando	FL
IHS of Dallas at Treemont	Dallas	TX
IHS of Florida at West Palm Beach	West Palm Beach	FL
IHS of Lakeland at Oakbridge	Lakeland	FL
IHS of Sarasota at Beneva	Sarasota	FL
The Vintage	Denton	TX
Tiffany Care Centers, Inc.		
King City Manor	King City	MO
McLarney Manor	Brookfield	MO
Nodaway Nursing Home	Maryville	MO
Oregon Care Center	Oregon	MO
Tiffany Heights	Mound City	MO
TLC Health Care, Inc.		
ProCare Development Center	Gaston	IN

</TABLE>

SCHEDULE 3.1
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

STATES OF INCORPORATION, ORGANIZATION
AND QUALIFICATION, AND CAPITALIZATION OF BORROWERS

For each Borrower:

Name

(i) State of Incorporation/Organization
(ii) Capitalization
(iii) Business
(iv) States of Qualification
(v) Subsidiaries

Omega Healthcare Investors, Inc. ("OHI")
- - ----------

(i) Maryland
(ii) 100,000,000 common shares, $.10 par, 20,127,957 o/s as of March 31, 2000; 10,000,000 preferred shares, $1.00 par,

2,000,000 Series A o/s, 2,300,000 Series B o/s

(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment

(iv) None other than Maryland

(v) Each of the Borrowers listed below, plus: Bayside Street, Inc., OHI (Connecticut), Inc., OHI of Kentucky, Inc., OHIMA, Inc. and Omega Healthcare of Apalachicola, Inc.

Delta Investors I, LLC
- - ----------

(i) Maryland

(ii) OHI is the sole member and manager

(iii) Purchase (and/or otherwise acquire) ownership and/or leasehold interests in one or more nursing homes, and assume (and/or otherwise incur) any such obligations, and conduct any such operations, as shall be incidental or reasonably related thereto

(iv) None other than Maryland

(v) None

Delta Investors II, LLC
- - ----------

(i) Maryland

(ii) OHI is the sole member and manager

(iii) Purchase (and/or otherwise acquire) ownership and/or leasehold interests in one or more nursing homes, and assume (and/or otherwise incur) any such obligations, and conduct any such operations, as shall be incidental or reasonably related thereto

(iv) None other than Maryland

(v) None

Jefferson Clark, Inc.
- - ----------

(i) Maryland

(ii) 1,000 shares authorized, $100 par, 1 share o/s issued to OHI

(iii) Ownership of real property and mortgages secured by interests in real property

(iv) None other than Maryland

(v) Windmere Realty Corporation (the general partner of Windmere Associates, a limited partnership that owns certain interests in the Kearny, New Jersey postal facility); Morepost Associates, a limited partnership that, together with Jefferson Clark, Inc., are the general partners of Baltpost Limited Partnership, which owns the Baltimore, Maryland postal facility; Jefferson Clark, Inc. also owns 100% of the limited partnership interests in Baltpost Limited Partnership

NRS Ventures, L.L.C.
- - ----------

(i) Kentucky

(ii) OHI is the sole member

(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment

(iv) None other than Kentucky

(v) None

OHI (Clemmons), Inc.
- - ----------

(i) North Carolina

(ii) 1,000 shares authorized, $1.00 par, 1,000 shares o/s issued to OHI

(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment

(iv) None other than North Carolina

(v) None

OHI (Florida), Inc.
- - ----------

(i) Florida

(ii) 1,000 shares authorized, $1.00 par, 1,000 shares o/s issued to OHI

(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the

long-term care segment
(iv) None other than Florida
(v) None

OHI (Greensboro), Inc.
- - ----------

(i) North Carolina
(ii) 1,000 shares authorized, $1.00 par, 1,000 shares o/s issued to OHI
(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment
(iv) None other than North Carolina
(v) None

OHI (Illinois), Inc.
- - ----------

(i) Illinois
(ii) 1,000 shares authorized, $1.00 par, 1,000 shares o/s issued to OHI
(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment
(iv) None other than Illinois
(v) None

OHI (Iowa), Inc.
- - ----------

(i) Iowa
(ii) 1,000 shares authorized, no par, 1,000 shares o/s issued to OHI
(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment
(iv) None other than Iowa
(v) None

OHI (Kansas), Inc.
- - ----------

(i) Kansas
(ii) 1,000 shares authorized, $1.00 par, 1,000 shares o/s issued to OHI
(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment
(iv) None other than Kansas
(v) None

OHI of Texas, Inc.
- - ----------

(i) Maryland
(ii) 5,000 shares authorized, no par, 1,000 shares o/s issued to OHI
(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment
(iv) Maryland and Texas
(v) None

Omega (Kansas), Inc.
- - ----------

(i) Kansas
(ii) 1,000 shares authorized, $.01 par, 1 share o/s issued to OHI
(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment
(iv) None other than Kansas
(v) None

OS Leasing Company
- - ----------

(i) Kentucky
(ii) 1,000 shares authorized, $.01 par, 100 issued to OHI
(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment
(iv) None other than Kentucky
(v) None

Sterling Acquisition Corp.
- - --------------------------

(i) Kentucky
(ii) 1,000 shares authorized, $.01 par, 100 issued to OHI
(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment
(iv) None other than Kentucky
(v) None

Sterling Acquisition Corp. II
- - -----------------------------

(i) Kentucky
(ii) 1,000 shares authorized, $.01 par, 100 issued to OHI
(iii) Investing in, or providing financing to, income-producing properties in the healthcare industry, particularly in the long-term care segment
(iv) None other than Kentucky
(v) None

SCHEDULE 3.2
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

REQUIRED CONSENTS

The Consent of Explorer Holdings, L.P. under the Investment Agreement

SCHEDULE 3.6
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

JUDGMENTS, ACTIONS, PROCEEDINGS

Res-Care Inc. v. Omega Healthcare Investors, Inc., United States District
- - ---
Court for the Western District of Kentucky, Civil Action No. 95-42-LS):

Claim: Res Care claims that Omega was obligated to reduce the rents payable by Res Care under leases of four facilities in Indiana as a result of alleged changes in federal or state medicare/medicaid reimbursement after execution of the leases. Omega claims that (a) its obligation to renegotiate the lease was not triggered, because no change had occurred after execution of the leases, (b) even if Omega were obligated to renegotiate, the language of the leases did not require that the renegotiation result in a reduction in rent and (c) Res Care mooted its claim by exercising its option to purchase the facilities.

Status: In late 1999, the judge granted Omega's motion for summary judgment, holding that the case was mooted. In early 1999, the judge reversed himself, but found that (a) the obligation to renegotiate is merely an agreement to agree and does not result in an agreement to reduce the rents; (b) as a result, the court cannot substitute its

judgment as to the rent payable; and (c) the only issues remaining were whether Omega breached its good faith obligation to renegotiate and, if so, what damages flow from that breach.

Omega Healthcare Investors, Inc. v. Res-Care, Inc.
- - ---

Claim: Omega claims that, by turning in to the State of Indiana the licenses to operate four ICF/MRDD facilities located in Indiana, Res-Care breached its obligations under the leases of those facilities to return the facilities to Omega, upon expiration of the leases, in the condition required under the leases.

Status: The case is in the discovery phase.

Karrington Health, Inc. v. Omega Healthcare Investors, Inc.
- - ---

Claim: Karrington Health, Inc. ("KHI") claims that Omega breached a commitment to provide $95 million in construction financing to KHI. Omega contends, among other things, that it did not have a contractual obligation to provide such financing.

Status: The matter currently is in the discovery phase.

SCHEDULE 3.7
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

EXISTING DEFAULTS

Defaults in certain financial covenants set forth in the Second Amended and Restated Loan Agreement between Fleet Bank, as Agent, and the Company and certain of its subsidiaries, which defaults have been waived.

SCHEDULE 3.8
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

BURDENSOME DOCUMENTS

Investment Agreement dated May 11, 2000 between the Company and Explorer Holdings, L.P.

SCHEDULE 3.9
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO

AND
FLEET BANK, N.A., AS AGENT

MATERIAL LIABILITIES AND OBLIGATIONS IN ADDITION
TO THOSE DISCLOSED ON THE COMPANY'S FINANCIAL STATEMENTS

1. Any liability associated with any litigation described in Schedule 3.6.

2. Future Currency Contract assigned by the Company to Omega Worldwide, Inc. on April 2, 1998 with respect to the requirement to sell 20 million pbs for $31,740,000 on October 7, 2007.

3. Guaranty by the Company of obligations of Omega Worldwide, Inc. to Fleet Bank, as Agent, pursuant to Guaranty dated November 20, 1998.

4. Guaranty by the Company of the obligations of certain of its Subsidiaries (and Subsidiaries of Bayside Street II, Inc.) to Healthcare Personnel Associates with respect to employees of Company Properties recovered from RainTree Healthcare Corporation

5. Obligations to fund operations and capital expenditures at Company Properties recovered from The Frontier Group, Inc. and its affiliates, RainTree Healthcare Corporation, Extendacare or Sun Healthcare Group, Inc.; potential liabilities (other than liabilities associated with failure by the Company to maintain its qualification as a REIT) associated with the operation by Subsidiaries (and Subsidiaries of Bayside Street II, Inc.) of Company Properties recovered from RainTree Healthcare Corporation, The Frontier Group, Inc. and its affiliates, Extendacare or Sun Healthcare Group, Inc.

6. Obligations to fund under Loan Agreement dated October 2, 1998 between the Company and Madison/OHI Liquidity Investors LLC

7. Obligations to fund working capital pursuant to loan documents between the Company and Subsidiaries and Essex Healthcare Corporation, Metro Health/Indiana, Inc. and Metro Health/Indiana III, Inc.

8. Mortgages, deeds of trust and/or related security interests encumbering any assets that secure from time to time any loan or loans made by The Provident Bank pursuant to a Loan Agreement dated March 31, 1999 between Omega and The Provident Bank.

9. Indemnification obligations with respect to any assets disposed of or relet by the Company or any Subsidiary, including any indemnification obligations in connection with the sale of facilities to Metro Health/Indiana

10. Obligations to employees and directors under employee benefit plans described in Schedule 3.16 and change of control agreements dated March 22, 2000 between the Company and each of Essel W. Bailey, Jr., F. Scott Kellman, Susan Allene Kovach, Laurence D. Rich and David A. Stover.

11. Extraordinary obligations for legal expenses and consulting fees (including fees of the Company's financial advisor) incurred from and after January 1, 2000.

12. Guaranty of obligations of Essex Healthcare Corporation under lease between American Healthcare (or an affiliate thereof) and Essex with respect to facilities on which Omega holds fee and leasehold mortgages.

OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

NAME CHANGES, MERGERS, ACQUISITIONS

1. Name Changes: None

2. Mergers and Acquisitions of Substantially All Assets:

(a) On October 1, 1994, Omega completed its merger with Health Equity Properties, Inc. (NYSE: EQP). In connection with this merger, Omega was the surviving entity of the parent company, and OHI (Clemmons), Inc., OHI (Greensboro), Inc., OHI (Florida), Inc. and OHI (Illinois), Inc. were the surviving entities of mergers with various subsidiaries of Health Equity Properties, Inc.

(b) As of October 31, 1997, Omega's wholly-owned subsidiary OHI (Iowa), Inc. completed its merger with four entities affiliated with JoAnn Webb and Five Star Care Corporation. The entities merged into OHI (Iowa), Inc. were Clarion Care Center, Inc., Dows Care Center, Inc., Quality Care, Inc. and Urbandale Health Care Center, Inc. Concurrently therewith, OHI (Iowa), Inc. acquired substantially all of the assets of Earlham Manor Care Center, Inc. and Embassy Manor Care Center, Inc.

(c) Omega, through its wholly-owned subsidiaries OS Leasing Company, Sterling Acquisition Corp. and Sterling Acquisition Corp. II, completed during 1994 the acquisition of the nursing home facilities of Sterling Healthcare of Ashland, Kentucky.

(d) Prior to the filing of bankruptcy proceedings by affiliates of The Frontier Group, Inc. ("Frontier") in July 1999, Omega, through its subsidiaries OHIMA, Inc. and OHI (Connecticut), Inc. acquired, by deed in lieu of foreclosure, twelve (12) healthcare facilities previously owned and operated by Frontier.

(e) In connection with the bankruptcy proceedings of Raintree Healthcare Corporation ("Raintree"), Omega, through numerous subsidiaries, acquired in March 2000 thirty (30) nursing home and assisted living facilities previously operated by Raintree.

SCHEDULE 3.16
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

EMPLOYEE BENEFIT PLANS

Metropolitan Life Insurance Company Life Insurance Policy
Metropolitan Life Insurance Company Long-Term Disability Policy
Principal Financial Group Dental Policy
Blue Cross/Blue Shield Traditional Health Insurance Plan
Blue Cross/Blue Shield Preferred Provider Health Insurance Plan
Company-Sponsored 401-K Profit Sharing Plan
1993 Deferred Compensation Plan
1997 Amended and Restated Stock Option and Restricted Stock Plan
Section 125 Plan

SCHEDULE 7.1
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

PERMITTED INDEBTEDNESS AND GUARANTIES

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

10% Senior Unsecured Notes issued October 16, 1995 and due July 15, 2000	$44,316,000
7.4% Senior Unsecured Notes issued November 19, 1995 and due July 15, 2000	$19,586,312
7.4% Senior Unsecured Notes issued December 28, 1995 and due July 15, 2000	$17,479,000
8.5% Subordinated Convertible Debentures issued January 24, 1996 and due February 1, 2001	$48,405,000
6.95% Senior Unsecured Notes issued June 10, 1998 and due June 1, 2002	$125,000,000
6.95% Senior Unsecured Notes issued July 31, 1997 and due August 1, 2007	$100,000,000
Industrial Revenue Bonds (Salem, WV) issued September 30, 1996 and due September 1, 2010	$1,885,000
Industrial Revenue Bonds (Beckley, WV) issued September 30, 1996 and due September 1, 2012	$2,760,000

</TABLE>

Obligations of a Borrower in connection with a lease of a Facility if such Borrower has subleased the Facility or assigned the lease, or right to lease, the Facility to an Operator. Such obligations shall be treated as Indebtedness if and to the extent the Operator, during any fiscal year of the Borrowers, is not obligated to fulfill such obligations.

Obligations of a Borrower incurred in connection with, or as a result of, the exercise by such Borrower or any Subsidiary of its remedies under any agreements evidencing any lease or mortgage with an operator or any other obligations of a Borrower incurred in connection with, or as a result of, attempts by such Borrower or a Subsidiary to preserve the value of its property or collateral.

Guaranty by Omega to Fleet Bank, N.A., as Agent of the obligations of Omega Worldwide, Inc. under that certain Loan Agreement dated November 20, 1998.

Each of the borrowings described on Schedule 7.2

Any other borrowings by a Borrower, provided that at any time the aggregate amount of Indebtedness of Omega and its Subsidiaries, on a consolidated basis, does not exceed 60% of the sum ("Adjusted Total Assets") of (a) the total assets of Omega and its Subsidiaries (defined as the sum of the original cost plus capital improvements of real estate assets of Omega and its Subsidiaries on such date, before depreciation and amortization), determined on a consolidated basis as of the end of the calendar quarter covered in Omega's Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, most recently filed with the Securities and Exchange Commission prior to date of determination; and (b) the purchase price of any real estate assets or mortgages or receivables acquired, and the amount of any securities offering proceeds received (to the extent that such proceeds were not used to acquire real estate assets or mortgages or receivables used to reduce indebtedness) by Omega or any Subsidiary since the end of such calendar quarter.

SCHEDULE 7.2
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,

THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

PERMITTED LIENS

1. Mortgages, deeds of trust and/or related security interests securing any other Indebtedness, provided that the aggregate principal amount of all outstanding Indebtedness of Omega and its Subsidiaries, determined on a consolidated basis, that is secured by any mortgage, lien, charge, pledge or security interest of any kind does not exceed 40% of Adjusted Total Assets (as defined on Schedule 7.1), which include the liens described in paragraphs 2 and 3 below.

2. Mortgages, deeds of trust and/or related security interests encumbering any assets that secure from time to time any loan or loans in the aggregate principal amount of up to $50,000,000 at any time outstanding made by The Provident Bank pursuant to a Loan Agreement dated March 31, 1999 and maturing March 31, 2002 between Omega and The Provident Bank, as the same has heretofore been amended from time to time through the date hereof and/or pursuant to a mortgage loan made by The Provident Bank in the original principal amount of $9,000,000 (encumbering the Advocat facilities commonly known as Carter Healthcare Center, South Shore Nursing & Rehab Center and Wurtland Health Care Center).

3. Mortgages, deeds of trust or financing leases securing the following bond financings:

Operator	Facility	Bond Issue	Loan/Lease Maturity
Advocat	Laurel Manor Health Center (New Tazwell)	IRB South Trust Alabama	2017/2002
Advocat	Manor House of Dover	IRB South Trust Alabama	2011/2002
Sun Healthcare Group	SunRise Care & Rehab for La Follette	IRB South Trust Alabama	2016/2006
Sun Healthcare Group	SunRise Care & Rehab for Maynardville	IRB Bank of New York	2014/2006

SCHEDULE 7.8
TO LOAN AGREEMENT
BY AND AMONG
OMEGA HEALTHCARE INVESTORS, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
FLEET BANK, N.A., AS AGENT

PERMITTED INVESTMENTS

Core Real Estate Investments:	Investment at March 31, 2000
Advocat Inc.	$111,458,133
Alden Management Services Inc.	31,327,356
Alterra Healthcare Corporation	34,085,000
Covenant Care, Inc.	1,974,471
Emerald Healthcare, Inc.	11,029,945
Essex Healthcare Corporation	16,546,165
Eldorado Care Center, Inc. & Magnolia Manor, Inc.	5,100,000
HQM of Floyd County, Inc.	10,250,000
Hunter Management Group, Inc.	8,150,866
Integrated Health Services, Inc.	161,121,991
Kansas & Missouri, Inc.	2,500,000

Liberty Assisted Living Centers, LP	5,995,490
Mariner Post-Acute Network	58,800,000
Peak Medical of Idaho, Inc.	10,500,000
Rocky Mountain Health Care	1,882,756
Senior Care Properties, Inc.	6,336,243
Sun Healthcare Group, Inc.	240,537,208
Tenet Healthcare Corp.	30,031,250
Texas Health Enterprises/HEA Mgmt. Group, Inc.	6,423,049
Tiffany Care Centers, Inc.	5,091,914
TLC Healthcare, Inc.	41,307,735
Tutera Evergreen, LLC	750,000
USA Healthcare, Inc.	17,212,798
Total Core Real Estate Investments	$818,412,370

Assets Held For Sale	
ExtendaCare, Inc.	$20,647,603
Emerald Healthcare, Inc.	899,845
RainTree Healthcare Corporation	6,756,596
Res-Care, Inc.	11,097,215
Sun Healthcare Group, Inc.	6,344,721
Senior Care Properties, Inc.	4,442,322
OHIMA, Inc. and OHI(CT), Inc.	6,166,262
Total Assets Held For Sale	$56,354,564

Other Real Estate:	
Sunrise	$798,051
OHIMA, Inc. and OHI(CT), Inc.	60,809,900
RainTree Healthcare Corporation, Including Bayside Street, Inc. and Bayside Street II, Inc.	76,323,715
Meadowbrook Healthcare of N.C.	7,500,000
Total Other Real Estate	$145,431,666

Other Investments:	
Investment in Omega Worldwide, Inc.	$7,688,392
Investment in Principal Healthcare Finance Limited	1,615,083
Investment in Principal Healthcare Finance Trust	1,266,000
American Healthcare Centers, Inc.	7,542,676
Investment in Partnerships - Post Offices	15,445,085
Total Other Investments	$33,557,236

Notes Receivable:	
Metro Health I	$1,800,000
Metro Health III	1,070,000
Metro-Health/Indiana	2,569,292
Essex Healthcare Corporation	3,250,000
Madison/OHI Liquidity Investors, LLC	7,265,782
Five Star	1,672,150
BJ Development - Warren Park	1,292,366
BJ Development - Southeastern	438,275
Oakwood Living Centers	6,000,000
Parkview Hospice	40,000
TLC	300,000
Total Notes Receivable	$25,697,865

</TABLE>

AMENDMENT TO
LOAN AGREEMENT

This Amendment (the "Amendment") is made and entered into effective as of the 13th day of July, 2000, by and between OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation (the "Borrower"), STERLING ACQUISITION CORP., a Kentucky corporation, OHI (IOWA), INC., an Iowa corporation, DELTA INVESTORS I, LLC, a Maryland limited liability company ("Delta 1") and DELTA INVESTORS II, LLC, a Maryland limited liability company ("Delta 2") (referred to collectively as the "Guarantors") and THE PROVIDENT BANK, an Ohio banking corporation ("Bank").

WITNESSETH:

WHEREAS, Borrower, Guarantors (other than Delta 1) and Bank are parties to a certain Loan Agreement dated March 31, 1999 (as the same has been and may from time to time hereafter be amended or supplemented, the "Agreement");

WHEREAS, Borrower and Bank are in the process of finalizing a proposed new extension of credit from Bank and other participants to Borrower, as further described in various letter agreements, including exhibits thereto, between Borrower and Provident Capital Corp. dated April 4, 2000, June 14, 2000 and July 7, 2000, together with such modifications and clarifications as may subsequently be agreed upon by Borrower and Bank (the "New Facility");

WHEREAS, Borrower has requested that Bank (i) accept five (5) new Facilities as Real Property Collateral under the Agreement, and (ii) release two (2) Facilities and the Post Office Property currently serving as Real Property Collateral under the Agreement (referred to collectively as the "Substitution"), and, in connection with the Substitution, the Bank has (a) agreed to accept the Appraisals previously submitted for the Best Care, Northside, Ouachita and Sierra Vista Facilities, and (b) agreed to waive the requirement of an Appraisal for the Clarion Facility, all subject to and conditioned upon the execution hereof by Borrower, Guarantors and Bank, and subject to the terms and conditions stated herein; and

WHEREAS, as part of the Substitution, Delta 1 is being added to the Agreement as a Guarantor and Loan Party, and Delta 2 is being removed from the Agreement as a Guarantor and Loan Party; and

WHEREAS, in connection with the foregoing, Borrower, the Guarantors and Bank desire to provide for certain amendments and changes to the terms, conditions and provisions of the Agreement, as specifically set forth herein and subject to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Substitution of Collateral. If the New Facility has not been consummated, completed and closed on or before August 15, 2000, the parties shall mutually agree upon certain Facilities (the "Substitute Facilities") from the list attached hereto as Schedule 1 which shall be substituted for the Facilities theretofore serving as Real Property Collateral. The Substitute Facilities shall have an aggregate EBITDAR of not less than $11,000,000.00 and aggregate EBITDAR Coverage of not less than 1.25. Such substitution shall be pursuant to the terms, conditions and provisions of Section 3.5(c) of the Agreement (as amended hereby), and must be completed not later than August 31, 2000. Following such substitution, the Substitute Facilities shall constitute the Real Property Collateral under the Agreement, and shall be subject to all of the terms, conditions and provisions of the Agreement (as amended hereby). For purposes hereof, "EBITDAR" shall mean, for the twelve (12) month period next preceding the last day of the most recently ended calendar quarter, determined in accordance with GAAP, the sum of net income (or net loss) after subtracting a 4% management fee for such period, plus the sum of all amounts treated as expenses for: (a) interest, (b) depreciation, (c) amortization, (d) all accrued taxes on or measured by income to the extent included in the determination of such net income (or net loss), and (e) the amount of all rental payments actually paid or accrued to a Loan Party with respect to such Facility; provided, however, that net income (or net loss) shall be computed without giving effect to extraordinary losses or gains or interest income. For purposes hereof, "EBITDAR Coverage" shall mean the ratio of (i) the aggregate EBITDAR for twelve (12) month period next preceding the last day of the most recently ended calendar quarter to (ii) the aggregate rental payments made to the Loan Parties under the lease, master lease, management agreement or similar agreement between a Loan Party and an Operator with respect to each Facility included within Real Property Collateral for such period.

2. Payment of Fees. Upon receipt of an invoice therefor, Borrower shall promptly pay to Bank, in good cleared funds, all fees and costs, including, without limitation attorneys' fees, incurred by Bank in connection with the negotiation, preparation and execution of this Amendment, the Substitution and, if applicable, the further substitution provided for in Paragraph 1 of this

Amendment. The foregoing does not include any such fees, costs and expenses incurred in connection with the New Facility.

3. Capitalized Terms. Capitalized terms used but not defined herein shall have the same meanings assigned to them in the Agreement.

4. Amendments to Agreement.

The following amendments shall be deemed to have been made to the Agreement as of August 15, 2000, without any further action on the part of the parties hereto:

4.1 Section 2.6 of the Agreement shall be amended and restated to read in its entirety as follows:

Section 2.6 Interest Payable on the Loan.

(a) Determination of Interest Rate For the Loan. The Interest Rate for the Loan shall be determined as follows:

(i) During the applicable LIBOR Period specified in a LIBOR Election, the principal balance of such portions of the Loan which are the subject of such LIBOR Election shall bear interest at the applicable LIBOR-Based Rate. The principal balance of such portions of the Loan other than the LIBOR Loans shall bear interest at the Prime Based Rate. The foregoing provisions of this clause (i) are subject to imposition of the Post-Default Rate as provided in Section 2.6(d).

(ii) From time to time as provided below, Borrower may make a LIBOR Election in accordance with the following provisions of this clause (ii). Any LIBOR Election, in order to be effective, must be made by written notice, signed by a duly authorized officer of Borrower identified to Bank, given to Bank and actually received by Bank, and must specify the portions of the Loan which are the subject thereof and the LIBOR Period applicable thereto. Any LIBOR Election shall become effective as of the first day of the calendar month first occurring not less than three Business Days after Bank's receipt of the LIBOR Election, and shall remain effective, as to each LIBOR Loan specified therein, until the end of the LIBOR Period applicable thereto (excluding the last day thereof). Other than with the consent of Bank, Borrower may not have more than four LIBOR Loans outstanding at any time, and any LIBOR Election that would result in more than four LIBOR Loans being outstanding shall not be effective.

(iii) The Prime-Based Rate and the LIBOR-Based Rate shall be adjusted on each Interest Rate Adjustment Date, to be effective upon such change.

(iv) Notwithstanding any other provisions of this Section 2.6(a) to the contrary, (A) Borrower may not make a LIBOR Election if, at any time, deposits in Dollars for the requested LIBOR Period are not available to Bank in the London interbank market, or (B) Borrower may not make a LIBOR Election, and if a LIBOR Election is in effect with respect to LIBOR Loan, it shall be terminated if, at any time, by reason of national or international financial, political or economic conditions or by reason of any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect, or the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by Bank with any request or directive of such authority (whether or not having the force of law), including, without limitation, exchange controls, Bank reasonably determines that it is impracticable, unlawful or impossible for Bank to maintain LIBOR Loans at the LIBOR-Based Rate.

(b) Interest Rate on Other Obligations. With the exception of any Obligations due and owing in connection with that certain facility extended from Bank to Sterling Acquisition Corp. pursuant to a Loan and Security Agreement dated December 30, 1994 (as the same may have been modified, amended or extended), the outstanding amount of any Obligations other than the Loan shall bear interest at the applicable Interest Rate, subject to the imposition of Post-Default Rate as provided in Section 2.6(d).

(c) Interest Payments. Borrower shall pay to Bank (i) interest accrued through the date of payment on the outstanding principal amount of each LIBOR Loan in arrears on the last day of each LIBOR Period applicable thereto, and (ii) interest accrued

through the date of payment on each Loan other than a LIBOR Loan monthly in arrears commencing on August 31, 2000 and continuing on the last day of each calendar quarter thereafter; provided, however, that if Borrower elects, pursuant to this Section 2.6 to convert a portion of the Loan other than a LIBOR Loan to a LIBOR Loan, Borrower shall pay all interest accrued but unpaid on the portion of the Loan being converted for the period commencing on the date of the last interest payment for such portion of the Loan to (but not including) the first day of the LIBOR Period for the LIBOR Loan into which such portion of the Loan was converted. Except as otherwise provided in this Section 2.6, Borrower shall pay to Bank interest accrued through the date of payment on all other Obligations immediately upon demand.

(d) Post-Default Rate. Upon the occurrence and during the continuance of any Event of Default, the outstanding principal and all accrued and unpaid interest, as well as any other Obligations due Bank hereunder or under any Loan Document, shall bear interest at the Post-Default Rate from the date on which such Event of Default shall have occurred to the date on which such Event of Default shall have been waived or cured.

4.2 The following definitions are inserted in the appropriate alphabetical location in Section 1.2 of the Agreement. To the extent that any of the following definitions already exists in the Agreement, such definition below shall be deemed to have been substituted for such prior definition in its entirety:

"Computation Date" means the last day of each fiscal quarter of Borrower.

"Debt Ratio" means, as of any Computation Date, the ratio of (i) Borrower's Indebtedness for Borrowed Money as of the Computation Date to (ii) Borrower's EBITDA for the Reference Period ending on the Computation Date.

"Explorer Investment Agreement" means the Investment Agreement, dated as of May 11, 2000, between Borrower and Explorer Holdings, L.P., a Delaware limited partnership.

"Explorer Investment Condition" means (i) proper approval of the Explorer Investment Agreement by the shareholders of Borrower on or before July 31, 2000, and (ii) receipt by Borrower of not less than $100,000,000 in equity under the Explorer Investment Agreement on or before August 31, 2000.

"Indebtedness for Borrowed Money" means at any particular time, all Indebtedness (i) in respect of any money borrowed; (ii) evidenced by any loan or credit agreement, promissory note, debenture, bond, guaranty or other similar written obligation to pay money; or (iii) under any Capitalized Lease, all as determined in accordance with GAAP.

"Interest Rate" means (a) the Prime-Based Rate, with respect to any portions of the Loan that are not LIBOR Loans, and the LIBOR-Based Rate, with respect any portions the Loan that are LIBOR Loans, and (b) with respect to any other Obligations, a rate equal to the Prime Rate plus two percent (2%).

"Interest Rate Adjustment Date" means (i) with respect to those portions of the Loan which are LIBOR Loans, the first day of the LIBOR Period for which LIBOR-Based Rate is being determined for each such LIBOR Loan, and (ii) with respect to those portions of the Loan which are not LIBOR Loans, each date upon which the Prime Rate from time to time changes.

"LIBOR-Based Rate" means an annual rate of interest equal to the sum of (i) the LIBOR Rate in effect as of the first day of LIBOR Period for which the LIBOR-Based Rate is being determined, plus (ii) the LIBOR Margin.

"LIBOR Election" means an effective election by Borrower to have the principal balance of the Loan, or one or more designated portions thereof, bear interest at the LIBOR-Based Rate for the LIBOR Period as designated therein in accordance with the provisions of Section 2.6(a).

"LIBOR Loan" means all or such portions of the Loan with respect to which a LIBOR Election shall have been made for the applicable LIBOR Period with respect thereto.

"LIBOR Margin" means one of the following percentages, depending on (i) the Debt Ratio, as determined by Bank as of the Computation Date for the immediately preceding fiscal quarter, and (ii) whether the Explorer Investment Condition continues to be satisfied:

<TABLE>
<CAPTION>

	Explorer Investment Condition Continues to be Satisfied	Explorer Investment Condition

		Ceases to be Satisfied
Debt Ratio		
Greater than or equal to 5.5:1	3.25%	4.00%
Greater than or equal to 5.0:1, but less than 5.5:1	3.25%	3.50%
Greater than or equal to 4.5:1, but less than 5.0:1	3.00%	3.25%
Greater than or equal to 4.0:1, but less than 4.5:1	2.75%	3.00%
Less than 4.0:1	2.50%	2.75%

</TABLE>

"LIBOR Period" means a period consisting of one (1), two (2), three (3) or six (6) calendar months, as designated by Borrower from time to time in a LIBOR Election.

"LIBOR Rate" means, as applicable to any LIBOR Loan, an interest rate per annum equal to the quotient of (i) the rate of interest Bank may quote to Borrower, from time to time and subject to change without notice, determined on the basis of the offered per annum rate, estimated per annum rate, or the arithmetic mean of the per annum rates determined by Bank and rounded upward to two decimal points in its reasonable discretion for deposits in U.S. Dollars in an amount comparable to the LIBOR Loan for the LIBOR Period, which shall appear on page BBAM, captioned British Bankers Assoc. Interest Settlement Rates, of Bloomberg, a service of Bloomberg Partners (or such other page that may replace such page on that service for the purpose of displaying the LIBOR Rate), or if such service ceases to be available, such other reasonable source reporting "London Interbank Offered Rates" of major banks on the date that is two Business Days prior to the commencement of the LIBOR Period, divided by (ii) a number equal to one minus the aggregate (without duplication) of the rates (expressed as a decimal fraction) of the LIBOR Reserve Requirements current on the date two Business Days prior to the commencement of the LIBOR Period.

"LIBOR Reserve Requirements" means, for any LIBOR Period for which a LIBOR Election is effective, the maximum reserves (whether basic, supplemental, marginal, emergency or otherwise) prescribed by the Board of Governors of the Federal Reserve System (or any successor) with respect to liabilities or assets consisting of or including eurocurrency funding, currently referred to as "Eurocurrency liabilities" (as defined in Regulation D of the Board of Governors of the Federal Reserve System), having a term equal to the LIBOR Period.

"Prime-Based Rate" means an annual rate of interest equal to the sum of (i) the Prime Rate as in effect from day to day plus (ii) the Prime Margin.

"Prime Margin" means one of the following percentages, depending on (i) the Debt Ratio, as determined by Bank as of the Computation Date for the immediately preceding fiscal quarter, and (ii) whether the Explorer Investment Condition continues to be satisfied:

<TABLE>
<CAPTION>

	Explorer Investment Condition Continues to be Satisfied	Explorer Investment Condition Ceases to be Satisfied
Debt Ratio		
Greater than or equal to 5.5:1	1.00%	2.75%
Greater than or equal to 5.0:1, but less than 5.5:1	1.00%	2.50%
Greater than or equal to 4.5:1, but less than 5.0:1	0.50%	2.25%
Greater than or equal to 4.0:1, but less than 4.5:1	0.50%	2.00%
Less than 4.0:1	0.25%	1.75%

</TABLE>

"Prime Rate" means the rate of interest established from time to time by Bank as its prime rate at its Head Office, whether or not Bank shall at times lend to other borrowers at lower rates of interest.

4.3 The definition "Interest Period" is deleted from the Agreement.

4.4 Paragraph 3.5(c) of the Agreement shall be amended and restated to read in its entirety as follows:

(c) Adding new Property to the Real Property Collateral, or substituting new Property for Property being removed from the Real Property Collateral, shall require that, (i) following such addition or substitution, the Real Property Collateral has and continues to have aggregate EBITDAR of not less than $11,000,000.00 and EBITDAR Coverage of not less than 1.25, and (ii) the Loan Party in question (A) delivers to Bank a lender's title insurance policy on the new Property, which must be reasonably satisfactory to Bank and indicate that such new Property is owned by such Loan Party free, clear and unencumbered, except for a lease to an Operator on terms and

conditions acceptable to Bank, and that Bank's Mortgage on such property is a first priority lien, (B) executes and delivers to Bank a Mortgage, in form and content satisfactory to Bank, on the new Property, and the due and proper recordation of such Mortgage on the new Property, (C) delivers to Bank such Appraisals, environmental audits, reports or site assessments, flood plain certifications and surveys with respect to such Property as that Loan Party shall have in its possession, and agrees, if Bank reasonably believes that any such item raises a concern about the Property in question, to provide updated information regarding such item within sixty (60) following the later of such substitution or Bank's request for such updated information, and such updated information must be in form and substance reasonably acceptable to Bank, or Bank may remove such Property from the Real Property Collateral and request that additional Property reasonably acceptable to Bank be substituted therefor, (D) delivers to Bank such other information and documentation regarding the Property as Bank shall reasonably require and (E) pays all costs, fees and expenses, including fees of Bank's counsel, associated with the review of information regarding the new Property, the preparation of the new Mortgage, the recording of the same and the preparation of documentation necessary to release the Mortgage on the Property being removed and released. Bank agrees to pay one-half of the cost of any new Appraisal required by Bank under (ii)(C) above.

5. Failure to Comply and Event of Default. Borrower and Guarantors acknowledge and agree that it shall be an Event of Default under Section 9.1 of the Agreement, and Bank shall have all of its rights and remedies under the Agreement and the Loan Documents, if Borrower or Guarantors fail to comply with the any of the terms, conditions and provisions of this Amendment, including, but not limited to, the provisions of Sections 1 and 2 hereof.

6. Representations and Warranties

6.1 All warranties and representations made to Bank under the Agreement and each of the other Loan Documents are true and correct as of the date hereof.

6.2 The execution and delivery by Borrower and Guarantors of this Amendment and the performance by Borrower and Guarantors of the transactions herein contemplated (i) are and will be within Borrower's and Guarantors' corporate or company powers, (ii) have been authorized by all necessary corporate action, and (iii) are not and will not be in contravention of any law, any order of any court or other agency of government, or any other indenture, agreement or undertaking to which Borrower or any Guarantor is a party or by which the property of Borrower is bound, or be in conflict with, result in a breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or undertaking or result in the imposition of any lien, charge or encumbrance of any nature on any of the properties of Borrower.

6.3 This Amendment is valid, binding and enforceable against Borrower and Guarantors in accordance with its terms.

7. Effectiveness Conditions. This Amendment shall be effective upon the execution and delivery of this Amendment.

8. Confirmation of Indebtedness. Borrower hereby acknowledges and confirms that as of the close of business on July 12, 2000, it is indebted to Bank, without defense, set off, claim, counterclaim or defense of any nature, under the Agreement, in the aggregate principal amount of $50,000,000.00, plus all interest, fees, costs and expenses (including attorneys' fees) incurred to date in connection with this Amendment, the Agreement and the other Loan Documents.

9. Ratification of Existing Loan Documents. Except as expressly set forth herein, all of the terms and conditions of the Agreement and the other Loan Documents are hereby ratified and confirmed and continue unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers.

THE PROVIDENT BANK

By: /s/ Steven J. Bloemer

Its: Vice President
Printed: Steven J. Bloemer

OMEGA HEALTHCARE INVESTORS, INC.,
STERLING ACQUISITION CORP.
OHI(IOWA), INC.
DELTA INVESTORS I, LLC
DELTA INVESTORS II, LLC

/s/ F. Scott Kellman

By: F. Scott Kellman, Chief Operating Officer

F. Scott Kellman, as an executive officer of all of the aforementioned corporations or limited liability companies, has executed this Amendment intending that all corporations or limited liability companies above named are bound and are to be bound by the one signature as if he had executed this Amendment separately for each of the above named corporations.

ADVISORY AGREEMENT

THIS ADVISORY AGREEMENT, dated as of July 14, 2000 (this "Agreement") is made and entered into between Omega Healthcare Investors, Inc., a Maryland corporation (the "Company"), and The Hampstead Group, L.L.C., a Texas limited liability company (the "Advisor").

A. Explorer Holdings, L.P. (the "Purchaser"), an affiliate of the Advisor, has made a substantial equity investment in the Company pursuant to an Investment Agreement, dated as of the date hereof, between Purchaser and the Company (the "Investment Agreement");

B. The Advisor, by and through itself, its affiliates and their respective officers, employees and representatives, has expertise in the areas of management, finance, strategy, investment and acquisitions relating to the business of the Company; and

C. Pursuant to the terms of the Investment Agreement, the Company may desire to avail itself, during the term of this Agreement, of the expertise of the Advisor in the aforesaid areas and the Advisor may wish to provide the services to the Company as herein set forth.

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

1. Advisory Services. (a) The Advisor may, from time to time, consider advising and assisting the Company in connection with the development of its strategic plan, including acquisitions, divestitures, new development and financing matters. The precise nature of the services to be performed hereunder by the Advisor will be determined from time to time by mutual agreement of the Advisor and the Company. The Company hereby acknowledges that the persons performing the foregoing services are full-time employees of the Advisor or other entities and will not be expected to devote substantially all of their efforts to the Company but rather only so much of their efforts as, from time to time, the Advisor determines in its reasonable discretion to be appropriate in the circumstances. The Advisor will disclose to the Company any material interest of the Advisor, or its affiliates or designees providing services hereunder, in matters that are the subject of the advisory services contemplated hereby, other than the Advisor's interest as a shareholder of the Company and designees as directors of the Company.

(b) The Advisor and the individuals acting on its behalf that are actually providing the services contemplated hereby will be independent contractors, rather than employees or agents, and will have only such authority as is incident to the discharge of the duties herein contemplated or specifically authorized from time to time by the Board of Directors of the Company (the "Board").

2. Consideration. In consideration for the services provided by the Advisor under this Agreement, the Company will pay to the Advisor such customary advisory fees (the "Fees") based upon the type and amount of services provided by the Advisor and as are agreed upon by the Advisor and a majority of those members of the Board who are "independent directors" having no material affiliation or relationships with the Purchaser, the Advisor or the Company.

3. Reimbursements. In addition to the Fees, the Company will pay directly or reimburse the Advisor for its Out-of-Pocket Expenses. Promptly following the Company's request therefor, the Advisor will provide written substantiation in reasonable detail relating to any Out-of-Pocket Expenses to be paid or reimbursed by the Company pursuant to this Agreement. For the purposes of this Agreement, the term "Out-of-Pocket Expenses" means the out-of-pocket costs and expenses that are actually and reasonably incurred by the Advisor or its affiliates in connection with the services rendered hereunder. All reimbursements for Out-of-Pocket Expenses will be made promptly upon or as soon as practicable after presentation by the Advisor to the Company of a written statement therefor.

4. Indemnification. (a) The Company will indemnify and hold harmless the Advisor, its affiliates, and their respective partners (both general and limited), members (both managing and otherwise), officers, directors, employees, agents and representatives (each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, whether joint or several (the "Indemnifiable Losses"), related to, arising out of or in connection with the services contemplated by this Agreement or the engagement of the Advisor pursuant to, and the performance by the Advisor of the services contemplated by, this Agreement, whether or not pending or threatened, whether or not an Indemnified Party is a party and whether or not such action, claim, suit, investigation or proceeding (a "Claim") is initiated or brought by the Company directly, derivatively or otherwise, including without limitation any action, suit, proceeding or investigation arising out of any action or failure to take action by the Company or any of its subsidiaries, whether or not based on a theory of primary or secondary liability, and will reimburse any Indemnified Party for all reasonable costs and expenses (including reasonable

attorneys' fees and expenses) as they are incurred in connection with investigating, preparing, pursuing, defending or assisting in the defense of any Claim for which the Indemnified Party would be entitled to indemnification under the terms of this sentence, or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto, provided that, subject to the following sentence, the Company, upon execution of a written undertaking reasonably satisfactory to the Advisor confirming the Company's indemnity obligations hereunder (without any reservation of rights other then as permitted elsewhere herein) and expressly releasing all Indemnified Parties from any and all liability related to the matter in question subject to the limitations contained herein (such undertaking, an "Indemnity Undertaking") will be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such Indemnified Party in its reasonable judgment. Any Indemnified Party may, at its own expense, retain separate counsel to participate in such defense, and in any Claim in which both the Company and/or one or more of its subsidiaries, on the one hand, and an Indemnified Party, on the other hand, is, or is reasonably likely to become, a party, such Indemnified Party will have the right to employ separate counsel at the expense of the Company and to control its own defense of such Claim if, in the reasonable opinion of counsel to such Indemnified Party, a conflict or potential conflict exists between the Company, on the one hand, and such Indemnified Party, on the other hand, that would make such separate representation advisable. The Indemnified Party shall give prompt notice to the Company of any actual or asserted event or occurrence that could reasonably be expected to give rise to a Claim. The failure by an Indemnified Party to notify the Company of a Claim will not relieve the Company from any liability hereunder unless, and only to the extent that, the Company did not learn of such Claim and such failure shall materially prejudice the ability of the Company to defend such Claim or otherwise perfect rights to any insurance coverage relating thereto. The Company will not, without the prior written consent of the applicable Indemnified Party, settle, compromise or consent to the entry of any judgment in any pending or threatened Claim relating to the matters contemplated hereby (if any Indemnified Party is a party thereto or has been threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of the applicable Indemnified Party from all liability arising or that may arise out of such Claim. Provided the Company is not in breach of its indemnification obligations hereunder, no Indemnified Party may settle or compromise any Claim subject to indemnification hereunder without the consent of the Company provided that prior thereto such Indemnified Party has been furnished with an Indemnity Undertaking.

(b) If any indemnification sought by any Indemnified Party pursuant to this Section is unavailable for any reason or is insufficient to hold the Indemnified Party harmless against any Indemnifiable Losses referred to herein, then the Company will contribute to the Indemnifiable Losses for which such indemnification is held unavailable or insufficient in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and the Advisor, on the other hand, in connection with the transactions which gave rise to such Indemnifiable Losses or, if such allocation is not permitted by applicable law, not only such relative benefits but also the relative faults of the Company, on the one hand, and the Advisor, on the other hand, as well as any other equitable considerations, subject to the limitation that in any event the aggregate contribution by the Indemnified Parties to all Indemnifiable Losses with respect to which contribution is available hereunder will not exceed the Fees paid through the date on which (or, if more than one date, the last date on which the conduct occurred that gave rise to the Indemnifiable Loss).

(c) Notwithstanding any other provision hereof, none of the Advisor nor any employee, officer, director or other related person or entity will have any liability or obligation by reason of this Agreement for performance or nonperformance of services contemplated hereby except and solely to the extent that it is judicially determined by a court of competent jurisdiction that such person intentionally breached or caused to be breached a material provision of this Agreement. The parties hereto hereby expressly disclaim any liability or obligation of the Advisor and its affiliates or any of their respective employees, officers, directors and other related persons or entities for actual or alleged negligence of any character in connection with the services contemplated by this Agreement.

(d) The provisions of this Section 4 will be in addition to and in no manner limit or otherwise affect any other right that the Advisor or any other Indemnified Party may have, whether by contract, or arising as a matter of law or the constituent documents of any other entity.

5. Term. This Agreement will terminate by (i) mutual consent of the parties or (ii) on or after July 1, 2001, by either the Company or the Advisor with or without cause on 60 calendar days prior notice to the other. The termination or expiration of the term of this Agreement will not affect the Advisor's rights (i) under Sections 3 or 4 hereof (which will survive any termination or expiration of this Agreement) and (ii) under Section 2 to receive the amount of Fees pro rated based upon the portion of services performed prior to such termination.

6. Miscellaneous. (a) No amendment or waiver of any provision of this Agreement, or consent to any departure by either party hereto from any such

provision, shall be effective unless the same shall be in writing and signed by each of the parties hereto. Any amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The waiver by any party of any breach of this Agreement shall not operate as or be construed to be a waiver by such party of any subsequent breach.

(b) Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or sent by facsimile, Federal Express or other nationally recognized overnight courier, addressed as follows or to such other address of which the parties may have given notice:

If to the Advisor:
The Hampstead Group, L.L.C.
4200 Texas Commerce Tower West
2000 Ross Avenue
Dallas, Texas 75201
Attention: William T. Cavanaugh, Jr.
Facsimile: (214) 220-4949

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

Unless otherwise specified herein, such notices or other communications shall be deemed received (i) on the date delivered, if delivered personally or sent by facsimile, and (ii) one business day after being sent by Federal Express or other overnight courier.

(c) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns. The provisions of Section 4 shall inure to the benefit of each Indemnified Party.

(d) This Agreement may be executed by one or more parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

(e) The waiver by any party of any breach of this Agreement shall not operate as or be construed to be a waiver by such party of any subsequent breach.

(f) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall be not invalidate or render unenforceable such provision in any other jurisdiction.

(g) For purposes of this Agreement, (i) "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 and (ii) "person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(h) When a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to a Section of 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 defined in this Agreement will have the 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. References to a person are also to its permitted successors and assigns.

(i) This Agreement (including the documents and instruments referred to herein) (i) constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement and (ii) except for the provisions of Section 4, are not intended to confer upon any person other than the parties any rights or remedies.

(j) Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned, in whole or in part, by operation of law or otherwise by either of the parties hereto without the prior written consent of the other party; provided however, that the Advisor may assign its rights and obligations under this Agreement to an Affiliate of Advisor without the consent of the Company provided that no such assignment shall relieve Advisor of its

obligations under this Agreement. Any assignment in violation of the preceding sentence will be void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

(k) The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were 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 of this Agreement in any federal court located in the State of Delaware or in Delaware state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of Delaware and or any Delaware state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal court sitting in the State of Delaware or a Delaware state court.

[Signature page follows]

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

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Susan Allene Kovach

Name: Susan Allene Kovach
Title: Vice President

THE HAMPSTEAD GROUP, L.L.C.

By: /s/ William T.Cavanaugh, Jr.

Name: William T. Cavanaugh
Title: Vice President

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OMEGA HEALTHCARE INVESTORS, INC.

2000 STOCK INCENTIVE PLAN

SECTION I. DEFINITIONS

1.1 DEFINITIONS. Whenever used herein, the masculine pronoun will be deemed to include the feminine, and the singular to include the plural, unless the context clearly indicates otherwise, and the following capitalized words and phrases are used herein with the meaning thereafter ascribed:

(a) "AFFILIATE" means:

(1) Any Subsidiary or Parent,

(2) An entity that directly or through one or more intermediaries controls, is controlled by, or is under common control with the Company, as determined by the Company, or

(3) Any entity in which the Company has such a significant interest that the Company determines it should be deemed an "Affiliate", as determined in the sole discretion of the Company.

(b) "BOARD OF DIRECTORS" means the board of directors of the Company.

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

(d) "COMMITTEE" means the Compensation Committee of the Board of Directors.

(e) "COMPANY" means Omega Healthcare Investors, Inc., a Maryland corporation.

(f) "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 or, if applicable, any Affiliate of the Company for the Participant. If no long-term disability plan or policy was ever maintained on behalf of the Participant or, if the determination of Disability relates to an Incentive Stock Option, 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 will be made by the Committee and will be supported by advice of a physician competent in the area to which such Disability relates.

(g) "DIVIDEND EQUIVALENT RIGHTS" means certain rights to receive cash payments as described in Section 3.5.

(h) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

(i) "FAIR MARKET VALUE" with regard to a date means:

(1) the price at which Stock shall have been sold on that date or the last trading date prior to that date as reported by the national securities exchange selected by the Committee on which the shares of Stock are then actively traded or, if applicable, as reported by the NASDAQ Stock Market.

(2) if such market information is not published on a regular basis, the price of Stock in the over-the-counter market on that date or the last business day prior to that date as reported by the NASDAQ Stock Market or, if not so reported, by a generally accepted reporting service.

(3) if Stock is not publicly traded, as determined in good faith by the Committee with due consideration being given to (i) the most recent independent appraisal of the Company, if such appraisal is not more than twelve months old and (ii) the valuation methodology used in any such appraisal.

For purposes of Paragraphs (1), (2), or (3) above, the Committee may use the closing price as of the applicable date, the average of the high and low prices as of the applicable date or for a period certain ending on such date, the price determined at the time the transaction is processed, the tender offer price for shares of Stock, or any other method which the Committee determines is reasonably indicative of the fair market value.

(j) "INCENTIVE STOCK OPTION" means an incentive stock option within the meaning of Section 422 of the Internal Revenue Code.

(k) "OPTION" means a Non-Qualified Stock Option or an Incentive Stock Option.

(l) "OVER 10% OWNER" means an individual who at the time an Incentive Stock Option is granted owns Stock possessing more

than 10% of the total combined voting power of the Company or one of its Subsidiaries, determined by applying the attribution rules of Code Section 424(d).

(m) "NON-QUALIFIED STOCK OPTION" means a stock option that is not an Incentive Stock Option.

(n) "PARENT" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, with respect to Incentive Stock Options, at the time of the granting of the Option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A Parent shall include any entity other than a corporation to the extent permissible under Section 424(f) or regulations and rulings thereunder.

(o) "PARTICIPANT" means an individual who receives a Stock Incentive hereunder.

(p) "PERFORMANCE GOALS" means the measurable performance objectives, if any, established by the Committee for a Performance Period that are to be achieved with respect to a Stock Incentive granted to a Participant under the Plan. Performance Goals may be described in terms of Company-wide objectives or in terms of objectives that are related to performance of the division, Affiliate, department or function within the Company or an Affiliate in which the Participant receiving the Stock Incentive is employed or on which the Participant's efforts have the most influence. The achievement of the Performance Goals established by the Committee for any Performance Period will be determined without regard to the effect on such Performance Goals of any acquisition or disposition by the Company of a trade or business, or of substantially all of the assets of a trade or business, during the Performance Period and without regard to any change in accounting standards by the Financial Accounting Standards Board or any successor entity. The Performance Goals established by the Committee for any Performance Period under the Plan will consist of one or more of the following:

(i) earnings per share and/or growth in earnings per share in relation to target objectives, excluding the effect of extraordinary or nonrecurring items;

(ii) operating cash flow and/or growth in operating cash flow in relation to target objectives;

(iii) cash available in relation to target objectives;

(iv) net income and/or growth in net income in relation to target objectives, excluding the effect of extraordinary or nonrecurring items;

(v) revenue and/or growth in revenue in relation to target objectives;

(vi) total shareholder return (measured as the total of the appreciation of and dividends declared on the Common Stock) in relation to target objectives;

(vii) return on invested capital in relation to target objectives;

(viii) return on shareholder equity in relation to target objectives;

(ix) return on assets in relation to target objectives; and

(x) return on common book equity in relation to target objectives

If the Committee determines that, as a result of a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which the Company conducts its business, or any other events or circumstances, the Performance Goals are no longer suitable, the Committee may in its discretion modify such Performance Goals or the related minimum acceptable level of achievement, in whole or in part, with respect to a period as the Committee deems appropriate and equitable, except where such action would result in the loss of the

otherwise available exemption of the Stock Incentive under Section 162(m) of the Code. In such case, the Committee will not make any modification of the Performance Goals or minimum acceptable level of achievement.

(q) "PERFORMANCE PERIOD" means, with respect to a Stock Incentive, a period of time within which the Performance Goals relating to such Stock Incentive are to be measured. The Performance Period will be established by the Committee at the time the Stock Incentive is granted.

(r) "PERFORMANCE UNIT AWARD" refers to a performance unit award as described in Section 3.6.

(s) "PHANTOM SHARES" refers to the rights described in Section 3.7.

(t) "PLAN" means the Omega Healthcare Investors, Inc. 2000 Stock Incentive Plan.

(u) "STOCK" means Company's common stock.

(v) "STOCK APPRECIATION RIGHT" means a stock appreciation right described in Section 3.3.

(w) "STOCK AWARD" means a stock award described in Section 3.4.

(x) "STOCK INCENTIVE AGREEMENT" means an agreement between the Company and a Participant or other documentation evidencing an award of a Stock Incentive.

(y) "STOCK INCENTIVE PROGRAM" means a written program established by the Committee, pursuant to which Stock Incentives are awarded under the Plan under uniform terms, conditions and restrictions set forth in such written program.

(z) "STOCK INCENTIVES" means, collectively, Dividend Equivalent Rights, Incentive Stock Options, Non-Qualified Stock Options, Phantom Shares, Stock Appreciation Rights and Stock Awards and Performance Unit Awards.

(aa) "SUBSIDIARY" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain. A "Subsidiary" shall include any entity other than a corporation to the extent permissible under Section 424(f) or regulations or rulings thereunder.

(bb) "TERMINATION OF EMPLOYMENT" means the termination of the employee-employer relationship between a Participant and the Company and its Affiliates, regardless of whether severance or similar payments are made to the Participant for any reason, including, but not by way of limitation, a termination by resignation, discharge, death, Disability or retirement. The Committee will, in its absolute discretion, determine the effect of all matters and questions relating to a Termination of Employment, including, but not by way of limitation, the question of whether a leave of absence constitutes a Termination of Employment.

SECTION 2 THE STOCK INCENTIVE PLAN

2.1 PURPOSE OF THE PLAN. The Plan is intended to (a) provide incentive to officers, key employee, directors and consultants of the Company and its Affiliates to stimulate their efforts toward the continued success of the Company and to operate and manage the business in a manner that will provide for the long-term growth and profitability of the Company; (b) encourage stock ownership by officers, key employees, directors and consultants by providing them with a means to acquire a proprietary interest in the Company, acquire shares of Stock, or to receive compensation which is based upon appreciation in the value of Stock; and (c) provide a means of obtaining, rewarding and retaining officers, key personnel, directors, and consultants.

2.2 STOCK SUBJECT TO THE PLAN. Subject to adjustment in accordance with Section 5.2, three million five hundred thousand (3,500,000) shares of Stock (the "Maximum Plan Shares") are hereby reserved exclusively for

issuance upon exercise or payment pursuant to Stock Incentives. The shares of Stock attributable to the nonvested, unpaid, unexercised, unconverted or otherwise unsettled portion of any Stock Incentive that is forfeited or cancelled or expires or terminates for any reason without becoming vested, paid, exercised, converted or otherwise settled in full will again be available for purposes of the Plan.

2.3 ADMINISTRATION OF THE PLAN. The Plan is administered by the Committee. The Committee has full authority in its discretion to determine the officers, key employees, directors and consultants of the Company or its Affiliates to whom Stock Incentives will be granted and the terms and provisions of Stock Incentives, subject to the Plan. Subject to the provisions of the Plan, the Committee has full and conclusive authority to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the respective Stock Incentive Agreements and to make all other determinations necessary or advisable for the proper administration of the Plan. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan (whether or not such persons are similarly situated). The Committee's decisions are final and binding on all Participants.

2.4 ELIGIBILITY AND LIMITS. Stock Incentives may be granted only to officers, and key employees, directors, and consultants of the Company, or any Affiliate of the Company; provided, however, that an Incentive Stock Option may only be granted to an employee of the Company or any Subsidiary. In the case of Incentive Stock Options, the aggregate Fair Market Value (determined as at the date an Incentive Stock Option is granted) of stock with respect to which stock options intended to meet the requirements of Code Section 422 become exercisable for the first time by an individual during any calendar year under all plans of the Company and its Subsidiaries may not exceed $100,000; provided further, that if the limitation is exceeded, the Incentive Stock Option(s) which cause the limitation to be exceeded will be treated as Non-Qualified Stock Option(s).

2.5 NON-EMPLOYEE DIRECTOR STOCK OPTION GRANTS. A Non-Qualified Stock Option with respect to 10,000 shares of stock shall be made to each non-employee director upon his election as a non-employee director. An additional Non-qualified Stock Option grant with respect to 1,000 shares shall be made to each non-employee director on or after each anniversary of the initial grant. Each Stock Option granted to a non-employee director will vest with respect to 1/3 of the grant on the first anniversary of the grant, with respect to an additional 1/3 of the grant on the second anniversary of the grant, and with respect to the final 1/3 on the third anniversary of the grant; provided that a optionee will cease to vest when he or she ceases to provide services to the Company as an Employee, Consultant, or director.

Non-employee directors are not eligible for further grants of Stock Options.

SECTION 3 TERMS OF STOCK INCENTIVES

3.1 TERMS AND CONDITIONS OF ALL STOCK INCENTIVES.

(a) The number of shares of Stock as to which a Stock Incentive may be granted will be determined by the Committee in its sole discretion, subject to the provisions of Section 2.2 as to the total number of shares available for grants under the Plan and subject to the limits on Options and Stock Appreciation Rights in the following sentence. On such date as required by Section 162(m) of the Code and the regulations thereunder for compensation to be treated as qualified performance based compensation, the maximum number of shares of Stock with respect to which Options or Stock Appreciation Rights may be granted during any one year period to any employee may not exceed 1,100,000. If, after grant, an Option is cancelled, the cancelled Option shall continue to be counted against the maximum number of shares for which options may be granted to an employee as described in this Section 3.1. If, after grant, the exercise price of an Option is reduced or the base amount on which a Stock Appreciation Right is calculated is reduced, the transaction shall be treated as the cancellation of the Option or the Stock Appreciation Right, as applicable, and the grant of a new Option or Stock Appreciation Right, as applicable. If an Option or Stock Appreciation Right is deemed to be cancelled as described in the preceding sentence, the Option or Stock Appreciation Right that is deemed to be canceled and the Option or Stock Appreciation Right that is deemed to be granted shall both be counted against the maximum number of shares for which Options or Stock Appreciation Rights may be granted to an employee as described in this Section 3.1.

(b) Each Stock Incentive will either be evidenced by a Stock Incentive Agreement in such form and containing such terms, conditions and restrictions as the Committee may determine to be appropriate, including without limitation, Performance Goals that must be achieved as a condition to vesting or payment of the Stock Incentive, or be made subject to the terms of a Stock Incentive Program, containing such terms, conditions and restrictions as the Committee may determine to be appropriate, including without limitation, Performance Goals that must be achieved as a condition to vesting or payment of the Stock Incentive. Each Stock Incentive Agreement or Stock Incentive Program is subject to the terms of the Plan and any provisions contained in the Stock Incentive Agreement or Stock Incentive Program that are inconsistent with the Plan are null and void.

(c) The date a Stock Incentive is granted will be the date on which the Committee has approved the terms and conditions of the Stock Incentive and has determined the recipient of the Stock Incentive and the number of shares covered by the Stock Incentive, and has taken all such other actions necessary to complete the grant of the Stock Incentive.

(d) Any Stock Incentive may be granted in connection with all or any portion of a previously or contemporaneously granted Stock Incentive. Exercise or vesting of a Stock Incentive granted in connection with another Stock Incentive may result in a pro rata surrender or cancellation of any related Stock Incentive, as specified in the applicable Stock Incentive Agreement or Stock Incentive Program.

(e) Stock Incentives are not transferable or assignable except by will or by the laws of descent and distribution and are exercisable, during the Participant's lifetime, only by the Participant; or in the event of the Disability of the Participant, by the legal representative of the Participant; or in the event of death of the Participant, by the legal representative of the Participant's estate or if no legal representative has been appointed, by the successor in interest determined under the Participant's will; provided, however, that the Committee may waive any of the provisions of this Section or provide otherwise as to any Stock Incentives other than Incentive Stock Options.

3.2 TERMS AND CONDITIONS OF OPTIONS. Each Option granted under the Plan must be evidenced by a Stock Incentive Agreement. At the time any Option is granted, the Committee will determine whether the Option is to be an Incentive Stock Option described in Code Section 422 or a Non-Qualified Stock Option, and the Option must be clearly identified as to its status as an Incentive Stock Option or a Non-Qualified Stock Option. Incentive Stock Options may only be granted to employees of the Company or any Subsidiary. At the time any Incentive Stock Option granted under the Plan is exercised, the Company will be entitled to legend the certificates representing the shares of Stock purchased pursuant to the Option to clearly identify them as representing the shares purchased upon the exercise of an Incentive Stock Option. An Incentive Stock Option may only be granted within ten (10) years from the earlier of the date the Plan is adopted or approved by the Company's stockholders.

(a) OPTION PRICE. Subject to adjustment in accordance with Section 5.2 and the other provisions of this Section 3.2, the exercise price (the "Exercise Price") per share of Stock purchasable under any Option must be as set forth in the applicable Stock Incentive Agreement, but in no event may it be less than the Fair Market Value on the date the Option is granted with respect to an Incentive Stock Option. With respect to each grant of an Incentive Stock Option to a Participant who is an Over 10% Owner, the Exercise Price may not be less than 110% of the Fair Market Value on the date the Option is granted.

(b) OPTION TERM. Any Incentive Stock Option granted to a Participant who is not an Over 10% Owner is not exercisable after the expiration of ten (10) years after the date the Option is granted. Any Incentive Stock Option granted to an Over 10% Owner is not exercisable after the expiration of five (5) years after the date the Option is granted. The term of any Non-Qualified Stock Option must be as specified in the applicable Stock Incentive Agreement.

(c) PAYMENT. Payment for all shares of Stock purchased pursuant to exercise of an Option will be made in any form or manner authorized by the Committee in the Stock Incentive Agreement or by amendment thereto, including, but not limited to, cash or, if the Stock Incentive Agreement provides:

(i) by delivery to the Company of a number of shares of Stock which have been owned by the holder for at least six (6) months prior to the date of exercise having an aggregate Fair Market Value of not less than the product of the Exercise Price multiplied by the number of shares the Participant intends to purchase upon exercise of the Option on the date of delivery;

(ii) in a cashless exercise through a broker; or

(iii) by having a number of shares of Stock withheld, the Fair Market Value of which as of the date of exercise is sufficient to satisfy the Exercise Price.

In its discretion, the Committee also may authorize (at the time an Option is granted or thereafter) Company financing to assist the Participant as to payment of the Exercise Price on such terms as may be offered by the Committee in its discretion. Payment must be made at the time that the Option or any part thereof is exercised, and no shares may be issued or delivered upon exercise of an option until full payment has been made by the Participant. The holder of an Option, as such, has none of the rights of a stockholder.

(d) CONDITIONS TO THE EXERCISE OF AN OPTION. Each Option granted under the Plan is exercisable by the Participant or any other designated person, at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee specifies in the Stock Incentive Agreement; provided, however, that subsequent to the grant of an Option, the Committee, at any time before complete termination of such Option, may accelerate the time or times at which such Option may be exercised in whole or in part, including, without limitation, upon a Change in Control as defined in the Stock Incentive Agreement and may permit the Participant or any other designated person to exercise the Option, or any portion thereof, for all or part of the remaining Option term, notwithstanding any provision of the Stock Incentive Agreement to the contrary.

(e) TERMINATION OF INCENTIVE STOCK OPTION. With respect to an Incentive Stock Option, in the event of Termination of Employment of a Participant, the Option or portion thereof held by the Participant which is unexercised will expire, terminate, and become unexercisable no later than the expiration of three (3) months after the date of Termination of Employment; provided, however, that in the case of a holder whose Termination of Employment is due to death or Disability, one (1) year will be substituted for such three (3) month period; provided, further that such time limits may be exceeded by the Committee under the terms of the grant, in which case, the Incentive Stock Option will be a Non-Qualified Option if it is exercised after the time limits that would otherwise apply. For purposes of this Subsection (e), Termination of Employment of the Participant will not be deemed to have occurred if the Participant is employed by another corporation (or a parent or subsidiary corporation of such other corporation) which has assumed the Incentive Stock Option of the Participant in a transaction to which Code Section 424(a) is applicable.

(f) SPECIAL PROVISIONS FOR CERTAIN SUBSTITUTE OPTIONS. Notwithstanding anything to the contrary in this Section 3.2, any Option issued in substitution for an option previously issued by another entity, which substitution occurs in connection with a transaction to which Code Section 424(a) is applicable, may provide for an exercise price computed in accordance with such Code Section and the regulations thereunder and may contain such other terms and conditions as the Committee may prescribe to cause such substitute Option to contain as nearly as possible the same terms and conditions (including the applicable vesting and termination provisions) as those contained in the previously issued option being replaced thereby.

3.3 TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS. Each Stock Appreciation Right granted under the Plan must be evidenced by a Stock Incentive Agreement. A Stock Appreciation Right entitles the Participant to receive the excess of (1) the Fair Market Value of a specified or determinable number of shares of the Stock at the time of payment or exercise over (2) a specified or determinable price which, in the case of a Stock Appreciation Right granted in connection with an Option, may not be less than the Exercise Price for that number of shares subject to that Option. A Stock Appreciation Right granted in connection with a Stock Incentive may only be exercised to the extent that the related Stock Incentive has not been exercised, paid or otherwise settled.

(a) SETTLEMENT. Upon settlement of a Stock Appreciation Right, the

Company must pay to the Participant the appreciation in cash or shares of Stock (valued at the aggregate Fair Market Value on the date of payment or exercise) as provided in the Stock Incentive Agreement or, in the absence of such provision, as the Committee may determine.

(b) CONDITIONS TO EXERCISE. Each Stock Appreciation Right granted under the Plan is exercisable or payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee specifies in the Stock Incentive Agreement; provided, however, that subsequent to the grant of a Stock Appreciation Right, the Committee, at any time before complete termination of such Stock Appreciation Right, may accelerate the time or times at which such Stock Appreciation Right may be exercised or paid in whole or in part.

3.4 TERMS AND CONDITIONS OF STOCK AWARDS. The number of shares of Stock subject to a Stock Award and restrictions or conditions on such shares, if any, will be as the Committee determines, and the certificate for such shares will bear evidence of any restrictions or conditions. Subsequent to the date of the grant of the Stock Award, the Committee has the power to permit, in its discretion, an acceleration of the expiration of an applicable restriction period with respect to any part or all of the shares awarded to a Participant. The Committee may require a cash payment from the Participant in an amount no greater than the aggregate Fair Market Value of the shares of Stock awarded determined at the date of grant in exchange for the grant of a Stock Award or may grant a Stock Award without the requirement of a cash payment.

3.5 TERMS AND CONDITIONS OF DIVIDEND EQUIVALENT RIGHTS. A Dividend Equivalent Right entitles the Participant to receive payments from the Company in an amount determined by reference to any cash dividends paid on a specified number of shares of Stock to Company stockholders of record during the period such rights are effective. The Committee may impose such restrictions and conditions on any Dividend Equivalent Right as the Committee in its discretion shall determine, including the date any such right shall terminate and may reserve the right to terminate, amend or suspend any such right at any time.

(a) PAYMENT. Payment in respect of a Dividend Equivalent Right may be made by the Company in cash or shares of Stock (valued at Fair Market Value as of the date payment is owed) as provided in the Stock Incentive Agreement or Stock Incentive Program, or, in the absence of such provision, as the Committee may determine.

(b) CONDITIONS TO PAYMENT. Each Dividend Equivalent Right granted under the Plan is payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee specifies in the applicable Stock Incentive Agreement or Stock Incentive Program; provided, however, that subsequent to the grant of a Dividend Equivalent Right, the Committee, at any time before complete termination of such Dividend Equivalent Right, may accelerate the time or times at which such Dividend Equivalent Right may be paid in whole or in part.

3.6 TERMS AND CONDITIONS OF PERFORMANCE UNIT AWARDS. A Performance Unit Award shall entitle the Participant to receive, at a specified future date, payment of an amount equal to all or a portion of the value of a specified or determinable number of units (stated in terms of a designated or determinable dollar amount per unit) granted by the Committee. At the time of the grant, the Committee must determine the base value of each unit, the number of units subject to a Performance Unit Award, and the Performance Goals applicable to the determination of the ultimate payment value of the Performance Unit Award. The Committee may provide for an alternate base value for each unit under certain specified conditions.

(a) PAYMENT. Payment in respect of Performance Unit Awards may be made by the Company in cash or shares of Stock (valued at Fair Market Value as of the date payment is owed) as provided in the applicable Stock Incentive Agreement or Stock Incentive Program or, in the absence of such provision, as the Committee may determine.

(b) CONDITIONS TO PAYMENT. Each Performance Unit Award granted under the Plan shall be payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee shall specify in the applicable Stock Incentive Agreement or Stock Incentive Program; provided, however, that subsequent to the grant of a Performance Unit Award, the Committee, at any time before complete termination of such Performance Unit Award, may accelerate the time or times at which such Performance Unit Award may be paid in whole or in part.

3.7 TERMS AND CONDITIONS OF PHANTOM SHARES. Phantom Shares shall entitle the Participant to receive, at a specified future date, payment of an amount equal to all or a portion of the Fair Market Value of a specified number of shares of Stock at the end of a specified period. At the time of the grant, the Committee will determine the factors which will govern the portion of the phantom shares so payable, including, at the discretion of the Committee, any performance criteria that must be satisfied as a condition to payment. Phantom Share awards containing performance criteria may be designated as performance share awards.

(a) PAYMENT. Payment in respect of Phantom Shares may be made by the Company in cash or shares of Stock (valued at Fair Market Value as of the date payment is owed) as provided in the applicable Stock Incentive Agreement or Stock Incentive Program, or, in the absence of such provision, as the Committee may determine.

(b) CONDITIONS TO PAYMENT. Each Phantom Share granted under the Plan is payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee specify in the applicable Stock Incentive Agreement or Stock Incentive Program; provided, however, that subsequent to the grant of a Phantom Share, the Committee, at any time before complete termination of such Phantom Share, may accelerate the time or times at which such Phantom Share may be paid in whole or in part.

3.8 TREATMENT OF AWARDS UPON TERMINATION OF EMPLOYMENT. Except as otherwise provided by Plan Section 3.2(e), any award under this Plan to a Participant who has experienced a Termination of Employment may be cancelled, accelerated, paid or continued, as provided in the applicable Stock Incentive Agreement or Stock Incentive Program, or, in the absence of such provision, as the Committee may determine. The portion of any award exercisable in the event of continuation or the amount of any payment due under a continued award may be adjusted by the Committee to reflect the Participant's period of service from the date of grant through the date of the Participant's Termination of Employment or such other factors as the Committee determines are relevant to its decision to continue the award.

SECTION 4 RESTRICTIONS ON STOCK

4.1 ESCROW OF SHARES. Any certificates representing the shares of Stock issued under the Plan will be issued in the Participant's name, but, if the applicable Stock Incentive Agreement or Stock Incentive Program so provides, the shares of Stock will be held by a custodian designated by the Committee (the "Custodian"). Each applicable Stock Incentive Agreement or Stock Incentive Program providing for transfer of shares of Stock to the Custodian must appoint the Custodian as the attorney-in-fact for the Participant for the term specified in the applicable Stock Incentive Agreement or Stock Incentive Program, with full power and authority in the Participant's name, place and stead to transfer, assign and convey to the Company any shares of Stock held by the Custodian for such Participant, if the Participant forfeits the shares under the terms of the applicable Stock Incentive Agreement or Stock Incentive Program. During the period that the Custodian holds the shares subject to this Section, the Participant is entitled to all rights, except as provided in the applicable Stock Incentive Agreement or Stock Incentive Program, applicable to shares of Stock not so held. Any dividends declared on shares of Stock held by the Custodian must provide in the applicable Stock Incentive Agreement or Stock Incentive Program, to be paid directly to the Participant or, in the alternative, be retained by the Custodian or by the Company until the expiration of the term specified in the applicable Stock Incentive Agreement or Stock Incentive Program and shall then be delivered, together with any proceeds, with the shares of Stock to the Participant or to the Company, as applicable.

4.2 RESTRICTIONS ON TRANSFER. The Participant does not have the right to make or permit to exist any disposition of the shares of Stock issued pursuant to the Plan except as provided in the Plan or the applicable Stock Incentive Agreement or Stock Incentive Program. Any disposition of the shares of Stock issued under the Plan by the Participant not made in accordance with the Plan or the applicable Stock Incentive Agreement or Stock Incentive Program will be void. The Company will not recognize, or have the duty to recognize, any disposition not made in accordance with the Plan and the applicable Stock Incentive Agreement or Stock Incentive Program, and the shares so transferred will continue to be bound by the Plan and the applicable Stock Incentive Agreement or Stock Incentive Program.

SECTION 5 GENERAL PROVISIONS

5.1 WITHHOLDING. The Company must deduct from all cash distributions under the Plan any taxes required to be withheld by federal, state or local

government. Whenever the Company proposes or is required to issue or transfer shares of Stock under the Plan or upon the vesting of any Stock Award, the Company has the right to require the recipient to remit to the Company an amount sufficient to satisfy any federal, state and local tax withholding requirements prior to the delivery of any certificate or certificates for such shares or the vesting of such Stock Award. A Participant may pay the withholding obligation in cash, or, if the applicable Stock Incentive Agreement or Stock Incentive Program provides, a Participant may elect to have the number of shares of Stock he is to receive reduced by, or with respect to a Stock Award, tender back to the Company, the smallest number of whole shares of Stock which, when multiplied by the Fair Market Value of the shares of Stock determined as of the Tax Date (defined below), is sufficient to satisfy federal, state and local, if any, withholding obligation arising from exercise or payment of a Stock Incentive (a "Withholding Election"). A Participant may make a Withholding Election only if both of the following conditions are met:

(a) The Withholding Election must be made on or prior to the date on which the amount of tax required to be withheld is determined (the "Tax Date") by executing and delivering to the Company a properly completed notice of Withholding Election as prescribed by the Committee; and

(b) Any Withholding Election made will be irrevocable except on six months advance written notice delivered to the Company; however, the Committee may in its sole discretion disapprove and give no effect to the Withholding Election.

5.2 CHANGES IN CAPITALIZATION; MERGER; LIQUIDATION.

(a) The number of shares of Stock reserved for the grant of Options, Dividend Equivalent Rights, Performance Unit Awards, Phantom Shares, Stock Appreciation Rights and Stock Awards; the number of shares of Stock reserved for issuance upon the exercise or payment, as applicable, of each outstanding Option, Dividend Equivalent Right, Phantom Share and Stock Appreciation Right and upon vesting or grant, as applicable, of each Stock Award; the Exercise Price of each outstanding Option and the specified number of shares of Stock to which each outstanding Dividend Equivalent Right, Phantom Share and Stock Appreciation Right pertains must be proportionately adjusted for any increase or decrease in the number of issued shares of Stock resulting from a subdivision or combination of shares or the payment of a stock dividend in shares of Stock to holders of outstanding shares of Stock or any other increase or decrease in the number of shares of Stock outstanding effected without receipt of consideration by the Company.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, spin-off, sale of substantially all of the Company's assets, other change in capital structure of the Company, tender offer for shares of Stock, or a change in control of the Company (as defined by the Committee in the applicable Stock Incentive Agreement) the Committee may make such adjustments with respect to awards and take such other action as it deems necessary or appropriate to reflect such merger, consolidation, reorganization or tender offer, including, without limitation, the substitution of new awards, or the adjustment of outstanding awards, the acceleration of awards, the removal of restrictions on outstanding awards, or the termination of outstanding awards in exchange for the cash value determined in good faith by the Committee of the vested and/or unvested portion of the award. Any adjustment pursuant to this Section 5.2 may provide, in the Committee's discretion, for the elimination without payment therefor of any fractional shares that might otherwise become subject to any Stock Incentive, but except as set forth in this Section may not otherwise diminish the then value of the Stock Incentive.

(c) The existence of the Plan and the Stock Incentives granted pursuant to the Plan must not affect in any way the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or any part of its business or assets, or any other corporate act or proceeding.

5.3 CASH AWARDS. The Committee may, at any time and in its discretion, grant to any holder of a Stock Incentive the right to receive, at such times and in such amounts as determined by the Committee in its discretion, a cash amount which is intended to reimburse such person

for all or a portion of the federal, state and local income taxes imposed upon such person as a consequence of the receipt of the Stock Incentive or the exercise of rights thereunder.

5.4 COMPLIANCE WITH CODE. All Incentive Stock Options to be granted hereunder are intended to comply with Code Section 422, and all provisions of the Plan and all Incentive Stock Options granted hereunder must be construed in such manner as to effectuate that intent.

5.5 RIGHT TO TERMINATE EMPLOYMENT. Nothing in the Plan or in any Stock Incentive confers upon any Participant the right to continue as an employee or officer of the Company or any of its Affiliates or affect the right of the Company or any of its Affiliates to terminate the Participant's employment or services at any time.

5.6 NON-ALIENATION OF BENEFITS. Other than as provided herein, no benefit under the Plan may be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge; and any attempt to do so shall be void. No such benefit may, prior to receipt by the Participant, be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the Participant.

5.7 RESTRICTIONS ON DELIVERY AND SALE OF SHARES; LEGENDS. Each Stock Incentive is subject to the condition that if at any time the Committee, in its discretion, shall determine that the listing, registration or qualification of the shares covered by such Stock Incentive upon any securities exchange or under any state or federal law is necessary or desirable as a condition of or in connection with the granting of such Stock Incentive or the purchase or delivery of shares thereunder, the delivery of any or all shares pursuant to such Stock Incentive may be withheld unless and until such listing, registration or qualification shall have been effected. If a registration statement is not in effect under the Securities Act of 1933 or any applicable state securities laws with respect to the shares of Stock purchasable or otherwise deliverable under Stock Incentives then outstanding, the Committee may require, as a condition of exercise of any Option or as a condition to any other delivery of Stock pursuant to a Stock Incentive, that the Participant or other recipient of a Stock Incentive represent, in writing, that the shares received pursuant to the Stock Incentive are being acquired for investment and not with a view to distribution and agree that the shares will not be disposed of except pursuant to an effective registration statement, unless the Company shall have received an opinion of counsel that such disposition is exempt from such requirement under the Securities Act of 1933 and any applicable state securities laws. The Company may include on certificates representing shares delivered pursuant to a Stock Incentive such legends referring to the foregoing representations or restrictions or any other applicable restrictions on resale as the Company, in its discretion, shall deem appropriate.

5.8 LISTING AND LEGAL COMPLIANCE. The Committee may suspend the exercise or payment of any Stock Incentive so long as it determines that securities exchange listing or registration or qualification under any securities laws is required in connection therewith and has not been completed on terms acceptable to the Committee.

5.9 TERMINATION AND AMENDMENT OF THE PLAN. The Board of Directors at any time may amend or terminate the Plan without stockholder approval; provided, however, that the Board of Directors may condition any amendment on the approval of stockholders of the Company if such approval is necessary or advisable with respect to tax, securities or other applicable laws. No such termination or amendment without the consent of the holder of a Stock Incentive may adversely affect the rights of the Participant under such Stock Incentive.

5.10 STOCKHOLDER APPROVAL. The Plan must be submitted to the stockholders of the Company for their approval within twelve (12) months before or after the adoption of the Plan by the Board of Directors of the Company. If such approval is not obtained, any Stock Incentive granted hereunder will be void.

5.11 CHOICE OF LAW. The laws of the State of Maryland shall govern the Plan, to the extent not preempted by federal law, without reference to the principles of conflict of laws.

5.12 EFFECTIVE DATE OF PLAN. This Plan was approved by the Board of Directors as of June 14, 2000.

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

Title: President

FIRST AMENDMENT TO
OMEGA HEALTHCARE INVESTORS, INC.
2000 STOCK INCENTIVE PLAN

This Amendment is made effective June 30, 2000, by Omega Healthcare Investors, Inc., a Maryland corporation (the "Company").

Introduction

The Company maintains the Omega Healthcare Investors, Inc. 2000 Stock Incentive Plan pursuant to a document approved by the Board of Directors as of June 14, 2000 (the "Plan"). The Board of Directors has determined that it is in the best interest of the Company not to allow stock options issued under the Plan to be amended to reduce the exercise price and adopted a consent resolution to that effect dated June 30, 2000.

NOW, THEREFORE, the Plan is hereby amended, effective June 30, 2000, by adding the following to the end of Section 3.2(a):

> "Notwithstanding any other provision hereof, and except for adjustments to the Exercise Price as contemplated by Section 5.2 hereof, in no event will the Exercise Price per share of Stock purchasable under any Option be reduced after the date of grant of the Option and no Option may be canceled or surrendered in exchange for an Option with a lower Exercise Price."

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

IN WITNESS WHEREOF, the Company has executed this First Amendment effective as of June 30, 2000.

By: /s/ Susan Allene Kovach

Susan Allene Kovach
Vice President

CONSULTING AND SEVERANCE AGREEMENT

This Agreement ("this Agreement") is made this 18th day of July, 2000, by and between Omega Healthcare Investors, Inc. (the "Company"), and Essel W. Bailey, Jr. (the "Officer" or "you") and describes certain compensation, benefits and severance which you will become entitled to receive upon the happening of certain events and the purchase on or before August 31, 2000, by Explorer Holdings, L.P. from the Company of preferred stock for at least $90,000,000 (the "Transaction").

INTRODUCTION:

The Officer is a valued employee of the Company and is terminating his employment with the Company, conditioned upon and effective upon completion of the Transaction.

The Company values the Officer's significant contribution to the Company and desires to maintain and increase the goodwill between them and desires to continue to retain the Officer as a consultant.

NOW, THEREFORE, the parties agree as follows:

1. Resignation; Effectiveness of Agreement.

(a) Effective as of the close of business on the date of closing of the Transaction (the "Resignation Date"), you hereby resign as an employee, officer, and director and from all other positions you hold with the Company. Effective as of the close of business on the first business day following the date of closing of the Transaction, you hereby resign as an officer and director, and from all other positions you hold with all direct and indirect subsidiaries of the Company (the "Subsidiaries"). The parties acknowledge and agree that Omega Worldwide, Inc. is not a Subsidiary for purposes of this Agreement.

(b) This Agreement is expressly contingent upon the closing of the Transaction by August 31, 2000, and the provisions of this Agreement will become effective upon such closing, and, in the event that the Transaction does not close by such date, this Agreement will be null and void and of no force or effect whatsoever.

2. Compensation Prior to Termination. The Company will continue to pay your regular base salary through the Resignation Date with all benefits as an officer and on the same terms and conditions as apply to other executive officers. During this period, you will perform such duties, consistent with your position, as requested by the Board of Directors of the Company, and you agree to vote all shares of common stock, par value $.10 per share, of the Company ("Common Stock") as to which you possess voting authority in favor of the Transaction and in favor of the Company's 2000 Stock Incentive Plan at the special meeting of the stockholders of the Company held to vote on such matters or any adjournment of such meeting.

3. Severance Payment. Within two (2) business days following the end of the Revocation Period, the Company will pay you, in cash by wire transfer (in accordance with wire transfer instructions to be provided by you) of immediately available funds, a lump sum severance benefit in the amount of $1,555,000.

4. Directors' Retirement Plan; 1993 Deferred Compensation Plan. All amounts credited to you under the Directors' Retirement Plan which was terminated in 1998, including $35,000 of your own contributions, have previously been deposited in Account Number 186-01103-19 of Omega Healthcare Investors, Inc. with the Palisade Capital Securities, L.L.C. and Bear, Stearns Securities Corp. as clearance agent (the "Account"). As of June 30, 2000, the dollar value attributable to 13,000 Deferred Compensation Units credited to you under the Company's 1993 Deferred Compensation Plan, as amended (the "Plan"), which represents all of your units under the Plan, is $248,218. The dollar value attributable to such units will be adjusted pursuant to the terms of the Plan through the date of payment and will be deposited by the Company into the Account (in accordance with the wire transfer instructions set forth on Exhibit A) in a single lump sum within two days following the end of the Revocation Period. Immediately thereafter, legal ownership and all rights in the Account, together with the corresponding liabilities associated therewith, are hereby assigned by the Company to Alpha Capital, Inc., a Michigan corporation, and, on the delivery of any documents required by the broker to reflect such transfer and assignment, you hereby agree that all of the Company's obligations with respect to the foregoing balances and the two foregoing plans are hereby released and extinguished and thereafter you will look solely to Alpha Capital, Inc. with respect to its continued administration of the Plans for any recovery or rights you may have therein; and you will indemnify and hold the Company harmless from any cost or liability it may incur as a result of its taking the

actions described above in this paragraph.

5. Restricted Stock. All vesting requirements applicable to 12,218 shares of restricted stock granted to you before February 10, 2000 will be deemed fulfilled as of the expiration of the Revocation Period. With respect to the 63,321 shares of restricted stock granted to you on February 10, 2000, all vesting requirements applicable to 47,490 of such shares will be deemed fulfilled as of the expiration of the Revocation Period, and the remaining 15,831 of such shares will automatically immediately vest if the Company achieves (a) a price per share of Common Stock (as reported on the New York Stock Exchange ("NYSE")) at or above $10 and the stock price remains at or above that price for ten (10) consecutive business days between July 11, 2000 and February 10, 2001, or (b) an average price per share of Common Stock, as reported on the NYSE, of $10 or more for any thirty (30) consecutive business days between July 11, 2000 and February 10, 2001. The number of shares of Common Stock and the $10 price target will be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Common Stock resulting from a subdivision or combination of shares or the payment of a stock dividend in shares of Common Stock to holders of outstanding shares of Common Stock.

6. Stock Options. You have previously been granted options to purchase shares of Common Stock. Options to purchase 85,000 shares of Common Stock are not vested and those options are hereby terminated as of the Resignation Date. The remainder of your stock options will expire and cease to be exercisable as of the earlier of three months after your Resignation Date or such earlier date as may apply pursuant to the terms of the applicable stock option agreement.

7. Borrowing Program. On or before the date which is thirty (30) days following the Resignation Date, you may tender to the Company 6,627 shares of Common Stock purchased by you pursuant to the Company's Borrowing Program, as amended and restated by the Board of Directors of the Company on June 15, 2000, in full satisfaction of the principal amount of your indebtedness of $191,802.74 and all accrued interest outstanding under the Borrowing Program. If you do not tender back those shares of Common Stock within such 30 day period, the principal and interest outstanding under the Borrowing Program will immediately be due and payable in cash as of the expiration of such thirty (30) day period.

8. Life, Health, Long-Term Disability. For the twenty-four month period following the Resignation Date, the Company will continue to offer to you the same group health, group life insurance, and group long-term disability insurance coverage that the Company offers to its other executive officers during such period, at the same cost as applies to other executive officers; provided, however, that to the extent the applicable insurer will not permit the Company to continue coverage for you under (a) the applicable health policy for the period following your period of coverage required to be offered pursuant to Section 601 et seq. of the Employee Retirement Income Security Act of 1974, as amended ("COBRA") and up to the expiration of the twenty-four month period, or (b) under the applicable group life or long-term disability insurance policy for any portion of the twenty-four month period, the Company will pay you during the period of such disallowed coverage an amount equal to the amount it would have contributed towards your cost of coverage had you remained an employee of the Company during such period; and provided further, that in the event you receive other health insurance, life insurance, or long-term disability coverage, or receive payment or reimbursement therefor, from another employer or business or any other source during such twenty-four month period, the Company will cease to be obligated to provide you such coverage or reimbursement in lieu of coverage. In the event you receive any other such coverage, you shall, no later than the effective date of such other coverage, notify the Company of the same. The period for which you are entitled to group health insurance continuation hereunder will count towards any required period of continuation coverage pursuant to COBRA.

9. Office, Secretary, Support. For the twenty-four month period following the Resignation Date, the Company will reimburse you for your cost, not to exceed $75,000 in the aggregate per twelve months, of the following: your rent, utilities and other related occupancy costs of an office similar to your office at the Company, the compensation for your secretary, and the compensation for such other staff as the Company and you determine are appropriate to the rendering of your services to the Company pursuant to paragraph 10 hereunder; provided, however, that if the Company retains a full-time secretary who is available to perform services on a full-time basis for you at your office, which secretary is reasonably acceptable to you, the Company's cost of compensation for such secretary will reduce its reimbursement obligation to you by the cost of such compensation; provided, further, that to the extent an office and/or secretary, or payment or reimbursement therefor, is provided to you by another employer or business during such twenty-four month period, the Company will cease to be obligated to provide you reimbursement for an office and/or secretary, as applicable. In the event an office or a secretary is so provided to you, you shall, no later than the effective date the same are initially provided to you, notify the Company of the same.

10. Consulting and Litigation Support Services. For a period of twelve (12) months following the close of the Transaction, you will render consulting services requested by the Company and reasonably agreed to by you at times and

places agreed to by you and the Company. In addition, until all the Litigation Matters are definitively disposed of or settled, you will assist the Company and cooperate with the Company in the defense of, and assertion of any claims in connection with, (a) the Res-Care Inc. v. Omega Healthcare Investors, Inc., United States District Court for the Western District of Kentucky, Civil Action No. 95-42-LS; the Omega Healthcare Investors, Inc. v. Res-Care, Inc.; the Karrington Health, Inc. v. Omega Healthcare Investors, Inc.; and the Madison/OHI Liquidity Investors, LLC v. Omega Healthcare Investors, Inc., United States District Court for the Eastern District of Michigan, Civil Action No. 00-72793; and the Ronald Dickerman filed June 21, 2000, United States District Court for the Southern District of New York, litigation matters; (b) all other litigation matters referenced in Exhibit B hereto, and the Wolf Halderstein Adler Freeman & Hertz LLP litigation matter; and (c) any other litigation matters related to any of the foregoing litigation matters or arising therefrom, as well as any other litigation matters, provided that in the case of any of the matters described in clause (b) or clause (c) and not also described in clause (a), your cooperation will be required if such matters are based on facts and circumstances arising on or before the Resignation Date as to which you were involved in a material manner or have particular information or understanding of the underlying facts or circumstances not generally known to other officers of the Company (collectively, all the litigation matters described in this paragraph are referred to as the "Litigation Matters").

11. Noncompete/Nonsolicitation.

(a) You agree that during the Applicable Period you will not (except on behalf of or with the prior written consent of the Company, which consent may be withheld in Company's sole discretion), within the Area, either directly or indirectly, on your own behalf, or in the service of or on behalf of others, as either an employee or independent contractor, engage in or provide managerial services or management consulting services to, or own (other than any ownership existing on the date hereof and other than ownership of less than five percent (5%) of the outstanding voting securities of an entity whose voting securities are traded on a national securities exchange or quoted on Nasdaq) a beneficial interest in, any Competing Business or otherwise take any action that is adverse to the interests of the Company or any of its Subsidiaries or make any statement (written or oral) that could reasonably be perceived as disparaging to the Company or any person or entity that you reasonably should know is an affiliate of the Company or any statement (written or oral) that is damaging to the commercial interests of the Company or any person or entity that you reasonably should know is an affiliate of the Company. You represent and warrant to the Company that, to the extent that you have, on the date hereof, any direct or indirect ownership of a beneficial interest in any entity that engages in any Competing Business, such interest constitutes less than five percent (5%) of the outstanding voting securities of such entity, and you also covenant that, during the Applicable Period, you will not increase your direct or indirect beneficial ownership in any such entity or become actively involved in the management or operation of any such entity. You acknowledge and agree that the Business of the Company is conducted in the Area.

(b) You agree that during the Applicable Period, you will not, either directly or indirectly, on your own behalf or in the service of or on behalf of others solicit, divert or appropriate, or attempt to solicit, divert or appropriate, to a Competing Business, any individual or entity which is an actual or, to your knowledge, actively sought prospective client or customer of the Company or any of its Subsidiaries (determined as of the Resignation Date) with whom you had material contact while you were an employee of the Company.

(c) You agree that during the Applicable Period, you will not, either directly or indirectly, on your own behalf or in the service of or on behalf of others, solicit, divert or hire, or attempt to solicit, divert or hire any employee employed by the Company or any of its Subsidiaries with whom you had material contact while you were an employee of the Company or who is a management employee of the Company or a Subsidiary. This subparagraph 11(c) will not apply with regard to Linda Turner and/or Ruth Bardua.

12. Nondisclosure of Confidential Information. You will not disclose, directly or indirectly, to any third person any (a) Confidential Information, including without limitation any customer lists relating to the business of the Company or any Subsidiary, or (b) Trade Secrets for so long as they may be protected by Michigan law.

13. Return of Materials. All Trade Secrets and Confidential Information, including documents or tangible or intangible materials, including computer data, provided to or obtained by you during the course of employment by the Company which contain Trade Secrets and Confidential Information, are the property of the Company (collectively, the "Materials"). You will not remove from the Company's premises or copy or reproduce any Materials (except as your consulting obligations to the Company will require), and upon the Resignation

Date you will leave with the Company, or immediately return to the Company, all Materials or copies or reproductions thereof in your possession, custody or control.

14. Non-Disparagement. During the Applicable Period, the Company shall (and shall cause its officers and directors in their capacity as such and Subsidiaries to) refrain from making any statements (written or oral) that could reasonably be perceived as disparaging to you or any persons or entities that the Company reasonably should know are your affiliates or statements (written or oral) that are damaging to your commercial interests.

15. Compensation for Consulting and Noncompete/Nonsolicitation.

(a) In exchange for the services and your continuing obligations pursuant to paragraphs 10 and 11 hereof, the Company agrees to pay you $1,770,000 in twelve installments of $147,500 per month, in cash, over the twelve month period following the Resignation Date, with the first payment being made one month after the Resignation Date and each successive payment being made one month after the preceding payment.

(b) Notwithstanding anything to the contrary in this Agreement, in no event will the Company have the right to withhold payments due you under subparagraph 15(a) except in the event of a "Material Breach" (as defined below). If the Board of Directors of the Company reasonably determines in good faith (by a vote of at least two-thirds of the Board) that you are violating the provisions of paragraph 10 or 11 of this Agreement, the Board will provide written notice to you specifying with particularity how your activities violate such provisions, and if you cease such alleged violations within ten (10) calendar days of the date of such notice, then there will be deemed to have been no Material Breach for purposes solely of this subparagraph 15(b). In addition, you will have the option of having an arbitrator determine the issue of whether you are violating the provisions of paragraph 10 or 11 of this Agreement as alleged by the Company's Board of Directors in such notice, in accordance with the arbitration provisions of this Agreement. Notwithstanding anything to the contrary in this Agreement (including paragraph 31 below), such arbitration will be completed within thirty (30) calendar days after the date of such notice from the Company's Board of Directors. If the arbitrator determines that your activities do not violate the provisions of paragraph 10 or 11 of this Agreement, then you will be permitted to continue your alleged violative activities, and there will not be deemed to have occurred a Material Breach for purposes solely of this subparagraph 15(b). If the arbitrator determines that your activities violate the provisions of paragraph 10 or 11 of this Agreement, and you do not thereafter within two (2) calendar days of such determination cease engaging in such violative activities, then there will be deemed to have occurred a Material Breach. In the event the arbitrator has not rendered a determination within such thirty (30) day period, the Company may suspend payments under subparagraph 15(a) of this Agreement until such determination is rendered and shall thereafter immediately recommence payments (together with any suspended payments) in the event it is determined that you have not violated the provisions of paragraph 10 or 11 of this Agreement, or you otherwise shall cease such activity as violates paragraph 10 or 11 of this Agreement, within the required two (2) calendar day period referenced above. The Company and you will cooperate to attempt to ensure that the arbitration is completed as expeditiously as possible with the intent to avoid such suspension. If you voluntarily cease engaging in activities alleged by the Board of Directors to violate paragraph 10 or 11 or if an arbitrator determines (in accordance with this subparagraph 15(b)) that your activities violate paragraph 10 or 11, you will use your reasonable efforts to cure the negative effect of such violations, but in no event will your failure to comply with such obligation give the Company the right to suspend payments or to fail to recommence payments as would otherwise be required by this subparagraph 15(b).

(c) The provisions of subparagraph 15(b) are not exclusive remedy provisions or liquidated damages provisions and in no way preclude the Company from seeking legal or equitable relief, including without limitation damages or injunctive relief, for any breach of this Agreement by you. Further, the definition of "Material Breach" used in subparagraph 15(b) is solely for the purpose of determining whether the Company is contractually obligated to continue to make the payments set forth in subparagraph 15(a) to you, and the fact that an activity by you may not represent a "Material Breach" as defined in subparagraph 15(b) will not necessarily preclude the Company from establishing that you have nonetheless breached this Agreement or from enforcing its rights as described in this subparagraph 15(c) or enforcing any other rights it may have pursuant to this Agreement,

including without limitation pursuing a claim for damages or injunctive relief as a result of such breach.

16. Indemnification. The Company will indemnify you to the extent permitted by applicable law and the Company's Articles of Incorporation and Bylaws, including in accordance with the Indemnity Agreement dated as of November 13, 1998 between the Company and you, which agreement will survive the execution, delivery and performance of this Agreement, and will continue to provide you with the benefit of directors and officers liability insurance coverage with respect to your acts as an officer, director or agent of the Company (or in any other capacity to which you would be entitled to insurance coverage thereunder) to the same extent as the same is provided to other non-continuing directors of the Company.

17. Gross-Up Payment. In the event it is determined that any payment (other than the Gross-Up Payments provided for herein) or distribution by the Company or any of its affiliates to or for your benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, or the lapse or termination of any restriction on, or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision thereto) or any interest or penalties with respect to such excise tax (such tax, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then you will be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount such that, after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Such amounts shall be paid by the Company to you within ten (10) days after payment by you of taxes described in the prior sentence. For purposes of calculating the Gross-Up Payment, it will be assumed that all taxable payments you receive are taxed at the highest marginal federal income tax rate and the highest state income tax rate in the state in which you reside, but without regard to any reduction in personal exemptions or deductions associated with your level of income. All determinations required to be made under this paragraph 17, including whether an excise tax is payable by you and the amount of such excise tax and any Gross-Up Payment, will be made by a nationally recognized firm of certified public accountants selected by the Company in its sole discretion, provided, however, that if the Internal Revenue Service determines that an Excise Tax is owing by you, such determination shall be conclusive and binding on the Company, unless the Company elects to engage at its sole expense such an accounting firm to contest such determination, in which case the final resolution of such contest shall be conclusive and binding on the Company.

18. Bayside Street II. Effective no later than thirty (30) days after the Resignation Date, you will transfer good title, free and clear of any liens or encumbrances, to an officer or director of the Company designated to you by written notice from the Company, of twelve (12) shares of common stock of Bayside Street II, Inc. which represents all of the equity in Bayside Street II, Inc. beneficially owned by you as of the date hereof, in consideration of a cash payment to you by such designee of $22,500, which represents an amount equal to your purchase price of such equity.

19. Attorneys' Fees. The Company will reimburse you for your attorneys' fees and expenses in negotiating and preparing this Agreement in an aggregate amount not to exceed $10,000 promptly following receipt of a written invoice from your attorneys.

20. General Release. The payment of all of the amounts and the vesting of all of the benefits provided for in this Agreement are expressly contingent upon your executing and returning to the Company, within twenty-one days of the Resignation Date, a general release of all claims and a covenant not to sue in favor of the Company, Explorer Holdings, L.P., and their respective officers, directors, stockholders, successors and assigns, and any other parties listed in the release in the form attached hereto as Exhibit C (the "Release"), and your not revoking the Release within a seven-day revocation period provided for under the terms of the Release (the "Revocation Period"). The Release will not apply to any of the payments or benefits to which you are entitled to under this Agreement or under any employee benefit plan (within the meaning of the Employee Retirement Income Security Act of 1974). The Company hereby agrees to execute the Release immediately upon your delivery of the Release executed by you to the Company and deliver to you a copy of the Release promptly upon the expiration of the Revocation Period.

21. Termination of Employment Agreement and Change in Control Agreement. The Employment Agreement dated as of June 15, 2000, between you and the Company and the Change in Control Agreement dated March 22, 2000, between the Company and you are terminated and are void and of no force and effect.

22. Nonduplication. This Agreement is not intended to duplicate any compensation or benefits to which you are entitled under any other plan, program, agreement or arrangement of the Company not specifically described herein. Therefore, in the event you are entitled to any similar payments under the terms of any other plan, program, agreement, or arrangement of the Company, your payments under

this Agreement will be correspondingly reduced.

23. No Mitigation. Except as otherwise provided herein, no amounts or benefits payable to you hereunder will be subject to mitigation or reduction by income or benefits you receive from other sources.

24. Not an Employment Agreement. This Agreement does not constitute an employment agreement or an agreement to employ you for any definite period. During the period you perform services for the Company pursuant to paragraph 10 hereof following the Resignation Date, you will be an independent contractor and not an employee of the Company.

25. Withholding of Taxes.

(a) The Company may withhold from any amounts payable under paragraphs 2, 3, 5, 6, 8, 17, or 19 of this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling and report such payment on a Form W-2 or 1099 to the extent required pursuant to any law or government regulation or ruling. In addition, the Company may report any amounts payable under paragraphs 9 and 15 of this Agreement on a Form 1099 to the extent required pursuant to any law or government regulation or ruling.

(b) To the extent that the Company's outside accountants reasonably and in good faith determine that the Company is required to report any direct or indirect payment, transfer, assignment of ownership, or other action (other than payments described in subparagraph 25(a) hereof), as compensation to you, the Company will issue you a Form W-2 or 1099, as appropriate. To the extent that the Company's outside accountants reasonably and in good faith determine that the Company is required to withhold any federal, state, city or other taxes on account of such direct or indirect payment to you, transfer, assignment of ownership, or other action, the Company may withhold such taxes from such other direct or indirect payment, transfer, assignment of ownership, or other action or from any other payment to be made to you under this Agreement. To the extent that the Company's outside accountants determine that there is a reasonable basis not to issue you a Form W-2 or 1099 or not to withhold taxes with regard to such direct or indirect payment, transfer, assignment of ownership, or other action, then the Company will not do so; provided, however, that, unless the Company's outside accountants issue an unqualified opinion to the Company that the Company is not required to issue you a Form W-2 or 1099 and that the Company is not required to withhold taxes with regard to such direct or indirect payment, transfer, assignment of ownership, or other action, then you will indemnify and hold the Company harmless from any cost (including without limitation, loss or delay in the income deduction that it otherwise would have received if it issued a Form W-2 or 1099 and withheld taxes) or liability it may incur as a result of not issuing a Form W-2 or 1099 or not withholding taxes.

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

27. Officer's Estate. All payments and rights under this Agreement are payable to your estate and accrue to its benefit in the event of your death.

28. Governing Law. To the full extent controllable by stipulation of the parties, this Agreement will be interpreted and enforced under Michigan law, without regard to principles of conflicts of laws.

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

30. Remedies. You agree that the covenants and agreements contained in paragraphs 10, 11, 12, 13, 14 and 18 hereof are of the essence of this Agreement; that each of such covenants is reasonable and necessary to protect and preserve the interests and properties of the Company and the Business of the Company; that the Company is engaged in and throughout the Area in the Business of the Company; that irreparable loss and damage will be suffered by the Company should you breach any of such covenants and agreements; that each of such covenants and agreements is separate, distinct and severable not only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the unenforceability of any such covenant or agreement will not affect the validity or enforceability of any other such covenant or agreements or any other provision or provisions of this Agreement; and that, in addition to other remedies available to it, the Company will be entitled to specific performance of such covenants and agreements of this Agreement and to both temporary and permanent injunctions to prevent a breach or contemplated breach by you of any of such covenants or agreements. If any part of paragraphs 10, 11, 12, 13, 14 or 18 is unenforceable because of the duration, geographic, or product scope of such provision, or for any other reason, such

provision will be deemed modified to the minimum extent necessary to make such provision enforceable. Further, any court or arbitrator shall have the power to make such modification. If any such court or arbitrator declines to so modify such provision, the parties agree to negotiate in good faith such modification that will make such provision enforceable.

31. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be adjudicated through binding arbitration before a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") in Detroit, Michigan; provided, however, the provisions of this paragraph will not prevent the Company from instituting an action in a court of law under this Agreement for specific performance of this Agreement or injunctive relief as provided in paragraph 30 hereof. Except as provided in paragraph 15 hereof, any party who desires to submit a claim to arbitration in accordance with this paragraph shall file its demand for arbitration with AAA within thirty (30) days of the event or incident giving rise to the claim. A copy of said demand shall be served on the other party in accordance with the notice provisions in paragraph 32 of this Agreement. The parties agree that they shall attempt in good faith to select an arbitrator by mutual agreement within twenty (20) days after the responding party's receipt of the demand for arbitration. If the parties do not agree on the selection of an arbitrator within that timeframe, the selection shall be made pursuant to the rules from the panels of arbitrators maintained by the AAA. Unless otherwise designated by the arbitrator as a result of fault, each party shall pay its own attorneys' fees and expenses of arbitration, and the expenses of the arbitrator shall be equally shared. Any award rendered by the arbitrator shall be accompanied by a written opinion providing the reasons for the award. The arbitrator's award shall be final and non-appealable. Any such arbitrator's award may be entered in and enforced by any court having jurisdiction thereof, and the parties consent and commit themselves to the exclusive jurisdiction of the courts of the State of Michigan for the purposes of the enforcement of any such arbitrator's award. Nothing in this paragraph shall prevent the parties from settling any dispute or controversy by mutual agreement at any time. Notwithstanding anything to the contrary in this Agreement (including in this paragraph 31), none of the foregoing time periods or time frames will apply with regard to any arbitration contemplated by paragraph 15 above, and the parties will take all actions necessary or appropriate to attempt to complete such arbitration within the thirty day calendar period contemplated by subparagraph 15(b) with the intent to avoid a suspension of payment as contemplated by such subparagraph.

32. Notice.

All notices, requests, demands and other communications required hereunder shall be in writing and shall be deemed to have been duly given if delivered in person or by a nationally recognized overnight courier service with all applicable fees prepaid or, if mailed, by United States certified or registered mail, prepaid to the party to which the same is directed at the following addresses (or at such other addresses as shall be given in writing by the parties to one another):

If to the Company:
Omega Healthcare Investors, Inc.
900 Victors Way
Suite 350
Ann Arbor, MI 48108
Attn: General Counsel

If to the Officer:
Essel W. Bailey, Jr.
133 South Beach Road
Hobe Sound, FL 33455

Notices delivered in person shall be effective on the date of delivery. Notices delivered by an overnight courier service shall be effective on the business day immediately following the date of delivery thereof to such courier. Notices delivered by mail as aforesaid shall be effective upon the third calendar day subsequent to the postmark date thereof.

33. Definitions. The capitalized terms used in this Agreement and not otherwise defined in this Agreement have the meanings set forth below.

"Area" means the following states:

Alabama
Arizona
Arkansas
California
Colorado
Florida
Georgia
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky

Louisiana
Massachusetts
Michigan
Missouri
Nevada
New Hampshire
North Carolina
Ohio
Oklahoma
Pennsylvania
Tennessee
Texas
Utah
Washington
West Virginia

"Applicable Period" means the period commencing on the Resignation Date and ending twenty-four months after the Resignation Date.

"Business of the Company" means any business that has the primary purpose of financing the ownership or operation of long-term care facilities.

"Competing Business" means any person, firm, corporation, joint venture, or other business that is engaged in the Business of the Company, but does not include Omega Worldwide, Inc. or any business engaged primarily in the operation of long term care facilities.

"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 you or of which the you became aware as a consequence of or through your relationship to the Company and which has value to the Company and is not generally known to its competitors. Confidential Information will 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 you without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

"Litigation Matters" is defined in paragraph 10 of this Agreement.

"Revocation Period" is defined in paragraph 20 of this Agreement.

"Trade Secrets" means Company 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, to your knowledge, actively sought 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.

34. Miscellaneous.

(a) This Agreement (including the Exhibits to this Agreement) is the entire agreement of the parties with regard to its subject matter and supersedes all other agreements between the parties with regard to such subject matter, including the term sheet for severance and consulting agreement for you.

(b) This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which shall constitute one and the same instrument.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, you and the Company have executed this Agreement as of the date first written above.

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Susan Allene Kovach

Name: Susan Allene Kovach

Title: Vice President

/s/ Essel W. Bailey, Jr.

Essel W. Bailey, Jr.

Exhibit A

Wire Transfer Instructions for Plans Balance

Pay to:	Citibank 111 Wall Street New York, NY
ABA #:	021 000 089
Acct #:	09253186
Acct Name:	Bear, Stearns Securities Corp.
Reference:	Sub A/C Omega Healthcare Investors, Inc.
Sub A/C:	186-01103-19

Exhibit B

Litigation Matters

[Attached]

Exhibit C

RELEASE AGREEMENT

This Release Agreement (this "Agreement") is made this 18th day of July, 2000, by Omega Healthcare Investors, Inc., a Maryland corporation (referred to as "Employer"), and Essel W. Bailey, Jr. ("Employee" or "you").

INTRODUCTION

Employee has agreed to resign as the Chief Executive Officer and Chairman of the Board of Directors of Employer and as an employee, officer and director of Employer, all to be effective upon the closing of the purchase on or before August 31, 2000, by Explorer Holdings, L.P., from Employer of preferred stock for at least $90,000,000 (the "Transaction"), in exchange for certain payments and benefits set forth in the Consulting and Severance Agreement (the "Severance Agreement") between Employer and Employee dated July 18, 2000.

NOW, THEREFORE, the parties agree as follows:

1. The effective date of this Agreement will be the date eight (8) days after the date on which Employee signs this Agreement (the "Effective Date"). Employer will execute this Agreement on the same date as Employee returns the Agreement executed by him to the Employer. As of the Effective Date, if Employee has not revoked this Agreement, it will be fully effective and enforceable.

2. In exchange for Employee's execution of this Agreement and in full and complete settlement of any and all claims, Employer will provide Employee with the payments and benefits set forth in the Severance Agreement.

3. Employee acknowledges and agrees that this Agreement is in compliance with the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act and that the releases set forth in this Agreement will be

applicable, without limitation, to any claims brought under these Acts.

The release given by Employee in this Agreement is given solely in exchange for the consideration set forth in this Agreement and such consideration is in addition to anything of value that Employee was entitled to receive prior to entering into this Agreement.

Employee has been advised to consult an attorney prior to entering into this Agreement, and this provision of the Agreement satisfies the requirement of the Older Workers Benefit Protection Act that Employee be so advised in writing.

Employee has been offered twenty-one (21) days from receipt of this Agreement within which to consider this Agreement.

By entering into this Agreement, neither Employee nor Employer waive rights or claims that may arise after the date this Agreement is executed.

4. For a period of seven (7) days following Employee's execution of this Agreement, Employee may revoke this Agreement, and this Agreement will not become effective or enforceable until such seven (7) day period has expired. Employee must communicate the desire to revoke this Agreement in writing. Employee understands that he may sign the Agreement at any time before the expiration of the twenty-one (21) day review period. To the degree Employee chooses not to wait twenty-one (21) days to execute this Agreement, it is because Employee freely and unilaterally chooses to execute this Agreement before that time. Employee's signing of the Agreement triggers the commencement of the seven (7) day revocation period.

5. This Agreement will in no way be construed as an admission by either party that it has acted wrongfully with respect to the other party or any other person or that either party has any rights whatsoever against the other party. Each party specifically disclaims any liability to or wrongful acts against the other party or any other person on the part of itself, its employees or its agents.

6. As a material inducement to Employer to enter into this Agreement, Employee hereby irrevocably releases (a) Employer and Explorer Holdings, L.P. ("Explorer" and together with Employer, the "Direct Releasees"), and (b) each of the owners, stockholders, predecessors, successors, directors, officers, employees, representatives, and attorneys of Employer or Explorer (in their capacity as such), any persons or entities that the Employee reasonably should know are affiliates of Employer or Explorer, (provided that Omega Worldwide, Inc. will not be deemed an affiliate of Employer or Explorer for purposes of this Agreement) ("Direct Releasee Affiliates") (and agents, directors, officers, employees, representatives and attorneys of Direct Releasee Affiliates) and all persons acting by, through, under or in concert with them (all such persons or entities in this clause (b) collectively referred to as the "Indirect Releasees", and together with the Direct Releasees, collectively referred to as, the "Releasees"), from any and all charges, claims, liabilities, agreements, damages, causes of action, suits, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, including, but not limited to, rights arising out of alleged violations of any contracts (including without limitation the Employment Agreement dated as of June 15, 2000 between the Company and the Employer and the Change in Control Agreement dated March 22, 2000 between the Company and the Employee), express or implied, any covenant of good faith and fair dealing, express or implied, or any tort, or any legal restrictions on Employer's right to terminate employees, or any federal, state or other governmental statute, regulation, or ordinance, including, without limitation: (1) Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991 (race, color, religion, sex, and national origin discrimination); (2) 42 U.S.C. ss. 1981 (discrimination); (3) the Americans with Disabilities Act (disability discrimination); (4) the Age Discrimination in Employment Act; (5) the Older Workers Benefit Protection Act; (6) the Equal Pay Act; (7) Executive Order 11246 (race, color, religion, sex, and national origin discrimination); (8) Executive Order 11141 (age discrimination); (9) Section 503 of the Rehabilitation Act of 1973 (disability discrimination); (10) negligence; (11) negligent hiring and/or negligent retention; (12) intentional or negligent infliction of emotional distress or outrage; (13) defamation; (14) interference with employment; (15) wrongful discharge; (16) invasion of privacy; or (17) violation of any other legal or contractual duty arising under the laws of any state or the laws of the United States ("Claim" or "Claims"), which Employee now has, or claims to have, or which Employee at any time heretofore had, or claimed to have, or which Employee at any time hereinafter may have, or claim to have, against each or any of the Releasees, in each case as to acts or omissions by each or any of the Releasees occurring up to and including the Effective Date. Subject to the last sentence of this Paragraph 6, notwithstanding anything to the contrary in this Agreement, any release of any of the Indirect Releasees pursuant to this Agreement will be only with regard to Claims relating directly or indirectly to, or arising directly or indirectly out of their relationship to, Employer and/or Explorer. Employee agrees not to allow to be initiated any action of any nature with respect to any Claim released herein. This Agreement in no way affects or releases any claims which Employee may have under any employee benefit plan (within the meaning of the Employee Retirement Income Security Act of 1974, as amended), other than any such plan for which a settlement provision is made

under the Severance Agreement, or which Employee may have if Employer breaches any of the provisions of the Severance Agreement or Employer breaches any of the provisions of this Agreement.

7. Employer hereby irrevocably releases Employee and his heirs, successors, assigns, agents and persons or entities that the Company reasonably should know are Employee's affiliates from any and all charges, claims, liabilities, agreements, damages, causes of action, suits, costs, losses, debts and expenses, (including attorneys' fees and costs actually incurred), (collectively "Employer Claims"), but only to the extent that indemnification is permitted pursuant to applicable law and the Employer's Articles of Incorporation or Bylaws. Employer agrees not to initiate any action of any nature with the respect to any Employer Claims released herein. This Agreement in no way affects or releases any claims which Employer may have if Employee breaches any provisions of the Severance Agreement or Employee breaches any of the provisions of this Agreement.

8. In the event Employee breaches any of the provisions of this Agreement, Employee will fully indemnify Releasees for any charges, claims, liabilities, damages, causes of action, suits, costs, losses, debts, expenses (including attorneys' fees and costs actually incurred) (collectively "Releasee Losses") incurred as a result of any breach of this Agreement by Employee. In the event Employer breaches any of the provisions of this Agreement, Employer will fully indemnify Employee and his heirs, successors, assigns, agents and persons or entities that the Company reasonably should know are Employee's affiliates for any charges, claims, liabilities, damages, causes of action, suits, costs, losses, debts, expenses (including attorneys' fees and costs actually incurred) (collectively "Employee Losses") incurred as a result of any breach of this Agreement by Employer.

9. Any dispute relating to this Agreement will be resolved pursuant to the dispute resolution provisions of the Severance Agreement.

10. Employer and Employee agree that the terms of this Agreement will be final and binding and that this Agreement will be interpreted, enforced and governed under the laws of the State of Michigan, without regard to conflicts of laws. The provisions of this Agreement can be severed, and if any part of this Agreement is found to be unenforceable, the remainder of this Agreement will continue to be valid and effective.

11. This Agreement and the Severance Agreement set forth the entire agreement between Employer and Employee and fully supersedes any and all prior agreements or understandings, written and/or oral, between Employer and Employee pertaining to the subject matter of this Agreement and the Severance Agreement.

Your signature below indicates your understanding and agreement with all of the terms in this Agreement.

Please take this Agreement home and carefully consider all of its provisions before signing it. You may take up to twenty-one (21) days to decide whether you want to accept and sign this Agreement. Also, if you sign this Agreement, you will then have an additional seven (7) days in which to revoke your acceptance of this Agreement after you have signed it. This Agreement will not be effective or enforceable, nor will any consideration be paid, until after the seven (7) day revocation period has expired. Again, you are free and encouraged to discuss the contents and advisability of signing this Agreement with an attorney of your choosing.

PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. YOU ARE STRONGLY ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING THIS DOCUMENT.

IN WITNESS WHEREOF, Employee and Employer have executed this Agreement effective as of the date first written above.

EMPLOYEE
/s/ Essel W. Bailey, Jr.

Essel W. Bailey, Jr.

July 18, 2000

Date Signed

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Susan Allene Kovach

Title: Vice President

COMPENSATION AGREEMENT

This Agreement is made this 15th day of June, 2000, by and between Omega Healthcare Investors, Inc., a Maryland corporation (the "Company"), and F. Scott Kellman (the "Officer" or "you") and describes certain compensation and benefits to which you will become entitled following the purchase on or before August 31, 2000, by Explorer Holdings, L.P. from the Company of preferred stock for at least $100,000,000 (the "Transaction").

1. Effectiveness. The effectiveness of this Agreement is contingent upon the completion of the Transaction and the approval of the Company's shareholders of the "2000 Plan" (as defined in paragraph 10) and the approval of the Compensation Committee contemplated by paragraphs 5 and 6 below. You must be employed on the date of the Transaction to receive any of the compensation or benefits described in this Agreement. The compensation and benefits pursuant to this Agreement, including without limitation the transaction bonus and severance pay provided herein, are in part consideration for your agreement to terminate the Change in Control Agreement described in paragraph 9 hereof as of the date of the occurrence of the Transaction.

2. Continued Services. The compensation and benefits under this Agreement are to be provided to you, in part, to assure your continued services. Accordingly, you agree that you will work for the Company for at least six months after the Transaction, except if your employment is terminated by the Company without Cause or you Quit with Good Reason, or die or become disabled (within the meaning of any Company disability plan or policy).

3. Transaction Bonus. You will receive a cash bonus of $200,000 upon completion of the Transaction.

4. Annual Salary and Annual Bonus. As of the date of the Transaction, your annual salary will be $285,000 with an increase to at least $300,000 effective January 1, 2001. Your annual salary will be reviewed by the Compensation Committee for possible adjustment as of January 1, 2002, and will be reviewed by the Compensation Committee for possible adjustment at least annually thereafter. You will have an annual bonus opportunity for up to 100% of annual salary. The bonus criteria for 2000 will generally be consistent with past practice and will not be offset by the Transaction Bonus. The bonus criteria for 2001 and thereafter will be established by the Compensation Committee, in consultation with you, within the first ninety (90) days of the fiscal year for which the bonus is earned.

5. Stock Option. A nonqualified stock option will be granted to you, in substantially the form attached hereto as an Exhibit, subject to shareholder approval of the 2000 Plan and Compensation Committee approval of the option, and completion of the Transaction, to purchase 500,000 shares of common stock of the Company. The option will vest as to 30% of the shares at December 31, 2001, and as to 1/60th (one-sixtieth) of the shares each month thereafter, provided that (except as provided in paragraph 10 below) no further vesting will occur after the date your employment is terminated. The exercise price will be the greater of the opening trading price per share of the Company's common stock as of the date of closing of the Transaction or the dollar amount per share of common stock into which each share of the Series C preferred stock purchased in the Transaction is convertible as of the date of the closing of the Transaction. Notwithstanding any other provision hereof, in the event of any inconsistency between the terms of this Agreement and the stock option agreement, the terms of the stock option agreement will govern. The Company will register the 2000 Plan with the SEC pursuant to a Form S-8 or other registration within a reasonable period (no later than six months) following the date of the Transaction.

6. Dividend Equivalent Rights. Dividend equivalent rights will be granted to you, in substantially the form attached hereto as an Exhibit, at the same date as the stock option in paragraph 5 hereof is granted to you, and subject to shareholder approval of the 2000 Plan and Compensation Committee approval of the dividend equivalent rights, with respect to 500,000 shares of common stock of the Company. The dividend equivalent rights will be subject to the same vesting schedule as applies to the stock option in paragraph 5 hereof. The dividend equivalent right with respect to each such share will entitle you to accrue the dividends per share of common stock of the Company paid to common shareholders of the Company in accordance with the terms of the dividend equivalent rights agreement, provided that your dividend equivalent rights per share will not exceed the greater of the opening trading price of the Company's common stock as of the date of closing of the Transaction or the dollar amount per share of common stock into which each share of the Series C preferred stock purchased in the Transaction is convertible as of the date of the closing of the Transaction. Your dividend equivalent rights will not accrue in, or with

respect to dividends paid in, a fiscal quarter of the Company if the Company does not achieve the "DER Performance Goal" in the preceding four fiscal quarters. The DER Performance Goal means that funds from operations available to holders of the Company's common stock and Class C preferred stock as a percentage of the Company's average common and Class C preferred equity (calculated in a manner consistent with NAREIT guidelines, historical practices in presenting reports to the Board of Directors and in establishing budget plans) equals or exceeds 6%. The accrued dividend equivalent rights will be payable in cash and will be terminated in accordance with the terms of the dividend equivalent rights agreement. Notwithstanding any other provision of this Agreement, in the event of any inconsistency between the terms of this Agreement and the dividend equivalent rights agreement, the terms of the dividend equivalent rights agreement will govern.

7. Restricted Stock Vesting. This Agreement confirms that your restricted stock grant for 35,258 shares that you received as of February 10, 2000 will be 25% vested as of August 10, 2000 and will be 50% vested as of February 10, 2001 as a result of the stock's trading price reaching the $8 level for the required period, subject to your satisfying the service requirements (i.e., you work for the Company at least through the applicable date, a "Change of Control" as defined in the Company's 1993 Stock Option and Restricted Stock Plan, as amended, occurs before then, or you become vested pursuant to paragraph 10 of this Agreement).

8. Other Incentive Compensation. You will be eligible to participate in all incentive compensation plans and programs that the Company offers to all or substantially all of its executive officers.

9. Change in Control Agreement. You and the Company agree that: the occurrence of the Transaction does not cause a "Change in Control" (as defined in the Change in Control Agreement dated March 22, 2000, between you and the Company (the "Change in Control Agreement"), a "Change of Control" (as defined in the Company's 1993 Stock Option and Restricted Stock Plan), or a change in control under any other plan, program, or arrangement of the Company, to occur; such occurrence will not be deemed to result in a Change in Control, Change of Control, or change in control, respectively, thereunder; and you will not be entitled to any payment or benefits thereunder. You and the Company agree that if you remain employed by the Company as of the date of the occurrence of the Transaction, and the approval of the Company's shareholders of the 2000 Plan and the approval of the Compensation Committee contemplated by paragraphs 5 and 6 above are obtained, the Change in Control Agreement is terminated and is void and of no further force and effect as of the date of occurrence of the Transaction.

10. Severance. In the event your employment is terminated by the Company without Cause, or you Quit with Good Reason, in either event within five years after the date of the Transaction, you will receive, in part as severance pay and in part for the consulting services described in paragraph 11 hereof, 200% of an amount equal to the sum of your highest rate of annual base salary within the three years prior to your termination of employment plus the average of your annual bonuses paid or payable (determined without regard to any portion thereof that you may have elected to defer) in the three fiscal years immediately before the date of your termination of employment. The amount of your annual bonus for any such fiscal year will not include any amount attributable to the transaction bonus described in paragraph 3 hereof, or the dividend equivalent rights described in paragraph 6 hereof, or the portion of the Cash Value of the Restricted Stock Award with respect to the restricted stock award described in paragraph 7 hereof as to which the price hurdle for vesting has not been met, but will include the Cash Value of such Restricted Stock Award as to which the price hurdle for vesting has been met, the Cash Value of the Restricted Stock Award with respect to any other restricted stock award you received that was paid before June 5, 2000 and during such year, and the Cash Value of the Restricted Stock Award with respect to any other restricted stock award you received that was paid after June 4, 2000 and during such year to the extent that the Compensation Committee determines prior to your receiving such award that the award directly offsets your annual cash bonus that otherwise would have been paid to you. A portion of your severance pay in an amount equal to your highest rate of annual base salary within the three years prior to your termination will be paid to you in substantially equal installments according to the Company's normal payroll cycle in the 12 months after your termination of employment and the balance of your severance pay will be paid to you in a lump sum within fifteen days following your execution of the general release described below. In addition, all of your deferred compensation units under the Company's 1993 Deferred Compensation Plan, as amended ("Deferred Compensation Units"), unvested restricted stock grants (other than any portion of the restricted stock grant described in paragraph 7 hereof as to which the price hurdle for vesting is not met), stock options and dividend equivalent rights under the Company's 1993 Stock Option and Restricted Stock Plan, as amended (the "1993 Plan") or the Company's 2000 Stock Incentive Plan (the "2000 Plan") (and unless prohibited by the terms of any other plan or agreement, unvested restricted stock grants and stock options

under such plan or agreement) will be fully vested in such event. In such event, your stock options will be exercisable for such period after your termination of employment as may be established pursuant to the terms of the applicable stock option agreement. Your Deferred Compensation Units will be paid pursuant to the terms of the 1993 Deferred Compensation Plan, as amended.

The payment of all of the severance pay and vesting of all of the benefits provided for in this paragraph 10 are expressly contingent upon your executing and returning to the Company, within such period as may be designated by the Company, a general release of all claims and covenant not to sue in favor of the Company, its officers, directors, shareholders, affiliates, successors and assigns and other related parties designated by the Company, in such form as may be provided to you by the Company and your not revoking such release within a seven day revocation period to be provided for under the terms of such release. Such release will not apply to any of the payments or benefits to which you are entitled to hereunder, under any employee benefit plan (within the meaning of the Employee Retirement Income Security Act of 1974), or any rights to indemnification that you may have as an officer or former officer of the Company.

11. Consulting Services. In the event your employment is terminated by you or the Company in circumstances entitling you to severance pay and benefits pursuant to paragraph 10 hereof, you agree to be available for consultation at times mutually convenient to you and the Company for a period of up to one year following the date your employment terminates. The consideration in paragraph 10 hereof is in part consideration for services and in part severance pay.

12. Gross-Up Payment. In the event a severance payment is made to you under paragraph 10 of this Agreement and it is determined that any payment (other than the Gross-Up Payments provided for herein) or distribution by the Company or any of its affiliates to or for your benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, or the lapse or termination of any restriction on, or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision thereto) by reason of being "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then you will be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount such that, after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. For purposes of calculating the Gross-Up Payment, it will be assumed that all taxable Payments you receive are taxed at the highest marginal federal income tax rate and the highest state income tax rate in which you reside, but without regard to any reduction in personal exemptions or deductions associated with your level of income. All determinations required to be made under this paragraph 12, including whether an excise tax is payable by you and the amount of such excise tax and any Gross-Up Payment, will be made by a nationally recognized firm of certified public accountants selected by the Company in its sole discretion.

13. Nonduplication. This Agreement is not intended to duplicate any compensation or benefits to which you are entitled under any other plan, program, agreement or arrangement. Therefore, in the event you are entitled to any similar payments under the terms of any other plan, program, agreement, or arrangement of the Company, your payments under this Agreement will be correspondingly reduced.

14. No Mitigation. Except as provided in paragraph 13 hereof, no amounts or benefits payable to you hereunder shall be subject to mitigation or reduction by income or benefits you receive from other sources.

15. Nondisclosure Of Confidential Information. You agree not to disclose, directly or indirectly to any third person any (a) Confidential Information relating to Company's business during the term of your employment and for two years after termination or (b) Trade Secrets for so long as they may be protected by Michigan law.

16. Return of Materials. All Trade Secrets and Confidential Information, including documents or tangible or intangible materials, including computer data, provided to or obtained by you during the course of employment by the Company which contain Trade Secrets and Confidential Information, are the property of the Company (collectively, the "Materials"). You will not remove from the Company's premises or copy or reproduce any Materials (except as your employment by the Company shall require), and at the

termination of your employment, regardless of the reason for such termination, you will leave with the Company, or immediately return to the Company, all Materials or copies or reproductions thereof in your possession, custody or control.

17. Not an Employment Agreement. This Agreement does not constitute an employment agreement or an agreement to employ you for any definite period, and you will remain an employee at-will.

18. 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 you remain employed by the assignee, the "Company" as defined herein will refer to the assignee and you will not be deemed to have terminated employment hereunder until you terminate employment from the assignee.

19. Attorneys' Fees. If you prevail in such dispute, the Company will pay and be financially responsible for all costs, expenses and reasonable attorneys' fees incurred by you (or your estate in the event of your death) in connection with any dispute associated with the interpretation, enforcement or defense of your rights under this Agreement by litigation or otherwise.

20. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling.

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

22. 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.

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

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

25. Definitions. The capitalized terms used in this Agreement have the meanings set forth below.

"Cause" means

(i) willful refusal to follow a lawful written order of the Board of Directors of the Company;

(ii) willful misconduct or reckless disregard of your duties or of the interest or property of the Company;

(iii intentional disclosure to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(iv) any act of fraud, misappropriation, dishonesty or act involving moral turpitude; or

(v) conviction of a felony.

"Quit With Good Reason" means you resign within ninety (90) days following the occurrence of any of the following events which occurs without your written consent:

(i) the failure of the Board of Directors of the Company to reelect you to your then existing office;

(ii) a substantial diminution in your title, position, authority or responsibility or assignment to you of substantial duties or substantial work responsibilities which are inconsistent with your title, position, authority or responsibility;

(iii) any reduction in your base salary, annual bonus opportunity or a material reduction in employee benefits; or

(iv) the relocation of the Company's headquarters or the primary place at which you perform your duties to a location more than fifty (50) miles from the location at which you previously performed your duties;

provided, however, that you must give the Company written notice within thirty (30) days following the occurrence of the event and the Company will have fifteen (15) days to cure the same. If you fail to give such notice or if the Company provides such cure, you will not be entitled to terminate your employment due to a Quit with Good Reason.

Each separate event meeting the above requirements will allow you to terminate your employment due to a Quit With Good Reason and your failure to do so within ninety (90) days from the occurrence of such event in any given case will act as a waiver with respect to your rights to terminate your employment due to a Quit with Good Reason with respect to the occurrence of that specific event, but will not prevent you from terminating your employment due to a Quit With Good Reason if a later event occurs which entitles you to do so, subject to the notice and cure provisions.

"Cash Value of the Restricted Stock Award" means the trading price per share of the class of stock subject to the restricted stock award determined as of the grant date, multiplied by the number of shares of restricted stock subject to that grant.

"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 you or of which the you became aware as a consequence of or through your 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 you without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

"Trade Secrets" means Company 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.

Agreed to as of the date first set forth above.

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

Essel W. Bailey, Jr.
President and Chief Executive Officer
Omega Healthcare Investors, Inc.

By: /s/ F. Scott Kellman

F. Scott Kellman

COMPENSATION AGREEMENT

This Agreement is made this 15th day of June, 2000, by and between Omega Healthcare Investors, Inc., a Maryland corporation (the "Company"), and Susan A. Kovach (the "Officer" or "you") and describes certain compensation and benefits to which you will become entitled following the purchase on or before August 31, 2000, by Explorer Holdings, L.P. from the Company of preferred stock for at least $100,000,000 (the "Transaction").

1. Effectiveness. The effectiveness of this Agreement is contingent upon the completion of the Transaction and the approval of the Company's shareholders of the "2000 Plan" (as defined in paragraph 10) and the approval of the Compensation Committee contemplated by paragraphs 5 and 6 below. You must be employed on the date of the Transaction to receive any of the compensation or benefits described in this Agreement. The compensation and benefits pursuant to this Agreement, including without limitation the transaction bonus and severance pay provided herein, are in part consideration for your agreement to terminate the Change in Control Agreement described in paragraph 9 hereof as of the date of the occurrence of the Transaction.

2. Continued Services. The compensation and benefits under this Agreement are to be provided to you, in part, to assure your continued services. Accordingly, you agree that you will work for the Company for at least six months after the Transaction, except if your employment is terminated by the Company without Cause or you Quit with Good Reason, or die or become disabled (within the meaning of any Company disability plan or policy).

3. Transaction Bonus. You will receive a cash bonus of $40,000 upon completion of the Transaction.

4. Annual Salary and Annual Bonus. As of the date of the Transaction, your annual salary will be $155,000 with an increase to at least $175,000 effective January 1, 2001. Your annual salary will be reviewed by the Compensation Committee for possible adjustment as of January 1, 2002, and will be reviewed by the Compensation Committee for possible adjustment at least annually thereafter. You will have an annual bonus opportunity for up to 100% of annual salary. The bonus criteria for 2000 will generally be consistent with past practice and will not be offset by the Transaction Bonus. The bonus criteria for 2001 and thereafter will be established by the Compensation Committee, in consultation with you, within the first ninety (90) days of the fiscal year for which the bonus is earned.

5. Stock Option. A nonqualified stock option will be granted to you, in substantially the form attached hereto as an Exhibit, subject to shareholder approval of the 2000 Plan and Compensation Committee approval of the option, and completion of the Transaction, to purchase 227,500 shares of common stock of the Company. The option will vest as to 30% of the shares at December 31, 2001, and as to 1/60th (one-sixtieth) of the shares each month thereafter, provided that (except as provided in paragraph 10 below) no further vesting will occur after the date your employment is terminated. The exercise price will be the greater of the opening trading price per share of the Company's common stock as of the date of closing of the Transaction or the dollar amount per share of common stock into which each share of the Series C preferred stock purchased in the Transaction is convertible as of the date of the closing of the Transaction. Notwithstanding any other provision hereof, in the event of any inconsistency between the terms of this Agreement and the stock option agreement, the terms of the stock option agreement will govern. The Company will register the 2000 Plan with the SEC pursuant to a Form S-8 or other registration within a reasonable period (no later than six months) following the date of the Transaction.

6. Dividend Equivalent Rights. Dividend equivalent rights will be granted to you, in substantially the form attached hereto as an Exhibit, at the same date as the stock option in paragraph 5 hereof is granted to you, and subject to shareholder approval of the 2000 Plan and Compensation Committee approval of the dividend equivalent rights, with respect to 227,500 shares of common stock of the Company. The dividend equivalent rights will be subject to the same vesting schedule as applies to the stock option in paragraph 5 hereof. The dividend equivalent right with respect to each such share will entitle you to accrue the dividends per share of common stock of the Company paid to common shareholders of the Company in accordance with the terms of the dividend equivalent rights agreement, provided that your dividend equivalent rights per share will not exceed the greater of the opening trading price of the Company's common stock as of the date of closing of the Transaction or the dollar amount per share of common stock into which each share of the Series C preferred stock purchased in the Transaction is convertible as of the date of the closing of the Transaction. Your dividend equivalent rights will not accrue in, or with respect to dividends paid in, a fiscal quarter of the Company if the

Company does not achieve the "DER Performance Goal" in the preceding four fiscal quarters. The DER Performance Goal means that funds from operations available to holders of the Company's common stock and Class C preferred stock as a percentage of the Company's average common and Class C preferred equity (calculated in a manner consistent with NAREIT guidelines, historical practices in presenting reports to the Board of Directors and in establishing budget plans) equals or exceeds 6%. The accrued dividend equivalent rights will be payable in cash and will be terminated in accordance with the terms of the dividend equivalent rights agreement. Notwithstanding any other provision of this Agreement, in the event of any inconsistency between the terms of this Agreement and the dividend equivalent rights agreement, the terms of the dividend equivalent rights agreement will govern.

7. Restricted Stock Vesting. This Agreement confirms that your restricted stock grant for 18,708 shares that you received as of February 10, 2000 will be 25% vested as of August 10, 2000 and will be 50% vested as of February 10, 2001 as a result of the stock's trading price reaching the $8 level for the required period, subject to your satisfying the service requirements (i.e., you work for the Company at least through the applicable date, a "Change of Control" as defined in the Company's 1993 Stock Option and Restricted Stock Plan, as amended, occurs before then, or you become vested pursuant to paragraph 10 of this Agreement).

8. Other Incentive Compensation. You will be eligible to participate in all incentive compensation plans and programs that the Company offers to all or substantially all of its executive officers.

9. Change in Control Agreement. You and the Company agree that: the occurrence of the Transaction does not cause a "Change in Control" (as defined in the Change in Control Agreement dated March 22, 2000, between you and the Company (the "Change in Control Agreement"), a "Change of Control" (as defined in the Company's 1993 Stock Option and Restricted Stock Plan), or a change in control under any other plan, program, or arrangement of the Company, to occur; such occurrence will not be deemed to result in a Change in Control, Change of Control, or change in control, respectively, thereunder; and you will not be entitled to any payment or benefits thereunder. You and the Company agree that if you remain employed by the Company as of the date of the occurrence of the Transaction, and the approval of the Company's shareholders of the 2000 Plan and the approval of the Compensation Committee contemplated by paragraphs 5 and 6 above are obtained, the Change in Control Agreement is terminated and is void and of no further force and effect as of the date of occurrence of the Transaction.

10. Severance. In the event your employment is terminated by the Company without Cause, or you Quit with Good Reason, in either event within five years after the date of the Transaction, you will receive, in part as severance pay and in part for the consulting services described in paragraph 11 hereof, 200% of an amount equal to the sum of your highest rate of annual base salary within the three years prior to your termination of employment plus the average of your annual bonuses paid or payable (determined without regard to any portion thereof that you may have elected to defer) in the three fiscal years immediately before the date of your termination of employment. The amount of your annual bonus for any such fiscal year will not include any amount attributable to the transaction bonus described in paragraph 3 hereof, or the dividend equivalent rights described in paragraph 6 hereof, or the portion of the Cash Value of the Restricted Stock Award with respect to the restricted stock award described in paragraph 7 hereof as to which the price hurdle for vesting has not been met, but will include the Cash Value of such Restricted Stock Award as to which the price hurdle for vesting has been met, the Cash Value of the Restricted Stock Award with respect to any other restricted stock award you received that was paid before June 5, 2000 and during such year, and the Cash Value of the Restricted Stock Award with respect to any other restricted stock award you received that was paid after June 4, 2000 and during such year to the extent that the Compensation Committee determines prior to your receiving such award that the award directly offsets your annual cash bonus that otherwise would have been paid to you. A portion of your severance pay in an amount equal to your highest rate of annual base salary within the three years prior to your termination will be paid to you in substantially equal installments according to the Company's normal payroll cycle in the 12 months after your termination of employment and the balance of your severance pay will be paid to you in a lump sum within fifteen days following your execution of the general release described below. In addition, all of your deferred compensation units under the Company's 1993 Deferred Compensation Plan, as amended ("Deferred Compensation Units"), unvested restricted stock grants (other than any portion of the restricted stock grant described in paragraph 7 hereof as to which the price hurdle for vesting is not met), stock options and dividend equivalent rights under the Company's 1993 Stock Option and Restricted Stock Plan, as amended (the "1993 Plan") or the Company's 2000 Stock Incentive Plan (the "2000 Plan") (and unless prohibited by the terms of any other plan or agreement, unvested restricted stock grants and stock options under such plan or agreement) will be fully vested in such event. In such

event, your stock options will be exercisable for such period after your termination of employment as may be established pursuant to the terms of the applicable stock option agreement. Your Deferred Compensation Units will be paid pursuant to the terms of the 1993 Deferred Compensation Plan, as amended.

The payment of all of the severance pay and vesting of all of the benefits provided for in this paragraph 10 are expressly contingent upon your executing and returning to the Company, within such period as may be designated by the Company, a general release of all claims and covenant not to sue in favor of the Company, its officers, directors, shareholders, affiliates, successors and assigns and other related parties designated by the Company, in such form as may be provided to you by the Company and your not revoking such release within a seven day revocation period to be provided for under the terms of such release. Such release will not apply to any of the payments or benefits to which you are entitled to hereunder, under any employee benefit plan (within the meaning of the Employee Retirement Income Security Act of 1974), or any rights to indemnification that you may have as an officer or former officer of the Company.

11. Consulting Services. In the event your employment is terminated by you or the Company in circumstances entitling you to severance pay and benefits pursuant to paragraph 10 hereof, you agree to be available for consultation at times mutually convenient to you and the Company for a period of up to one year following the date your employment terminates. The consideration in paragraph 10 hereof is in part consideration for services and in part severance pay.

12. Gross-Up Payment. In the event a severance payment is made to you under paragraph 10 of this Agreement and it is determined that any payment (other than the Gross-Up Payments provided for herein) or distribution by the Company or any of its affiliates to or for your benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, or the lapse or termination of any restriction on, or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision thereto) by reason of being "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then you will be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount such that, after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. For purposes of calculating the Gross-Up Payment, it will be assumed that all taxable Payments you receive are taxed at the highest marginal federal income tax rate and the highest state income tax rate in which you reside, but without regard to any reduction in personal exemptions or deductions associated with your level of income. All determinations required to be made under this paragraph 12, including whether an excise tax is payable by you and the amount of such excise tax and any Gross-Up Payment, will be made by a nationally recognized firm of certified public accountants selected by the Company in its sole discretion.

13. Nonduplication. This Agreement is not intended to duplicate any compensation or benefits to which you are entitled under any other plan, program, agreement or arrangement. Therefore, in the event you are entitled to any similar payments under the terms of any other plan, program, agreement, or arrangement of the Company, your payments under this Agreement will be correspondingly reduced.

14. No Mitigation. Except as provided in paragraph 13 hereof, no amounts or benefits payable to you hereunder shall be subject to mitigation or reduction by income or benefits you receive from other sources.

15. Nondisclosure Of Confidential Information. You agree not to disclose, directly or indirectly to any third person any (a) Confidential Information relating to Company's business during the term of your employment and for two years after termination or (b) Trade Secrets for so long as they may be protected by Michigan law.

16. Return of Materials. All Trade Secrets and Confidential Information, including documents or tangible or intangible materials, including computer data, provided to or obtained by you during the course of employment by the Company which contain Trade Secrets and Confidential Information, are the property of the Company (collectively, the "Materials"). You will not remove from the Company's premises or copy or reproduce any Materials (except as your employment by the Company shall require), and at the termination of your employment, regardless of the reason for such

termination, you will leave with the Company, or immediately return to the Company, all Materials or copies or reproductions thereof in your possession, custody or control.

17. Not an Employment Agreement. This Agreement does not constitute an employment agreement or an agreement to employ you for any definite period, and you will remain an employee at-will.

18. 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 you remain employed by the assignee, the "Company" as defined herein will refer to the assignee and you will not be deemed to have terminated employment hereunder until you terminate employment from the assignee.

19. Attorneys' Fees. If you prevail in such dispute, the Company will pay and be financially responsible for all costs, expenses and reasonable attorneys' fees incurred by you (or your estate in the event of your death) in connection with any dispute associated with the interpretation, enforcement or defense of your rights under this Agreement by litigation or otherwise.

20. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling.

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

22. 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.

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

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

25. Definitions. The capitalized terms used in this Agreement have the meanings set forth below.

"Cause" means

(i) willful refusal to follow a lawful written order of the Board of Directors of the Company;

(ii) willful misconduct or reckless disregard of your duties or of the interest or property of the Company;

(iii) intentional disclosure to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(iv) any act of fraud, misappropriation, dishonesty or act involving moral turpitude; or

(v) conviction of a felony.

"Quit With Good Reason" means you resign within ninety (90) days following the occurrence of any of the following events which occurs without your written consent:

(i) the failure of the Board of Directors of the Company to reelect you to your then existing office;

(ii) a substantial diminution in your title, position, authority or responsibility or assignment to you of substantial duties or substantial work responsibilities which are inconsistent with your title, position, authority or responsibility;

(iii) any reduction in your base salary, annual bonus opportunity or a material reduction in employee benefits; or

(iv) the relocation of the Company's headquarters or the primary place at which you perform your duties to a location more than fifty (50) miles from the location at which you previously performed your duties;

provided, however, that you must give the Company written notice within thirty (30) days following the occurrence of the event and the Company will have fifteen (15) days to cure the same. If you fail to give such notice or if the Company provides such cure, you will not be entitled to terminate your employment due to a Quit with Good Reason.

Each separate event meeting the above requirements will allow you to terminate your employment due to a Quit With Good Reason and your failure to do so within ninety (90) days from the occurrence of such event in any given case will act as a waiver with respect to your rights to terminate your employment due to a Quit with Good Reason with respect to the occurrence of that specific event, but will not prevent you from terminating your employment due to a Quit With Good Reason if a later event occurs which entitles you to do so, subject to the notice and cure provisions.

"Cash Value of the Restricted Stock Award" means the trading price per share of the class of stock subject to the restricted stock award determined as of the grant date, multiplied by the number of shares of restricted stock subject to that grant.

"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 you or of which the you became aware as a consequence of or through your 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 you without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

"Trade Secrets" means Company 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.

Agreed to as of the date first set forth above.

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

Essel W. Bailey, Jr.
President and Chief Executive Officer
Omega Healthcare Investors, Inc.

By: /s/ Susan A. Kovach

Susan A. Kovach

COMPENSATION AGREEMENT

This Agreement is made this 15th day of June, 2000, by and between Omega Healthcare Investors, Inc., a Maryland corporation (the "Company"), and Laurence D. Rich (the "Officer" or "you") and describes certain compensation and benefits to which you will become entitled following the purchase on or before August 31, 2000, by Explorer Holdings, L.P. from the Company of preferred stock for at least $100,000,000 (the "Transaction").

1. Effectiveness. The effectiveness of this Agreement is contingent upon the completion of the Transaction and the approval of the Company's shareholders of the "2000 Plan" (as defined in paragraph 10) and the approval of the Compensation Committee contemplated by paragraphs 5 and 6 below. You must be employed on the date of the Transaction to receive any of the compensation or benefits described in this Agreement. The compensation and benefits pursuant to this Agreement, including without limitation the transaction bonus and severance pay provided herein, are in part consideration for your agreement to terminate the Change in Control Agreement described in paragraph 9 hereof as of the date of the occurrence of the Transaction.

2. Continued Services. The compensation and benefits under this Agreement are to be provided to you, in part, to assure your continued services. Accordingly, you agree that you will work for the Company for at least six months after the Transaction, except if your employment is terminated by the Company without Cause or you Quit with Good Reason, or die or become disabled (within the meaning of any Company disability plan or policy).

3. Transaction Bonus. You will receive a cash bonus of $40,000 upon completion of the Transaction.

4. Annual Salary and Annual Bonus. As of the date of the Transaction, your annual salary will be $155,000 with an increase to at least $175,000 effective January 1, 2001. Your annual salary will be reviewed by the Compensation Committee for possible adjustment as of January 1, 2002, and will be reviewed by the Compensation Committee for possible adjustment at least annually thereafter. You will have an annual bonus opportunity for up to 100% of annual salary. The bonus criteria for 2000 will generally be consistent with past practice and will not be offset by the Transaction Bonus. The bonus criteria for 2001 and thereafter will be established by the Compensation Committee, in consultation with you, within the first ninety (90) days of the fiscal year for which the bonus is earned.

5. Stock Option. A nonqualified stock option will be granted to you, in substantially the form attached hereto as an Exhibit, subject to shareholder approval of the 2000 Plan and Compensation Committee approval of the option, and completion of the Transaction, to purchase 227,500 shares of common stock of the Company. The option will vest as to 30% of the shares at December 31, 2001, and as to 1/60th (one-sixtieth) of the shares each month thereafter, provided that (except as provided in paragraph 10 below) no further vesting will occur after the date your employment is terminated. The exercise price will be the greater of the opening trading price per share of the Company's common stock as of the date of closing of the Transaction or the dollar amount per share of common stock into which each share of the Series C preferred stock purchased in the Transaction is convertible as of the date of the closing of the Transaction. Notwithstanding any other provision hereof, in the event of any inconsistency between the terms of this Agreement and the stock option agreement, the terms of the stock option agreement will govern. The Company will register the 2000 Plan with the SEC pursuant to a Form S-8 or other registration within a reasonable period (no later than six months) following the date of the Transaction.

6. Dividend Equivalent Rights. Dividend equivalent rights will be granted to you, in substantially the form attached hereto as an Exhibit, at the same date as the stock option in paragraph 5 hereof is granted to you, and subject to shareholder approval of the 2000 Plan and Compensation Committee approval of the dividend equivalent rights, with respect to 227,500 shares of common stock of the Company. The dividend equivalent rights will be subject to the same vesting schedule as applies to the stock option in paragraph 5 hereof. The dividend equivalent right with respect to each such share will entitle you to accrue the dividends per share of common stock of the Company paid to common shareholders of the Company in accordance with the terms of the dividend equivalent rights agreement, provided that your dividend equivalent rights per share will not exceed the greater of the opening trading price of the Company's common stock as of the date

of closing of the Transaction or the dollar amount per share of common stock into which each share of the Series C preferred stock purchased in the Transaction is convertible as of the date of the closing of the Transaction. Your dividend equivalent rights will not accrue in, or with respect to dividends paid in, a fiscal quarter of the Company if the Company does not achieve the "DER Performance Goal" in the preceding four fiscal quarters. The DER Performance Goal means that funds from operations available to holders of the Company's common stock and Class C preferred stock as a percentage of the Company's average common and Class C preferred equity (calculated in a manner consistent with NAREIT guidelines, historical practices in presenting reports to the Board of Directors and in establishing budget plans) equals or exceeds 6%. The accrued dividend equivalent rights will be payable in cash and will be terminated in accordance with the terms of the dividend equivalent rights agreement. Notwithstanding any other provision of this Agreement, in the event of any inconsistency between the terms of this Agreement and the dividend equivalent rights agreement, the terms of the dividend equivalent rights agreement will govern.

7. Restricted Stock Vesting. This Agreement confirms that your restricted stock grant for 17,269 shares that you received as of February 10, 2000 will be 25% vested as of August 10, 2000 and will be 50% vested as of February 10, 2001 as a result of the stock's trading price reaching the $8 level for the required period, subject to your satisfying the service requirements (i.e., you work for the Company at least through the applicable date, a "Change of Control" as defined in the Company's 1993 Stock Option and Restricted Stock Plan, as amended, occurs before then, or you become vested pursuant to paragraph 10 of this Agreement).

8. Other Incentive Compensation. You will be eligible to participate in all incentive compensation plans and programs that the Company offers to all or substantially all of its executive officers.

9. Change in Control Agreement. You and the Company agree that: the occurrence of the Transaction does not cause a "Change in Control" (as defined in the Change in Control Agreement dated March 22, 2000, between you and the Company (the "Change in Control Agreement"), a "Change of Control" (as defined in the Company's 1993 Stock Option and Restricted Stock Plan), or a change in control under any other plan, program, or arrangement of the Company, to occur; such occurrence will not be deemed to result in a Change in Control, Change of Control, or change in control, respectively, thereunder; and you will not be entitled to any payment or benefits thereunder. You and the Company agree that if you remain employed by the Company as of the date of the occurrence of the Transaction, and the approval of the Company's shareholders of the 2000 Plan and the approval of the Compensation Committee contemplated by paragraphs 5 and 6 above are obtained, the Change in Control Agreement is terminated and is void and of no further force and effect as of the date of occurrence of the Transaction.

10. Severance. In the event your employment is terminated by the Company without Cause, or you Quit with Good Reason, in either event within five years after the date of the Transaction, you will receive, in part as severance pay and in part for the consulting services described in paragraph 11 hereof, 200% of an amount equal to the sum of your highest rate of annual base salary within the three years prior to your termination of employment plus the average of your annual bonuses paid or payable (determined without regard to any portion thereof that you may have elected to defer) in the three fiscal years immediately before the date of your termination of employment. The amount of your annual bonus for any such fiscal year will not include any amount attributable to the transaction bonus described in paragraph 3 hereof, or the dividend equivalent rights described in paragraph 6 hereof, or the portion of the Cash Value of the Restricted Stock Award with respect to the restricted stock award described in paragraph 7 hereof as to which the price hurdle for vesting has not been met, but will include the Cash Value of such Restricted Stock Award as to which the price hurdle for vesting has been met, the Cash Value of the Restricted Stock Award with respect to any other restricted stock award you received that was paid before June 5, 2000 and during such year, and the Cash Value of the Restricted Stock Award with respect to any other restricted stock award you received that was paid after June 4, 2000 and during such year to the extent that the Compensation Committee determines prior to your receiving such award that the award directly offsets your annual cash bonus that otherwise would have been paid to you. A portion of your severance pay in an amount equal to your highest rate of annual base salary within the three years prior to your termination will be paid to you in substantially equal installments according to the Company's normal payroll cycle in the 12 months after your termination of employment and the balance of your severance pay will be paid to you in a lump sum within fifteen days following your execution of the

general release described below. In addition, all of your deferred compensation units under the Company's 1993 Deferred Compensation Plan, as amended ("Deferred Compensation Units"), unvested restricted stock grants (other than any portion of the restricted stock grant described in paragraph 7 hereof as to which the price hurdle for vesting is not met), stock options and dividend equivalent rights under the Company's 1993 Stock Option and Restricted Stock Plan, as amended (the "1993 Plan") or the Company's 2000 Stock Incentive Plan (the "2000 Plan") (and unless prohibited by the terms of any other plan or agreement, unvested restricted stock grants and stock options under such plan or agreement) will be fully vested in such event. In such event, your stock options will be exercisable for such period after your termination of employment as may be established pursuant to the terms of the applicable stock option agreement. Your Deferred Compensation Units will be paid pursuant to the terms of the 1993 Deferred Compensation Plan, as amended.

The payment of all of the severance pay and vesting of all of the benefits provided for in this paragraph 10 are expressly contingent upon your executing and returning to the Company, within such period as may be designated by the Company, a general release of all claims and covenant not to sue in favor of the Company, its officers, directors, shareholders, affiliates, successors and assigns and other related parties designated by the Company, in such form as may be provided to you by the Company and your not revoking such release within a seven day revocation period to be provided for under the terms of such release. Such release will not apply to any of the payments or benefits to which you are entitled to hereunder, under any employee benefit plan (within the meaning of the Employee Retirement Income Security Act of 1974), or any rights to indemnification that you may have as an officer or former officer of the Company.

11. Consulting Services. In the event your employment is terminated by you or the Company in circumstances entitling you to severance pay and benefits pursuant to paragraph 10 hereof, you agree to be available for consultation at times mutually convenient to you and the Company for a period of up to one year following the date your employment terminates. The consideration in paragraph 10 hereof is in part consideration for services and in part severance pay.

12. Gross-Up Payment. In the event a severance payment is made to you under paragraph 10 of this Agreement and it is determined that any payment (other than the Gross-Up Payments provided for herein) or distribution by the Company or any of its affiliates to or for your benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, or the lapse or termination of any restriction on, or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision thereto) by reason of being "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then you will be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount such that, after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. For purposes of calculating the Gross-Up Payment, it will be assumed that all taxable Payments you receive are taxed at the highest marginal federal income tax rate and the highest state income tax rate in which you reside, but without regard to any reduction in personal exemptions or deductions associated with your level of income. All determinations required to be made under this paragraph 12, including whether an excise tax is payable by you and the amount of such excise tax and any Gross-Up Payment, will be made by a nationally recognized firm of certified public accountants selected by the Company in its sole discretion.

13. Nonduplication. This Agreement is not intended to duplicate any compensation or benefits to which you are entitled under any other plan, program, agreement or arrangement. Therefore, in the event you are entitled to any similar payments under the terms of any other plan, program, agreement, or arrangement of the Company, your payments under this Agreement will be correspondingly reduced.

14. No Mitigation. Except as provided in paragraph 13 hereof, no amounts or benefits payable to you hereunder shall be subject to mitigation or reduction by income or benefits you receive from other sources.

15. Nondisclosure Of Confidential Information. You agree not to disclose,

directly or indirectly to any third person any (a) Confidential Information relating to Company's business during the term of your employment and for two years after termination or (b) Trade Secrets for so long as they may be protected by Michigan law.

16. Return of Materials. All Trade Secrets and Confidential Information, including documents or tangible or intangible materials, including computer data, provided to or obtained by you during the course of employment by the Company which contain Trade Secrets and Confidential Information, are the property of the Company (collectively, the "Materials"). You will not remove from the Company's premises or copy or reproduce any Materials (except as your employment by the Company shall require), and at the termination of your employment, regardless of the reason for such termination, you will leave with the Company, or immediately return to the Company, all Materials or copies or reproductions thereof in your possession, custody or control.

17. Not an Employment Agreement. This Agreement does not constitute an employment agreement or an agreement to employ you for any definite period, and you will remain an employee at-will.

18. 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 you remain employed by the assignee, the "Company" as defined herein will refer to the assignee and you will not be deemed to have terminated employment hereunder until you terminate employment from the assignee.

19. Attorneys' Fees. If you prevail in such dispute, the Company will pay and be financially responsible for all costs, expenses and reasonable attorneys' fees incurred by you (or your estate in the event of your death) in connection with any dispute associated with the interpretation, enforcement or defense of your rights under this Agreement by litigation or otherwise.

20. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling.

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

22. 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.

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

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

25. Definitions. The capitalized terms used in this Agreement have the meanings set forth below.

"Cause" means

(i) willful refusal to follow a lawful written order of the Board of Directors of the Company;

(ii) willful misconduct or reckless disregard of your duties or of the interest or property of the Company;

(iii) intentional disclosure to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(iv) any act of fraud, misappropriation, dishonesty or act involving moral turpitude; or

(v) conviction of a felony.

"Quit With Good Reason" means you resign within ninety (90) days following the occurrence of any of the following events which occurs without your written consent:

(i) the failure of the Board of Directors of the Company to reelect you to your then existing office;

(ii) a substantial diminution in your title, position, authority or responsibility or assignment to you of substantial duties or substantial work responsibilities which are inconsistent with your title, position, authority or responsibility;

(iii) any reduction in your base salary, annual bonus opportunity or a material reduction in employee benefits; or

(iv) the relocation of the Company's headquarters or the primary place at which you perform your duties to a location more than fifty (50) miles from the location at which you previously performed your duties;

provided, however, that you must give the Company written notice within thirty (30) days following the occurrence of the event and the Company will have fifteen (15) days to cure the same. If you fail to give such notice or if the Company provides such cure, you will not be entitled to terminate your employment due to a Quit with Good Reason.

Each separate event meeting the above requirements will allow you to terminate your employment due to a Quit With Good Reason and your failure to do so within ninety (90) days from the occurrence of such event in any given case will act as a waiver with respect to your rights to terminate your employment due to a Quit with Good Reason with respect to the occurrence of that specific event, but will not prevent you from terminating your employment due to a Quit With Good Reason if a later event occurs which entitles you to do so, subject to the notice and cure provisions.

"Cash Value of the Restricted Stock Award" means the trading price per share of the class of stock subject to the restricted stock award determined as of the grant date, multiplied by the number of shares of restricted stock subject to that grant.

"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 you or of which the you became aware as a consequence of or through your 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 you without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

"Trade Secrets" means Company 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.

Agreed to as of the date first set forth above.

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

Essel W. Bailey, Jr.
President and Chief Executive Officer
Omega Healthcare Investors, Inc.

By: /s/ Laurence D. Rich

Laurence D. Rich

DIRECTORS AND OFFICERS
INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT, dated as of July ___, 2000 (this "Agreement"), is made and entered into by and between Omega Healthcare Investors, Inc., a Maryland corporation (the "Company"), and _____ ("Indemnitee").

RECITALS

A. It is essential to the Company to retain and attract as directors and officers the most capable persons available;

B. Indemnitee is a director and/or officer of the Company;

C. Both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of companies in today's environment;

D. The Company's Articles of Restatement, as amended, (the "Articles") and Amended and Restated Bylaws (the "Bylaws") provide that the Company may indemnify its directors and officers and may advance expenses in connection therewith, and Indemnitee's willingness to serve as a director and/or officer of the Company is based in part on Indemnitee's reliance on such provisions; and

E. In recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and Indemnitee's reliance on the aforesaid provisions of the Articles and Bylaws, and in part to provide Indemnitee with specific contractual assurance that the protection promised by such provisions will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such provisions or any change in the composition of the Company's Board of Directors or any acquisition or business combination transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancement of expenses to Indemnitee as set forth in this Agreement, and for the coverage of Indemnitee under directors' and officers' liability insurance policies.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, the parties hereto hereby agree as follows:

1. Certain Definitions.

1.1 "Claim" means any threatened, pending, or completed action, suit, or proceeding, or any inquiry or investigation, whether instituted, made, or conducted by the Company or any other party, that Indemnitee in good faith believes might lead to the institution of any such action, suit, or proceeding, whether civil, criminal, administrative, investigative, or other.

1.2 "Expenses" includes reasonable attorney's fees and all other reasonable costs, expenses, and obligations paid or incurred in connection with investigating, defending, being a witness in, or participating in (including on appeal), or preparing to defend, be a witness in, or participate in, any Claim relating to any Indemnifiable Event.

1.3 "Indemnifiable Event" means any actual or asserted event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other entity, whether or not for profit (including the heirs, executors, administrators, or estate of such person) or anything done or not done by Indemnitee in any such capacity. "Indemnifiable Event" will not include any event or occurrence to the extent that indemnification is not permitted under applicable law.

2. Basic Indemnification Arrangement. In the event Indemnitee was, is, or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in whole or in part out of) an Indemnifiable Event, the Company will indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than 60 calendar days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties, and amounts paid in settlement (including all interest, assessments, and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties, or amounts paid in settlement) of such Claims. The Indemnitee shall give prompt notice to the Company of any actual or asserted event or occurrence that could reasonably be expected to give rise to a Claim. The failure by the Indemnitee to notify the Company of such Claim will not relieve the Company from any liability hereunder unless, and only to the extent that, the Company did not learn of the Claim and such failure shall materially prejudice the ability of the Company to defend such Claims or otherwise perfect rights to any insurance coverage relating thereto. Notwithstanding anything in this Agreement to the contrary, Indemnitee will not be entitled to indemnification pursuant to this Agreement in connection with any

Claim initiated by Indemnitee against the Company (other than a claim described in Section 3 hereof) or any director or officer of the Company unless the Company has joined in or consented to the initiation of such Claim. If so requested by Indemnitee, the Company will advance (within two business days of such request) any and all Expenses to Indemnitee upon receipt of an undertaking from Indemnitee agreeing to repay any amounts advanced hereunder to the extent that it is finally determined that Indemnitee is not entitled to indemnification for such Expenses.

3. Indemnification for Additional Expenses. The Company will indemnify Indemnitee against, and, if requested by Indemnitee, will (within two business days of such request) advance to Indemnitee, any and all reasonable attorneys' fees and other costs, expenses, and obligations paid or incurred by Indemnitee in connection with any claim, action, suit, or proceeding asserted or brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under this Agreement or any other agreement or under any provision of the Articles or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment, or insurance recovery, as the case may be.

4. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties, and amounts paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company will nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of all Claims relating to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee will be indemnified against all Expenses incurred in connection therewith. In connection with any determination as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof will be on the Company to establish that Indemnitee is not so entitled.

5. Action by Company. The Company will use its best efforts to take, or cause to be taken, all action necessary to fulfill any requirements to providing indemnification as contemplated by this Agreement including, but not limited to, any actions required by Maryland General Corporation Law. Promptly after the date hereof, the Company will use its commercially reasonable best efforts to increase the aggregate liability limits under its directors' and officers' insurance policy to not less than $15 million on terms acceptable to the Company and Indemnitee.

6. No Presumption. For purposes of this Agreement, the termination of any claim, action, suit, or proceeding, by judgment, order, settlement (whether with or without court approval), or conviction, or upon a plea of nolo contendere or its equivalent, will not in and of itself create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

7. Non-Exclusivity, Etc. The rights of Indemnitee hereunder will be in addition to any other rights Indemnitee may have under the Articles, the Bylaws, or the Maryland General Corporation Law or otherwise; provided, however, that to the extent that Indemnitee otherwise would have any greater right to indemnification under any provision of the Articles or Bylaws as in effect on the date hereof, Indemnitee will be deemed to have such greater right hereunder; and, provided further, that to the extent that any change is made to the Maryland General Corporation Law (whether by legislative action or judicial decision), the Articles, and/or the Bylaws which permits any greater right to indemnification than that provided under this Agreement as of the date hereof, Indemnitee will be deemed to have such greater right hereunder. The Company will not adopt any amendment to the Articles or the Bylaws the effect of which would be to deny, diminish, or encumber Indemnitee's right to indemnification under the Articles, the Bylaws, the Maryland General Corporation Law, or otherwise as applied to any act or failure to act occurring in whole or in part prior to the date upon which the amendment was approved by the Company's Board of Directors and/or its stockholders, as the case may be.

8. Liability Insurance and Funding. The Company will maintain an insurance policy or policies providing directors' and officers' liability insurance to the extent, in the judgment of the Board of Directors, such insurance is available on reasonable terms and at reasonable premiums and Indemnitee will be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer. Copies of all correspondence between the Company and the company or companies providing such insurance shall be promptly delivered to Indemnitee by the Company upon request of Indemnitee. The Company may, but will not be required to, create a trust fund, grant a security interest or use other means (including without limitation a letter of credit) to ensure the payment of such amounts as may be necessary to satisfy its obligations to indemnify and advance expenses pursuant to this Agreement.

9. Subrogation. In the event of payment under this Agreement, the Company will be subrogated to the extent of such payment to all of the related rights of recovery of Indemnitee against other persons or entities. The Indemnitee will execute all papers reasonably required and will do everything that may be reasonably necessary to secure such rights and enable the Company effectively to bring suit to enforce such rights (all of Indemnitee's reasonable costs and expenses, including attorneys' fees and disbursements, to be reimbursed by or, at the option of Indemnitee, advanced by the Company).

10. No Duplication of Payments. The Company will not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, the Articles, or the Bylaws or otherwise) of the amounts otherwise indemnifiable hereunder.

11. Joint Defense. Notwithstanding anything to the contrary herein contained, if (a) Indemnitee elects to retain counsel in connection with any Claim in respect of which indemnification may be sought by Indemnitee against the Company pursuant to this Agreement and (b) any other director or officer of the Company may also be subject to liability arising out of such Claim and in connection with such Claim may seek indemnification against the Company pursuant to an agreement similar to this Agreement, Indemnitee, together with such other persons, will employ counsel reasonably acceptable to all indemnities and all such other persons to represent jointly Indemnitee and such other persons unless the Board, upon the written request of Indemnitee delivered to the Company (to the attention of the Secretary) setting forth in reasonable detail the basis for such request, determines that such joint representation would be precluded under the applicable standards of professional conduct then prevailing under the law of the State of Maryland, in which case Indemnitee will be entitled to be represented by separate counsel. In the event that the Board fails to act on such request within 30 calendar days after receipt thereof by the Company, Indemnitee will be deemed to be entitled to be represented by separate counsel in connection with such Claim and the reasonable fees and expenses of such counsel shall be Expenses subject to this Agreement.

12. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization, or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any person acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization, or otherwise (and such successor will thereafter be deemed the "Company" for purposes of this Agreement), but will not otherwise be assignable, transferable, or delegatable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Indemnitee's personal or legal representatives, executors, administrators, successors, heirs, distributees, and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer, or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 12(a) and 12(b). Without limiting the generality or effect of the foregoing, Indemnitee's right to receive payments hereunder will not be assignable, transferable, or delegatable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Indemnitee's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 12(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred, or delegated.

13. Notices. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests, or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five calendar days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or one business day after having been sent for next-day delivery by a nationally recognized overnight courier service, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Indemnitee at the Indemnitee's principal residence as shown in the Company's most current records, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

14. Governing Law. The validity, interpretation, construction, and performance of this Agreement will be governed by and construed in accordance with the

substantive laws of the State of Maryland, without giving effect to the principles of conflict of laws of such State.

15. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable, or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid, unenforceable, or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid, or legal.

16. Miscellaneous. No provision of this Agreement may be waived, modified, or discharged unless such waiver, modification, or discharge is agreed to in writing signed by Indemnitee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement as of the date first above written.

OMEGA HEALTHCARE INVESTORS, INC.

By: _____
Name: _____
Title: _____

Name: _____

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT, dated as of July 14, 2000 (this "Agreement"), is made by and between Omega Healthcare Investors, Inc., a Maryland corporation (the "Company"), and Explorer Holdings, L.P., a Delaware limited partnership (the "Stockholder"), individually and on behalf of itself and each of its Affiliates (the Stockholder together with such Affiliates, the "Indemnified Parties").

RECITALS

A. The Company has requested that the Stockholder enter into a substantial business relationship, including a substantial equity investment in the Company.

B. The Company recognizes the increased risk of litigation and other claims being asserted against substantial shareholders of companies in today's environment, regardless of whether, in reality, such litigation and claims are valid and that there is a substantial risk that a claimant against the Company or certain of its Affiliates will seek to impose liability on an Indemnified Party.

C. In recognition of the foregoing, the Company wishes to provide in this Agreement for the indemnification of and the advancement of Expenses to the Indemnified Parties as set forth in this Agreement.

NOW, THEREFORE, the parties hereby agree as follows:

1. Certain Definitions. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Affiliate" has the meaning given to that term in Rule 405 under the Securities Act of 1933, as amended, provided, however, that for purposes of this Agreement the Company and its subsidiaries will not be deemed to constitute Affiliates of any Indemnified Party or Indemnified Parties themselves.

(b) "Claim" means any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether instituted, made or conducted by the Company or any other party, including without limitation a governmental entity, and, including without limitation, any such action, suit or proceeding, inquiry or investigation that any Indemnified Party reasonably determines might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, arbitrative, investigative or other.

(c) "Expenses" includes reasonable attorneys' and experts' fees, charges and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim.

(d) "Indemnifiable Losses" means any and all Expenses, damages, losses, liabilities, judgments, fines, penalties and amounts paid in settlement (including without limitation all interest, assessments and other charges paid or payable in connection with or in respect of any of the foregoing) (collectively, "Losses") relating to, resulting from or arising out of, directly or indirectly, in whole or in part, any Claim in respect of any action or inaction of the Company, any of its Affiliates or any of their respective officers, directors, employees, predecessors, successors and assignees (collectively, "Company Persons"), and will include, without limiting the generality or effect of the foregoing, any Losses suffered or incurred by an Indemnified Party relating to, resulting from or arising out of, directly or indirectly, in whole or in part, any Claim alleging that an Indemnified Party is liable in whole or in part in respect of any action or inaction of any Company Person under any theory of secondary liability, including without limitation as an alleged aider and abettor, co-conspirator, controlling person or principal, or any theories of respondant superior, indemnity, contribution or other similar theories. Notwithstanding anything to the contrary in the foregoing, "Indemnifiable Losses" will not include (i) any Losses to the extent that, pursuant to an express provision in any written contract between the Company and the Stockholder or any of its Affiliates, such Indemnified Party (and not the Company) is liable for such Losses and is not entitled to recover or be indemnified against such Losses from the Company or such Indemnified Party's rights to recovery or indemnification as are otherwise limited by any such contract, (ii) any Losses for which indemnification is otherwise unavailable pursuant to the terms hereof, or (iii) Losses primarily relating to, primarily resulting from or primarily arising out of a knowing violation of law or willful misconduct by a director of the Company designated by the Stockholder pursuant to the Stockholder Agreement by and between the Company and the Stockholder dated as of the date hereof.

2. Basic Indemnification Arrangement. The Company will indemnify and hold harmless each Indemnified Party against all Indemnifiable Losses relating to, resulting from or arising out of any Claim. The failure by an Indemnified Party to notify the Company of such Claim will not relieve the Company from any

liability hereunder unless, and only to the extent that, the Company did not learn of the Claim and such failure shall materially prejudice the ability of the Company to defend such claims or otherwise perfect rights to any insurance coverage relating thereto. The Indemnified Parties will have the right to select one law firm (plus local counsel) of the Stockholder's choosing to represent all Indemnified Parties in any Claim and all Expenses incurred in connection therewith will be advanced by the Company within ten business days of a request therefor upon receipt of an undertaking by the Indemnified Parties requesting such payment, agreeing to repay any amounts advanced hereunder to the extent that it is finally determined that such Indemnified Parties are not entitled to indemnification for such Losses. Without limiting the generality or effect of any other provision hereof, the parties expressly acknowledge that the foregoing indemnity is intended to apply regardless of the nature of the alleged conduct of the Indemnified Party, including without limitation actual or alleged ordinary or gross negligence, recklessness or willful misconduct. Notwithstanding the foregoing, upon a final, nonappealable determination by a court of competent jurisdiction in an action against an Indemnified Party that the Losses relating to, resulting from or arising out of a Claim were related primarily to, resulted primarily from or arose primarily out of such Indemnified Party's gross negligence, recklessness or willful misconduct, the amount of such Indemnified Party's Indemnified Losses in respect of such Claim will be reduced by the amount of such Losses and such Indemnified Party or the Stockholder shall promptly reimburse the Company for all Losses previously advanced to the extent the Company shall have previously advanced amounts in excess of such Indemnified Party's Indemnifiable Losses, provided that the aggregate of all reductions of Indemnifiable Losses pursuant to this sentence during the term of this Agreement will in no event exceed the amount of the equity investment of Stockholder Affiliates in the Company made prior to the date such determination.

3. Partial Indemnity. If an Indemnified Party is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Indemnifiable Loss but not for all of the total amount thereof, the Company will nevertheless indemnify such Indemnified Party for the portion thereof to which such Indemnified Party is entitled. Moreover, subject to the final sentence of Section 2 hereof, to the extent that an Indemnified Party has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Loss or in defense of any issue or matter therein, including without limitation dismissal without prejudice, such Indemnified Party will be indemnified against all Expenses incurred in connection therewith. In connection with any determination as to whether an Indemnified Party is entitled to be indemnified hereunder, there will be a presumption that such Indemnified Party is so entitled, which presumption the Company may overcome only by its adducing clear and convincing evidence to the contrary.

4. No Other Presumption. For purposes of this Agreement, except as set forth in Section 3, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, will not in and of itself create a presumption that an Indemnified Party did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

5. Non-Exclusivity. The rights of the Indemnified Party hereunder will be in addition to any other rights the Indemnified Parties may have under the Company's constituent documents, or the laws of the Company's or such Indemnified Party's jurisdiction of incorporation, any other contract, law or otherwise (collectively, "Other Indemnity Provisions"); provided, however, that (i) to the extent that an Indemnified Party otherwise would have any greater right to indemnification under any Other Indemnity Provision, the Indemnified Party will be deemed to have such greater right hereunder and (ii) to the extent that any change is made to the Other Indemnity Provisions which permits any greater right to indemnification than that provided under this Agreement as of the date hereof, an Indemnified Party will be deemed to have such greater right hereunder. The Company will not adopt any amendment to its constituent documents or take any other action the effect of which would be to deny or diminish an Indemnified Party's right to indemnification under this Agreement or the Other Indemnity Provisions.

6. Liability Insurance and Funding. To the extent that an Indemnified Party has available to it any insurance purchased by the Company, such Indemnified Party or any other Indemnified Party, such insurance and the Company's obligations hereunder will not be affected by, respectively, this Agreement or such insurance, it being the intention of the parties that every Indemnified Party have as great of protection as it can have against all Indemnifiable Losses.

7. Subrogation. In the event of payment under this Agreement to an Indemnified Party, the Company shall be subrogated to the extent of such payment to all of the related rights of recovery of such Indemnified Party against other persons or entities other than the Stockholder or any Affiliate thereof. Such Indemnified Party will execute all papers reasonably required to evidence such rights (all of the Indemnified Parties' reasonable Expenses, including attorneys' fees and charges, to be reimbursed by or, at the option of the Stockholder, advanced by the Company).

8. Settlement of Claims. The Company will not, without the prior written consent of an Indemnified Party, effect any settlement of any threatened or pending Claim to which such Indemnified Party is a party unless such settlement solely involves the payment of money and includes an unconditional release of such Indemnified Party from all liability on any claims that are the subject matter of such Claim.

9. No Duplication of Payments. The Company will not be liable under this Agreement to make any payment in connection with any claim made against an Indemnified Party to the extent such Indemnified Party has otherwise actually received payment (under any insurance policy, the Company's Articles of Restatement, as amended, the Company's Bylaws or otherwise) of the amounts otherwise indemnifiable hereunder.

10. Successors and Binding Agreement. (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to the Indemnified Parties, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any person acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for purposes of this Agreement), but will not otherwise be assignable or delegatable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Indemnified Parties and their personal or legal successors.

(c) This Agreement is personal in nature and none of the parties hereto will, without the consent of the other party or parties, assign or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 9(a) and 9(b).

(d) Each past, present or future Affiliate of the Stockholder is an intended third-party beneficiary of this Agreement (regardless of whether such person or entity ceased or ceases to be an Affiliate of the Stockholder but not including entities that have not been Affiliates of the Stockholder for a period of more than two years prior to the date of this Agreement), and as such will be entitled to indemnity hereunder as if it were a party hereto except that the Stockholder will have the sole right to make all decisions hereunder and otherwise administer this Agreement on behalf of all such persons or entities.

11. Notices. For all purposes of this Agreement, all notices or communications which are required or permitted hereunder shall be in writing and sufficient if delivered by hand or by facsimile transmission, by registered or certified mail, postage prepaid or by courier or overnight carrier, to the persons at the addresses shown on the signature page hereof, or to such other address as the Company or the Stockholder may furnish to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

12. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Delaware, without giving effect to the principles of conflict of laws of such State. Each party consents to non-exclusive jurisdiction of any Delaware federal or state court or any court in any other jurisdiction in which a Claim is commenced by a third person for purposes of any action, suit or procedure hereunder, waives any obligation to venue therein or any defense based on forum non conveniens or similar theories and agrees that service of process may be effected in any such action, suit or proceeding by notice given in accordance with Section 12.

13. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

14. Miscellaneous. No provision of this Agreement may be waived, modified or discharged by or with respect to an Indemnified Party unless such waiver, modification or discharge is agreed to in writing signed by such Indemnified Party and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either

party which are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement.

15. Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

16. Legal Fees and Expenses. It is the intent of the Company that the Indemnified Party not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of the Indemnified Parties' rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnified Parties hereunder. Accordingly, without limiting the generality or effect of any other provision hereof, if the Stockholder reasonably determines that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, any Indemnified Party the benefits provided or intended to be provided to the Indemnified Parties hereunder, the Company irrevocably authorizes the Stockholder from time to time to retain counsel of the Stockholder's choice, at the expense of the Company as hereafter provided, to advise and represent the Indemnified Parties in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, shareholder or other person affiliated with the Company, in any jurisdiction. To the extent that an Indemnified Party prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by such Indemnified Party in connection with any of the foregoing; provided, however, that in no event will the Company be financially responsible for such attorneys' fees and expenses if (1) a final, nonappealable determination by a court of competent jurisdiction has determined that the Losses relating to, resulting from or arising out of a Claim were related primarily to, resulted primarily from or arose primarily out of the Indemnified Party's gross negligence, recklessness or willful misconduct, (2) the Company has previously reimbursed or indemnified the Stockholder or its Affiliates for such Losses, and (3) the Company has initiated proceedings to recover such funds.

17. Certain Interpretive Matters. No provision of this Agreement will be interpreted in favor of, or against, any of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof.

18. Term. This Agreement will terminate and be of no further force and effect on the tenth anniversary of the date when the Stockholder and its Affiliates, taken as a whole, beneficially own less than 10% of the common stock of the Company (calculated on the basis of the assumed conversion or exchange of any securities then convertible or exchangeable for, and the assumed exercise of any securities then exercisable to acquire, the Company's common stock but excluding from such calculation the conversion, exchange or exercise of any such securities then held by any person not entitled to the benefits of this Agreement) and less than 10% of the consolidated indebtedness (excluding trade debt) in the Company, except that the termination of this Agreement will not affect any Indemnified Parties' rights hereunder for Claims based on the action or inaction of any director, officer or employee of the Company prior to such termination.

[Signature page follows]

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement as of the date first above written.

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Susan Allene Kovach

Name: Susan Allene Kovach
Title: Vice President

EXPLORER HOLDINGS, L.P.

By: Explorer Holdings, GenPar, LLC, its General Partner
(on behalf of itself and all other Indemnified Parties)

By: /s/ William T. Cavanaugh, Jr.

Name: William T. Cavanaugh, Jr.
Title: Vice President

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