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

FORM 10-Q

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

For the quarterly period ended March 31, 2001

or

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

For the transition period from ______________ to ______________

Commission file number 1-11316

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

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

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

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

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

Yes X No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of March 31, 2001

Common Stock, $.10 par value	19,989,956
(Class)	(Number of shares)

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OMEGA HEALTHCARE INVESTORS, INC.

FORM 10-Q

March 31, 2001

INDEX

		Page No.
PART I Financial Information		
Item 1.	Condensed Consolidated Financial Statements:	
	Balance Sheets March 31, 2001 (unaudited) and December 31, 2000	2
	Statements of Operations (unaudited) Three-month period ended March 31, 2001 and 2000	3
	Statements of Cash Flows (unaudited) Three-month period ended March 31, 2001 and 2000	4

	Notes to Condensed Consolidated Financial Statements March 31, 2001 (unaudited)	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	24
PART II. Other Information		
Item 2.	Changes in Securities and Use of Proceeds	25
Item 6.	Exhibits and Reports on Form 8-K	26

</TABLE>

<TABLE>
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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

OMEGA HEALTHCARE INVESTORS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

<S> <C> <C>

	March 31, 2001 (Unaudited)	December 31, 2000 (See Note)
ASSETS		
Real estate properties		
Land and buildings at cost	$ 709,989	$ 710,542
Less accumulated depreciation	(94,151)	(89,870)
Real estate properties - net	615,838	620,672
Mortgage notes receivable - net	206,774	206,710
	822,612	827,382
Other investments	53,224	53,242
	875,836	880,624
Assets held for sale - net	3,547	4,013
Total Investments	879,383	884,637
Cash and cash equivalents	6,931	7,172
Accounts receivable	14,547	10,497
Other assets	7,903	9,338
Operating assets for owned properties	37,909	36,807
Total Assets	$ 946,673	$ 948,451
LIABILITIES AND SHAREHOLDERS' EQUITY		
Revolving lines of credit	$ 195,641	$ 185,641

Unsecured borrowings	223,000	225,000
Other long-term borrowings	23,973	24,161
Subordinated convertible debentures	-	16,590
Accrued expenses and other liabilities	20,268	18,002
Operating liabilities for owned properties	15,314	14,744
	--------	--------
Total Liabilities	478,196	484,138
Preferred Stock	207,500	207,500
Common stock and additional paid-in capital	440,210	440,556
Cumulative net earnings	187,041	182,548
Cumulative dividends paid	(365,654)	(365,654)
Unamortized restricted stock awards	(236)	(607)
Accumulated other comprehensive income (loss)	(384)	(30)
	--------	--------
Total Shareholders' Equity	468,477	464,313
	--------	--------
Total Liabilities and Shareholders' Equity	$ 946,673	$ 948,451
	=========	=========

Note - The balance sheet at December 31, 2000, has been derived from the 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.

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OMEGA HEALTHCARE INVESTORS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited
(In Thousands, Except Per Share Amounts)

	Three Months Ended March 31,	
	2001	2000
<S>	<C>	<C>
Revenues		
Rental income	$ 16,021	$ 18,002
Mortgage interest income	5,678	6,000
Other investment income - net	1,258	1,696
Nursing home revenues of owned and operated assets	45,997	31,425
Miscellaneous	223	91
	------	------
	69,177	57,214
Expenses		
Depreciation and amortization	5,541	5,910
Interest	9,672	11,098
General and administrative	2,349	1,589
Legal	951	21
State taxes	106	113
Provision for impairment	-	4,500
Nursing home expenses of owned and operated assets	46,450	30,965
Charges for derivative accounting	482	-
	------	------
	65,551	54,196

Earnings before gain on assets sold and gain on early extinguishment of debt	3,626	3,018
Gain on assets sold - net	619	-
Gain on early extinguishment of debt	248	-
Net earnings	4,493	3,018
Preferred stock dividends	(4,908)	(2,408)
Net(loss)earnings available to common	$ (415)	$ 610
(Loss)Earnings per common share:		
Net(loss)earnings per share - basic	$ (0.02)	$ 0.03
Net(loss)earnings per share - diluted	$ (0.02)	$ 0.03
Dividends declared and paid per common share	$ -	$ 0.50
Weighted Average Shares Outstanding, Basic	20,013	19,982
Weighted Average Shares Outstanding, Diluted	20,013	19,982
Other comprehensive loss:		
Unrealized Loss on Omega Worldwide, Inc.	$ -	$ (326)
Unrealized Loss on Hedging Contracts	$ (354)	$ -
Total comprehensive income	$ 4,139	$ 2,692

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2001	2000
<S>	<C>	<C>
Operating activities		
Net earnings	$ 4,493	$ 3,018
Adjustment to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	5,541	5,910
Provision for impairment	-	4,500
Provision for collection losses	-	1,437
Gain on assets sold - net	(619)	-
Gain on early extinguishment of debt	(248)	-
Other	603	633
Net change in accounts receivable for Owned & Operated assets - net	(1,702)	(3,036)
Net change in accounts payable for Owned & Operated assets	359	(860)
Net change in other Owned & Operated assets and liabilities	811	(146)
Net change in operating assets and liabilities	1,221	2,771
Net cash provided by operating activities	10,459	14,227
Cash flows from financing activities		
Proceeds of revolving lines of credit - net	10,000	10,400
Payments of long-term borrowings	(18,778)	(73)
Receipts from Dividend Reinvestment Plan	9	349
Dividends paid	-	(12,408)
Deferred financing costs paid	(370)	-
Other	(45)	-
Net cash used in financing activities	(9,184)	(1,732)

Cash flow from investing activities		
Proceeds from sale of real estate investments - net	1,230	230
Fundings of other investments - net	(3,167)	(14,709)
Collection of mortgage principal	421	388
Net cash used in investing activities	(1,516)	(14,091)
Decrease in cash and cash equivalents	(241)	(1,596)
Cash and cash equivalents at beginning of period	7,172	4,105
Cash and cash equivalents at end of period	$ 6,931	$ 2,509

</TABLE>

See notes to condensed consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

March 31, 2001

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 in the United States 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) considered necessary for a fair presentation have been included. Certain reclassifications have been made to the 2000 financial statements for consistency with the current presentation. Such reclassifications have no effect on previously reported earnings or equity. Operating results for the three-month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. 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, 2000.

Note B - Properties

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.

When the Company acquires real estate pursuant to a foreclosure, lease termination or bankruptcy proceeding, and does not immediately re-lease the properties to new operators, the assets are included on the balance sheet as "real estate properties," and the value of such assets is reported at the lower of cost or fair value. (See "Owned and Operated Assets" below). Additionally, when a formal 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 Company's portfolio, no provision was recorded for the three-month period ended March 31, 2001. A provision for impairment in the value of the Assets Held for Sale of $4.5 million was recorded for the three-month period ended March 31, 2000.

A summary of the number of properties by category for the quarter ended March 31, 2001 follows:

<TABLE>

	Purchase Leaseback	Mortgages	Owned & Operated	Total Healthcare Facilities	Held For Sale	Total

Balance at December 31, 2000	132	63	69	264	4	268
Properties transferred to Held for Sale	-	-	-	-	-	-
Properties transferred to Owned & Operated	-	-	-	-	-	-
Properties Sold / Mortgages Paid	-	(4)	(3)	(7)	(1)	(8)
Properties Leased / Mortgages Placed	-	4	-	4	-	4
Balance at March 31, 2001	132	63	66	261	3	264

</TABLE>

Real Estate Dispositions

The Company disposed of four facilities during the three-month period ended March 31, 2001. Assets sold consisted of three facilities in Indiana with a total of 159 beds which were classified as Owned and Operated and one facility in Massachusetts with 77 beds which was included in Assets Held for Sale. The Company recognized a gain on the sale of the Owned and Operated real estate in the amount of $0.6 million. The Company provided seller-financing in the amount of $0.5 million for the property in Assets Held for Sale. The full amount of the seller-financing has been reserved and will be recognized as collected. Sales proceeds generated from these sales totaled $1.2 million. During the three-month period ended March 31, 2000, the Company realized disposition proceeds of $0.2 million from the sale of one facility.

Notes and Mortgages Receivable

Income on notes and mortgages which are impaired will be recognized as cash is received. No provision for loss on mortgages or notes receivable was recorded during the three-month periods ended March 31, 2001 and 2000, respectively.

Effective February 1, 2001, four facilities owned by Professional Health Care Management, Inc. ("PHCM") a subsidiary of Mariner Post-Acute Network, and on which the Company held a first mortgage loan, were sold to Midtown Real Estate Company, LLC ("Midtown"). PCHM loaned Midtown the entire purchase price, and the Company assumed an undivided fifty percent interest in the acquisition promissory note. The Company's fifty-percent interest, which totals $4.5 million, was credited against Mariner's obligations to the Company. The term of the loan with Midtown is 15 years, with an initial yield of 12.4%.

Owned and Operated Assets

The Company owns 66 facilities that were recovered from customers and are operated for the Company's own account. These facilities have 5,079 beds and are located in seven states.

The Company intends to operate these owned and operated assets for its own account until such time as these facilities' operations are stabilized and are re-leasable or saleable at lease rates or sale prices that maximize the value of these assets to the Company. Due to the deterioration in market conditions affecting the long term care industry, the Company is unable to estimate when such re-leasing and sales objectives might be achieved and now intends to operate such facilities for an extended period. As a result, these facilities and their respective operations are presented on a consolidated basis in the Company's financial statements.

The revenues, expenses, assets and liabilities included in the Company's condensed consolidated financial statements which relate to such owned and operated assets are as follows:

<TABLE>
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(In Thousands)

	Three Months Ended	
	2001	2000
Revenues (1)		
Medicaid	$ 27,240	$ 19,525
Medicare	11,190	6,755
Private & Other	7,567	5,145
Total Revenues	45,997	31,425

Expenses		
Patient Care Expenses	33,153	22,374
Administration	6,535	4,679
Property & Related	3,214	2,295
Total Expenses	42,902	29,348
Contribution Margin	3,095	2,077
Management Fees	2,449	1,617
Rent	1,099	-
EBITDA (2)	$ (453)	$ 460

</TABLE>

(1) Nursing home revenues from these owned and operated assets are recognized as services are provided.
(2) EBITDA represents earnings before interest, income taxes, depreciation and amortization. It is considered by the Company to be a meaningful measure of performance of its owned and operated assets. EBITDA in and of itself does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net earnings as an indication of operating performance or to net cash flow from operating activities as determined by GAAP as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs.

<TABLE>
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(In Thousands)

	March 31, 2001	December 31, 2000
ASSETS		
<S>	<C>	<C>
Cash	$ 6,906	$ 5,364
Accounts Receivable - Net	31,732	30,030
Other Current Assets	4,560	5,098
Total Current Assets	43,198	40,492
Investment in leasehold	1,617	1,679
Land and Buildings	130,053	130,601
Less Accumulated Depreciation	(17,638)	(17,680)
Land and Buildings - Net	112,415	112,921
TOTAL ASSETS	$ 157,230	$ 155,092
LIABILITIES		
Accounts Payable	$ 8,995	$ 8,636
Other Current Liabilities	6,319	6,108
Total Current Liabilities	15,314	14,744
TOTAL LIABILITIES	$ 15,314	$ 14,744

</TABLE>

Assets Held for Sale

At March 31, 2001, the carrying value of assets held for sale totals $3.5 million (net of impairment reserves of $7.8 million). 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.

Segment Information

The following tables set forth the reconciliation of operating results and total assets for the Company's reportable segments for the three-month periods ended March 31, 2001 and 2000.

<TABLE>
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	For the three months ended March 31, 2001			
	Core Operations	Owned and Operated and Assets Held For Sale	Corporate and Other	Consolidated
		(In Thousands)		
<S>	<C>	<C>	<C>	<C>
Operating Revenues	$ 21,699	$ 45,997	$ -	$ 67,696
Operating Expenses	-	(46,450)	-	(46,450)
Net operating income	21,699	(453)	-	21,246
Adjustments to arrive at net income:				
Other revenues	-	-	1,481	1,481
Interest expense	-	-	(9,672)	(9,672)
Depreciation and amortization	(4,324)	(996)	(221)	(5,541)
General and administrative	-	-	(2,349)	(2,349)
Legal	-	-	(951)	(951)
State Taxes	-	-	(106)	(106)
Charges for derivative accounting	-	-	(482)	(482)
	(4,324)	(996)	(12,300)	(17,620)
Income (loss) before gain on assets sold and gain on early extinguishment of debt	17,375	(1,449)	(12,300)	3,626
Gain on assets sold - net	-	619	-	619
Gain on early extinguishment of debt	-	-	248	248
Preferred dividends	-	-	(4,908)	(4,908)
Net income (loss) available to common	$ 17,375	$ (830)	$(16,960)	$ (415)
Total Assets	$ 724,744	$ 160,777	$ 61,152	$ 946,673

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For the three months ended March 31, 2000	Core Operations	Owned and Operated and Assets Held For Sale	Corporate and Other	Consolidated
	(In Thousands)			
Operating Revenues	$ 24,002	$ 31,425	$ -	$ 55,427
Operating Expenses	-	(30,965)	-	(30,965)
Net operating income	24,002	460	-	24,462
Adjustments to arrive at net income:				
Other revenues	-	-	1,787	1,787
Interest expense	-	-	(11,098)	(11,098)
Depreciation and amortization	(4,931)	(614)	(365)	(5,910)
General and administrative	-	-	(1,589)	(1,589)
Legal	-	-	(21)	(21)
State Taxes	-	-	(113)	(113)
Provision for impairment	-	(4,500)	-	(4,500)
	(4,931)	(5,114)	(11,399)	(21,444)
Earnings (loss)	19,071	(4,654)	(11,399)	3,018
Preferred dividends	-	-	(2,408)	(2,408)
Net income (loss) available to common	$ 19,071	$ (4,654)	$ (13,807)	$ 610
Total Assets	$ 755,303	$ 168,207	$ 97,639	$1,021,149

</TABLE>

Note C - Concentration of Risk and Related Issues

As of March 31, 2001, the Company's portfolio of domestic investments consisted of 261 healthcare facilities, located in 29 states and operated by 28 third-party operators. The Company's gross investments in these facilities totaled $916.8 million at March 31, 2001. This portfolio is made up of 130 long-term healthcare facilities and 2 rehabilitation hospitals owned and leased to third parties, fixed rate, participating and convertible participating mortgages on 63 long-term healthcare facilities and 66 long-term healthcare facilities that were recovered from customers and are currently operated through third-party management contracts for the Company's own account, including 12

facilities subject to third-party leasehold interests. The Company also holds miscellaneous investments and closed healthcare facilities held for sale of approximately $56.8 million at March 31, 2001, including $22.3 million related to two non-healthcare facilities leased by the United States Postal Service, an $8.3 million investment in Omega Worldwide, Inc., Principal Healthcare Finance Limited, an Isle of Jersey (United Kingdom) company and Principal Healthcare Finance Trust, an Australian Unit Trust, and $15.5 million of notes receivable.

Seven public companies operate approximately 76.1% of the Company's investments, including Sun Healthcare Group, Inc. (26.2%), Integrated Health Services, Inc. (17.5%, including 10.4% as the manager for Lyric Health Care LLC), Advocat, Inc. (11.6%), Kindred Healthcare, Inc.(formerly known as Vencor Operating, Inc.) (5.8%), Genesis Health Ventures, Inc. (5.3%), Mariner Post-Acute Network (6.0%) and Alterra Healthcare Corporation (3.7%). Kindred and

Genesis manage facilities for the Company's own account, included in Owned & Operated Assets. The two largest private operators represent 3.4% and 3.2%, 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 (15.5%), California (7.3%) and Illinois (7.2%).

Government Healthcare Regulation, Reimbursements and
Industry Concentration Risks

Nearly all of the Company's properties are used as healthcare facilities, therefore, the Company is directly affected by the risk associated with the healthcare industry. The Company's lessees and mortgagors, as well as the facilities owned and operated for the Company's account, derive a substantial portion of their net operating revenues from third-party payers, including the Medicare and Medicaid programs. Such programs are highly regulated and subject to frequent and substantial changes. In addition, private payers, including managed care payers, are increasingly demanding discounted fee structures and the assumption by healthcare providers of all or a portion of the financial risk of operating a healthcare facility. Any changes in reimbursement policies which reduce reimbursement levels could adversely affect revenues of the Company's lessees and borrowers and thereby adversely affect those lessees' and borrowers' abilities to make their monthly lease or debt payments to the Company.

The possibility that the healthcare facilities will not generate income sufficient to meet operating expenses or will yield returns lower than those available through investments in comparable real estate or other investments are additional risks of investing in healthcare-related real estate. Income from properties and yields from investments in such properties may be affected by many factors, including changes in governmental regulation (such as zoning laws), general or local economic conditions (such as fluctuations in interest rates and employment conditions), the available local supply and demand for improved real estate, a reduction in rental income as the result of an inability to maintain occupancy levels, natural disasters (such as earthquakes and floods) or similar factors.

Real estate investments are relatively illiquid and, therefore, tend to limit the ability of the Company to vary its portfolio promptly in response to changes in economic or other conditions. Thus, if the operation of any of the Company's properties becomes unprofitable due to competition, age of improvements or other factors such that the lessee or borrower becomes unable to meet its obligations on the lease or mortgage loan, the liquidation value of the property may be substantially less, particularly relative to the amount owing on any related mortgage loan, than would be the case if the property were readily adaptable to other uses.

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 designed pursuant to a single master lease (a "Master Lease" or collectively, the "Master Leases"). Although each lease or Master Lease provides that the Company may terminate the Master Lease upon the bankruptcy or insolvency of the tenant, the Bankruptcy Reform Act of 1978 ("Bankruptcy Code") provides that a trustee in a bankruptcy

or reorganization proceeding under the Bankruptcy Code (or debtor-in-possession in a reorganization under the Bankruptcy Code) has the power and the option to assume or reject the unexpired lease obligations of a debtor-lessee. In the event that the unexpired lease is assumed on behalf of the debtor-lessee, all the rental obligations thereunder generally would be entitled to a priority over other unsecured claims. However, the court also has the power to modify a lease if a debtor-lessee in a reorganization were required to perform certain provisions of a lease that the court determined to be unduly burdensome. It is

not possible at this time to determine whether or not a court would hold that 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 the rent obligation for three years.

Generally, with respect to the Company's mortgage loans, the imposition of an automatic stay under the Bankruptcy Code precludes the Company 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 the Company to indemnify subsequent operators to whom it might transfer the operating rights and licenses. Third party payors may also suspend payments to the Company following foreclosure until the Company receives the required licenses to operate the facilities. Should such events occur, the Company's income and cash flows from operations would be adversely affected.

Risks Related to Owned and Operated Assets

As a consequence of the financial difficulties encountered by a number of the Company's operators, the Company has recovered various long-term care assets, pledged as collateral for the operators' obligations, either in connection with a restructuring or settlement with certain operators or pursuant to foreclosure proceedings. Under normal circumstances, the Company would classify such assets as "Assets Held for Sale" and seek to re-lease or otherwise dispose of such assets as promptly as practicable. However, a number of companies are actively marketing portfolios of similar assets and, in light of the current conditions in the long-term care industry generally, it has become more difficult both to sell such properties and for potential buyers to obtain financing to acquire such properties. During 2000, $24.3 million of assets previously classified as held for sale were reclassified to "Owned and Operated Assets" as the timing and strategy for sale or, alternatively, re-leasing, were revised in light of prevailing market conditions.

The Company is typically required to hold applicable leases and is responsible for the regulatory compliance at its owned and operated facilities. The Company's management contracts with third-party operators for such properties provide that the third-party operator is responsible for regulatory compliance, but the Company could be sanctioned for violation of regulatory requirements. In addition, the risk of third-party claims such as patient care and personal injury claims may be higher with respect to Company owned and operated properties as compared to the Company's leased and mortgaged assets.

Note D - Dividends

On February 1, 2001, the Company announced the suspension of all common and preferred dividends. This action is intended to preserve cash to facilitate the Company's ability to obtain financing to fund its 2002 maturing indebtedness. Prior to recommencing the payment of dividends on the Company's Common stock, all accrued and unpaid dividends on the Company's Series A, B and C preferred stock must be paid in full. The Company has made sufficient distributions to satisfy the distribution requirements under the REIT rules to maintain its REIT status for 2000 and intends to satisfy such requirements under the REIT rules for 2001. The cumulative unaccrued and unpaid dividends relating to all series

of the preferred stock, excluding the November 15, 2000 Series C dividends described below, total $4.9 million as of March 31, 2001.

On March 30, 2001, the Company exercised its option to pay the accrued $4,666,667 Series C dividend from November 15, 2000 and the associated waiver fee by issuing 48,420 Series C preferred shares to Explorer on April 2, 2001, which are convertible into 774,722 shares of the Company's common stock at $6.25 per share. Such election resulted in an increase in the aggregate liquidation preference of Series C Preferred Stock as of April 2, 2001 to $104,842,000.

During the three-month period ended March 31, 2000 the Company paid dividends of $1.3 million and $1.1 million, respectively, on its 9.25% Series A Cumulative Preferred Stock and 8.625% Series B Cumulative Preferred Stock.

Note E - Earnings Per Share

The computation of basic earnings per share is determined 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 and, beginning in the third quarter of 2000, the assumed conversion of the Series C Preferred Stock. The conversion of the Company's 1996 convertible debentures is anti-dilutive and therefore not assumed.

Note F - Omega Worldwide, Inc.

As of March 31, 2001 the Company holds a $5.4 million investment in Omega Worldwide, Inc. ("Worldwide"), represented by 1,163,000 shares of common stock and 260,000 shares of preferred stock. The Company also holds a $1.6 million investment in Principal Healthcare Finance Limited, an Isle of Jersey (United Kingdom) company, and a $1.3 million investment in Principal Healthcare Finance Trust, an Australian Unit Trust. The Company has guaranteed repayment of Worldwide borrowings pursuant to a revolving credit facility in exchange for an initial 1% fee and an annual facility fee of 25 basis points. At March 31, 2001 borrowings of $1,350,000 were outstanding under Worldwide's revolving credit facility. Worldwide's credit agreement calls for scheduled payments to be made until fully repaid in June 2001. Under this agreement, no further borrowings may be made by Worldwide under its revolving credit facility. The Company is required to provide collateral in the amount of $8.8 million related to the guarantee of Worldwide's obligations. Upon repayment by Worldwide of the remaining outstanding balance under its revolving credit facility, the subject collateral will be released in connection with the termination of the Company's guarantee.

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 has been based on the relationship of assets under the Company's management to the combined total of those assets and assets under Worldwide's management. Upon expiration of this agreement on June 30, 2000, the Company entered into a new agreement requiring quarterly payments from Worldwide of $37,500 for the use of offices and certain administrative and financial services provided by the Company. Upon the reduction of the Company's accounting staff, the Service Agreement was renegotiated again on November 1, 2000, requiring quarterly payments from Worldwide of $32,500. Costs allocated to Worldwide for the three-month periods ended March 31, 2001 and 2000 were $32,500 and $205,000, respectively.

Note G - Litigation

The Company is subject to various legal proceedings, claims and other actions arising out of the normal course of business. While any legal proceeding or claim has an element of uncertainty, management believes that the outcome of

each lawsuit claim or legal proceeding that is pending or threatened, or all of them combined, will not have a material adverse effect on its consolidated financial position or results of operations.

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. On July 28, 2000, Benjamin LeBorys commenced a class action lawsuit 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. The cases

have been consolidated, and Mr. LeBorys has been named lead plaintiff. The plaintiffs seek unspecified damages. The Company has reported the litigation to its directors and officers liability insurer. The Company believes that the litigation is without merit and is defending vigorously. The Company's Motion to Dismiss was filed with the Court on February 16, 2001. The hearing on this Motion is scheduled for May 23, 2001.

On June 21, 2000, the Company was named as a defendant in certain litigation brought against it by Madison/OHI Liquidity Investors, LLC ("Madison"), a customer that claims that the Company has breached and/or anticipatorily breached a commercial contract. Mr. Dickerman is a partner of Madison and is a guarantor of Madison's obligations to the Company. Madison claims damages as a result of the alleged breach of approximately $700,000. Madison seeks damages as a result of the claimed anticipatory breach in the amount of $15 million or, in the alternative, Madison seeks specific performance of the contract as modified by a course of conduct that Madison alleges developed between Madison and the Company. The Company contends that Madison is in default under the contract in question. The Company believes that the litigation is meritless. The Company is defending vigorously and on December 5, 2000, filed counterclaims against Madison and the guarantors, including Mr. Dickerman, seeking repayment of approximately $8.5 million that Madison owes the Company.

Karrington Health, Inc. brought suit against the Company alleging that the Company repudiated and ultimately breached a financing contract to provide $95,000,000 of financing for the development of 13 assisted living facilities. Karrington seeks recovery of approximately $20,000,000 in damages it alleges to have incurred as a result of the breach. The Company denies that it entered into a valid and binding contract with Karrington and is vigorously defending the litigation.

Note H - Borrowing Arrangements

The Company has a $175 million secured revolving credit facility that expires on December 31, 2002. Borrowings under the facility bear interest at 2.5% to 3.25% over LIBOR, based on the Company's leverage ratio. Borrowings of approximately $127 million are outstanding at March 31, 2001. Investments with a gross book value of approximately $240 million are pledged as collateral for this credit facility.

The Company has a $75 million secured revolving credit facility that expires on March 31, 2002 as to $10 million and June 30, 2005 as to $65 million. Borrowings under the facility bear interest at 2.5% to 3.75% over LIBOR, based on the Company's leverage ratio and collateral assigned. Borrowings of approximately $68.6 million are outstanding at March 31, 2001. Investments with a gross book value of approximately $90 million are pledged as collateral for this credit facility.

During the quarter ended March 31, 2001, the Company repurchased $2.0 million of its 6.95% Notes maturing in June 2002. At March 31, 2001, $123 million of these notes remain outstanding.

As of March 31, 2001, the Company had an aggregate of $259 million of outstanding debt which matures in 2002, including $123 million of 6.95% Notes due June 2002 and $136 million on credit facilities expiring in 2002.

The Company is required to meet certain financial covenants, including prescribed leverage and interest coverage ratios on its long-term borrowings.

The Company has $50 million of funding available through July 1, 2001 pursuant to an Investment Agreement with Explorer which can be used, upon satisfaction of certain conditions, to fund growth. Following the drawing in full or expiration of this commitment, Explorer will have the option to provide up to an additional $50 million to fund growth for an additional twelve-month period. (See Note D - Dividends)

Note I - Effect of New Accounting Pronouncements

The Company utilizes interest rate swaps to fix interest rates on variable rate debt and reduce certain exposures to interest rate fluctuations. In June 1998, the Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which is required to be adopted in years beginning after June 15, 2000. The Company adopted the new Statement effective January 1, 2001. The Statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedge item is recognized in earnings. The

ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

At March 31, 2001, the Company had two interest rate swaps with notional amounts of $32 million each, based on 30-day London Interbank Offered Rates (LIBOR). Under the terms of the first agreement, which expires in December 2001, the Company receives payments when LIBOR exceeds 6.35% and pays the counterparty when LIBOR is less than 6.35%. At March 31, 2001, 30-day Libor was 5.08 %. This

interest rate swap may be extended for an additional twelve months at the option of the counterparty and therefore does not qualify for hedge accounting under FASB No. 133. The fair value of this swap at January 1, and March 31, 2001 was a liability of $351,344 and $745,138, respectively. The liability at January 1 was recorded as a transition adjustment in other comprehensive income and is being amortized over the initial term of the swap. Such amortization of $87,836, together with the change in fair value of the swap during the quarter ended March 31, 2001 of $393,794 is included in charge for derivative accounting in the Company's Condensed Consolidated Statement of Operations.

Under the second agreement, which expires December 31, 2002, the Company receives payments when LIBOR exceeds 4.89% and pays the counterparty when LIBOR is less than 4.89%. The fair value of this interest rate swap at March 31, 2001 was a liability of $90,043, which is included in other comprehensive income as required under FASB No. 133 for fully effective cash flow hedges.

The fair values of these interest rate swaps are included in accrued expenses and other liabilities in the Company's Condensed Consolidated Balance Sheet at March 31, 2001.

Note J - Subsequent Events

As of April 2, 2001, the Company issued 48,420 Series C preferred shares to Explorer, which are convertible into 774,722 shares of the Company's common stock at $6.25 per share. (See Note D - Dividends.)

In April, 2001 the Company was informed by TLC Healthcare, Inc. ("TLC") that it could no longer meet its payroll and other operating obligations. The Company had leases and mortgages with TLC representing eight properties with 1,049 beds and an initial investment of $27.5 million. As a result of this action, one facility in Texas with 102 beds and an initial investment of $2.5 million was leased to a new operator, Lamar Healthcare, Inc. and four properties in Illinois, Indiana and Ohio, with a total of 335 beds and an initial investment of $13.5 million, were taken back and placed under management agreements with Atrium Living Centers and Nexion Health Management, Inc. and will be operated for the Company's own account and classified as Owned and Operated Assets. The remaining three properties, with a total of 612 beds located in Texas have either been closed or are in the process of being closed and will be marketed for sale.

In April, 2001 the Company extended its forbearance agreement with Lyric Healthcare LLC ("Lyric") through May 31, 2001, whereby the Company has received $541,266 of the $860,000 monthly rent due under the Lyric leases. Discussions are continuing with Lyric to reach a permanent restructuring agreement. The Company's original investment in the ten facilities covered under the lease is $95.4 million, with annual rent of $10.3 million.

On March 30, 2001 the Company announced that affiliates of Alden Management, Inc. ("Alden") were delinquent in paying their lease, loan and escrow payments on the four facilities it leases from the Company. During the month of April, Alden resumed regularly scheduled lease payments to the Company, and began making payments on a schedule designed to bring their past due amounts current by August of 2001.

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

Certain information contained in this report includes forward looking statements. Forward looking statements include statements regarding the Company's expectations, beliefs, intentions, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other

statements other than statements of historical facts. These statements may be identified, without limitation, by the use of forward looking terminology such as "may" "will" "anticipates" "expects" "believes" "intends" "should" or comparable terms or the negative thereof. All forward looking statements included herein are based on information available on the date hereof. Such statements only speak as of the date hereof and no obligation to update such forward looking statements should be assumed. Actual results may differ materially from those reflected in such forward looking statements as a result of a variety of factors, including, among other things: (i) the ability of the Company to dispose of assets held for sale on a timely basis and at appropriate prices; (ii) uncertainties relating to the operation of the Company's Owned and Operated Assets, including those relating to reimbursement by third-party payors, regulatory matters and occupancy levels; (iii) the general distress of the healthcare industry; (iv) continued deterioration of the operating results and financial condition of the Company's operators; (v) the ability of the Company's operators in bankruptcy to reject unexpired lease obligations, modify the terms of the Company's mortgages, and impede the ability of the Company to collect unpaid rent or interest during the pendency of a bankruptcy proceeding and retain security deposits for the debtor's obligations; (vi) the availability and cost of capital; (vii) regulatory and other changes in the healthcare sector; (viii) the ability of the Company to manage , re-lease or sell its owned and operated facilities; (ix) competition in the financing of healthcare facilities; (x) the effect of economic and market conditions and changes in interest rates; (xi) the resumption of dividends; (xii) the amount and yield of any additional investments; (xiii) changes in tax laws and regulations affecting real estate investment trusts; access to the capital markets and the cost of capital (xiv) changes in the ratings of the Company's debt securities; (xv) and the risk factors set forth herein.

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 condensed consolidated financial statements and accompanying notes. (See Note B - Properties and Note C - Concentration of Risk and Related Issues.)

Results of Operations

Revenues for the three-month period ended March 31, 2001 totaled $69.2 million, an increase of $12.0 million over the period ending March 31, 2000. This increase is principally due to the inclusion of revenue from nursing home operations for assets owned and operated for the Company's account recovered pursuant to foreclosure and settlements with troubled operators in 2000. Excluding nursing home revenues of Owned and Operated Assets, revenues were $23.2 million for the three-month period ended March 31, 2001, a decrease of $2.6 million from the comparable prior year period.

Rental income for the three-month period ended March 31, 2001 totaled $16.0 million, a decrease of $2.0 million over the same period in 2000. The decrease is due to $1.2 million from reductions in lease revenue due to foreclosures, bankruptcies and restructurings, and $1.1 million from reduced investments caused by 2000 asset sales. These decreases are offset by $0.3 million relating to contractual increases in rents that became effective in 2001 as defined under the related agreements.

Mortgage interest income for the three-month period ended March 31, 2001 totaled $5.7 million, decreasing $0.3 million from the same period in 2000. The decrease is due to $0.4 million from reductions due to foreclosures, bankruptcies and restructurings and reduced investments caused by the payoffs of mortgages in 2000. These decreases are offset by $0.1 million relating to contractual increases in interest income that became effective in 2001 as defined under the related agreements.

Nursing home revenues of owned and operated assets for the three-month period ended March 31, 2001 totaled $46.0 million, increasing $14.6 million over the same period in 2000. The increase is primarily due to the inclusion of 30 facilities formerly operated by RainTree Healthcare Corporation ("RainTree") for the full three-month period ended March 31, 2001 versus one month during the three-month period ended March 31, 2000.

Expenses for the three-month period ended March 31, 2001 totaled $65.6 million, increasing approximately $11.4 million over expenses of $54.2 million for the three-month period ended March 31, 2000.

Nursing home expenses for owned and operated assets for the three-month period ended March 31, 2001 increased to $46.5 million from $31.0 million for the three-month period ended March 31, 2000. The increase is primarily due to the inclusion of 30 facilities formerly operated by RainTree for the full three-month period ended March 31, 2001 versus one month during the three-month period ended March 31, 2000.

Interest expense for the three-month period ended March 31, 2001 was approximately $9.7 million, compared with $11.1 million for the same period in

2000. The decrease in 2001 is primarily due to lower average outstanding borrowings during the 2001 period, partially offset by higher average interest rates.

The provision for depreciation and amortization of real estate totaled $5.5 million during the three-months ended March 31, 2001, decreasing $0.4 million over the same period in 2000. The decrease primarily consists of $0.2 million due to assets sold in 2000 and capital expenditures and impairment charges on owned and operated properties, and a reduction in amortization of goodwill and non-compete agreements of $0.2 million.

General and administrative expenses for the three-month period ended March 31, 2001 totaled $2.3 million as compared to $1.6 million for the same period in 2000, an increase of $0.7 million. The increase is due in part to the incremental administrative costs incurred to manage the owned and operated assets and increased consulting costs related to the foreclosure assets.

Legal expenses for the three-month period ended March 31, 2001 totaled $1.0 million, an increase of $0.9 million over the same period in 2000. The increase is largely attributable to legal costs associated with the operator bankruptcy filings and negotiations with the Company's troubled operators.

A provision for impairment of $4.5 million is included in expenses for the three-month period ended March 31, 2000. This provision was to reduce assets held for sale to fair value less cost to dispose. No provision for impairment was recognized in the 2001 period.

During the three-month period ended March 31, 2001, the Company recognized a gain on disposal of real estate of $0.6 million.

Funds from operations (FFO) for the three-month period ended March 31, 2001 on a fully diluted basis totaled $6.8 million, a decrease of approximately $5.3 million as compared to the $12.1 million for the same period in 2000 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. The Company considers FFO to be one performance measure which is helpful to investors of real estate companies because, along with cash flows from operating activities, financing activities and investing activities, it provides investors and understanding of the ability of the Company to incur and service debt and to make expenditures. FFO in and of itself does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net earnings as an indication of operating performance or to net cash flow from operating activities as determined by GAAP as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs.

No provision for Federal income taxes has been made since the Company continues 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 has not been subject to Federal income taxes on amounts distributed to shareholders, as it distributed at least 95% (90% in 2001) of its real estate investment trust taxable income and has met certain other conditions.

Liquidity and Capital Resources

At March 31, 2001 the Company had total assets of $946.7 million, shareholders' equity of $468.5 million, and long-term debt of $442.6 million, representing approximately 46.8% of total capitalization. The Company has revolving credit facilities in place, providing up to $250 million of financing, of which $195.6 million was drawn at March 31, 2001, leaving $54.4 million available for working capital and acquisition purposes.

As of March 31, 2001, the Company had an aggregate of $308 million of outstanding debt which matures in 2002, including $123 million of 6.95% Notes due June 2002 and $185 million on credit facilities expiring in 2002.

The Company has $50 million of funding available through July 1, 2001 pursuant to an Investment Agreement with Explorer Holdings, L.P. ("Explorer") which can be used, upon satisfaction of certain conditions, to fund growth. Following the drawing in full or expiration of this commitment, Explorer will have the option to provide up to an additional $50 million to fund growth for an additional twelve-month period.

The Company has historically distributed to shareholders a large portion of the cash available from operations. The Company's historical policy has been to

make distributions on Common Stock of approximately 80% of FFO. Cash dividends paid totaled $0.50 per common share for the three-month period ended March 31, 2000. No common dividends were paid during the first quarter of 2001.

On February 1, 2001, the Company announced the suspension of all common and preferred dividends. This action is intended to preserve cash to facilitate the Company's ability to obtain financing to fund the 2002 debt maturities. Additionally, on March 30, 2001, the Company exercised its option to pay the accrued $4,666,667 Series C dividend from November 15, 2000 and the associated waiver fee by issuing 48,420 Series C preferred shares to Explorer on April 2, 2001, which are convertible into 774,722 shares of the Company's common stock at $6.25 per share.

The Company anticipates that it will reinstate dividends on its common and preferred stock when the Company determines that it has sufficient resources or satisfactory plans to meet its 2002 debt maturities, but the Company can give no assurance as to when the dividends will be reinstated or the amount of the dividends if and when such payments are recommenced. Prior to recommencing the payment of dividends on the Company's Common stock, all accrued and unpaid dividends on the Company's Series A, B and C Preferred Stock must be paid in full. The Company has made sufficient distributions to satisfy the distribution requirements under the REIT rules to maintain its REIT status for 2000 and intends to satisfy such requirements under the REIT rules for 2001.

Management believes the Company's liquidity and various sources of available capital are adequate to finance operations, meet debt service requirements and fund future investments through the next 12 months but is taking immediate steps to secure a refinancing of such debt, including the announced suspension of dividends and the pursuit of capital sources for repayment or replacement of the 2002 debt maturities. As a result of the ongoing financial challenges facing long-term care operators, the availability of the external capital sources historically used by the Company has become extremely limited and expensive, and, therefore, no assurance can be given that the Company will be able to replace or extend the 2002 debt maturities, or that any refinancing or replacement financing would be on favorable terms to the Company.

If the Company is unable to obtain refinancing or replacement financing, it may be required to liquidate investments in properties at times which may not permit realization of the maximum recovery on such investments. This could also result in adverse tax consequences to the Company.

Item 3 - Quantitative and Qualitative Disclosure About 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, but the Company seeks to mitigate the effects of fluctuations in interest rates by matching the term of new investments with new long-term fixed rate borrowing to the extent possible.

The market value of the Company's long-term fixed rate borrowings and mortgages are subject to interest rate risk. Generally, the market value of fixed rate financial instruments will decrease as interest rates rise and increase as interest rates fall. The estimated fair value of the Company's total long-term borrowings at March 31, 2001 was $408 million. A one percent increase in interest rates would result in a decrease in the fair value of long-term borrowings by approximately $5.5 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 2002 debt maturities or other indebtedness on acceptable terms, it might be forced to dispose of properties on disadvantageous terms, which might result in losses to the Company and might adversely affect the cash available for distribution to shareholders, or to pursue dilutive equity financing. 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 to its shareholders.

The Company utilizes interest rate swaps to fix interest rates on variable rate debt and reduce certain exposures to interest rate fluctuations. At March 31, 2001, the Company had two interest rate swaps with notional amounts of $32 million each, based on 30-day London Interbank Offered Rates (LIBOR). Under the first $32 million agreement, the Company receives payments when LIBOR interest rates exceed 6.35% and pays the counterparties when LIBOR rates are under 6.35%.

The amounts exchanged are based on the notional amounts. The $32 million agreement expires in December, 2001 but may be extended for an additional year by the counterparty.

Under the terms of the second agreement, which expires in December, 2002, the Company receives payments when LIBOR rates exceed 4.89% and pays the counterparties when LIBOR rates are under 4.89%. The combined fair value of the interest rate swaps at March 31, 2001 was a deficit of $835,000. (See Note I - Effect of New Accounting Pronouncements.)

PART II - OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds.

On March 30, 2001, the Company exercised its option to pay the accrued $4,666,667 Series C dividend from November 15, 2000 and the associated waiver fee by issuing 48,420 Series C preferred shares to Explorer on April 2, 2001, which are convertible into 774,722 shares of the Company's common stock at $6.25 per share.

The shares of Series C Preferred are governed by the Articles Supplementary for Series C Convertible Preferred Stock (the "Articles Supplementary") filed with the State Department of Assessments and Taxation of Maryland 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") because the issuance did not involve a sale within the meaning of the Securities Act and/or in reliance upon the private placement exemption provided by Section 4(2) of the Securities Act.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - There are no exhibits filed herewith.

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

SIGNATURES

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

OMEGA HEALTHCARE INVESTORS, INC.
Registrant

Date: May 15, 2001 By: /s/ Thomas W. Erickson

Thomas W. Erickson
Interim Chief Executive Officer

Date: May 15, 2001 By: /s/ Richard M. FitzPatrick

Richard M. FitzPatrick
Acting Chief Financial Officer