

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2002

_____ 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
(State of Incorporation)

38-3041398
(I.R.S. Employer Identification No.)

9690 Deereco Road, Suite 100, Timonium, MD 21093
(Address of principal executive offices)

(410) 427-1700
(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 No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of June 30, 2002

Common Stock, \$.10 par value (Class)	37,131,144 (Number of shares)
--	----------------------------------

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FORM 10-Q
June 30, 2002
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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statement
OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands)

<TABLE>
<CAPTION>

December 31, June 30,
2001 2002

Note) (Unaudited) (See
<S> <C>
<C>

ASSETS

Real estate properties		
Land and buildings at cost.....	\$ 678,977	\$
684,848		
Less accumulated depreciation.....	(108,510)	
(100,038)		

Real estate properties--net.....	570,467	
584,810		
Mortgage notes receivable--net.....	190,802	
195,193		

	761,269	
780,003		
Other investments--net.....	48,391	
50,791		

	809,660	
830,794		
Assets held for sale--net.....	5,972	
7,396		

Total investments.....	815,632	
838,190		
Cash and cash equivalents.....	9,136	
11,445		
Accounts receivable--net.....	3,027	
4,565		
Other assets.....	6,924	
6,732		
Operating assets for owned properties.....	22,691	
29,907		

Total assets.....	\$ 857,410	\$
890,839		
=====		

LIABILITIES AND STOCKHOLDERS' EQUITY

Revolving lines of credit.....	\$ 207,690	\$
193,689		
Unsecured borrowings.....	100,000	
197,526		
Other long-term borrowings.....	30,211	
21,957		
Accrued expenses and other liabilities.....	14,375	
16,790		
Operating liabilities for owned properties.....	4,929	
10,187		

Total liabilities.....	357,205	
440,149		
Preferred stock.....	212,342	
212,342		
Common stock and additional paid-in capital.....	484,719	

440,071		
Cumulative net earnings.....	169,808	
165,891		
Cumulative dividends paid.....	(365,654)	
(365,654)		
Unamortized restricted stock awards.....	(116)	
(142)		
Accumulated other comprehensive loss.....	(894)	
(1,818)		
-----	-----	-----
Total stockholders' equity.....	500,205	
450,690		
-----	-----	-----
Total liabilities and stockholders' equity.....	\$ 857,410	\$
890,839		
	=====	

</TABLE>

Note - The balance sheet at December 31, 2001 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 consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In Thousands, Except Per Share Amounts)

<TABLE>
<CAPTION>

Six Months Ended	Three Months Ended		
June 30,	June 30,		
-----	-----	-----	-----
2001	2002	2001	2002
-----	-----	-----	-----
<S>	<C>	<C>	<C>
<C>			
Revenues			
Rental income.....	\$ 15,666	\$ 14,729	\$ 31,097
\$ 30,750			
Mortgage interest income.....	5,186	5,535	10,598
11,213			
Other investment income - net.....	1,056	1,008	2,159
2,266			
Nursing home revenues of owned and operated assets.....	12,210	43,796	33,958
89,793			
Miscellaneous.....	286	586	516
809			
-----	-----	-----	-----
78,328	34,404	65,654	
134,831			
-----	-----	-----	-----
Expenses			
Nursing home expenses of owned and operated assets.....	13,485	43,676	37,185
90,126			
Depreciation and amortization.....	5,352	5,504	10,678
11,045			
Interest.....	7,110	9,243	15,276
18,915			
General and administrative.....	1,770	3,155	3,489
5,504			
Legal.....	797	766	1,652
1,717			
State taxes.....	87	107	216
213			
Litigation settlement expense.....	-	10,000	
- 10,000			
Provision for impairment.....	2,483	8,381	2,483
8,381			
Provision for uncollectible mortgages, notes and accounts receivable.....	3,679	681	3,679
681			
Severance, moving and consulting agreement costs.....	-	466	

-	466			
Adjustment of derivatives to fair value.....		(198)	70	
(598)	552			

74,060	147,600	34,565	82,049	

(Loss) earnings before (loss) gain on assets sold and (loss) gain on early extinguishment of debt.....		(161)	(16,395)	4,268
(12,769)				
(Loss) gain on assets sold - net.....		(302)	(7)	
(302)	612			

Net (loss) earnings before (loss) gain on early extinguishment of debt.....		(463)	(16,402)	3,966
(12,157)				
(Loss) gain on early extinguishment of debt.....		(77)	2,489	
(49)	2,737			

Net (loss) earnings.....		(540)	(13,913)	3,917
(9,420)				
Preferred stock dividends.....		(5,029)	(5,029)	
(10,058)	(9,937)			

Net loss available to common.....		\$ (5,569)	\$ (18,942)	\$
(6,141)	\$ (19,357)			
=====				
Loss per common share:				
Net loss per share - basic.....		\$ (0.15)	\$ (0.95)	\$
(0.19)	\$ (0.97)			
=====				
Net loss per share - diluted.....		\$ (0.15)	\$ (0.95)	\$
(0.19)	\$ (0.97)			
=====				
Loss per common share before (loss) gain on early extinguishment of debt:				
Net loss per share - basic.....		\$ (0.15)	\$ (1.07)	\$
(0.19)	\$ (1.10)			
=====				
Net loss per share - diluted.....		\$ (0.15)	\$ (1.07)	\$
(0.19)	\$ (1.10)			
=====				
Dividends declared and paid per common share.....		\$ -	\$ -	\$
-	\$ -			
=====				
Weighted-average shares outstanding, basic.....		37,129	20,013	32,302
20,013				
=====				
Weighted-average shares outstanding, diluted.....		37,129	20,013	32,302
20,013				
=====				
Components of other comprehensive (loss) income:				
Unrealized gain on Omega Worldwide, Inc.....		\$ 12	\$ 247	\$ 558
\$ 247				
=====				
Unrealized gain (loss) on hedging contracts.....		\$ 83	\$ (82)	\$ 366
\$ (436)				
=====				
Total comprehensive (loss) income.....		\$ (445)	\$ (13,748)	\$ 4,841
\$ (9,609)				

</TABLE>

See notes to consolidated financial statements.

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

<TABLE>
<CAPTION>

Ended	Six Months June 30,
-----	-----
2001	2002
-----	-----
<S>	<C>
<C>	
Operating activities	
Net earnings (loss).....	\$ 3,917
\$ (9,420)	
Adjustment to reconcile net earnings (loss) to cash provided by operating activities:	
Depreciation and amortization.....	10,678
11,045	
Provision for impairment.....	2,483
8,381	
Provision for uncollectible mortgages, notes and accounts receivable.....	3,679
681	
Loss (gain) on assets sold - net.....	302
(612)	
Loss (gain) on early extinguishment of debt.....	49
(2,737)	
Adjustment of derivatives to fair value.....	(598)
552	
Other.....	1,332
630	
Net change in accounts receivable for Owned and Operated assets--net.....	5,270
(3,474)	
Net change in accounts payable for Owned and Operated assets.....	(3,219)
(2,796)	
Net change in other Owned and Operated assets and liabilities.....	(93)
1,961	
Net change in operating assets and liabilities.....	195
2,556	
-----	-----
Net cash provided by operating activities.....	23,995
6,767	
-----	-----
Cash flows from financing activities	
Proceeds from revolving lines of credit--net.....	14,001
13,000	
Proceeds from long-term borrowings - net.....	13,523
-	
Repayments of long-term borrowings.....	(97,591)
(38,699)	
Receipts from Dividend Reinvestment Plan.....	3
20	
Proceeds from rights offering and private placement - net.....	44,600
-	
Deferred financing costs paid.....	(4,024)
(698)	
Other.....	-
(45)	
-----	-----
Net cash used in financing activities.....	(29,488)
(26,422)	
-----	-----
Cash flow from investing activities	
Proceeds from sale of real estate investments--net.....	1,045
1,364	
Capital improvements and funding of other investments--net.....	(252)
(465)	
Collection of mortgage principal.....	2,391
22,379	
-----	-----
Net cash provided by investing activities.....	3,184

(Decrease) increase in cash and cash equivalents.....	(2,309)
3,623	
Cash and cash equivalents at beginning of period.....	11,445
7,172	
Cash and cash equivalents at end of period.....	\$ 9,136
\$ 10,795	

</TABLE>

See notes to consolidated financial statements.

Omega Healthcare Investors, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

June 30, 2002

Note A - Basis of Presentation

The accompanying unaudited consolidated financial statements for Omega Healthcare Investors, Inc. have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") 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 GAAP for complete financial statements. In our opinion, 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. Operating results for the three- and six-month periods ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the financial statements and footnotes included in our annual report on Form 10-K for the year ended December 31, 2001.

Note B - Properties

In the ordinary course of our business activities, we periodically evaluate investment opportunities and extend credit to customers. We also regularly engage in lease and loan extensions and modifications. Additionally, we actively monitor and manage our investment portfolio with the objectives of improving credit quality and increasing returns. In connection with portfolio management, we engage in various collection and foreclosure activities.

When we acquire real estate pursuant to a foreclosure, lease termination or bankruptcy proceeding, and do 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 and an agreement is imminent, 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.

Upon adoption of FASB 144 as of January 1, 2002, long-lived assets sold or designated as held for sale after January 1, 2002 are reported as discontinued operations in our financial statements.

A summary of the number of properties by category for the quarter ended June 30, 2002 follows:

<TABLE>
<CAPTION>

Held for Sale	Facility Count Total	Purchase / Leaseback	Mortgages	Owned & Operated	Closed Facilities	Total Healthcare Facilities
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at March 31, 2002.....	8	147	69	19	-	235
Properties transferred to Held for Sale.....	-	-	-	-	-	-
Properties transferred to Owned & Operated.....	-	-	-	-	-	-
Properties closed.....	-	(2)	-	(3)	3	(2)

(2)						
Properties Sold / Mortgages						
Paid.....	-	-	-	-	-	-
(1) (1)						
Transition Leasehold Interest.....	-	-	-	-	-	-
-						
Properties Leased / Mortgages						
Placed.....	-	-	-	-	-	-
-						
Properties transferred to						
Purchase/Leaseback.....	3	-	(3)	-	-	-
-						

Balance at June 30, 2002.....	148	69	13	3	233	
7 240						
=====						

Gross Investment						

Balance at March 31, 2002.....	\$650,000	\$191,252	\$ 36,953	\$ -	\$878,205	\$
7,317 \$885,522						
Properties transferred to						
Held for Sale.....	-	-	-	-	-	-
-						
Properties transferred to Owned &						
Operated.....	-	-	-	-	-	-
-						
Properties closed.....	(5,560)	-	(1,300)	1,300	(5,560)	
- (5,560)						
Properties Sold / Mortgages						
Paid.....	-	-	-	-	-	-
(1,345) (1,345)						
Transition Leasehold Interest.....	-	-	-	-	-	-
-						
Properties Leased / Mortgages						
Placed.....	-	-	-	-	-	-
-						
Properties transferred to						
Purchase / Leaseback.....	14,364	-	(14,364)	-	-	-
-						
Impairment on Properties.....	-	-	(2,483)	-	(2,483)	
- (2,483)						
Capex and other.....	-	(450)	67	-	(383)	
- (383)						

Balance at June 30, 2002.....	\$658,804	\$190,802	\$ 18,873	\$ 1,300	\$869,779	\$
5,972 \$875,751						
=====						

</TABLE>

Purchase / Leaseback

During the three-month period ending June 30, 2002, we leased three properties, previously classified as Owned and Operated Assets, to a new operator, Conifer Care Communities. The initial term for the master lease is for 56 months and includes three options to renew for four years each. The initial base rent is four percent of gross revenues or approximately \$0.4 million annually for the first two years. After the second year, the rent increases by the greater of three percent of the previous year's revenue or to an annual minimum of \$0.4 million.

As a result of the Department of Housing and Urban Development's ("HUD") foreclosure proceedings associated with two closed facilities in North Carolina, we have removed \$5.2 million of net assets and \$5.2 million of mortgage debt from our Consolidated Balance Sheet as of June 30, 2002.

Mortgages Receivable

Mortgage interest income is recognized as earned over the terms of the related mortgage notes. Reserves are taken against earned revenues from mortgage interest when collection of amounts due becomes questionable or when negotiations for restructurings of troubled operators lead to lower expectations regarding ultimate collection. When collection is uncertain, mortgage interest income on impaired mortgage loans is recognized as received after taking into account application of security deposits.

No provision for loss on mortgages was recorded for the three- and six-month periods ending June 30, 2002 and 2001. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations.

Owned and Operated Assets

At June 30, 2002, we own 13 facilities that were recovered from customers and are operated for our own account. These facilities have 1,094 beds and are located in five states.

During the three-month period ended June 30, 2002, we leased three properties previously classified as Owned and Operated to a third-party operator. See Purchase / Leaseback above. In addition, we closed three skilled nursing facilities, which were classified as Owned and Operated Assets. The three facilities included a 120-bed facility in Texarkana, Texas, an 88-bed facility in Winthrop, Massachusetts and an 84-bed facility in Berkshire, Massachusetts. A provision for impairment of \$2.5 million was recorded to reduce the carrying value of these assets to fair value less costs to dispose. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations.

We intend to operate the remaining Owned and Operated assets for our own account until such time as the facilities' operations are stabilized and are re-leasable or saleable at lease rates or sale prices that maximize the value of these assets to us. These facilities and their respective operations are presented on a consolidated basis in our financial statements. In certain instances, we might determine that the best course of action is to close a facility in the event its future prospects appear limited. See Note J - Subsequent Events.

The revenues, expenses, assets and liabilities included in our consolidated financial statements which relate to such owned and operated assets are set forth in the table below. Nursing home revenues from these owned and operated assets are recognized as services are provided. The amounts shown in the consolidated financial statements are not comparable, as the number of Owned and Operated facilities and the timing of the foreclosures and re-leasing activities have occurred at different times during the periods presented.

The revenues, expenses, assets and liabilities in our consolidated financial statements which relate to our owned and operated assets are as follows:

<TABLE>
<CAPTION>

	(Unaudited) (In Thousands)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
Revenues (1)				
Medicaid.....	\$ 7,488	\$ 26,321	\$ 20,991	\$ 53,561
Medicare.....	2,814	11,324	7,071	22,514
Private & other.....	1,908	6,151	5,896	13,718
	12,210	43,796	33,958	89,793
Expenses				
Patient care expenses.....	7,832	29,568	23,110	62,721
Administration.....	3,743	7,642	8,245	14,177
Property & related.....	883	2,746	2,475	5,960
	12,458	39,956	33,830	82,858
Contribution margin.....	(248)	3,840	128	6,935
Management fees.....	678	2,418	1,878	4,867
Rent.....	349	1,302	1,477	2,401
EBITDA (2).....	\$ (1,275)	\$ 120	\$ (3,227)	\$ (333)

</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. We consider it to be a meaningful measure of performance of our 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.

	June 30, 2002	December 31, 2001
----- (Unaudited) (In Thousands) -----		
ASSETS		
Cash.....	\$ 4,707	\$ 6,549
Accounts receivable--net.....	21,851	27,121
Other current assets.....	633	2,125

Total current assets.....	27,191	35,795

Investment in leasehold--net.....	207	661
Land and buildings.....	20,172	80,071
Less accumulated depreciation.....	(3,025)	(8,647)

Land and buildings--net.....	17,147	71,424

Total assets.....	\$ 44,545	\$107,880
	=====	
LIABILITIES		
Accounts payable.....	\$ 1,597	\$ 4,816
Other current liabilities.....	3,332	5,371

Total current liabilities.....	4,929	10,187

Total liabilities.....	\$ 4,929	\$ 10,187
	=====	

Accounts receivable for owned and operated assets is net of an allowance for doubtful accounts of approximately \$5.7 million at June 30, 2002 and \$8.3 million at December 31, 2001.

Assets Held for Sale

At June 30, 2002, the carrying value of assets held for sale totaled \$6.0 million (net of impairment reserves of \$7.3 million). During the three-month period ended June 30, 2002, we sold one building located in Texas, realizing proceeds of \$1.0 million, net of closing costs, resulting in a loss of \$0.3 million. We intend to sell the remaining facilities as soon as practicable. There can be no assurance if or when such sales will be completed or whether such sales will be completed on terms that allow us to realize the carrying value of the assets.

Segment Information

The following tables set forth the reconciliation of operating results and total assets for our reportable segments for the three- and six-month periods ending June 30, 2002 and 2001.

<TABLE>
<CAPTION>

	As of and for the three months ended June 30,		
2002	-----		
Consolidated	Core Operations	Owned and Operated and Assets Held For Sale	Corporate and Other

	(Unaudited) (In Thousands)		
<S>	<C>	<C>	<C>
<C>			
Operating revenues.....	\$ 20,852	\$ 12,210	\$ -
33,062			
Operating expenses.....	-	(13,485)	-
(13,485)			

Net operating income.....	20,852	(1,275)	-
19,577			
Adjustments to arrive at net income:			
Other revenues.....	-	-	1,342
1,342			
Interest expense.....	-	-	(7,110)
(7,110)			
Depreciation and amortization.....	(4,875)	(241)	(236)
(5,352)			
General and administrative.....	-	-	(1,770)
(1,770)			
Legal.....	-	-	(797)
(797)			
State taxes.....	-	-	(87)
(87)			
Provision for impairment.....	-	(2,483)	-
(2,483)			
Provision for uncollectible mortgage, notes and accounts receivable.....	(3,679)	-	-
(3,679)			
Adjustment of derivatives to fair value.....	-	-	198
198			
	(8,554)	(2,724)	(8,460)
(19,738)			
Income (loss) before loss on assets sold and gain on early extinguishment of debt.....	12,298	(3,999)	(8,460)
(161)			
Loss on assets sold -- net.....	-	(302)	-
(302)			
Loss on early extinguishment of debt.....	-	-	(77)
(77)			
Preferred dividends.....	-	-	(5,029)
(5,029)			
Net income (loss) available to common.....	\$ 12,298	(4,301)	(13,566)
(5,569)			
Total assets.....	\$744,122	\$ 50,724	\$ 62,564
\$857,410			

</TABLE>
<TABLE>
<CAPTION>

As of and for the three months ended June 30,

2001

Consolidated	Core Operations	Owned and Operated and Assets Held For Sale	Corporate and Other
			(Unaudited) (In Thousands)
	<C>	<C>	<C>
Operating revenues.....	\$ 20,264	\$ 43,796	\$ -
64,060			\$
Operating expenses.....	-	(43,676)	-
(43,676)			
Net operating income.....	20,264	120	-
20,384			
Adjustments to arrive at net income:			
Other revenues.....	-	-	1,594
1,594			
Interest expense.....	-	-	(9,243)
(9,243)			
Depreciation and amortization.....	(4,344)	(936)	(224)
(5,504)			
General and administrative.....	-	-	(3,155)
(3,155)			

Legal..... (766)	-	-	(766)
State taxes..... (107)	-	-	(107)
Litigation settlement expense..... (10,000)	-	-	(10,000)
Severance and consulting agreement costs..... (466)	-	-	(466)
Provision for impairment..... (8,381)	-	(8,381)	-
Provision for uncollectible mortgage, notes and accounts receivable..... (681)	(681)	-	-
Charges for derivative accounting..... (70)	-	-	(70)

	(5,025)	(9,317)	(22,437)

Income (loss) before loss on assets sold and gain on early extinguishment of debt..... (16,395)	15,239	(9,197)	(22,437)
Loss on assets sold -- net..... (7)	-	(7)	-
Gain on early extinguishment of debt..... 2,489	-	-	2,489
Preferred dividends..... (5,029)	-	-	(5,029)

Net income (loss) available to common..... \$(18,942)	\$ 15,239	\$ (9,204)	\$(24,977)
=====			
Total assets..... \$921,814	\$681,754	\$156,350	\$ 83,710

</TABLE>
<TABLE>
<CAPTION>

As of and for the six months ended June 30, 2002

	Core Operations	Owned and Operated and Assets Held For Sale	Corporate and Other	

Consolidated				

			(Unaudited) (In Thousands)	
<S>	<C>	<C>	<C>	
<C>				
Operating revenues..... 75,653	\$ 41,695	\$ 33,958	\$ -	\$
Operating expenses..... (37,185)	-	(37,185)	-	

Net operating income..... 38,468	41,695	(3,227)	-	
Adjustments to arrive at net income:				
Other revenues..... 2,675	-	-	2,675	
Interest expense..... (15,276)	-	-	(15,276)	
Depreciation and amortization..... (10,678)	(9,481)	(756)	(441)	
General and administrative..... (3,489)	-	-	(3,489)	
Legal..... (1,652)	-	-	(1,652)	
State taxes..... (216)	-	-	(216)	
Provision for impairment..... (2,483)	-	(2,483)	-	
Provision for uncollectible mortgages, notes and accounts receivable..... (3,679)	(3,679)	-	-	

Adjustment of derivatives to fair value.....	-	-	598
598			

	(13,160)	(3,239)	(17,801)
(34,200)			

Income (loss) before loss on assets sold and loss on early extinguishment of debt.....	28,535	(6,466)	(17,801)
4,268			
Loss on assets sold -- net.....	-	(302)	-
(302)			
Loss on early extinguishment of debt.....	-	-	(49)
(49)			
Preferred dividends.....	-	-	(10,058)
(10,058)			

Net income (loss) available to common.....	\$ 28,535	(6,768)	(27,908)
(6,141)			
=====			
Total assets.....	\$744,122	\$ 50,724	\$ 62,564
\$857,410			

</TABLE>
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As of and for the six months ended June 30, 2001

	Core Operations	Owned and Operated and Assets Held For Sale	Corporate and Other

Consolidated			

		(Unaudited)	
		(In Thousands)	
<S>	<C>	<C>	<C>
<C>			
Operating revenues.....	\$ 41,963	\$ 89,793	\$ -
\$131,756			
Operating expenses.....	-	(90,126)	-
(90,126)			

Net operating income.....	41,963	(333)	-
41,630			
Adjustments to arrive at net income:			
Other revenues.....	-	-	3,075
3,075			
Interest expense.....	-	-	(18,915)
(18,915)			
Depreciation and amortization.....	(8,668)	(1,932)	(445)
(11,045)			
General and administrative.....	-	-	(5,504)
(5,504)			
Legal.....	-	-	(1,717)
(1,717)			
State taxes.....	-	-	(213)
(213)			
Litigation settlement expense.....	-	-	(10,000)
(10,000)			
Severance and consulting agreement costs.....	-	-	(466)
(466)			
Provision for impairment.....	-	(8,381)	-
(8,381)			
Provision for uncollectible mortgages, notes and accounts receivable.....	(681)	-	-
(681)			
Charges for derivative accounting.....	-	-	(552)
(552)			

	(9,349)	(10,313)	(34,737)
(54,399)			

Income (loss) before loss on assets sold and			

gain on early extinguishment of debt..... (12,769)	32,614	(10,646)	(34,737)
Loss on assets sold -- net..... 612	-	612	-
Gain on early extinguishment of debt..... 2,737	-	-	2,737
Preferred dividends..... (9,937)	-	-	(9,937)

Net income (loss) available to common..... \$(19,357)	\$ 32,614	\$(10,034)	\$(41,937)
=====			
Total assets..... \$921,814	\$681,754	\$156,350	\$ 83,710
=====			

</TABLE>

Note C - Concentration of Risk and Related Issues

As of June 30, 2002, our portfolio of domestic investments consisted of 233 healthcare facilities, located in 28 states and operated by 36 third-party operators. Our gross investment in these facilities, before reserve for uncollectible loans, totaled \$873.8 million at June 30, 2002, with 97.3% of our real estate investments related to long-term care facilities. This portfolio is made up of 146 long-term healthcare facilities and two rehabilitation hospitals owned and leased to third parties, fixed-rate, participating and convertible participating mortgages on 69 long-term healthcare facilities and nine long-term healthcare facilities that were recovered from customers and are currently operated through third-party management contracts for our own account and three facilities which are closed. In addition, four facilities subject to third-party leasehold interests are included in Other Investments. We also hold miscellaneous investments and closed healthcare facilities held for sale of approximately \$54.4 million at June 30, 2002, including \$22.1 million related to two non-healthcare facilities leased by the United States Postal Service ("USPS"), a \$7.9 million investment in Omega Worldwide, Inc. ("Worldwide"), Principal Healthcare Finance Limited ("PHFL"), an Isle of Jersey (United Kingdom) company and Principal Healthcare Finance Trust, an Australian Unit Trust, and \$11.9 million of notes receivable, net of allowance. See Note J - Subsequent Events.

Approximately 66.9% of our real estate investments are operated by six public companies, including Sun Healthcare Group, Inc. (25.1%), Integrated Health Services, Inc. ("IHS") (18.3%, including 10.9% as the manager for and 50% owner of Lyric Health Care LLC), Advocat, Inc. (12.2%), Mariner Post-Acute Network (6.8%), Alterra Healthcare Corporation ("Alterra") (3.9%), Kindred Healthcare, Inc. ("Kindred") (formerly known as Vencor Operating, Inc.) (0.6%). At June 30, 2002 the three largest private operators represent 3.6%, 2.6% and 2.6% of investments, respectively. No other operator represents more than 2.5% of investments. The three states in which we have our highest concentration of investments are Florida (16.2%), California (7.6%) and Illinois (7.6%).

Government Healthcare Regulation, Reimbursements and Industry Concentration Risks

Nearly all of our properties are used as healthcare facilities; therefore, we are directly affected by the risk associated with the healthcare industry. Our lessees and mortgagors, as well as the facilities Owned and Operated for our account, derive a substantial portion of their net operating revenues from third-party payors, including the Medicare and Medicaid programs. These programs are highly regulated by federal, state and local laws, rules and regulations and are subject to frequent and substantial changes.

In addition, private payors, including managed care payors, 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. Efforts to impose greater discounts and more stringent cost controls are expected to continue. Any changes in reimbursement policies that reduce reimbursement levels could adversely affect the amounts we receive with respect to our owned and operated portfolio and the revenues of our lessees and mortgagors and thereby adversely affect those lessees' and mortgagors' abilities to make their monthly lease or debt payments to us.

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 our ability to vary our portfolio promptly in response to changes in economic or other conditions. Thus, if the operation of any of our 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

Our lease arrangements with operators who operate more than one of our facilities are generally made pursuant to a single master lease ("Master Lease") covering all of that operator's facilities. Although each lease or Master Lease provides that we may terminate the Master Lease upon the bankruptcy or insolvency of the tenant, the Bankruptcy Reform Act of 1978 ("Bankruptcy Act") provides that a trustee in a bankruptcy or reorganization proceeding under the Bankruptcy Act, or a debtor-in-possession in a reorganization, 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 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 of our leases or Master Leases contains any such provision. 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.

Generally, with respect to our mortgage loans, the imposition of an automatic stay under the Bankruptcy Act precludes us from exercising foreclosure or other remedies against the debtor. Pre-petition creditors generally do not have rights to the cash flows from the properties underlying the mortgages. The timing of the collection from mortgagors in bankruptcy depends on negotiating an acceptable settlement with the mortgagor (and subject to approval of the bankruptcy court) or the order of the bankruptcy court in the event a negotiated settlement cannot be achieved. 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 ourselves 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 exceeds the amount of the debt, interest and allowed costs may not be paid during the bankruptcy proceeding, but accrue until confirmation of a plan of reorganization or such other time as the court orders. If the value of the collateral held by a senior creditor is less than the secured debt, interest on the loan for the time period between the filing of the case and confirmation may be disallowed. 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 affect a "cramdown" under the Bankruptcy Act.

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, some 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 our investments, we may take possession of a property or even become licensed as an operator, which might expose us to successor liability to government programs or require us to indemnify subsequent operators to whom we might transfer the operating rights and licenses. Third-party payors may also suspend payments to us following foreclosure until we receive the required licenses to operate the facilities. Should such events occur, our income and cash flow 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 our operators, we have 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. We are typically required to hold applicable licenses and are responsible for the regulatory compliance at our owned and operated facilities. Our management contracts with third-party operators for these properties provide

that the third-party operator is responsible for regulatory compliance, but we 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 our owned and operated properties as compared with our leased and mortgaged assets.

Note D - Dividends

In order to qualify as a real estate investment trust ("REIT"), we are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to (A) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain) and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of non-cash income. In addition, if we dispose of any built-in gain asset during a recognition period, we will be required to distribute at least 90% of the built-in gain (after tax), if any, recognized on the disposition of such asset. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration. In addition, such distributions are required to be made pro rata, with no preference to any share of stock as compared with other shares of the same class, and with no preference to one class of stock as compared with another class except to the extent that such class is entitled to such a preference. To the extent that we do not distribute all of our net capital gain or do distribute at least 90%, but less than 100% of our "REIT taxable income," as adjusted, we will be subject to tax thereon at regular ordinary and capital gain corporate tax rates.

On February 1, 2001, we announced the suspension of all common and preferred dividends. This action was intended to preserve cash to facilitate our ability to obtain financing to fund the 2002 debt maturities. Prior to recommencing the payment of dividends on our common stock, all accrued and unpaid dividends on our Series A, B and C preferred stock must be paid in full. We have made sufficient distributions to satisfy the distribution requirements under the REIT rules to maintain our REIT status for 2001 and intend to satisfy such requirements under the REIT rules for 2002. The accumulated and unpaid dividends relating to all series of preferred stocks total \$30.0 million as of June 30, 2002.

On March 30, 2001, we exercised our option to pay the accrued \$4,666,667 Series C dividend from November 15, 2000 and the associated deferral fee by issuing 48,420 Series C preferred shares to Explorer Holdings, L.P. ("Explorer") on April 2, 2001, which are convertible into 774,720 shares of our 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. Dividends paid in stock to a specific class of stockholders, such as our payment of our Series C preferred stock in April 2001, constitute dividends eligible for the 2001 dividends paid deduction.

Since dividends on the Series A and Series B Preferred Stock have been in arrears for more than 18 months, the holders of the Series A and Series B Preferred Stock (voting together as a single class) have the right to elect two additional directors to our Board of Directors in accordance with the terms of the Series A and Series B Preferred Stock and our Bylaws. Explorer, the sole holder of the Series C Preferred Stock, also has the right to elect two other additional directors to our Board of Directors in accordance with the terms of the Series C Preferred Stock and our Bylaws. Explorer, without waiving its rights under the terms of the Series C Preferred Stock or the Stockholders Agreement, has advised us that it is not currently seeking the election of the two additional directors resulting from the Series C dividend arrearage unless the holders of the Series A and Series B Preferred Stock seek to elect additional directors.

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 the assumed conversion of the Series C Preferred Stock.

Note F - Omega Worldwide, Inc.

As of June 30, 2002, we hold a \$5.1 million investment in Omega Worldwide, Inc., represented by 1.16 million shares of common stock and 0.26 million shares of preferred stock. We also hold 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. See Note J - Subsequent Events.

Note G - Litigation

We are 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, we believe 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 our consolidated financial position or results of operations.

On June 21, 2000, we were named as a defendant in certain litigation brought against us by Madison/OHI Liquidity Investors, LLC ("Madison"), for the breach and/or anticipatory breach of a revolving loan commitment. Ronald M. Dickerman and Bryan Gordon are partners in Madison and limited guarantors ("Guarantors") of Madison's obligations to us. Madison claimed damages as a result of the alleged breach of approximately \$0.7 million and damages in an amount ranging from \$15 to \$28 million for the anticipatory breach. We filed counterclaims against Madison and the guarantors seeking repayment of approximately \$7.4 million of unpaid principal on the loan, plus accrued interest. After the trial began on July 22, 2002, the parties agreed to settle all claims in the suit in consideration of the payment to us by Madison for the sum of \$5.4 million. The payment by Madison consists of a \$0.4 million cash payment for our attorneys' fees, with the balance to be evidenced by the amendment of the existing promissory note from Madison to us. The note will reflect a principal balance of \$5.0 million, with interest accruing at 9% per annum, payable over three years upon liquidation of the collateral securing the note. The note is also fully guaranteed by the Guarantors; provided that if all accrued interest and 75% of original principal has been repaid within 18 months, the Guarantors will be released. The financial statements have been adjusted to reflect the restructuring and reduction of our investment in connection with the settlement of this matter.

Note H - Borrowing Arrangements

On December 21, 2001, we reached amended agreements with the bank groups under both of our revolving credit facilities. The amendments became effective as of the closing of the rights offering and private placement to Explorer on February 21, 2002. The amendments included modifications and/or eliminations to certain financial covenants.

The amendment regarding our \$175.0 million revolving credit facility included a one-year extension in maturity from December 31, 2002 to December 31, 2003 and a reduction in the total commitment from \$175.0 million to \$160.0 million.

As part of the amendment regarding our \$75.0 million revolving credit facility, we prepaid \$10.0 million in December 2001, originally scheduled to mature in March 2002. This voluntary prepayment resulted in a permanent reduction in the total commitment, thereby reducing the credit facility to \$65.0 million.

Our \$160.0 million secured revolving line of credit facility expires on December 31, 2003. Borrowings under this facility bear interest at 2.50% to 3.25% over London Interbank Offered Rate ("LIBOR") through December 31, 2002 and 3.00% to 3.25% over LIBOR after December 31, 2002. Borrowings of approximately \$142.7 million were outstanding as of June 30, 2002. Additionally, \$12.8 million of letters of credit were outstanding against this credit facility at June 30, 2002. These letters of credit were collateral for certain long-term borrowings and Owned and Operated insurance programs. LIBOR-based borrowings under this facility bear interest at a weighted-average rate of 5.19% at June 30, 2002. Cost for the letters of credit range from 2.50% to 3.25%, based on our leverage ratio. Real estate investments with a gross book value of approximately \$239.8 million are pledged as collateral for this revolving line of credit facility at June 30, 2002.

Our \$65.0 million line of credit facility expires on June 30, 2005. Borrowings under this facility bear interest at 2.50% and 3.75% over LIBOR, based on our leverage ratio and collateral assignment. Borrowings of approximately \$65.0 million were outstanding at June 30, 2002. LIBOR based borrowings under this facility bear interest at a weighted-average rate of 5.59% at June 30, 2002. Real estate investments with a gross book value of approximately \$117.1 million are pledged as collateral for this revolving line of credit facility at June 30, 2002.

During the three-month period ended June 30, 2002, we paid off the remaining \$61.9 million of our 6.95% Notes that matured in June 2002. As a result of HUD's foreclosure proceedings associated with two closed facilities in North Carolina, we have removed \$5.2 million in net assets and \$5.2 million of mortgage debt from our Consolidated Balance Sheet. See Note B - Properties, Purchase / Leaseback and Management's Discussion and Analysis for further detail.

Note I - Accounting for Derivatives

We utilize 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 ("FASB") issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which was required to be adopted in years beginning after June 15, 2000. We adopted the new Statement effective January 1, 2001. The Statement requires us 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 June 30, 2002, we had two interest rate swaps with notional amounts of \$32.0 million each, based on 30-day LIBOR. Under the terms of the first agreement, which expires in December 2003, we receive payments when LIBOR exceeds 6.35% and pay the counterparty when LIBOR is less than 6.35%. At June 30, 2002, 30-day LIBOR was 1.84%. This interest rate swap was extended to December 2003 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 June 30, 2002 and December 31, 2001 was a liability of \$0.7 million and \$1.3 million, respectively.

The initial liability at January 1, 2001 was recorded as a transition adjustment in other comprehensive income and was recognized over the initial term of the swap ending December 31, 2001. As such, the liability was fully amortized by December 31, 2001. The change in fair value was \$0.2 million and \$0.6 million for the three- and six-month periods ending June 30, 2002, respectively, as compared to \$0 and \$0.4 million the same periods in 2001. The change in fair value, along with the amortization, is included in charges for derivative accounting in our Consolidated Statement of Operations.

Under the second agreement, which expires December 31, 2002, we receive payments when LIBOR exceeds 4.89% and pay the counterparty when LIBOR is less than 4.89%. The fair value of this interest rate swap at June 30, 2002 and December 31, 2001 was a liability of \$0.5 million and \$0.8 million, respectively. The change in fair value of \$0.1 million and \$0.4 million for the three- and six-month periods ending June 30, 2002, respectively, as compared to \$0.3 million for both the three- and six-month periods in 2001. The change in fair value 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 our Consolidated Balance Sheet at June 30, 2002 and December 31, 2001.

Note J - Subsequent Events

On August 1, 2002, we entered into a Master Lease to lease two facilities, a 63-bed facility in Hicksville, Ohio and a 75-bed facility in Gaston, Indiana, to Hickory Creek Healthcare Foundation, Inc., a Georgia not-for-profit corporation. The initial lease term for the two properties is ten years with an initial annual rent payment of \$415,000.

Additionally, on August 1, 2002, the leasehold interest in three facilities in Alabama was terminated by the landlord and transferred to another operator. We paid a one-time fee of \$100,000 in conjunction with the termination and release of the three leaseholds.

As a result of re-leasing efforts subsequent to the end of the second quarter, the total number of Owned and Operated Assets decreased from 13 as of June 30, 2002 to eight as of the filing date hereof.

On August 1, 2002, Omega Worldwide, Inc. issued a press release announcing that it had entered into a definitive merger agreement with Four Seasons Healthcare Limited ("Four Seasons") for the acquisition of all the outstanding common shares of Worldwide at \$3.32 per share. The merger is subject to various conditions, including the acceptance of the tender offer by the holders of a majority of the outstanding shares of Worldwide and the cash purchase by Four Seasons of at least 90% of the shares of Principal Finance Healthcare Limited not held by Worldwide. We currently hold 1.16 million common shares and 260,000 preferred shares of Worldwide, 990,000 common shares and warrants to purchase 185,033 common shares in PHFL. In connection with the tender offer, we have committed to sell our stock and other interests in Worldwide and PHFL, although there is no assurance that the tender offer will close.

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

The following discussion contains forward-looking statements. These statements relate to our expectations regarding our beliefs, intentions, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements other than statements of historical facts. In some cases, you can identify forward-looking statements by the use of forward looking terminology such as "may," "will," "anticipates," "expects," "believes," "intends," "should" or comparable terms or the negative thereof. These statements are based on information available on the date of this report and only speak as of the date hereof and no obligation to update such forward-looking statements should be assumed. Our 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) our ability to dispose of assets held for sale on a timely basis and at appropriate prices; (ii) uncertainties relating to the operation of our Owned and Operated Assets, including those relating to reimbursement by third-party payors, regulatory matters and occupancy levels; (iii) the ability of our operators in bankruptcy to reject unexpired lease obligations, modify the terms of our mortgages, and impede our ability to collect unpaid rent or interest during a bankruptcy proceeding and retain security deposits for the debtor's obligations; (iv) the availability and cost of capital; (v) regulatory and other changes in the healthcare sector; (vi) our ability to manage, re-lease or sell our owned and operated facilities; (vii) competition in the financing of healthcare facilities; (viii) the effect of economic and market conditions generally, and particularly in the healthcare industry; (ix) changes in interest rates; (x) the amount and yield of any additional investments; (xi) changes in tax laws and regulations affecting real estate investment trusts; (xii) access to the capital markets and the cost of capital; (xiii) changes in the ratings of our debt securities; and (xiv) the risk factors discussed in Note C - Concentration of Risk and Related Issues.

Results of Operations

The following is a discussion of our consolidated results of operations, financial position and liquidity and capital resources which should be read in conjunction with the consolidated financial statements and accompanying notes. See Note B - Properties and Note C - Concentration of Risk and Related Issues.

Revenues for the three- and six-month periods ending June 30, 2002 totaled \$34.4 million and \$78.3 million, respectively, a decrease of \$31.3 million and \$56.5 million from the same periods ending June 30, 2001. Excluding nursing home revenues of Owned and Operated Assets, revenues were \$22.2 million and \$44.4 million, respectively, for the three- and six-month periods ending June 30, 2002, an increase of \$0.3 million and a decrease of \$0.7 million from the comparable prior year periods.

Rental income for the three- and six-month periods ending June 30, 2002 was \$15.7 million and \$31.1 million, respectively, an increase of \$0.9 million and \$0.3 million over the same periods in 2001. The \$0.9 million increase for the three-month period is due to \$0.2 million relating to contractual increases in rents that became effective in 2002 and \$2.1 million relating to leases on assets previously classified as owned and operated, offset by a \$1.3 million reduction in lease revenue due to foreclosures, bankruptcies and restructurings and \$0.1 million from a property that was sold in 2001. The \$0.3 million increase in the six-month period is due to \$0.4 million relating leases on to contractual increases in rents that became effective in 2002 and \$3.4 million relating to assets previously classified as owned and operated, offset by a \$3.4 million reduction in lease revenue due to foreclosures, bankruptcies and restructurings and \$0.1 million from a property that was sold in 2001.

Mortgage interest income for the three- and six-month periods ending June 30, 2002 totaled \$5.2 million and \$10.6 million, respectively, a decrease of \$0.3 million and \$0.6 million from the same periods in 2001. The \$0.3 million decrease in the three-month period is due to reduced investments resulting from the payoffs of mortgage notes (\$0.4 million), reduction in interest due to foreclosures, bankruptcies and restructurings of \$0.1 million, and normal amortization of \$0.1 million, offset by \$0.3 million of new investments placed in 2001. The \$0.6 million decrease in the six-month period is due to reduced investments resulting from the payoffs of mortgage notes (\$1.2 million), reduced interest due to normal amortization of \$0.1 million offset by \$0.7 million of new investments placed in 2001.

Nursing home revenues of owned and operated assets for the three- and six-month periods ending June 30, 2002 totaled \$12.2 million and \$34.0 million, respectively, a decrease of \$31.6 million and \$55.8 million from the same periods in 2001. This is due to a significant decrease in the number of operated facilities versus the same period in 2001 (13 at June 30, 2002 as compared to 63 at June 30, 2001).

Expenses for the three- and six-month periods ending June 30, 2002 totaled \$34.6 million and \$74.1 million, respectively, a decrease of \$47.5 million and \$73.5 million compared with expenses of \$82.0 million and \$147.6 million, respectively, for the three- and six-month periods ending June 30, 2001. Excluding nursing home expenses of owned and operated assets, expenses were \$21.1 million for the three-month period ending June 30, 2002 versus \$38.4 million for the same period in 2001 and \$36.9 million for the six-month period ending June 30, 2002 versus \$57.5 million for the same period in 2001.

Nursing home expenses for owned and operated assets for the three- and six-month periods ending June 30, 2002 were \$13.5 million and \$37.2 million, respectively, a decrease of \$30.2 million and \$52.9 million from the same periods in 2001. This is due to 50 fewer facilities in 2002 versus the same period in 2001.

The provision for depreciation and amortization totaled \$5.4 million and \$10.7 million, respectively, for the three- and six-month periods ending June 30, 2002. This \$0.2 million and \$0.4 million decrease versus the same periods in

2001 is primarily due to assets sold in 2001 and lower depreciable values due to impairment charges on owned and operated properties recorded during 2001.

Interest expense for the three- and six-month periods ending June 30, 2002 was \$7.1 million and \$15.3 million, respectively, compared with \$9.2 million and \$18.9 million for the same periods in 2001. This decrease is primarily due to \$87.8 million of reduced total outstanding debt and lower average interest rates versus the same periods in 2001.

General and administrative and legal expenses for the three- and six-month periods ending June 30, 2002, totaled \$2.6 million and \$5.1 million, respectively, compared to \$3.9 million and \$7.2 million, respectively, for the same periods in 2001. The decrease is due to a reduction in staffing, as well as a reduction in consulting costs primarily related to our owned and operated facilities.

During the three-month period ended June 30, 2001, we recorded a \$10.0 million litigation settlement expense related to a suit brought against us by Karrington Health, Inc. On December 29, 1998, Karrington brought suit against us alleging that we repudiated and ultimately breached a financing contract and was seeking recovery of approximately \$34.0 million in damages it alleges to have incurred as a result of the breach. On August 13, 2001, we paid Karrington \$10.0 million to settle all claims arising from the suit, but without admission of any liability or fault by us, which liability is expressly denied. Based on the settlement, the suit was dismissed with prejudice.

A provision for impairment of \$2.5 million for the three- and six-month periods ending June 30, 2002 and \$8.4 million for the three- and six-month periods ending June 30, 2001 is included in expenses. The \$2.5 million provision was to reduce the carrying value of three owned and operated buildings that were closed during the quarter to their fair value less costs to dispose. These buildings are being actively marketed for sale. The \$8.4 million provision in 2001 was to reduce the cost basis of assets recovered from a defaulting operator to their fair value less cost to dispose.

A charge of \$3.7 million for provision for uncollectible mortgages, notes and accounts receivable was recognized during the three-month period ending June 30, 2002. This charge was primarily related to the restructuring and reduction of debt owed by Madison/OHI Liquidity Investors, LLC ("Madison"), as part of the compromise and settlement of a lawsuit with Madison. On June 21, 2000, we were named as a defendant in certain litigation brought against us by Madison, for the breach and/or anticipatory breach of a revolving loan commitment. We filed counterclaims against Madison and its guarantors seeking repayment of approximately \$7.4 million of unpaid principal on the loan, plus accrued interest. After the trial began on July 22, 2002, the parties agreed to settle all claims in the suit in consideration of the payment to us by Madison of the sum of \$5.4 million, consisting of \$0.4 million in cash and a \$5.0 million note. See Note G - Litigation. In addition, the \$3.7 million charge includes \$0.1 million related to HUD's foreclosure proceedings on two closed North Carolina facilities. See Note B - Properties, Purchase / Leaseback. A charge of \$0.7 million was taken during the three-month period ending June 30, 2001 relating to write-off of rents due from a defaulting operator.

Severance and consulting agreement costs of \$0.5 million were recognized during the three-month period ended June 30, 2001 related to the termination of an employment contract with an officer of our company.

During the three-month period ending June 30, 2002, we sold one building, realizing proceeds of \$1.0 million, net of closing costs, resulting in a loss of \$0.3 million. There were no real estate dispositions during the three-month period ending June 30, 2001.

During the three- and six-month periods ending June 30, 2002, we recorded a loss of \$0.1 million related to the early retirement of \$63.1 million of our 6.95% Notes due June, 2002. See Liquidity and Capital Resources. We recorded a gain of \$2.5 million and \$2.7 million, respectively, for the three- and six-month periods ending June 30, 2001 related to the early retirement of \$19.5 million and \$21.5 million, respectively, of these same 6.95% bonds.

Funds from operations ("FFO") for the three- and six-month periods ending June 30, 2002 were \$2.4 million and \$6.8 million, respectively, an increase of \$9.9 million and \$9.5 million, as compared with a deficit of \$7.5 million and a deficit of \$2.7 million for the same periods in 2001 due to the results described above. Fully diluted FFO was \$5.1 million and \$12.0 million, respectively, for the three- and six-month periods ending June 30, 2002, an increase of \$9.9 million and \$9.6 million, as compared with the deficit of \$4.8 million and positive \$2.4 million for the same periods in 2001. FFO is defined as net earnings available to common stockholders, excluding any gains or losses from debt restructuring, the effects of asset dispositions and impairments, plus depreciation and amortization associated with real estate investments. Diluted FFO is adjusted for the assumed conversion of Series C Preferred Stock and the exercise of in-the-money stock options. We consider 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 an understanding of our ability to incur and

service debt, to make capital expenditures and to pay dividends to our stockholders. 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 we continue to qualify as a REIT under the provisions of Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. Accordingly, we have not been subject to federal income taxes on amounts distributed to stockholders, since we have distributed at least 90% of our REIT taxable income for taxable year 2001 (95% prior to 2001) and have met certain other conditions.

Portfolio Developments

During the quarter, we entered into a Master Lease to lease three facilities in Colorado to Conifer Care Communities. The initial term of the lease is 4.7 years with three options to renew for four years each. The initial annual rent payment is approximately \$375,000. As a result of the three re-leased facilities and the three announced facility closings, the total number of Owned and Operated Assets declined by six, leaving 13 remaining facilities as of quarter end. See Note J - Subsequent Events.

We are continuing our negotiations with Integrated Health Services, Inc. and its affiliate, Lyric Health Care LLC, to reach a permanent restructuring agreement or to transition the facilities to a new operator or operators.

Liquidity and Capital Resources

At June 30, 2002, we had total assets of \$857.4 million, stockholders' equity of \$500.2 million and debt of \$337.9 million, representing approximately 40.3% of total capitalization.

We have two secured revolving credit facilities, providing up to \$225.0 million of financing. At June 30, 2002, \$207.7 million was outstanding and \$12.8 million was utilized for the issuance of letters of credit, leaving availability of \$4.5 million.

On December 21, 2001, we reached amended agreements with the bank groups under both of our revolving credit facilities. The amendments became effective as of the closing of the rights offering and private placement to Explorer Holdings, L.P. on February 21, 2002. The amendments included modifications and/or eliminations to certain financial covenants.

The amendment regarding our \$175.0 million revolving credit facility included a one-year extension in maturity from December 31, 2002 to December 31, 2003 and a reduction in the total commitment from \$175.0 million to \$160.0 million.

As part of the amendment regarding our \$75.0 million revolving credit facility, we prepaid \$10.0 million in December 2001, originally scheduled to mature in March 2002. This voluntary prepayment resulted in a permanent reduction in the total commitment, thereby reducing the credit facility to \$65.0 million. Our \$65.0 million line of credit facility expires on June 30, 2005. See Note H - Borrowing Arrangements.

In prior years, we have historically distributed to stockholders a large portion of the cash available from operations. Our historical policy has been to make distributions on common stock of approximately 80% of FFO, but on February 1, 2001, we announced the suspension of all common and preferred dividends. This action was intended to preserve cash to facilitate our ability to obtain financing to fund the 2002 debt maturities. Additionally, on March 30, 2001, we exercised our 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 is convertible into 774,720 shares of our common stock at \$6.25 per share.

No preferred or common cash dividends were paid during the first six months ending June 30, 2002 and 2001, respectively. See Note D - Dividends. We can give no assurance as to when or if the dividends will be reinstated on the preferred stock or common stock, or the amount of the dividends if and when such payments are recommenced. Prior to recommencing the payment of dividends on our common stock, all accrued and unpaid dividends on our Series A, B and C preferred stock must be paid in full. We have made sufficient distributions to satisfy the distribution requirements under the REIT rules to maintain its REIT status for 2001 and intend to satisfy such requirements under the REIT rules for 2002.

On February 6, 2002, we refinanced our investment in a Baltimore, Maryland asset leased by the United States Postal Service resulting in \$13.0 million of net cash proceeds. The new, fully-amortizing mortgage has a 20-year term with a fixed interest rate of 7.26%. This transaction is cash neutral to us on a monthly basis, as lease payments due from USPS equal debt service on the new loan.

On February 21, 2002, we raised gross proceeds of \$50.0 million through the completion of a rights offering and simultaneous private placement to Explorer. The proceeds from the rights offering and private placement were used to repay outstanding indebtedness and for working capital and general corporate purposes.

During the three-month period ended June 30, 2002, we paid off the remaining \$61.9 million of our 6.95% Notes maturing in June 2002. In addition, during the quarter our HUD obligation of \$5.2 million was removed from our Consolidated Balance Sheet as a result of the foreclosure proceedings. See Note B - Properties, Purchase / Leaseback.

We believe our liquidity and various sources of available capital, including funds from operations and expected proceeds from planned asset sales are adequate to finance operations, meet recurring debt service requirements and fund future investments through the next 12 months.

Item 3 - Quantitative and Qualitative Disclosure About Market Risk

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes, but we seek 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 our 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 our total long-term borrowings at June 30, 2002 was \$319.0 million. A one-percent increase in interest rates would result in a decrease in the fair value of long-term borrowings by approximately \$3.8 million.

We are 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. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

We utilize 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 was required to be adopted in years beginning after June 15, 2000. We adopted the new Statement effective January 1, 2001. The Statement requires us 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 June 30, 2002, we had two interest rate swaps with notional amounts of \$32.0 million each, based on 30-day LIBOR. Under the terms of the first agreement, which expires in December 2003, we receive payments when LIBOR exceeds 6.35% and pay the counterparty when LIBOR is less than 6.35%. At June 30, 2002, 30-day LIBOR was 1.84%. This interest rate swap was extended to December 2003 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 June 30, 2002 and December 31, 2001 was a liability of \$0.7 million and \$1.3 million, respectively.

The initial liability at January 1, 2001 was recorded as a transition adjustment in other comprehensive income and was recognized over the initial term of the swap ending December 31, 2001. As such, the liability was fully amortized by 2001. The amortization for the three- and six-month period ending June 30, 2001 was \$0.1 million and \$0.2 million, respectively. The change in fair value of \$0.2 million and \$0.6 million for the three- and six-month periods ending June 30, 2002 and the change in the fair value of \$0 and \$0.4 million for the three- and six-month periods ending June 30, 2001, respectively, along with the amortization are included in charges for derivative accounting in our Consolidated Statement of Operations.

Under the second agreement, which expires December 31, 2002, we receive payments when LIBOR exceeds 4.89% and pay the counterparty when LIBOR is less than 4.89%. The fair value of this interest rate swap at June 30, 2002 and December 31, 2001 was a liability of \$0.5 million and \$0.8 million, respectively. The change in fair value of \$0.1 million and \$0.4 million for the three- and six-month periods ending June 30, 2002 and the change in the fair value of \$0.3 million for both the three- and six-month periods ending June 30, 2001, respectively are 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 our Consolidated Balance Sheet at June 30, 2002 and December 31, 2001.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note G - Litigation to the Consolidated Financial Statements in Item 1 hereto, which are hereby incorporated by reference in response to this item.

Item 2. Changes in Securities and Use of Proceeds

None this period.

Item 3. Defaults upon Senior Securities

(a) Payment Defaults. Not Applicable.

(b) Dividend Arrearages. On February 1, 2001, we announced the suspension of dividends on all common and preferred stock. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources. Dividends on our preferred stock are cumulative: therefore, all accrued and unpaid dividends on our Series A, B and C Preferred Stock must be paid in full prior to recommencing the payment of cash dividends on our Common Stock. The table below sets forth information regarding arrearages in payment of preferred stock dividends:

(c)

Title of Class	Annual Dividend Per Share	Arrearage as of June 30, 2002
9.25% Series A Cumulative Preferred Stock	\$ 2.3125	\$ 7,978,125
8.625% Series B Cumulative Preferred Stock	\$ 2.1563	\$ 6,468,750
Series C Convertible Preferred Stock	\$ 10.0000	\$ 15,523,643
TOTAL		\$ 29,970,518

Since dividends on the Series A and Series B Preferred Stock have been in arrears for more than 18 months, the holders of the Series A and Series B Preferred Stock (voting together as a single class) have the right to elect two additional directors to our Board of Directors in accordance with the terms of the Series A and Series B Preferred Stock and our Bylaws. Explorer, the sole holder of the Series C Preferred Stock, also has the right to elect two other additional directors to our Board of Directors in accordance with the terms of the Series C Preferred Stock and our Bylaws. Explorer, without waiving its rights under the terms of the Series C Preferred Stock or the Stockholders Agreement, has advised us that it is not currently seeking the election of the two additional directors resulting from the Series C dividend arrearage unless the holders of the Series A and Series B Preferred Stock seek to elect additional directors.

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

(a) An Annual Meeting of Stockholders was held on May 30, 2002.

(b) The following directors were elected at the meeting for a three-year term: Thomas W. Erickson, Harold J. Kloosterman, Donald J. McNamara and C. Taylor Pickett. The following directors were not elected at the meeting but their term of office continued after the meeting: Daniel A. Decker, Thomas F. Franke, Bernard J. Korman, Edward Lowenthal, Christopher W. Mahowald and Stephen D. Plavin. The results of the vote were as follows:

<TABLE>
<CAPTION>

<S>	<C>	<C>	Manner of Vote Cast	Thomas W. Erickson	Harold J. Kloosterman	Donald J. McNamara	C. Taylor Pickett
		<C>	<C>				
			For *	52,477,917	52,476,012	52,622,730	52,448,141
			Withheld	557,251	559,156	412,438	587,027
			Abstentions and broker non-votes	--	--	--	--

</TABLE>

* Includes 16,774,720 votes represented by Series C Preferred Stock.

(c) At the meeting, the stockholders also approved an amendment to our Articles of Incorporation and Bylaws to increase the maximum size of our Board of Directors. The results of the vote were as follows:

Manner of Vote Cast	Votes Represented
For *	51,710,894
Against	1,191,916
Abstentions	133,439
Broker non-votes	--

* Includes votes 16,774,720 represented by Series C Preferred Stock.

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit	Description
3.(i)	Articles of Amendment to the Articles of Incorporation of Omega Healthcare Investors, Inc. as of June 3, 2002.
3.(ii)	Amended and Restated Bylaws of Omega Healthcare Investors, Inc. as of May 30, 2002.
99.1	Certification of the Chief Executive Officer under Section 906 of the Sarbanes - Oxley Act of 2002.
99.2	Certification of the Chief Financial Officer under Section 906 of the Sarbanes - Oxley Act of 2002.

(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: August 13, 2002

By: /s/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

Date: August 13, 2002

By: /s/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF OMEGA HEALTHCARE INVESTORS, INC.

1.

The name of the corporation is Omega Healthcare Investors, Inc. (the "Corporation").

2.

The Corporation hereby amends the last paragraph of Article V, Section 3 of its Articles of Incorporation as follows:

"The number of Directors may be increased or decreased from time to time in such manner as may be provided in the Bylaws, provided that the number of Directors constituting the full Board of Directors shall not be less than five (5) nor more than thirteen (13), subject, at all times, to the rights of the holders of any class of the Corporation's preferred stock to elect directors in certain circumstances pursuant to the express terms of such preferred stock."

3.

The Board of Directors of the Corporation approved the foregoing amendment by unanimous written consent on April 2, 2002, declared that said amendment was advisable, and directed that it be submitted for action thereon at a meeting of the stockholders of the Corporation to be held on May 30, 2002.

4.

At a duly called meeting of stockholders held on May 30, 2002, the stockholders of the Corporation approved the foregoing amendment by the 80% affirmative vote required by Article VII of the Articles of Incorporation.

5.

All other provisions of the Articles of Amendment shall remain in full force and effect.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be executed this 30th day of May, 2002 and its corporate seal to be hereunto affixed and attested to by its Secretary.

THE UNDERSIGNED, C. Taylor Pickett acknowledges these Articles of Amendment to be the corporate act of the Corporation and states that to the best of his knowledge, information and belief the matters and facts set forth therein with respect to the authorization and approval thereof are true in all material respects and that this statement is made under the penalties of perjury.

Attest: OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ C. TAYLOR PICKETT

Name: C. Taylor Pickett

Title: Chief Executive Officer

/s/ DANIEL J. BOOTH

Name: Danial J. Booth

Title: Secretary

[SEAL]

AMENDED AND RESTATED
BYLAWS
OF
OMEGA HEALTHCARE INVESTORS, INC.

As Amended on May 30, 2002

BYLAWS
OF
OMEGA HEALTHCARE INVESTORS, INC.
AS AMENDED AND RESTATED
May 30, 2002

ARTICLE I
OFFICES

Section 1. Registered Office. The registered office of the corporation shall be established and maintained at the office of THE CORPORATION TRUST INCORPORATED, 32 South Street, Baltimore, Maryland 21202, and said THE CORPORATION TRUST INCORPORATED be the registered agent of this corporation in charge thereof.

Section 2. Other Offices. The corporation may establish such other offices, within or without the State of Maryland, at such place or places as the Board of Directors from time to time may designate, or which the business of the corporation may require.

ARTICLE II
STOCKHOLDERS

Section 1. Annual Meetings. Annual meetings of stockholders for the election of Directors and for such other business as may be stated in the notice of the meeting, shall be held on a date and at a time designated by the Board of Directors at such place, within or without the State of Maryland, as the Board of Directors by resolution shall determine, and as set forth in the notice of the meeting.

If the date of the annual meeting shall fall on a legal holiday of the state in which the meeting is to be held, the meeting shall be held on the next succeeding business day.

Section 2. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may be called by the Chairman, the Chief Executive Officer, the President, or by a majority of the Board of Directors and shall be called by an officer upon written request of stockholders holding in the aggregate not less than 10% of the outstanding shares entitled to vote on the business proposed to be transacted thereat. Such meetings may be held at such time and place, within or without the State of Maryland, as shall be stated in the notice of the meeting. The call of a special meeting shall state the nature of the business to be transacted and no other business shall be considered at the meeting. A special meeting may be called for the purpose of removing a Director.

Section 3. Notice of Meetings. Written or printed notice, stating the place, date and time of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered to each stockholder entitled to vote thereat at his address as it appears on the records of the corporation, by United States mail, postage prepaid, not less than twenty (20) nor more than sixty (60) days before the date of the meeting. No business other than that stated in the notice shall be transacted at any meeting without the unanimous consent of all stockholders entitled to vote thereat.

Section 4. Voting. At each annual meeting the stockholders entitled to vote shall elect a Board of Directors, and they may transact such other corporate

business as shall be stated in the notice of the meeting. The vote for Directors, and, upon the demand of any stockholder, the vote upon any question before the meeting, shall be by ballot. Unless otherwise provided by the Articles of Incorporation or by the laws of the State of Maryland, all elections of Directors shall be by a plurality of the votes cast, and all substantive questions shall be decided by a majority vote; all procedural questions shall be decided by the Chairman or Parliamentarian of the meeting.

The Directors may fix a day not more than sixty (60) days prior to the holding of any such meeting as the date as of which stockholders entitled to notice of and to vote at such meeting shall be determined; and only stockholders of record on such day shall be entitled to notice of or to vote at any such meeting.

Each stockholder entitled to vote, in accordance with the terms of the Articles of Incorporation and the provisions of these Bylaws, shall be entitled to one vote, in person or by proxy, for each share of stock entitled to vote held by such stockholder, but no proxy shall be voted after eleven (11) months from its date unless such proxy provides for a longer period. In no case shall any proxy be given for a period in excess of ten (10) years from the date of its execution.

Section 5. Quorum. Any number of stockholders together holding a majority of the stock issued and outstanding and entitled to vote thereat, who shall be present in person or represented by proxy at any meeting duly called, shall constitute a quorum for the transaction of business. If, at any meeting, less than a quorum shall be present or represented, those present, either in person or by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock shall be present, at which time any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 6. Action Without Meeting. Except for the election of Directors, any action to be taken by the stockholders may be taken without a meeting, if, prior to such action, all stockholders entitled to vote thereon shall consent in writing to such action being taken, and such consent shall be treated for all purposes as vote at a meeting.

ARTICLE III DIRECTORS

Section 1. Number and Term. The number of Directors constituting the full Board of Directors shall be not less than five (5) nor more than thirteen (13) until changed by amendment of these Bylaws, subject, at all times, to the rights of the holders of any class of the Corporation's preferred stock to elect directors in certain circumstances pursuant to the express terms of such preferred stock. The exact number of Directors within such range shall be fixed from time to time by resolution of the Board of Directors or the stockholders. The Directors shall be elected at the annual meeting of stockholders, and each Director shall be elected to serve until his successor shall be elected and shall have qualified. In no case shall the number of Directors be less than five (5), unless changed by an amendment to the Articles of Incorporation.

The Board of Directors of this corporation shall be classified into three groups, with two Directors in Group I, three Directors in Group II, and two Directors in Group III. Each Director in Group I initially shall serve for a term ending at the annual meeting of stockholders in 1993; each Director in Group II shall serve for an initial term ending at the annual meeting of stockholders in 1994; and each Director in Group III shall serve for an initial term ending at the annual meeting of stockholders in 1995. After the respective initial terms of the groups indicated, each such group of Directors shall be elected for successive terms ending at the annual meeting of stockholders the third year after election.

Directors need not be stockholders.

Section 2. Quorum. A majority of the Directors shall constitute a quorum for the transaction of business. If, at any meeting of the Board, there shall be less than a quorum present, a majority of those present may adjourn the meeting, from time to time, until a quorum is obtained, and no further notice thereof need be given other than by announcement at said meeting which shall be so adjourned.

Section 3. First Meeting. The newly elected Directors may hold their first meeting for the purpose of organization and the transaction of business, if a quorum is present, immediately after the annual meeting of stockholders or the time and place of such meeting may be fixed by written consent of the entire Board.

Section 4. Election of Officers. At the first meeting, or at any subsequent meeting called for that purpose, the Directors shall elect the officers of the corporation, as more specifically set forth in ARTICLE V of these Bylaws. Such officers shall hold office until the next annual election of officers, or until their successors are elected and shall have qualified.

Section 5. Regular Meetings. Regular meetings of the Board of Directors shall be held, without notice, at such places and times as shall be determined, from time to time, by resolution of the Board of Directors.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman, the Chief Executive Officer, the President, or by the Secretary on four (4) days' notice to each Director. In case such notice is delivered personally, or by telephone, facsimile or telegram, it shall be delivered at least twenty-four (24) hours prior to the time of the holding of the meeting.

Section 7. Place of Meetings. The Directors may hold their meetings, and have one or more offices, and keep the books of the corporation outside the State of Maryland at any office or offices of the corporation, or at any other place as they from time to time by resolution may determine.

Section 8. Dispensing With Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting need not be given to any Director who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director.

Section 9. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors, or any committee thereof, may be taken without a meeting if, prior to such action, a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board of Directors or committee.

Section 10. Telephonic Meetings. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 11. General Powers of Directors. The Board of Directors shall have the management of the business of the corporation, and, subject to the restrictions imposed by law exercise all the powers of the corporation. Each Director shall be entitled to rely upon the books and records of the corporation, and upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by officers or employees of the corporation believed to be reliable and competent in the matters presented, or by counsel, independent accountants, or other persons as to matters which the Board of Directors believes to be within such person's professional or expert competence.

Section 12. Specific Powers of Directors. Without prejudice to such general powers, it hereby is expressly declared that the Directors shall have the following powers:

(1) To make and change regulations, not inconsistent with these Bylaws, for the management of the business and affairs of the corporation.

(2) To purchase or otherwise acquire for the corporation any property, rights or privileges which the corporation is authorized to acquire.

(3) To pay for any property purchased for the corporation, either wholly or partly in money, stock, bonds, debentures or other securities of the corporation.

(4) To borrow money and make and issue notes, bonds and other negotiable and transferable instruments, mortgages, deeds of trust and trust agreements, and to do every act and thing necessary to effectuate the same.

(5) To remove any officer for cause, or any officer summarily, without cause, and, in their discretion, from time to time to devolve the powers and duties of any officer upon any other person for the time being.

(6) To appoint and remove or suspend subordinate officers or agents as they may deem necessary, and to determine their duties, and to fix and from time to time to change their salaries or remuneration, and to require security as and when they think fit.

(7) To confer upon any officer of the corporation the power to appoint, remove and suspend subordinate officers and agents.

(8) To determine who shall be authorized, on behalf of the corporation, to make and sign bills, notes, acceptances, endorsements, contracts and other instruments.

(9) To determine who shall be entitled, in the name and on behalf of the corporation, to vote upon or to assign and transfer any shares of stock, bonds or other securities of other corporations held by this corporation.

(10) To delegate any of the powers of the Board, in relation to the ordinary business of the corporation, to any standing or special committee, or to any officer or agent (with power to sub-delegate), upon such terms as they deem fit.

(11) To call special meetings of the stockholders for any purpose or purposes.

(12) To appoint the accountants and attorneys for the corporation.

Section 13. Compensation. Directors shall receive a stated salary for their services as Directors and, by resolution of the Board, a fixed fee and expenses of attendance for attendance at each meeting. Directors may participate in retirement plans, stock option and restricted stock plans and other employee benefit plans of the Company which specifically permit participation by directors.

Nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity as an officer, agent, or otherwise.

ARTICLE IV COMMITTEES

Section 1. Appointments and Powers. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees. The Board of Directors may designate one or more Directors as alternate members of a committee who may replace any absent or disqualified member at any meeting of the committee. Such alternate members shall, for purposes of determining a quorum, be counted in the place of the absent or disqualified member. The committee, to the extent provided in said resolution or resolutions or in these Bylaws, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation. Such committee or committees shall have such name or names as may be stated in these Bylaws or as may be determined from time to time by resolution adopted by the Board of Directors. For so long as Section 3.1 of the Stockholders Agreement dated July 14, 2000 by and between the Company and Explorer Holdings L.P. ("Explorer") shall remain in effect, each committee of the Board of Directors will be comprised of that number of directors who were designated to the Board of Directors (the "Explorer Directors") by Explorer pursuant to the terms of the Investment Agreement dated as of May 11, 2000, by and between the Company and Explorer, equal to the product (rounded to the nearest whole number in accordance with established mathematical convention) of the number of directors on such committee multiplied by a fraction, the numerator of which is the number of Explorer Designees and the denominator of which is the aggregate number of directors on the entire Board of Directors; provided, however, that the number of Explorer Designees shall not constitute a majority of the members of any committee unless the Explorer Designees also constitute a majority of the members of the Board of Directors.

Section 2. Minutes. Committees shall keep regular minutes of their proceedings, and report the same to the Board of Directors when required.

Section 3. Audit Committee. The Audit Committee shall select and engage in behalf of the corporation, and fix the compensation of, a firm of certified public accountants whose duty it shall be to audit the books and accounts of the corporation and its subsidiaries for the fiscal year in which they are appointed, and who shall report to such Committee. The Audit Committee shall confer with the auditors and shall determine, and from time to time shall report to the Board of Directors upon the scope of the auditing of the books and accounts of the corporation and its subsidiaries. The Audit Committee shall also be responsible for determining that the business practices and conduct of employees and other representatives of the corporation and its subsidiaries comply with the policies and procedures of the corporation. None of the members of the Audit Committee shall be officers or employees of the corporation.

ARTICLE V OFFICERS

Section 1. Officers. The officers shall be elected at the first meeting of the Board of Directors after each annual meeting of stockholders. The Directors shall elect a Chairman, a Chief Executive Officer, a President, a Secretary and a Treasurer and one or more Vice Presidents as they may deem proper. Any person may hold two or more offices.

The Board of Directors may appoint such other officers and agents as it may deem advisable, who shall hold office for such terms and shall exercise such powers and perform such duties as shall from time to time be determined by the Board of Directors.

Section 2. Chairman. The Chairman, if one be elected, shall preside at all meetings of the Board of Directors and stockholders, and he shall have and perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 3. Chief Executive Officer. The Chief Executive Officer shall have the general powers and duties of supervision and management usually vested in the office of Chief Executive Officer of a corporation. He shall have general supervision, direction and control of the business of the corporation. Except as the Board of Directors shall authorize the execution thereof in some other manner, he shall execute bonds, mortgages and other contracts on behalf of the corporation.

Section 4. President. The President shall have the general powers and duties of supervision and management usually vested in the office of President of a corporation. He shall have general supervision, direction and control of the business of the corporation. Except as the Board of Directors shall authorize the execution thereof in some other manner, he shall execute bonds, mortgages and other contracts on behalf of the corporation.

Section 5. Vice Presidents. Each Vice President shall have such powers and shall perform such duties as are usually vested in the office of Vice President of a corporation. Except as the Board of Directors shall authorize the execution thereof in some other manner, he shall execute bonds, mortgages and other contracts on behalf of the corporation.

Section 6. Secretary. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and Directors, and all other notices required by law or by these Bylaws, and, in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the Chairman, the Chief Executive Officer, the President, the Board of Directors, or the stockholders, upon whose requisition the meeting is called as provided in these Bylaws. He shall record all proceedings of meetings of the stockholders and of the Board of Directors in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Directors or the President.

Section 7. Treasurer. The Treasurer shall have the custody of the corporate funds and securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation. He shall deposit all monies and other valuables in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors.

The Treasurer shall disburse the funds of the corporation as may be ordered by the Board of Directors or the President, taking proper vouchers for such disbursements. He shall render to the President and the Board of Directors, at the regular meetings of the Board, or whenever they may request it, an accounting of all his transactions as Treasurer, and of the financial condition of the corporation.

If required by the Board of Directors, he shall give the corporation a bond for the faithful discharge of his duties, in such amount and with such surety as the Board shall prescribe.

Section 8. Assistant Secretaries and Assistant Treasurers. Assistant Secretaries and Assistant Treasurers, if any, shall be appointed by the Board of Directors or by the Chief Executive Officer, the President or Vice President and shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the Secretary and by the Treasurer.

Section 9. General Powers. In addition to the rights and duties set forth in this Article V, the Chief Executive Officer, President, Secretary or any other officer of the corporation shall be authorized and empowered to take such actions and to execute such documents on behalf of the corporation as may, from time to time, be required.

ARTICLE VI

RESIGNATIONS; FILLING OF VACANCIES; INCREASE IN NUMBER OF DIRECTORS; REMOVAL FROM OFFICE

Section 1. Resignations. Any Director, member of a committee, or other officer may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and, if no time be specified, at the time of its receipt by the Board of Directors, the President or the Secretary. The acceptance of a resignation shall not be necessary to make it effective.

Section 2. Filling of Vacancies. If the office of any officer, Director or member of a committee becomes vacant, the remaining Directors in office, although less than a quorum, may appoint, by a majority vote, any qualified person to fill such vacancy, who shall hold office for the unexpired term of his predecessor, or until his successor is elected and shall have qualified.

Any vacancy occurring by reason of an increase in the number of Directors may be filled by action of a majority of the entire Board, for a term of office continuing only until the next election by the stockholders of Directors within the Group to which the new Director is appointed, or may be filled by the affirmative vote of the holders of a majority of the shares then entitled to vote at an election of Directors.

Section 3. Removal From Office. At a meeting of stockholders expressly called for such purpose, any or all members of the Board of Directors may be removed, with or without cause, by a vote of the holders of not less than two-thirds (2/3) of the issued and outstanding capital stock entitled to vote thereon and said stockholders may elect a successor or successors to fill any resulting vacancies, for the unexpired terms of the removed Directors.

Any officer or agent, or member of a committee elected or appointed by the Board of Directors, may be removed by said Board whenever, in its judgment, the best interests of the corporation shall be served thereby.

ARTICLE VII CAPITAL STOCK

Section 1. Certificates of Stock. Certificates of stock, numbered, and signed by a member of the Board of Directors, the Chief Executive Officer, the President or a Vice President, and the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, shall be issued to each stockholder, certifying to the number of shares owned by him in the corporation. Whenever any certificate is countersigned, or otherwise authenticated by a transfer agent or registrar, the signatures of such Chairman, Chief Executive Officer, President, Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer may be facsimiles.

In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of its issue.

Section 2. Lost Certificates. A new certificate of stock may be issued in place of any certificate theretofore issued by the corporation and alleged to have been lost or destroyed, and the Directors may, at their discretion, request the owner of the lost or destroyed certificate, or his legal representative, to give the corporation a bond, in such sum as they may direct, but not exceeding double the value of the stock, to indemnify the corporation against any claim that may be made against it on account of the alleged loss of any such certificate.

Section 3. Transfer of Shares. Subject to the restrictions that may be contained in the Articles of Incorporation, the shares of stock of the corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized representatives.

Section 4. Dividends. Subject to the provisions of the Articles of Incorporation and the laws of the State of Maryland, the Board of Directors may, at any regular or special meeting, declare dividends upon the capital stock of the corporation, as and when they may deem expedient.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The fiscal year of the corporation shall end on the 31st day of December of each calendar year.

Section 2. Checks, Drafts, Notes. All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation, and in such manner as from time to time shall be determined by resolution of the Board of Directors.

Section 3. Corporate Records. The corporation shall keep correct and complete books of account and minutes of the proceedings of its stockholders and Directors.

The corporation shall keep and maintain at its principal offices a certified copy of its Articles of Incorporation and all amendments thereto, a certified copy of its Bylaws and all amendments thereto, a stock ledger or duplicate stock ledger, revised annually, containing the names, alphabetically arranged, of all stockholders, their residence addresses, and the number of shares held by them, respectively. In lieu of the stock ledger or duplicate

stock ledger, a statement may be filed in the principal office stating the name of the custodian of the stock ledger or duplicate stock ledger, and the present and complete post office address (including street and number, if any) where such stock ledger or duplicate stock ledger is kept.

The Directors shall take all reasonable steps to assure that a full and correct annual statement of the affairs of the corporation is prepared annually, including a balance sheet and a financial statement of operations for the preceding fiscal year which shall be certified by independent certified public accountants, and distributed to stockholders within 120 days after the close of the corporation's fiscal year and a reasonable period of time prior to the annual meeting of stockholders. The Directors shall also be responsible for scheduling the annual meeting of stockholders.

Section 4. Notice and Waiver of Notice. Whenever, pursuant to the laws of the State of Maryland or these Bylaws, any notice is required to be given, personal notice is not meant unless expressly so stated, and any notice so required shall be deemed to be sufficient if given by depositing the same in the United States mail, postage prepaid, addressed to the person entitled thereto at his address as it appears on the records of the corporation, and such notice shall be deemed to have been given on the day of such mailing. Stockholders not entitled to vote shall not be entitled to receive notice of any meetings except as otherwise provided by statute.

Any notice required to be given may be waived, in writing, by the person or persons entitled thereto, whether before or after the time stated therein.

Section 5. Inspectors. The Board of Directors may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If the inspectors shall not be so appointed or if any of them shall fail to appear or act, the chairman of the meeting may, and on the request of any stockholder entitled to vote thereat shall, appoint inspectors. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No Director or candidate for the office of Director shall act as inspector of an election of Directors. Inspectors need not be stockholders.

Section 6. Transactions with Officers and Directors. The corporation shall not engage in any purchase, sale or lease of property or other business transaction in which an officer or director of the corporation has a direct or indirect material interest without the approval by resolution of a majority of those directors who do not have an interest in such transaction.

ARTICLE IX

AMENDMENTS TO BYLAWS

Section 1. Amendment by Shareholders. New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote, provided, however, that any provision of these Bylaws requiring a vote of greater than a majority may be amended, repealed or modified only by a vote satisfying such higher voting requirements.

Section 2. Amendment by Directors. Subject to the right of the shareholders as provided in Section 1 of this Article IX to adopt, amend, or repeal Bylaws, Bylaws may be adopted, amended, or repealed by the Board of Directors; provided, however, that the Board of Directors may adopt an amendment of a Bylaw changing the authorized number of directors only within the limits specified in the Articles of Incorporation or in Section 1 of Article III of these Bylaws.

ARTICLE X

INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Indemnification. The corporation shall indemnify and hold harmless, and shall pay expenses incurred by or satisfy a judgment or fine levied against, each officer, director and other person, in the manner and to the full extent permitted by the General Corporation Law of the State of Maryland.

Section 2. Provisions Not Exclusive. This Article shall not be construed as a limitation upon the power of the corporation to enter into contracts or undertakings of indemnity with a director, officer, employee or agent of the

corporation, nor shall it be construed as a limitation upon any other rights to which a person seeking indemnification may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to actions in his official capacity and as to action in another capacity while holding office.

CERTIFICATE OF SECRETARY

I, Daniel J. Booth, Secretary of Omega Healthcare Investors, Inc., hereby certify that the attached Bylaws consisting of 12 pages, constitute the Bylaws of this corporation, and the same are in full force and effect as of May 30, 2002.

IN WITNESS WHEREOF, I have executed this certificate as of the 30th day of May, 2002.

/s/ DANIEL J. BOOTH

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

I, C. Taylor Pickett, of Omega Healthcare Investors, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2002 (the "Report") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 13, 2002

/s/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

I, Robert O. Stephenson, of Omega Healthcare Investors, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2002 (the "Report") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 13, 2002

/s/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer