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

FORM 10-Q

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

For the quarterly period ended September 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	38-3041398
(State of Incorporation)	(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 X No _____

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

Common Stock, $.10 par value	37,135,149
(Class)	(Number of shares)

OMEGA HEALTHCARE INVESTORS, INC.
FORM 10-Q
September 30, 2002
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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	September 30, 2002 (Unaudited)	December 31, 2001 (See Note)
ASSETS		
Real estate properties		
Land and buildings at cost	$ 675,760	$ 684,848
Less accumulated depreciation	(112,681)	(100,038)
Real estate properties--net	563,079	584,810
Mortgage notes receivable--net	176,661	195,193
	739,740	780,003
Other investments--net	41,713	50,791
	781,453	830,794
Assets held for sale--net	5,972	7,396
Total investments	787,425	838,190
Cash and cash equivalents	5,480	11,445
Accounts receivable--net	2,051	4,565
Interest rate cap	8,592	-
Other assets	8,115	6,732
Operating assets for owned properties	12,190	29,907
Total assets	$ 823,853	$ 890,839
LIABILITIES AND STOCKHOLDERS' EQUITY		
Revolving lines of credit	$ 189,800	$ 193,689
Unsecured borrowings	100,000	197,526
Other long-term borrowings	29,708	21,957
Accrued expenses and other liabilities	8,868	16,790
Operating liabilities for owned properties	4,018	10,187

Total liabilities	332,394	440,149
Preferred stock	212,342	212,342
Common stock and additional paid-in capital	484,742	440,071
Cumulative net earnings	161,946	165,891
Cumulative dividends paid	(365,654)	(365,654)
Unamortized restricted stock awards	(116)	(142)
Accumulated other comprehensive loss	(1,801)	(1,818)
Total stockholders' equity	491,459	450,690
Total liabilities and stockholders' equity	$ 823,853	$ 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>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues				
Rental income	$ 16,472	$ 14,936	$ 47,569	$ 45,686
Mortgage interest income	5,301	5,130	15,899	16,343
Other investment income - net	2,068	1,374	4,227	3,640
Nursing home revenues of owned and operated assets	6,798	43,820	40,756	133,613
Miscellaneous	243	1,575	759	2,384
	30,882	66,835	109,210	201,666
Expenses				
Nursing home expenses of owned and operated assets	19,677	44,439	56,862	134,565
Depreciation and amortization	5,298	5,515	15,976	16,560
Interest	6,444	9,124	21,720	28,039
General and administrative	1,576	2,203	5,065	7,707
Legal	610	1,145	2,262	2,862
State taxes	54	126	270	339
Litigation settlement expense	-	-	-	10,000

Provision for impairment	2,371	-	4,854	8,381
Provision for uncollectible mortgages, notes and accounts receivable	5,219	19	8,898	700
Severance, moving and consulting agreement costs	-	4,300	-	4,766
Adjustment of derivatives to fair value	(348)	561	(946)	1,113
	40,901	67,432	114,961	215,032
Loss before gain (loss) on assets sold and gain (loss) on early extinguishment of debt	(10,019)	(597)	(5,751)	(13,366)
Gain (loss) on assets sold - net	2,157	(1,485)	1,855	(873)
Net loss before gain (loss) on early extinguishment of debt	(7,862)	(2,082)	(3,896)	(14,239)
Gain (loss) on early extinguishment of debt	-	226	(49)	2,963
Net loss	(7,862)	(1,856)	(3,945)	(11,276)
Preferred stock dividends	(5,029)	(5,029)	(15,087)	(14,966)
Net loss available to common	$(12,891)	$ (6,885)	$(19,032)	$(26,242)
Loss per common share:				
Net loss per share - basic	$ (0.35)	$ (0.34)	$ (0.56)	$ (1.31)
Net loss per share - diluted	$ (0.35)	$ (0.34)	$ (0.56)	$ (1.31)
Loss per common share before gain (loss) on early extinguishment of debt:				
Net loss per share - basic	$ (0.35)	$ (0.35)	$ (0.56)	$ (1.46)
Net loss per share - diluted	$ (0.35)	$ (0.35)	$ (0.56)	$ (1.46)
Dividends declared and paid per common share	$ -	$ -	$ -	$ -
Weighted-average shares outstanding, basic	37,133	20,071	33,930	20,032
Weighted-average shares outstanding, diluted	37,133	20,071	33,930	20,032
Components of other comprehensive income (loss):				
Unrealized gain (loss) on Omega Worldwide, Inc	$ 411	$ (814)	$ 969	$ (567)
Unrealized loss on hedging contracts - net	$ (1,318)	$ (458)	$ (952)	$ (894)

Total comprehensive loss	$ (8,769)	$ (3,128)	$ (3,928)	$(12,737)

</TABLE>

See notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2002	2001
Operating activities		
Net loss	$ (3,945)	$(11,276)
Adjustment to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	15,976	16,560
Provision for impairment	4,854	8,381
Provision for uncollectible accounts	8,898	700
(Gain) loss on assets sold - net	(1,855)	873
Loss (gain) on early extinguishment of debt	49	(2,963)
Adjustment of derivatives to fair value	(946)	1,113
Other	1,028	3,291
Net change in accounts receivable for Owned and Operated assets--net	16,205	(8,120)
Net change in accounts payable for Owned and Operated assets	(3,741)	(3,776)
Net change in other Owned and Operated assets and liabilities	(915)	(97)
Net change in operating assets and liabilities	(1,957)	2,762
Net cash provided by operating activities	33,651	7,448
Cash flows from financing activities		
(Payment of) proceeds from revolving lines of credit--net	(3,889)	18,000
Proceeds from long-term borrowings - net	13,409	-
Payments of long-term borrowings	(97,981)	(43,355)
Payments for derivative instruments	(10,140)	-
Receipts from Dividend Reinvestment Plan	4	29
Proceeds from rights offering and private placement - net	44,600	-
Deferred financing costs paid	(5,604)	(852)
Other	-	(45)
Net cash used in financing activities	(59,601)	(26,223)

Cash flow from investing activities

Proceeds from sale of real estate investments--net	1,045	1,514
Proceeds from sale of other investments, capital improvements and funding of other investments--net	7,353	1,444
Collection of mortgage principal	11,587	22,790
Net cash provided by investing activities	19,985	25,748
(Decrease) increase in cash and cash equivalents	(5,965)	6,973
Cash and cash equivalents at beginning of period	11,445	7,172
Cash and cash equivalents at end of period	$ 5,480	$ 14,145

</TABLE>

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

September 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 nine-month periods ended September 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 Financial Accounting Standards Board ("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 September 30, 2002 follows:

<TABLE>
<CAPTION>

Facility Count	Purchase / Leaseback	Mortgages	Owned & Operated	Closed Facilities	Total Healthcare Facilities	Held for Sale	Total

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at June 31, 2002..............	148	69	13	3	233	7	240
Properties transferred to Held for Sale.......................	-	-	-	-	-	-	-
Properties transferred to Owned & Operated....................	-	-	-	-	-	-	-
Properties closed.....................	(3)	-	-	3	-	-	-
Properties Sold / Mortgages Paid.......	-	(4)	-	(1)	(5)	-	(5)
Transition Leasehold Interest..........	-	-	(3)	-	(3)	-	(3)
Properties Leased / Mortgages Placed...	-	-	-	-	-	-	-
Properties transferred to Purchase/Leaseback..................	2	-	(2)	-	-	-	-
Balance at September 30, 2002........	147	65	8	5	225	7	232
Gross Investment							
Balance at June 31, 2002..............	$658,804	$190,802	$ 18,873	$ 1,300	$869,779	$ 5,972	$875,751
Properties transferred to Held for Sale.......................	-	-	-	-	-	-	-
Properties transferred to Owned & Operated....................	-	-	-	-	-	-	-
Properties closed.....................	(1,872)	-	-	1,872	-	-	-
Properties Sold / Mortgages Paid.......	-	(8,727)	-	-	(8,727)	-	(8,727)
Transition Leasehold Interest..........	-	-	(543)	-	(543)	-	(543)
Properties Leased / Mortgages Placed...	-	-	-	-	-	-	-
Properties transferred to Purchase/Leaseback..................	7,250	-	(7,250)	-	-	-	-
Impairment on Properties and Mortgage Reserve....................	-	(4,946)	-	(2,371)	(7,317)	-	(7,317)
Capex and other.......................	(373)	(468)	70	-	(771)	-	(771)
Balance at September 30, 2002........	$663,809	$176,661	$ 11,150	$ 801	$852,421	$ 5,972	$858,393

</TABLE>

Purchase / Leaseback

During the three-month period ending September 30, 2002, we leased two properties, previously classified as Owned and Operated Assets, to Hickory Creek Healthcare Foundation, Inc. The initial term for the Master Lease is for ten years and includes an option to renew for an additional ten years. The initial annual base rent is $0.4 million.

Additionally, during the quarter, we closed three buildings that were previously leased to USA Healthcare, Inc. under a Master Lease and recorded a provision for impairment of $1.9 million. The Master Lease was amended to remove the three buildings with no reduction in rental income. We intend to sell these closed facilities as soon as practicable; however, there can be no assurance if or when these sales will be completed.

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.

During the three months ended September 30, 2002, Ciena Health Care Management paid off, in full, their existing $8.7 million mortgage on four Michigan facilities.

In addition, a provision for loss on mortgages of $4.9 million and $6.9 million was recorded for the three- and nine-month periods ending September 30, 2002, respectively, as compared with $19,000 and $700,000 for the same time period in 2001.

Owned and Operated Assets

At September 30, 2002, we own eight facilities that were recovered from customers and are operated for our own account. These facilities have 677 beds and are located in three states.

During the three-month period ended September 30, 2002, we leased two properties previously classified as Owned and Operated to a third-party operator. See Purchase / Leaseback above. In addition, we incurred a $1.7 million expense associated with the termination of our leasehold interest in three Alabama skilled nursing facilities that were classified as Owned and Operated assets.

We intend to operate the remaining Owned and Operated assets for our own account until we are able to re-lease, sell, terminate our leasehold interest or close the facilities. These facilities and their respective operations are presented on a consolidated basis in our financial statements. See Note J - Subsequent Events.

During the three-month period ended September 30, 2002, a non-cash provision of $5.0 million for uncollectable accounts receivable related to our Owned and Operated assets was recorded.

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 September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
Revenues (1)				
Medicaid..	$ 3,908	$ 27,084	$ 24,899	$ 80,645
Medicare..	1,591	10,074	8,662	32,588
Private & other...................................	1,299	6,662	7,195	20,380
	6,798	43,820	40,756	133,613
Expenses				
Patient care expenses.............................	7,854	30,917	30,964	93,638
Administration....................................	3,170	7,246	12,213	21,423
Property & related................................	1,070	3,092	3,545	9,052
Leasehold buyout expense..........................	1,670	-	1,670	-
	13,764	41,255	48,392	124,113
Contribution margin...............................	(6,966)	2,565	(7,636)	9,500
Management fees...................................	414	2,217	2,292	7,084
Rent..	480	967	1,957	3,368
Provision for Uncollectable Accounts..............	5,019	-	4,221	-

EBITDA (2)	$(12,879)	$ (619)	$ (16,106)	$ (952)

</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.

	September 30, 2002	December 31, 2001
	(Unaudited) (In Thousands)	
ASSETS		
Cash	$ 2,307	$ 6,549
Accounts receivable--net	10,916	27,121
Other current assets	1,078	2,125
Total current assets	14,301	35,795
Investment in leasehold--net	196	661
Land and buildings	11,950	80,071
Less accumulated depreciation	(2,132)	(8,647)
Land and buildings--net	9,818	71,424
Total assets	$ 24,315	$107,880
LIABILITIES		
Accounts payable	$ 1,075	$ 4,816
Other current liabilities	2,943	5,371
Total current liabilities	4,018	10,187
Total liabilities	$ 4,018	$ 10,187

Accounts receivable for owned and operated assets is net of an allowance for doubtful accounts of approximately $10.8 million at September 30, 2002 and $8.3 million at December 31, 2001.

Assets Held for Sale

At September 30, 2002, the carrying value of assets held for sale totaled $6.0 million (net of impairment reserves of $7.3 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 nine-month periods ending September 30, 2002 and 2001.

<TABLE>
<CAPTION>

	As of and for the three months ended September 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................................	$ 21,773	$ 6,798	$ -	$ 28,571
Operating expenses................................	-	(14,658)	-	(14,658)
Net operating income............................	21,773	(7,860)	-	13,913
Adjustments to arrive at net income:				
Other revenues..................................	-	-	2,311	2,311
Interest expense................................	-	-	(6,444)	(6,444)
Depreciation and amortization...................	(4,890)	(167)	(241)	(5,298)
General and administrative......................	-	-	(1,576)	(1,576)
Legal...	-	-	(610)	(610)
State taxes.....................................	-	-	(54)	(54)
Provision for impairment........................	(1,872)	(499)	-	(2,371)
Provision for uncollectible accounts............	(5,219)	(5,019)	-	(10,238)
Adjustment of derivatives to fair value.........	-	-	348	348
	(11,981)	(5,685)	(6,266)	(23,932)
Income (loss) before gain on assets sold..........	9,792	(13,545)	(6,266)	(10,019)
Gain on assets sold - net.........................	-	-	2,157	2,157
Preferred dividends...............................	-	-	(5,029)	(5,029)
Net income (loss) available to common.............	$ 9,792	$(13,545)	$(9,138)	$(12,891)
Total assets......................................	$729,923	$ 30,287	$63,643	$823,853

</TABLE>
<TABLE>
<CAPTION>

As of and for the three months ended September 30, 2001

(Unaudited)
(In Thousands)

	Core Operations	Owned and Operated and Assets Held For Sale	Corporate and Other	Consolidated
<S>	<C>	<C>	<C>	<C>
Operating revenues................................	$ 20,066	$ 43,820	$ -	$ 63,886
Operating expenses................................	-	(44,439)	-	(44,439)
Net operating income............................	20,066	(619)	-	19,447
Adjustments to arrive at net income:				
Other revenues..................................	-	-	2,949	2,949
Interest expense................................	-	-	(9,124)	(9,124)

Depreciation and amortization....................	(4,273)	(1,018)	(224)	(5,515)
General and administrative.......................	-	-	(2,203)	(2,203)
Legal..	-	-	(1,145)	(1,145)
State taxes......................................	-	-	(126)	(126)
Severance, moving and consulting agreement costs..	-	-	(4,300)	(4,300)
Provision for uncollectible accounts.............	(19)	-	-	(19)
Adjustment of derivatives to fair value..........	-	-	(561)	(561)
	(4,292)	(1,018)	(14,734)	(20,044)
Income (loss) before loss on assets sold and gain on early extinguishment of debt..................	15,774	(1,637)	(14,734)	(597)
Loss on assets sold - net........................	-	(1,485)	-	(1,485)
Gain on early extinguishment of debt.............	-	-	226	226
Preferred dividends..............................	-	-	(5,029)	(5,029)
Net income (loss) available to common............	$ 15,774	$ (3,122)	$(19,537)	$ (6,885)
Total assets.....................................	$686,411	$161,047	$ 63,807	$911,265

</TABLE>
<TABLE>
<CAPTION>

	As of and for the nine months ended September 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...............................	$ 63,468	$ 40,756	$ -	$104,224
Operating expenses...............................	-	(52,641)	-	(52,641)
Net operating income............................	63,468	(11,885)	-	51,583
Adjustments to arrive at net income:				
Other revenues.................................	-	-	4,986	4,986
Interest expense...............................	-	-	(21,720)	(21,720)
Depreciation and amortization..................	(14,371)	(923)	(682)	(15,976)
General and administrative.....................	-	-	(5,065)	(5,065)
Legal..	-	-	(2,262)	(2,262)
State taxes....................................	-	-	(270)	(270)
Provision for impairment.......................	(1,872)	(2,982)	-	(4,854)
Provision for uncollectible accounts...........	(8,898)	(4,221)	-	(13,119)
Adjustment of derivatives to fair value..........	-	-	946	946

	(25,141)	(8,126)	(24,067)	(57,334)
Income (loss) before loss (gain) on assets sold and loss on early extinguishment of debt.........	38,327	(20,011)	(24,067)	(5,751)
(Loss) gain on assets sold - net..................	-	(302)	2,157	1,855
Loss on early extinguishment of debt..............	-	-	(49)	(49)
Preferred dividends...............................	-	-	(15,087)	(15,087)
Net income (loss) available to common.............	$ 38,327	$(20,313)	$(37,046)	$(19,032)
Total assets......................................	$729,923	$ 30,287	$ 63,643	$823,853

</TABLE>
<TABLE>
<CAPTION>

As of and for the nine months ended September 30, 2001

(Unaudited)
(In Thousands)

<S>	<C> Core Operations	<C> Owned and Operated and Assets Held For Sale	<C> Corporate and Other	<C> Consolidated
Operating revenues................................	$ 62,029	$133,613	$ -	$195,642
Operating expenses................................	-	(134,565)	-	(134,565)
Net operating income............................	62,029	(952)	-	61,077
Adjustments to arrive at net income:				
Other revenues..................................	-	-	6,024	6,024
Interest expense................................	-	-	(28,039)	(28,039)
Depreciation and amortization...................	(12,941)	(2,950)	(669)	(16,560)
General and administrative......................	-	-	(7,707)	(7,707)
Legal...	-	-	(2,862)	(2,862)
State taxes.....................................	-	-	(339)	(339)
Litigation settlement expense...................	-	-	(10,000)	(10,000)
Severance, moving and consulting agreement costs..	-	-	(8,381)	(8,381)
Provision for impairment........................	-	-	(4,766)	(4,766)
Provision for uncollectible accounts............	(700)	-	-	(700)
Adjustment of derivatives to fair value..........	-	-	(1,113)	(1,113)
	(13,641)	(2,950)	(57,852)	(74,443)
Income (loss) before loss on assets sold and gain on early extinguishment of debt..................	48,388	(3,902)	(57,852)	(13,336)

Loss on assets sold - net..........................	-	(873)	-	(873)
Gain on early extinguishment of debt...............	-	-	2,963	2,963
Preferred dividends................................	-	-	(14,966)	(14,966)
Net income (loss) available to common..............	$ 48,388	$ (4,775)	$(69,855)	$(26,242)
Total assets.......................................	$686,411	$161,047	$ 63,807	$911,265

</TABLE>

Note C - Concentration of Risk and Related Issues

As of September 30, 2002, our portfolio of domestic investments consisted of 225 healthcare facilities, located in 28 states and operated by 34 third-party operators. Our gross investment in these facilities, before reserve for uncollectible loans, totaled $861.1 million at September 30, 2002, with 97.3% of our real estate investments related to long-term care facilities. This portfolio is made up of 145 long-term healthcare facilities and two rehabilitation hospitals owned and leased to third parties, fixed-rate, participating and convertible participating mortgages on 65 long-term healthcare facilities and four long-term healthcare facilities that were recovered from customers and are currently operated through third-party management contracts for our own account and five 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 $47.7 million at September 30, 2002, including $22.1 million related to two non-healthcare facilities leased by the United States Postal Service ("USPS").

Approximately 67.8% of our real estate investments are operated by seven public companies, including Sun Healthcare Group, Inc. (25.4%), Integrated Health Services, Inc. ("IHS") (18.6%, including 11.1% as the manager for and 50% owner of Lyric Health Care LLC), Advocat, Inc. (12.4%), Mariner Post-Acute Network (6.9%), Alterra Healthcare Corporation ("Alterra") (4.0%), Kindred Healthcare, Inc. ("Kindred") (formerly known as Vencor Operating, Inc.) (0.5%). At September 30, 2002 the three largest private operators represent 3.6%, 2.7% and 2.7% 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 (16.5%), California (7.7%) and Illinois (7.7%).

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. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Medicare Developments.

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 is 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. For tax year 2002, we are currently projecting a tax loss; therefore, we anticipate no distribution will be required to satisfy the 2002 REIT rules. However, if we have taxable income, we intend to make the necessary distributions to satisfy the 2002 REIT requirements. The accumulated and unpaid dividends relating to all series of preferred stocks total $35.0 million as of September 30, 2002. In aggregate, preferred dividends continue to accumulate at approximately $5.0 million per quarter.

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) continue to 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. and Principal Healthcare Finance Limited

During the three-month period ending September 30, 2002, we sold our investment in Omega Worldwide, Inc. ("Worldwide"). Pursuant to a tender offer by Four Seasons Health Care Limited ("Four Seasons") for all of the outstanding shares of common stock of Worldwide, we sold our investment, which consisted of 1.2 million shares of common stock and 260,000 shares of preferred stock, to Four Seasons for cash proceeds of approximately $7.4 million (including $3.5 million for preferred stock liquidation preference and accrued preferred dividends). In addition, we sold our investment in Principal Healthcare Finance Limited, an Isle of Jersey company ("PHFL"), which consisted of 990,000 ordinary shares and warrants to purchase 185,033 ordinary shares, to an affiliate of Four Seasons for cash proceeds of $2.8 million. Both transactions were completed in September 2002 and provided aggregate cash proceeds of $10.2 million. We realized a gain from the sale of our investments in Worldwide and PHFL of $2.2

million. As of September 30, 2002, we no longer own any interest in Worldwide or PHFL.

As of September 30, 2002, we hold a $1.3 million investment in Principal Healthcare Finance Trust, an Australian Unit Trust.

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. Effective as of September 30, 2002, the parties settled all claims in the suit in consideration of Madison's payment of 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 reflects 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. As of September 30, 2002, we have received the $0.4 million cash payment and payments of principal and interest on the note equal to $2.0 million. 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 $124.8 million were outstanding as of September 30, 2002. Additionally, $12.5 million of letters of credit were outstanding against this credit facility at September 30, 2002. These letters of credit were collateral for certain long-term borrowings and supported insurance programs associated with our owned and operated assets. LIBOR-based borrowings under this facility bear interest at a weighted-average rate of 4.83% at September 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 $239.4 million are pledged as collateral for this revolving line of credit facility at September 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 $65.0 million were outstanding at September 30, 2002. LIBOR based borrowings under this facility bear interest at a weighted-average rate of 5.32% at September 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 September 30, 2002.

During the three-month period ended September 30, 2002, we repaid $17.9 million of LIBOR based borrowings associated with our revolving credit facilities. At September 30, 2002, we had $189.8 million of LIBOR based borrowings outstanding and $12.5 million of letters of credit outstanding,

leaving availability of $22.7 million.

Note I - Accounting for Derivatives

We utilize interest rate swaps and hedges to fix interest rates on variable rate debt and reduce certain exposures to interest rate fluctuations. We do not use derivatives for trading or speculative purposes. We have a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designed to hedge, we have not sustained a material loss from those instruments nor do we anticipate any material adverse effect on our net income or financial position in the future from the use of derivatives.

To manage interest rate risk, we may employ options, forwards, interest rate swaps, caps and floors or a combination thereof depending on the underlying exposure. We may employ swaps, forwards or purchased options to hedge qualifying forecasted transactions. Gains and losses related to these transactions are deferred and recognized in net income as interest expense in the same period or periods that the underlying transaction occurs, expires or is otherwise terminated. 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.

In September 2002, we entered into a 61-month, $200.0 million interest rate cap with a strike of 3.50% that has been designated as a cash flow hedge. Under the terms of the cap agreement, when LIBOR exceeds 3.50%, the counterparty will pay us $200.0 million multiplied by the difference between LIBOR and 3.50% times the number of days when LIBOR exceeds 3.50%. The unrealized gain/loss in the fair value of cash flow hedges are reported on the balance sheet with corresponding adjustments to accumulated other comprehensive income. On September 30, 2002, the derivative instrument was reported at its fair value as an Other Asset of $8.6 million. An adjustment of $1.5 million to Other Comprehensive Income was made for the change in fair value of this cap during the quarter. Each quarter, the unrealized gain/loss held in accumulated Other Comprehensive Income will be adjusted to reflect the change in the fair value of this interest rate cap. This reclassification is consistent with the recognition of earnings for hedged items. Over the term of the interest rate cap, the $10.1 million cost will be amortized to earnings based on the specific portion of the total cost attributed to each monthly settlement period.

Also in September 2002, we terminated two interest rate swaps with notional amounts of $32.0 million each. Under the terms of the first swap agreement, which would have expired on December 2002, we received payments when LIBOR exceeded 6.35% and paid the counterparty when LIBOR was less than 6.35%. This interest rate swap was extended in December 2001 to December 2002 at the option of the counterparty and therefore did not qualify for hedge accounting under FASB No. 133. The fair value of this swap at September 30, 2002 and December 31, 2001 was a liability of $0 and $1.3 million, respectively.

The fair value of the first swap agreement at January 1, 2001 was recorded as a liability and a transition adjustment in Other Comprehensive Income, which was amortized over the initial term of the swap ending December 31, 2001. The change in fair value was $0.7 million and $1.3 million for the three- and nine-month periods ending September 30, 2002, respectively, as compared with $0.5 million and $0.8 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 swap agreement, which was scheduled to expire December 31, 2002, we received payments when LIBOR exceeded 4.89% and paid the counterparty when LIBOR was less than 4.89%. The fair value of this interest rate swap at September 30, 2002 and December 31, 2001 was a liability of $0.3 million and $0.8 million, respectively. The change in fair value was $0.2 million and $0.6 million for the three- and nine-month periods ending September 30, 2002, respectively, as compared to $0.5 million and $.08 million for the three- and nine-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 September 30, 2002 and December 31, 2001.

Notes J - Subsequent Events

On October 1, 2002, we entered into a Master Lease to lease two facilities, a 60-bed facility in Kendallville, Indiana and an 86-bed facility in Knightsville, Indiana, to Kendallville Manor Investors, LLC and Cloverleaf of Knightsville Investors, LLC, respectively, both Indiana limited liability companies. The initial term for the Master Lease is ten years with an initial annual rent payment of $540,000. Simultaneously, and in a related transaction, we sub-leased a 68-bed facility in Owensville, Indiana to Owensville Manor Investors, LLC, an Indiana limited liability company. The initial term of the sub-lease shall be for the balance of the term on the Ground Lease, set to expire on February, 28, 2006, with an initial annual rent payment of $360,000, as compared to Omega's annual ground lease rent obligation of $518,000. If Omega is still the tenant under the Ground Lease after one year, then the annual rental payment under the Kendallville and Knightsville Master Lease permanently increases by $40,000 per annum beginning in the second lease year.

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

Unrelated to our Owned and Operated assets, on October 1, 2002, we entered into a Master Lease to re-lease two facilities, formerly leased to Alterra Healthcare Corporation, including a 36-bed facility and a 42-bed facility in Jeffersonville, Indiana to Residential Care VIII LLC, an Indiana limited liability company. The initial term for the two properties is five years with an initial annual rent payment of $105,000, increasing to $345,000 in the second lease year.

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) our ability to manage, re-lease or sell our owned and operated facilities; (iv) regulatory and other changes in the healthcare sector; (v) 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; (vi) competition in the financing of healthcare facilities; (vii) the effect of economic and market conditions generally, and particularly in the healthcare industry; (viii) changes in interest rates; (ix) the amount and yield of any additional investments; (x) changes in tax laws and regulations affecting real estate investment trusts; (xi) access to the capital markets and the cost of capital; (xii) changes in the ratings of our debt securities; and (xiii) 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 nine-month periods ending September 30, 2002 totaled $30.9 million and $109.2 million, respectively, a decrease of $35.9 million and $92.5 million from the same periods ending September 30, 2001. Excluding nursing home revenues for Owned and Operated assets, revenues were $24.1 million and $68.5 million, respectively, for the three- and nine-month periods ending September 30, 2002, an increase of $1.1 million and $0.4 million from the comparable prior year periods.

Rental income for the three- and nine-month periods ending September 30, 2002 was $16.5 million and $47.6 million, respectively, an increase of $1.6 million and $1.9 million over the same periods in 2001. The $1.6 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 $2.2 million relating to leases on assets previously classified as owned and operated, offset by a $0.7 million reduction in lease revenue due to foreclosures, bankruptcies and restructurings and $0.1 million from a property that was sold in 2001. The $1.9 million increase in the nine-month period is due to $0.6 million relating to leases with contractual increases in rents that became effective in 2002 and $5.6 million relating to assets previously classified as owned and operated,

offset by a $4.1 million reduction in lease revenue due to foreclosures, bankruptcies and restructurings and $0.2 million from a property that was sold in 2001.

Mortgage interest income for the three- and nine-month periods ending September 30, 2002 totaled $5.3 million and $15.9 million, respectively, an increase of $0.2 million and a decrease of $0.4 million from the same periods in 2001. The $0.2 million increase in the three-month period is due to $0.3 million of new investments placed in 2001, offset by reduced investments resulting from the payoffs of mortgage notes, reduction in interest due to foreclosures, bankruptcies, restructurings and normal amortization of $0.1 million. The $0.4 million decrease in the nine-month period is due to reduced investments resulting from the payoffs and restructuring and deferrals of mortgage notes of $1.3 million, reduced interest due to normal amortization of $0.1 million, offset by $1.0 million of new investments placed in 2001.

Nursing home revenues of owned and operated assets for the three- and nine-month periods ending September 30, 2002 totaled $6.8 million and $40.8 million, respectively, a decrease of $37.0 million and $92.8 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 (eight at September 30, 2002 as compared to 60 at September 30, 2001).

Expenses for the three- and nine-month periods ending September 30, 2002 totaled $40.9 million and $115.0 million, respectively, a decrease of $26.5 million and $100.0 million compared with expenses of $67.4 million and $215.0 million, respectively, for the three- and nine-month periods ending September 30, 2001. Excluding nursing home expenses of owned and operated assets, expenses were $21.2 million for the three-month period ending September 30, 2002 versus $23.0 million for the same period in 2001 and $58.1 million for the nine-month period ending September 30, 2002 versus $80.5 million for the same period in 2001.

Nursing home expenses for owned and operated assets for the three- and nine-month periods ending September 30, 2002 were $19.7 million and $56.9 million, respectively, a decrease of $24.7 million and $77.7 million from the same periods in 2001. During the three-month period ended September 30, 2002, a non-cash provision of $5.0 million for uncollectable accounts receivable related to our Owned and Operated assets was recorded. In addition, we recorded $1.7 million for the termination of our leasehold interest in three Alabama skilled nursing facilities that were classified as Owned and Operated assets. This offset is due to 52 fewer facilities in 2002 versus the same period in 2001.

The provision for depreciation and amortization totaled $5.3 million and $16.0 million, respectively, for the three- and nine-month periods ending September 30, 2002. This $0.2 million and $0.6 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 nine-month periods ending September 30, 2002 was $6.4 million and $21.7 million, respectively, compared with $9.1 million and $28.0 million for the same periods in 2001. This decrease is primarily due to a $106.5 million reduction of total outstanding debt and lower average interest rates versus the same periods in 2001.

General and administrative and legal expenses for the three- and nine-month periods ending September 30, 2002, totaled $2.2 million and $7.3 million, respectively, compared with $3.3 million and $10.6 million, respectively, for the same periods in 2001. The decrease is due to a reduction in staffing, as well as a reduction in consulting and legal costs primarily related to our owned and operated facilities.

During the nine-month period ended September 30, 2001, we recorded a $10.0 million litigation settlement expense related to a suit brought against us by Karrington Health, Inc. ("Karrington"). 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 $2.4 million and $4.9 million for the three- and nine-month periods ending September 30, 2002 and $0.0 and $8.4 million for the three- and nine-month periods ending September 30, 2001 is included in expenses. The $2.4 million provision was to reduce the carrying value of one owned and operated building and three core buildings that were closed during the quarter to their fair value less costs to dispose. These buildings are being actively marketed for sale; however, 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. The $4.9 million for the nine-month period ending September 30, 2002 was to reduce the value of three closed owned and operated buildings and three closed core buildings to their fair value less cost to dispose. The $8.4 million provision for the nine-month

period ending September 30, 2001 was to reduce the cost basis of assets recovered from a defaulting operator to their fair value less cost to dispose.

Charges of $5.2 million and $8.9 million for provision for uncollectible mortgages, notes and accounts receivable were recognized during the three- and nine-month periods ending September 30, 2002 as compared with $0.0 and $0.7 million for the same time period in 2001. The $5.2 million charge was primarily related to the write down of one loan to a bankrupt operator during the quarter. The $8.9 million consists primarily of the write down of the loan during the quarter as well as 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 which occurred in the second quarter of 2002. 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. A charge of $0.7 million was taken during the nine-month period ending September 30, 2001 relating to write-off of rents due from a defaulting operator.

Severance, moving and consulting agreement costs of $4.3 million and $4.8 million were recognized during the three- and nine-month periods ended September 30, 2001. The severance, moving and consulting agreement costs of $4.3 million were recorded in the three-month period ended September 30, 2001 in connection with our planned relocation to Maryland. The nine-month period ended September 30, 2001 also included $0.5 million related to the termination of an employment contract with an officer of our company.

During the three-month period ending September 30, 2002, we sold our investment in Omega Worldwide, Inc. ("Worldwide"). Pursuant to a tender offer by Four Seasons Health Care Limited ("Four Seasons") for all of the outstanding shares of common stock of Worldwide, we sold our investment, which consisted of 1.2 million shares of common stock and 260,000 shares of preferred stock, to Four Seasons for cash proceeds of approximately $7.4 million (including $3.5 million for preferred stock liquidation preference and accrued preferred dividends). In addition, we sold our investment in Principal Healthcare Finance Limited, an Isle of Jersey company ("PHFL"), which consisted of 990,000 ordinary shares and warrants to purchase 185,033 ordinary shares, to an affiliate of Four Seasons for cash proceeds of $2.8 million. Both transactions were completed in September 2002 and provided aggregate cash proceeds of $10.2 million. We realized a gain from the sale of our investments in Worldwide and PHFL of $2.2 million. As of September 30, 2002, we no longer own any interest in Worldwide or PHFL. For the nine-month period ending September 30, 2002, we sold one building, realizing proceeds of $1.0 million, net of closing costs, resulting in a loss of $0.3 million, as well as the above mentioned Worldwide and PHFL transaction. For the three-month period ending September 30, 2001, we disposed of one healthcare facility resulting in a loss on sale of $1.5 million. The loss on sale of $0.9 million for the nine-month period ended September 30, 2001 includes a gain on sale of $0.6 million from the sale of three healthcare facilities.

During the nine-month period ending September 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 $0.2 million and $3.0 million, respectively, for the three- and nine-month periods ending September 30, 2001 related to the early retirement of $3.9 million and $25.4 million, respectively, of these same 6.95% Notes.

Funds from operations ("FFO") for the three- and nine-month periods ending September 30, 2002 was a deficit of $7.7 million and $1.0 million, respectively, a decrease of $8.2 million and an increase of $1.3 million, as compared with $0.5 million and a deficit of $2.3 million for the same periods in 2001 due to the results described above. Fully diluted FFO was a deficit of $5.1 million and a positive $6.9 million, respectively, for the three- and nine-month periods ending September 30, 2002, a decrease of $8.2 million and an increase of $1.4 million, as compared with a positive $3.1 million and $5.5 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 with 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.

Medicare Developments

During the year 2000, Congress enacted various legislation which was intended to provide some relief to the extensive Medicare cut-backs resulting from the Balanced Budget Act of 1997. The relief came in the form of four add-on payments.

On September 30, 2002, two of the add-ons, the 4% increase for all patient categories in the Resource Utilization Group ("RUG") system and the 16.7% increase for nursing-related costs, expired. Earlier this year, the other two add-on payments, were extended by the Centers for Medicare and Medicaid Services ("CMS") through September 30, 2003.

Partially offsetting the elimination of these add-ons, CMS provided a 2.6% market basket increase in payments to skilled nursing facilities.

Overall, the elimination of these two add-ons is expected to have an adverse affect on all of our skilled nursing home operators, and result in a decrease in operating performance to rent coverage. While we believe the wide diversification of our portfolio coupled with the sustainable capital structure of most of our operators will not result in a material interruption in revenue, we cannot predict the ultimate response to these Medicare cuts.

Furthermore, we believe there remains some likelihood that these add-ons could be partially reinstated by Congress either during the "lame duck" session prior to year end, or when Congress reconvenes in January 2003.

Portfolio Developments

During the quarter, we entered into a Master Lease to lease two facilities, previously classified as Owned and Operated, one in Indiana and the other in Ohio, to Hickory Creek Healthcare Foundation, Inc., a Georgia not-for-profit corporation. The initial term of the Master Lease is for ten years and includes an option to renew for an additional ten years. The initial annual base rent is $415,000. Also during the quarter, we closed three buildings that were previously leased to USA Healthcare, Inc. The Master Lease was amended to remove the three buildings with no reduction in rental income. In addition, we terminated our leasehold interest in three Alabama skilled nursing facilities. See Note B -Properties. As a result of the above mentioned transactions, the total number of Owned and Operated assets declined by five, leaving eight remaining facilities at quarter end. See Note J - Subsequent Events.

During the three months ended September 30, 2002, Ciena Health Care Management paid off, in full, their existing $8.7 million mortgage on four Michigan facilities.

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 September 30, 2002, we had total assets of $823.9 million, stockholders' equity of $491.5 million and debt of $319.5 million, representing approximately 39.4% of total capitalization.

We have two secured revolving credit facilities, providing up to $225.0 million of financing. At September 30, 2002, $189.8 million was outstanding and $12.5 million was utilized for the issuance of letters of credit, leaving availability of $22.7 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. ("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 $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 nine months ending September 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. In aggregate, preferred dividends continue to accumulate at approximately $5.0 million per quarter.

On February 6, 2002, we refinanced our investment in a Baltimore, Maryland asset leased by the United States Postal Service ("USPS") 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 June, 2002, we paid off the remaining $61.9 million of our 6.95% Notes maturing in June 2002. In addition, during June 2002, our HUD obligation of $5.2 million was removed from our Consolidated Balance Sheet as a result of foreclosure proceedings.

During the three-month period ended September 30, 2002, we repaid $17.9 million of LIBOR based borrowings associated with our revolving credit facilities. At September 30, 2002, we had $189.8 million of LIBOR based borrowings outstanding and $12.5 million of letters of credit outstanding, leaving availability of $22.7 million.

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 September 30, 2002 was $304.6 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 and hedges to fix interest rates on variable rate debt and reduce certain exposures to interest rate fluctuations. We do not use derivatives for trading or speculative purposes. We have a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designed to hedge, we have not sustained a material loss from those instruments nor do we anticipate any material adverse effect on our net income or financial position in the future from the use of derivatives.

To manage interest rate risk, we may employ options, forwards, interest

rate swaps, caps and floors or a combination thereof depending on the underlying exposure. We may employ swaps, forwards or purchased options to hedge qualifying forecasted transactions. Gains and losses related to these transactions are deferred and recognized in net income as interest expense in the same period or periods that the underlying transaction occurs, expires or is otherwise terminated. 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.

In September 2002, we entered into a 61-month, $200.0 million interest rate cap with a strike of 3.50% that has been designated as a cash flow hedge. Under the terms of the cap agreement, when LIBOR exceeds 3.50%, the counterparty will pay us $200.0 million multiplied by the difference between LIBOR and 3.50% times the number of days when LIBOR exceeds 3.50%. The unrealized gain/loss in the fair value of cash flow hedges are reported on the balance sheet with corresponding adjustments to accumulated other comprehensive income. On September 30, 2002, the derivative instrument was reported at its fair value as an Other Asset of $8.6 million. An adjustment of $1.5 million to Other Comprehensive Income was made for the change in fair value of this cap during the quarter. Over time, the unrealized loss held in accumulated Other Comprehensive Income will be reclassified to earnings. This reclassification is consistent with the recognition of earnings for hedged items. Over the next twelve months, $44,000 is expected to be reclassified to earnings from Other Comprehensive Income.

Also in September 2002, we terminated two interest rate swaps with notional amounts of $32.0 million each. Under the terms of the first swap agreement, which would have expired on December 2002, we received payments when LIBOR exceeded 6.35% and paid the counterparty when LIBOR was less than 6.35%. This interest rate swap was extended in December 2001 to December 2002 at the option of the counterparty and therefore did not qualify for hedge accounting under FASB No. 133. The fair value of this swap at September 30, 2002 and December 31, 2001 was a liability of $0 and $1.3 million, respectively.

The initial liability associated with the first swap agreement 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 $0.7 million and $1.3 million for the three- and nine-month periods ending September 30, 2002, respectively, as compared with $0.5 million and $0.8 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 swap agreement, which was scheduled to expire December 31, 2002, we received payments when LIBOR exceeded 4.89% and paid the counterparty when LIBOR was less than 4.89%. The fair value of this interest rate swap at September 30, 2002 and December 31, 2001 was a liability of $0.3 million and $0.8 million, respectively. The change in fair value of $0.2 million and $0.6 million for the three- and nine-month periods ending September 30, 2002, respectively, as compared to $0.5 million and $.08 million for the three- and nine-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 September 30, 2002 and December 31, 2001.

Item 4 - Control and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this quarterly report and, based on that evaluation, our principal executive officer and principal financial officer have concluded that these controls and procedures are effective. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation.

Disclosure controls and procedures are the controls and other procedures designed to ensure that information that we are required to disclose in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods required. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information

we are required to disclose in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note G - Litigation to the Consolidated Financial Statements in Item 1 hereto, which is 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. In aggregate, preferred dividends continue to accumulate at approximately $5.0 million per quarter. The table below sets forth information regarding arrearages in payment of preferred stock dividends:

Title of Class	Annual Dividend Per Share	Arrearage as of September 30, 2002
9.25% Series A Cumulative Preferred Stock	$ 2.3125	$ 9,307,813
8.625% Series B Cumulative Preferred Stock	$ 2.1563	$ 7,546,875
Series C Convertible Preferred Stock	$ 10.0000	$ 18,144,693
TOTAL		$ 34,999,381

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) continue to 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

None this period.

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit	Description
99.1	Certification of the Chief Executive Officer under Section 302 of the Sarbanes - Oxley Act of 2002.
99.2	Certification of the Chief Financial Officer under Section 302 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: November 1, 2002 By: /s/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

Date: November 1, 2002 By: /s/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, C. Taylor Pickett, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Omega Healthcare Investors, Inc. (the "Registrant");

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 1, 2002

/s/ C.TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Robert O. Stephenson, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Omega Healthcare Investors, Inc. (the "Registrant");

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 1, 2002

/s/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer