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

FORM 10-Q

(MARK ONE)
X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

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 BY CHECK MARK WHETHER THE REGISTRANT IS AN ACCELERATED FILER (AS DEFINED IN RULE 12B-2 OF THE EXCHANGE ACT).

YES X NO
----- -----

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK AS OF JUNE 30, 2003.

COMMON STOCK, $.10 PAR VALUE	37,156,554
(CLASS)	(NUMBER OF SHARES)

OMEGA HEALTHCARE INVESTORS, INC.
FORM 10-Q
JUNE 30, 2003

INDEX

PART 1 - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

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

<TABLE>
<CAPTION>

	June 30, 2003	December 31, 2002
	(Unaudited)	(See note)
<S>	<C>	<C>
ASSETS		
Real estate properties		
Land and buildings at cost	$ 715,848	$ 669,188
Less accumulated depreciation	(128,236)	(117,986)
Real estate properties - net	587,612	551,202
Mortgage notes receivable - net	120,912	173,914
	708,524	725,116
Other investments - net	26,556	36,887
	735,080	762,003
Assets held for sale - net	2,227	2,324
Total investments	737,307	764,327
Cash and cash equivalents	45,485	15,178
Accounts receivable - net	2,575	2,766
Interest rate cap	4,098	7,258
Other assets	8,215	5,597
Operating assets for owned properties	-	8,883
Total assets	$ 797,680	$ 804,009
LIABILITIES AND STOCKHOLDERS EQUITY		
Revolving lines of credit	$ 187,122	$ 177,000
Unsecured borrowings	100,000	100,000
Other long-term borrowings	11,635	29,462
</TABLE>

Accrued expenses and other liabilities	8,788	13,234
Operating liabilities for owned properties	-	4,612
Operating assets and liabilities for owned properties- net	609	-
Total liabilities	308,154	324,308
Preferred stock	212,342	212,342
Common stock and additional paid-in capital	484,813	484,766
Cumulative net earnings	164,059	151,245
Cumulative dividends paid	(365,654)	(365,654)
Unamortized restricted stock awards	-	(116)
Accumulated other comprehensive loss	(6,034)	(2,882)
Total stockholders equity	489,526	479,701
Total liabilities and stockholders equity	$ 797,680	$ 804,009

NOTE - The balance sheet at December 31, 2002 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues				
Rental income	$ 16,153	$15,666	$ 32,827	$ 31,097
Mortgage interest income	3,489	5,186	7,881	10,598
Other investment income - net	756	1,056	1,746	2,159
Nursing home revenues of owned and operated assets	-	12,210	-	33,958
Litigation settlement	-	-	2,187	-
Miscellaneous	391	286	712	516
	20,789	34,404	45,353	78,328
Expenses				
Nursing home expenses of owned and operated assets	-	13,485	-	37,185
Nursing home revenues and expenses of owned and operated assets - net	105	-	1,438	-
Depreciation and amortization	5,404	5,352	10,733	10,678
Interest	7,383	7,187		

12,495 15,325
General and administrative..... 1,461 1,770
2,932 3,489
Legal..... 784 797
1,342 1,652
State taxes..... 161 87
319 216
Provision for impairment..... - 2,483
4,618 2,483
Provision for uncollectible mortgages, notes and accounts receivable..... - 3,679
- 3,679
Adjustment of derivatives to fair value..... - (198)
- (598)

15,298 34,642
33,877 74,109

Income (loss) before gain (loss) on assets sold..... 5,491 (238)
11,476 4,219
Gain (loss) on assets sold - net..... 1,338 (302)
1,338 (302)

Net income (loss) 6,829 (540)
12,814 3,917
Preferred stock dividends..... (5,029) (5,029)
(10,058) (10,058)

Net income (loss) available to common.....$ 1,800 $(5,569) $
2,756 $ (6,141)

Income (loss) per common share:
Net income (loss) per share - basic.....$ 0.05 $ (0.15) $
0.07 $ (0.19)

Net income (loss) per share - diluted.....$ 0.05 $ (0.15) $
0.07 $ (0.19)

Dividends declared and paid per common share.....$ - $ - $
- $ -

Weighted-average shares outstanding, basic..... 37,153 37,129
37,149 32,302

Weighted-average shares outstanding, diluted..... 38,212 37,129
38,208 32,302

Components of other comprehensive income:
Unrealized gain on Omega Worldwide, Inc.....$ - $ 12 $
- $ 558

Unrealized (loss) gain on hedging contracts.....$ (2,529) $ 83 $
(3,152) $ 366

Total comprehensive income.....$ 4,300 $ (445) $
9,662 $ 4,841
</TABLE>

See notes to consolidated financial statements.

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

<TABLE>
<CAPTION>

Six Months Ended
June 30,

	2003	2002
<S>	<C>	<C>
Operating activities		
Net income	$ 12,814	$ 3,917
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	10,733	10,678
Provision for impairment	4,618	2,483
Provision for uncollectible mortgages, notes and accounts receivable	-	3,679
(Gain) loss on assets sold - net	(1,338)	302
Adjustment of derivatives to fair value	-	(598)
Other	3,807	1,381
Net change in accounts receivable for owned and operated assets - net	4,698	5,270
Net change in accounts payable for owned and operated assets	(236)	(3,219)
Net change in other owned and operated assets and liabilities	418	(93)
Net change in operating assets and liabilities	(4,062)	195
Net cash provided by operating activities	31,452	23,995
Cash flow from financing activities		
Proceeds from new financing - net	187,122	-
(Payments of) proceeds from credit line borrowings - net	(177,000)	14,001
Proceeds from refinancing - net	-	13,523
Payments of long-term borrowings	(17,827)	(97,591)
Receipts from Dividend Reinvestment Plan	3	3
Proceeds from rights offering and private placement - net	-	44,600
Deferred financing costs paid	(7,204)	(4,024)
Net cash used in financing activities	(14,906)	(29,488)
Cash flow from investing activities		
Proceeds from sale of real estate investments - net	189	1,045
Capital improvements and funding of other investments	(1,307)	(172)
Proceeds from (investments in) other assets	12,263	(80)
Collection of mortgage principal	2,616	2,391
Net cash provided by investing activities	13,761	3,184
Increase (decrease) in cash and cash equivalents	30,307	(2,309)
Cash and cash equivalents at beginning of period	15,178	11,445
Cash and cash equivalents at end of period	$ 45,485	$ 9,136
Interest paid during the period	$ 8,798	$ 14,186

</TABLE>

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

JUNE 30, 2003

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) considered necessary for a fair presentation have been included. Certain reclassifications have been made to the 2002 financial statements for consistency with the presentation adopted for 2003. Such reclassifications have no effect on previously reported earnings or equity.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections ("FAS 145"), which stipulates that gains and losses from extinguishment of debt generally will not be reported as extraordinary items effective for fiscal years beginning after May 15, 2002. We adopted this standard effective January 1, 2003. FAS 145 also specifies that any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in Opinion 30 for classification as an extraordinary item shall be reclassified. Therefore, the $77,000 and $49,000 loss on extinguishment of debt previously reported for the three- and six-month periods ended June 30, 2002, respectively, has been reclassified to interest expense in our Consolidated Statements of Operations.

Due to the decrease in size of the owned and operated portfolio (one facility as of June 30, 2003), the operations of such facilities and the net assets employed therein are no longer considered a separate reportable segment. Accordingly, commencing January 1, 2003, the operating revenues and expenses and related operating assets and liabilities of the owned and operated facilities are shown on a net basis in our Consolidated Statements of Operations and Consolidated Balance Sheets, respectively.

Operating results for the three- and six-month periods ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. 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, 2002.

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 sell 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 is under contract, 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. Long-lived assets designated as held for sale prior to January 1, 2002 are subject to FASB 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed.

The table below summarizes our number of properties and investment by category for the quarter ended June 30, 2003:

<TABLE>
<CAPTION>

Assets Held for Sale	Purchase / Leaseback	Mortgages Receivable	Owned & Operated	Closed Facilities	Total Healthcare Facilities
<S>	<C>	<C>	<C>	<C>	<C>
Facility Count					
Balance at March 31, 2003.....	155	54	1	11	221
4 225					
Properties closed.....	-	(2)	-	2	-
- -					
Properties sold/mortgages paid.....	-	-	-	-	-
(1) (1)					
Transition leasehold interest.....	-	-	-	-	-
- -					
Properties leased/mortgages placed.....	-	-	-	-	-
- -					
Properties transferred to purchase/leaseback.....	-	-	-	-	-
- -					
Balance at June 30, 2003.....	155	52	1	13	221
3 224					
INVESTMENT ($000'S)					
Balance at March 31, 2003.....	$701,209	$124,667	$5,294	$6,870	$838,040
$2,324 $840,364					
Properties closed.....	-	(1,200)	-	1,200	-
- -					
Properties sold/mortgages paid.....	-	-	-	-	-
(97) (97)					

Transition leasehold interest.....	-	-	-	-	-	-	-
Properties leased/mortgages placed.....	-	-	-	-	-	-	-
Properties transferred to purchase/leaseback.....	-	-	-	-	-	-	-
Impairment on properties.....	-	-	-	-	-	-	-
Capex and other.....	1,274	(2,555)	1	-	(1,280)	-	(1,280)
Balance at June 30, 2003.....	$702,483	$120,912	$5,295	$8,070	$836,760	$2,227	$838,987

PURCHASE/LEASEBACK

During the three-month period ended June 30, 2003, there were no re-leases or transfers of open facilities; however, in July, we re-leased five former Sun Healthcare Group, Inc. ("Sun") skilled nursing facilities ("SNFs") to three separate operators. Also in July, we amended our Master Lease with a subsidiary of Alterra Healthcare Corporation ("Alterra"). (See Note J - Subsequent Events).

During the three-month period ended March 31, 2003, we successfully re-leased nine facilities formerly operated by Integrated Health Services, Inc. ("IHS"). Accordingly, eight SNFs, which we held mortgages on, and one SNF, which we leased to IHS, have been re-leased to various unaffiliated third parties. Titles to the eight properties, which we held mortgages on, have been transferred to wholly-owned subsidiaries of ours by Deeds in Lieu of Foreclosure.

Specifically, during the quarter ended March 31, 2003, we leased nine SNFs to four unaffiliated third-party operators as part of four separate transactions. Each of the nine facilities had formerly been operated by subsidiaries of IHS. The four transactions included: (i) a Master Lease of five SNFs in Florida representing 600 beds to affiliates of Seacrest Healthcare Management, LLC, which lease has a ten-year term and has an initial annual rent of $2.5 million; (ii) a month-to-month lease (following a minimum four-month term) on two SNFs in Georgia representing 304 beds to subsidiaries of Triad Health Management of Georgia, LLC, which lease provides for annualized rent of $0.7 million - the month-to-month structure results from Georgia Medicaid rate cuts (effective February 1, 2003) and the potential for future Georgia reimbursement changes; (iii) a lease of one SNF in Texas, representing 130 beds, to an affiliate of Senior Management Services of America, Inc., which lease has a ten-year term and has various rent step-ups, reaching $384,000 by year three, thereafter, increasing by the lesser of CPI or 2.5%; and (iv) re-leased one 159-bed SNF, located in the state of Washington to a subsidiary of Sun, with an initial lease term of eight years and initial annual rent of $0.5 million.

In an unrelated transaction during the first quarter of 2003, we recorded a provision for impairment of $4.6 million associated with one closed facility, located in the state of Washington, previously leased to a subsidiary of Sun as part of a Master Lease. We intend to sell this closed facility as soon as practicable; however, there can be no assurance if, or when, this sale will be completed.

Also during the first quarter of 2003, we completed a restructured transaction with Claremont Health Care Holdings, Inc. ("Claremont") (formerly Lyric Health Care, LLC) whereby nine facilities formerly leased under two Master Leases were combined into one new ten-year Master Lease. Annual rent under the new lease is $6.0 million, the same amount of rent recognized in 2002 for these properties. (See Note J - Subsequent Events).

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 become 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 June 30, 2003, fee-simple ownership of two closed facilities, which we held mortgages on, were transferred to us by Deed in Lieu of Foreclosure. These facilities have been transferred to closed facilities and are included in our Consolidated Balance Sheet under "Land and buildings at cost." 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.

During the three months ended March 31, 2003, fee-simple ownership of eight

facilities were transferred to us as discussed above (see "Purchase/Leaseback" above). In addition, in an unrelated transaction with IHS, we received fee-simple ownership to one closed property, which we previously held the mortgage on, by Deed in Lieu of Foreclosure. This facility was transferred to closed facilities and is included in our Consolidated Balance Sheet under "Land and buildings at cost."

No provision for loss on mortgages or notes receivable was recorded during the three- and six-month periods ended June 30, 2003 and 2002, respectively.

OWNED AND OPERATED ASSETS

At June 30, 2003, we own one, 128-bed facility that was previously recovered from a customer and is operated for our own account. We intend to operate the remaining owned and operated asset for our own account until we are able to re-lease, sell or close the facility. The facility and its respective operations are presented on a consolidated basis in our financial statements.

Nursing home revenues, nursing home expenses, assets and liabilities included in our consolidated financial statements which relate to such owned and operated asset are set forth in the tables below. Nursing home revenues from this owned and operated asset 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. For 2003, nursing home revenues, nursing home expenses, operating assets and operating liabilities for our owned and operated properties are shown on a net basis on the face of our consolidated financial statements. For 2002, nursing home revenues, nursing home expenses, operating assets and operating liabilities for our owned and operated properties are shown on a gross basis on the face of our consolidated financial statements.

Nursing home revenues and nursing home expenses in our consolidated financial statements which relate to our owned and operated assets are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(In thousands)		(In thousands)	
Nursing home revenues (1)				
Medicaid	$ 614	$ 7,488	$ 1,469	$20,991
Medicare	180	2,814	452	7,071
Private & other	251	1,908	663	5,896
Total nursing home revenues (2)	1,045	12,210	2,584	33,958
Nursing home expenses				
Patient care expenses	557	7,832	1,423	23,110
Administration	490	3,743	1,601	8,245
Property & related	51	883	260	2,475
Leasehold buyout expense	-	-	582	-
Management fees	52	678	128	1,878
Rent	-	349	28	1,477
Total nursing home expenses (2)	1,150	13,485	4,022	37,185
Nursing home revenues and expenses of owned and operated assets - net (2)	$ (105)	$ -	$(1,438)	$ -

(1) Nursing home revenues from these owned and operated assets are recognized as services are provided.

(2) Nursing home revenues and expenses of owned and operated assets for the three- and six-months ended June 30, 2003 are shown on a net basis on the face of our Consolidated Statements of Operations and are shown on a gross basis for the three- and six-months ended June 30, 2002.

Accounts receivable for owned and operated assets is net of an allowance for doubtful accounts of approximately $11.7 million at June 30, 2003 and $5.7 million at June 30, 2002.

	JUNE 30,	
	2003	2002
	(In thousands)	
Beginning balance	$12,171	$ 8,335
Provision charged/(recovery)	-	(750)
Provision applied	(829)	(1,880)
Collection of accounts receivable		

previously written off.....	321	-
Ending balance.....	$11,663	$ 5,705

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

	June 30, 2003	December 31, 2002
	(In thousands)	
ASSETS		
Cash	$ 668	$ 838
Accounts receivable - net (1).....	2,793	7,491
Other current assets (1).....	411	1,207
Total current assets.....	3,872	9,536
Investment in leasehold - net (1).....	-	185
Land and buildings.....	5,295	5,571
Less accumulated depreciation.....	(605)	(675)
Land and buildings - net.....	4,690	4,896
Assets held for sale - net.....	2,227	2,324
Total assets.....	$10,789	$16,941
LIABILITIES		
Accounts payable.....	$ 153	$ 389
Other current liabilities.....	3,660	4,223
Total current liabilities.....	3,813	4,612
Total liabilities (1).....	$ 3,813	$ 4,612
Operating assets and liabilities for owned properties - net (1).....	$ (609)	$ -

(1) Operating assets and liabilities for owned properties as of June 30, 2003 are shown on a net basis on the face of our Consolidated Balance Sheet and are shown on a gross basis as of December 31, 2002.

CLOSED FACILITIES

During the quarter ended June 30, 2003, two facilities were transferred to closed facilities. Both facilities were transferred from mortgage notes receivable after we received a Deed in Lieu of Foreclosure. At this time it was determined that no provisions for impairments were needed on the two investments. We intend to sell the facilities as soon as practicable; however, there can be no assurance if, or when, these sales will be completed. (See Note J - Subsequent Events).

During the quarter ended March 31, 2003, three facilities were transferred to closed facilities. One facility was transferred from purchase leaseback and a non-cash impairment of $4.6 million was recorded to reduce the value of the investment to fair value. Another facility was transferred from mortgage notes receivable after we received a Deed in Lieu of Foreclosure. Finally, we transferred one facility from our owned and operated portfolio into closed facilities. No provisions for impairments were needed on the latter two investments.

At June 30, 2003, there are 13 closed properties of which eight are currently under a letter of intent to sell or contract for sale. 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. These properties are included in "Land and buildings at cost" in our Consolidated Balance Sheet.

ASSETS HELD FOR SALE

During the three-month period ended June 30, 2003, we sold one building located in Indiana, realizing proceeds of $0.2 million, net of closing costs, resulting in a gain of $0.1 million. During the three-month period ended June 30, 2002, we sold one building located in Texas, realizing proceeds of $1.0 million, net of closing costs, resulting in a loss of $0.3 million. There were no sales or transfers of real estate assets held for sale during the three-month period ended March 31, 2003. During the three-month period ended March 31, 2002, we realized gross disposition proceeds of $0.1 million associated with the sale of beds from two facilities.

At June 30, 2003, the carrying value of the remaining three assets held for sale totaled $2.2 million (net of impairment reserves of $2.8 million). 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. (See Note J - Subsequent Events).

OTHER NON-CORE ASSETS

During the three-month period ended June 30, 2003, we sold an investment in a Baltimore, Maryland asset, leased by the United States Postal Service, for approximately $19.6 million. The purchaser paid us gross proceeds of $1.95 million and assumed the first mortgage of approximately $17.6 million. As a result, we recorded a gain of $1.3 million, net of closing costs and other expenses.

During the three-month period ended June 30, 2002, a charge of $3.7 million for provision for uncollectible mortgages, notes and accounts receivable was recognized. This charge was primarily related to the restructuring and reduction of debt owed by Madison/OHI Liquidity Investors, LLC ("Madison"), as part of the compromise and settlement of a lawsuit with Madison. (See Note G - Litigation).

NOTE C - CONCENTRATION OF RISK

As of June 30, 2003, our portfolio of domestic investments consisted of 221 healthcare facilities, located in 28 states and operated by 34 third-party operators. Our gross investment in these facilities, net of impairments, totaled $836.8 million at June 30, 2003, with 97.2% of our real estate investments related to long-term care facilities. This portfolio is made up of 153 long-term healthcare facilities and two rehabilitation hospitals owned and leased to third parties, fixed rate mortgages on 52 long-term healthcare facilities, one long-term healthcare facility that was recovered from a customer and is currently operated through a third-party management contract for our own account and 13 long-term healthcare facilities that were recovered from customers and are currently closed. At June 30, 2003, we also held miscellaneous investments and assets held for sale of approximately $28.8 million, including a $1.3 million investment in Principal Healthcare Finance Trust and $18.1 million of notes receivable, net of allowance.

Approximately 49.7% of our real estate investments are operated by four public companies, including Sun Healthcare Group, Inc. (26.8%), Advocat, Inc. ("Advocat") (12.5%), Mariner Post-Acute Network ("Mariner") (7.1%), and Alterra Healthcare Corporation ("Alterra") (3.3%). The three largest private operators represent 10.3%, 4.0% and 3.8%, respectively, of our investments. No other operator represents more than 2.8% of our investments. The three states in which we have our highest concentration of investments are Florida (15.4%), California (8.0%) and Illinois (7.9%). (See Note J - Subsequent Events).

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. 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. Due to our 2002 taxable loss, no distribution was necessary to maintain our REIT status for 2002. Net operating loss carry-forwards through 2002 of approximately $24.0 million are available to help offset taxable income. In addition, we intend to make the necessary distributions, if any, to satisfy the 2003 REIT requirements. The accumulated and unpaid dividends relating to all series of preferred stocks total $50.1 million as of June 30, 2003. In aggregate, preferred dividends continue to accumulate at approximately $5.0 million per quarter.

No preferred or common cash dividends were paid during the first six months ended June 30, 2003 or the twelve months ended December 31, 2002 and 2001.

In July 2003, our Board of Directors declared a full catch-up of cumulative, unpaid dividends for all classes of preferred stock to be paid August 15, 2003 to preferred stockholders of record on August 5, 2003. In addition, the Board declared the regular quarterly dividend for all classes of preferred stock to be paid on August 15, 2003 to preferred stockholders of record on August 5, 2003. (See Note J - Subsequent Events).

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, but has fully reserved its rights.

Upon payment of the preferred dividends on August 15, 2003, the rights of the holders of the Series A and Series B preferred stock, and of Explorer, the sole holder of our Series C preferred stock, to elect additional directors resulting from the dividend arrearage will terminate. Explorer, as the holder of a majority of the outstanding voting power of us on an as-converted basis, would still have the right to designate a majority of the full Board pursuant to a stockholders agreement.

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.

For the three- and six-month periods ended June 30, 2003, stock options that were in-the-money had a dilutive effect of $0.001 per share and $0.002 per share, respectively. There were no dilutive effects from stock options in-the-money for the same periods in 2002.

NOTE F - STOCK-BASED COMPENSATION

We account for stock options using the intrinsic value method as defined by APB 25, Accounting for Stock Issued to Employees. Under the terms of the 2000 Stock Incentive Plan ("Incentive Plan"), we reserved 3,500,000 shares of common stock for grants to be issued during a period of up to ten years. Options are exercisable at the market price at the date of grant, expire five years after date of grant for over 10% owners and ten years from the date of grant for less than 10% owners. Directors' shares vest over three years while other grants vest over five years or as defined in an employee's contract. Directors, officers and employees are eligible to participate in the Incentive Plan. At June 30, 2003, there were 2,383,501 outstanding options granted to 19 eligible participants. Additionally, 342,124 shares of restricted stock have been granted under the provisions of the Incentive Plan. The market value of the restricted shares on the date of the award was recorded as unearned compensation-restricted stock, with the unamortized balance shown as a separate component of stockholders equity. Unearned compensation is amortized to expense generally over the vesting period.

Statement of Financial Accounting Standard ("SFAS") No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, which was effective January 1, 2003, requires certain disclosures related to our stock-based compensation arrangements. The following table presents the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, to our stock-based compensation.

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,
	2003	2002	2003	2002
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
<S>	<C>	<C>	<C>	<C>
Net income (loss) to common stockholders.....	$ 1,800	$(5,569)	$	

2,756	$(6,141)			
Add: Stock-based compensation expense included in net income (loss) to common stockholders	-	-	-	-
	1,800	(5,569)	2,756	(6,141)
Less: Stock-based compensation expense determined under the fair value based method for all awards	73	20	93	40
Pro forma net income (loss) to common stockholders	$ 1,727	$(5,589)	$ 2,663	$(6,181)
Earnings per share:				
Basic, as reported	$ 0.05	$ (0.15)	$ 0.07	$ (0.19)
Basic, pro forma	$ 0.05	$ (0.15)	$ 0.07	$ (0.19)
Diluted, as reported	$ 0.05	$ (0.15)	$ 0.07	$ (0.19)
Diluted, pro forma	$ 0.05	$ (0.15)	$ 0.07	$ (0.19)

</TABLE>

At June 30, 2003, options currently exercisable (670,051) have a weighted-average exercise price of $3.684, with exercise prices ranging from $2.15 to $37.20. There are 594,486 shares available for future grants as of June 30, 2003.

The following is a summary of second quarter 2003 activity under the plan.

	Stock Options		
	Number of Shares	Exercise Price	Weighted-Average Price
Outstanding at December 31, 2002	2,374,501	$2.150 - $37.205	$3.150
Granted during 1st quarter 2003	-	-	-
Canceled	-	-	-
Outstanding at March 31, 2003	2,374,501	$2.150 - $37.205	$3.150
Granted during 2nd quarter 2003	9,000	3.740 - 3.740	3.740
Canceled	-	-	-
Outstanding at June 30, 2003	2,383,501	$2.150 - $37.205	$3.152

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

On June 21, 2000, we were named as a defendant in certain litigation brought against us in the U.S. District Court for the Eastern District of Michigan, Detroit Division, by Madison/OHI Liquidity Investors, LLC , 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. 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 consisting of a $0.4 million cash payment for our attorneys' fees, with the balance 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. Accordingly, a reserve of $1.25 million was recorded in 2002 relating

to this note. As of June 30, 2003, the principal balance on this note was $2.2 million prior to reserves.

In 2000, we filed suit against a title company (later adding a law firm as a defendant), seeking damages based on claims of breach of contract and negligence, among other things, as a result of the alleged failure to file certain Uniform Commercial Code ("UCC") financing statements in our favor. We filed a subsequent suit seeking recovery under title insurance policies written by the title company. The defendants denied the allegations made in the lawsuits. In settlement of our claims against the defendants, we agreed in the first quarter of 2003 to accept a lump sum cash payment of $3.2 million. The cash proceeds were offset by related expenses incurred of $1.0 million resulting in a net gain of $2.2 million.

We and several of our wholly-owned subsidiaries have been named as defendants in professional liability claims related to our owned and operated facilities. Other third-party managers responsible for the day-to-day operations of these facilities have also been named as defendants in these claims. In these suits, patients of certain previously owned and operated facilities have alleged significant damages, including punitive damages against the defendants. The lawsuits are in various stages of discovery and we are unable to predict the likely outcome at this time. We continue to vigorously defend these claims and pursue all rights we may have against the managers of the facilities, under the terms of the management agreements. We have insured these matters, subject to self-insured retentions of various amounts.

NOTE H - BORROWING ARRANGEMENTS

In June, 2003, we completed a new $225 million Senior Secured Credit Facility ("Credit Facility") arranged and syndicated by GE Healthcare Financial Services. At the closing, we borrowed $187.1 million under the new Credit Facility to repay borrowings under our two previous credit facilities and replace letters of credit. In addition, proceeds from the loan are permitted to be used to pay cumulative unpaid preferred dividends, and for general corporate purposes.

The new Credit Facility includes a $125 million term loan ("Term Loan") and a $100 million revolving line of credit ("Revolver") collateralized by 121 facilities representing approximately half of our invested assets. Both the Term Loan and Revolver have a four-year maturity with a one-year extension at our option. The Term Loan amortizes on a 25-year basis and is priced at London Interbank Offered Rate ("LIBOR") plus a spread of 3.75%, with a floor of 6.00%. The Revolver is also priced at LIBOR plus a 3.75% spread, with a 6.00% floor.

At June 30, 2003 we had $187.1 million of Credit Facility borrowings outstanding and $12.5 million of letters of credit outstanding, leaving availability of $25.4 million. The $187.1 million of outstanding borrowings had an interest rate of 6.00% at June 30, 2003.

Borrowings under our $160.0 million secured revolving line of credit facility of $112.0 million were paid in full upon the closing of our new Credit Facility. Additionally, $12.5 million of letters of credit previously outstanding against this credit facility were reissued under the new Credit Facility. LIBOR-based borrowings under this facility had a weighted-average interest rate of approximately 4.5% at the payoff date.

Borrowings under our $65.0 million line of credit facility, which was fully drawn, were paid in full upon the closing of our new Credit Facility. LIBOR-based borrowings under this facility had a weighted-average interest rate of approximately 4.6% at the payoff date.

As a result of the new Credit Facility, for the three- and six-month periods ended June 30, 2003, our interest expense includes $2.6 million of non-cash interest related to the termination of our two previous credit facilities.

NOTE I - ACCOUNTING FOR DERIVATIVES

We utilize interest rate swaps and caps 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 hedged 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 June 30, 2003, the derivative instrument was reported at its fair value of $4.1 million as compared to its fair value at December 31, 2002 of $7.3 million. An adjustment of $2.5 million and $3.2 million to Other Comprehensive Income was made for the change in fair value of this cap during the three- and six-month periods ended June 30, 2003, respectively. 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. Over the twelve months ending December 31, 2003, $0.1 million is expected to be amortized.

NOTE J - SUBSEQUENT EVENTS

Sun Healthcare Group Inc. On July 1, 2003, we re-leased five skilled nursing facilities formerly leased by Sun. Specifically, we re-leased the five former Sun SNFs in the following three separate lease transactions: (i) a Master Lease of two SNFs in Florida, representing 350 beds, which Master Lease has a ten-year term and has an initial annual lease rate of $1.3 million; (ii) a Master Lease of two SNFs in Texas, representing 256 beds, which Master Lease has a ten-year term and has an initial annual lease rate of $800,000; and (iii) a lease of one SNF in Louisiana, representing 131 beds, which lease has a ten-year term and requires an initial annual lease rate of $400,000. Aggregate monthly contractual lease payments, under all three transactions, total approximately $208,000 and commenced July 1, 2003.

Separately, we continue our ongoing restructuring discussions with Sun. At this time, we cannot determine the timing or outcome of these discussions. However, as a result of the above mentioned transitions of the five former Sun facilities, Sun's contractual monthly rent, starting in July, was reduced $0.2 million from approximately $2.2 million to approximately $2.0 million. For the month of July, Sun remitted approximately $1.51 million in lease payments versus $1.27 million per month for April, May and June. During the second quarter, we applied $1.37 million of security deposits, which exhausted all remaining security deposits associated with Sun.

Alterra Healthcare Corporation. Effective July 7, 2003, we amended our Master Lease with a subsidiary of Alterra whereby the number of leased facilities was reduced from eight to five. The amended Master Lease has a remaining term of approximately ten years with an annual rent requirement of approximately $1.5 million. We are in the process of negotiating terms and conditions for the re-lease of the remaining three properties. In the interim, Alterra will continue to operate the facilities. The Amended Master Lease was approved by the U.S. Bankruptcy Court in the District of Delaware.

Claremont Healthcare Holdings, Inc. Claremont failed to pay base rent due on July 1, 2003 in the amount of $0.5 million. On July 21, 2003, we drew on a letter of credit (posted by Claremont as a security deposit) in the amount of $0.5 million to pay Claremont's July rent payment and we demanded that Claremont restore the $0.5 million letter of credit. As of the date of this filing, we have additional security deposits in the form of cash and letters of credit in the amount of $2.0 million associated with Claremont. We are recognizing revenue from Claremont on a cash-basis as it is received.

Other Assets. During July, we sold one held for sale facility in Indiana for proceeds of $0.2 million, net of closing costs, resulting in a gain of approximately $0.1 million. We also sold one closed facility located in Texas for proceeds of $1.0 million, net of closing costs, resulting in a gain of approximately $0.6 million.

Dividends. Our Board of Directors declared a full catch-up of cumulative, unpaid dividends for all classes of preferred stock to be paid August 15, 2003 to preferred stockholders of record on August 5, 2003. In addition, the Board declared the regular quarterly dividend for all classes of preferred stock to be paid on August 15, 2003 to preferred stockholders of record on August 5, 2003.

Series A and Series B preferred stockholders of record on August 5, 2003 will be paid dividends in the amount of approximately $6.36 and $5.93 per

preferred share, respectively, on August 15, 2003. Our Series C preferred stockholder will be paid dividends of approximately $27.31 per Series C preferred share on August 15, 2003. The liquidation preference for our Series A, B and C preferred stock is $25.00, $25.00 and $100.00 per share, respectively, excluding cumulative unpaid dividends. Total August 2003 dividend payments for all classes of preferred stock are approximately $55.1 million.

Cumulative unpaid dividends represent unpaid dividends accrued for the period from November 1, 2000 through April 30, 2003. Regular quarterly dividends represent dividends for the period May 1, 2003 through July 31, 2003.

Upon payment of the preferred dividends on August 15, 2003, the rights of the holders of the Series A and Series B preferred stock, and of Explorer, the sole holder of our Series C preferred stock, to elect additional directors resulting from the dividend arrearage will terminate. (See Note D - Dividends). Explorer, as the holder of a majority of the outstanding voting power of us on an as-converted basis, would still have the right to designate a majority of the full Board pursuant to a stockholders agreement.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As of June 30, 2003, our portfolio of domestic investments consisted of 221 healthcare facilities, located in 28 states and operated by 34 third-party operators. Our gross investment in these facilities, net of impairments, totaled $836.8 million at June 30, 2003, with 97.2% of our real estate investments related to long-term care facilities. This portfolio is made up of 153 long-term healthcare facilities and two rehabilitation hospitals owned and leased to third parties, fixed rate mortgages on 52 long-term healthcare facilities, one long-term healthcare facility that was recovered from a customer and is currently operated through a third-party management contract for our own account and 13 long-term healthcare facilities that were recovered from customers and are currently closed. At June 30, 2003, we also held miscellaneous investments and assets held for sale of approximately $28.8 million, including a $1.3 million investment in Principal Healthcare Finance Trust and $18.1 million of notes receivable, net of allowance. (See Note J - Subsequent Events).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

We have identified six significant accounting policies as critical accounting policies. These critical accounting policies are those that have the most impact on the reporting of our financial condition and those requiring significant judgments and estimates. With respect to these critical accounting policies, we believe the application of judgments and assessments is consistently applied and produces financial information that fairly presents the results of operations for all periods presented. The six critical accounting policies are:

Revenue Recognition. Rental income and mortgage interest income are recognized as earned over the terms of the related Master Leases and mortgage notes, respectively. Such income includes periodic increases based on pre-determined formulas (i.e., such as increases in the CPI) as defined in the Master Leases and mortgage loan agreements. Reserves are taken against earned revenues from leases and mortgages when collection of amounts due become questionable or when negotiations for restructurings of troubled operators lead to lower expectations regarding ultimate collection. When collection is uncertain, lease revenues are recorded as received, after taking into account application of security deposits. Interest income on impaired mortgage loans is recognized as received after taking into account application of security deposits.

Nursing home revenues from owned and operated assets (primarily Medicare, Medicaid and other third-party insurance) are recognized as patient services are provided.

Impairment of Assets. We periodically evaluate our real estate investments for impairment indicators. The judgment regarding the existence of impairment indicators are based on factors such as market conditions, operator performance and legal structure. If indicators of impairment are present, we evaluate the carrying value of the related real estate investments in relationship to the future undiscounted cash flows of the underlying facilities. Provisions for impairment losses related to long-lived assets are recognized when expected future cash flows are less than the carrying values of the assets. If the sum of the expected future cash flow, including sales proceeds, is less than carrying value, we then adjust the net carrying value of leased properties and other long-lived assets to the present value of expected future cash flows.

Loan Impairment Policy. When management identifies an indication of potential loan impairment, such as non-payment under the loan documents or

impairment of the underlying collateral, the loan is written down to the present value of the expected future cash flows. In cases where expected future cash flows cannot be estimated, the loan is written down to the fair value of the collateral.

Accounts Receivable. Accounts receivable consists primarily of lease and mortgage interest payments. Amounts recorded include estimated provisions for loss related to uncollectible accounts and disputed items. On a monthly basis, we review the contractual payment versus actual cash payment received and the contractual payment due date versus actual receipt date. When management identifies delinquencies, a judgment is made as to the amount of provision, if any, that is needed.

Accounts Receivable--Owned and Operated Assets. Accounts receivable from owned and operated assets consist of amounts due from Medicare and Medicaid programs, other government programs, managed care health plans, commercial insurance companies and individual patients. Amounts recorded include estimated provisions for loss related to uncollectible accounts and disputed items.

Owned and Operated Assets and Assets Held for Sale. When we acquire real estate pursuant to a foreclosure proceeding, it is designated as "owned and operated assets" and is recorded at the lower of cost or fair value and is included in real estate properties on our Consolidated Balance Sheet. For 2003, operating assets and operating liabilities for our owned and operated properties are shown on a net basis on the face of our Consolidated Balance Sheet. For 2002, operating assets and operating liabilities for our owned and operated properties are shown on a gross basis on the face of our Consolidated Balance Sheet and are detailed in Note B - Properties; Owned and Operated Assets. The consolidation in 2003 is due to the decrease in the size of the owned and operated portfolio (currently one facility).

When a formal plan to sell real estate is adopted and we hold a contract for sale, the real estate is classified as "assets held for sale," with the net carrying amount adjusted to the lower of cost or estimated fair value, less cost of disposal. Depreciation of the facilities is excluded from operations after management has committed to a plan to sell the asset. Upon adoption of FASB 144 as of January 1, 2002, long-lived assets sold or designated as held for sale after January 1, 2002 are reported as discontinued operations in our financial statements.

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).

Revenues for the three- and six-month periods ended June 30, 2003 totaled $20.8 million and $45.4 million, respectively, a decrease of $13.6 million and $33.0 million, respectively, from the same periods in 2002. When excluding nursing home revenues of owned and operated assets, revenues decreased $1.4 million and increased $1.0 million versus the three- and six-month periods ended June 30, 2002, respectively. The decrease during the quarter was primarily the result of operator restructurings. The increase for the six-month period is primarily due to a legal settlement (see below).

Rental income for the three- and six-month periods ended June 30, 2003 were $16.2 million and $32.8 million, respectively, an increase of $0.5 million and $1.7 million from the same periods in 2002. The $0.5 million increase for the three-month period is due to $0.6 million relating to contractual increases in rents that became effective in the second half of 2002 and in the first half of 2003 and $0.3 million in new leases, offset by a $0.4 million reduction in lease revenue due to foreclosures, bankruptcies and restructurings. The $1.7 million increase for the six-month period is due to $1.3 million relating to contractual increases in rents that became effective in the second half of 2002 and the first half of 2003 and $1.2 million in new leases, offset by a $0.4 million reduction in lease revenue due to foreclosures, bankruptcies and restructurings and $0.4 million due to deferral for non-payment.

Mortgage interest income for the three- and six-month periods ended June 30, 2003 totaled $3.5 million and $7.9 million, respectively, a decrease of $1.7 million and $2.7 million from the same periods in 2002. The $1.7 million three-month decrease is primarily the result of bankruptcies and restructurings of $1.4 million and mortgage payoffs and normal amortization of $0.3 million. The $2.7 million six-month decrease is primarily the result of bankruptcies and restructurings of $2.0 million and mortgage payoffs and normal amortization of $0.7 million.

In 2000, we filed suit against a title company (later adding a law firm as a defendant), seeking damages based on claims of breach of contract and negligence, among other things, as a result of the alleged failure to file certain UCC financing statements in our favor. We filed a subsequent suit seeking recovery under title insurance policies written by the title company. The defendants denied the allegations made in the lawsuits. In settlement of our claims against the defendants, we agreed in the first quarter of 2003 to accept

a lump sum cash payment of $3.2 million. The cash proceeds were offset by related expenses incurred of $1.0 million resulting in a net gain of $2.2 million.

Expenses for the three- and six-month periods ended June 30, 2003 totaled $15.3 million and $33.9 million, respectively, a decrease of $19.3 million and $40.2 million from the same periods in 2002. Excluding nursing home expenses of owned and operated assets, expenses were $15.2 million and $32.4 million, respectively, for the three- and six-month periods ended June 30, 2003 versus $21.2 million and $36.9 million for the same periods in 2002. The $6.0 million decrease for the three-month period ended June 30, 2003 primarily resulted from a provision for impairment of $2.5 million and a provision for uncollectible mortgages, notes and accounts receivable of $3.7 million, both taken in 2002. The $4.5 million decrease for the six-month period ended June 30, 2003 is primarily due to $2.8 million of interest savings, $0.9 million favorable reduction in general and administrative and legal expenses, $3.7 million favorable reduction in provision for uncollectible mortgages, notes and accounts receivable, off set by an increase of $2.1 million in provision for impairment and $0.6 million in adjustments of derivatives to fair value.

Nursing home expenses, net of nursing home revenues, for owned and operated assets for the three- and six-month periods ended June 30, 2003 were $0.1 million and $1.4 million, respectively, a decrease of $1.2 million and $1.8 million from the same periods in 2002. The decrease was a result of the decrease in the number of owned and operated facilities from 13 at June 30, 2002 to one at June 30, 2003.

Interest expense for the three- and six-month periods ended June 30, 2003 was $7.4 million and $12.5 million, respectively, compared to $7.2 million and $15.3 million for the same periods in 2002. The increase for the three-month period is primarily due to a $2.6 million non-cash interest expense related to the termination of our two previous credit facilities. The decrease for the six-month period is primarily due to a $39.1 million reduction of total outstanding debt versus the same periods in 2002.

General and administrative and legal expenses for the three- and six-month periods ended June 30, 2003, totaled $2.2 million and $4.3 million, respectively, compared with $2.6 million and $5.1 million for the same periods in 2002. The $0.4 million decrease for the three-month period ended June 30, 2003 is primarily due to a reduction in consulting costs relating to the reduction in the number of our owned and operated facilities. The $0.8 million decrease for the six-month period ended June 30, 2003 is primarily due to a reduction in legal and consulting costs relating to the reduction in the number of our owned and operated facilities.

A provision for impairment of $4.6 million was recorded in the first quarter of 2003. The provision was to reduce the carrying value of a closed building to its fair value less costs to dispose. The building is being actively marketed for sale; however, there can be no assurance if, or when, such sale will be completed or whether such sales will be completed on terms that allow us to realize the carrying value of the asset. A provision for impairment of $2.5 million was recorded for the three- and six-month periods ended June 30, 2002, to reduce the carrying value of three owned and operated buildings to their fair value less costs to dispose.

A charge of $3.7 million for provision for uncollectible mortgages, notes and accounts receivable was recognized during the three-month period ended June 30, 2002. This charge was primarily related to the restructuring and reduction of debt owed by Madison, as part of the compromise and settlement of a lawsuit with Madison.

During the three-month period ended June 30, 2003, we sold an investment in a Baltimore, Maryland asset, leased by the United States Postal Service, for approximately $19.6 million. The purchaser paid us gross proceeds of $1.95 million and assumed the first mortgage of approximately $17.6 million. As a result, we recorded a gain of $1.3 million, net of closing costs and other expenses. Also during the quarter, we sold one closed building located in Indiana, realizing proceeds, net of closing costs, of $0.2 million, resulting in a gain of approximately $0.1 million. During the three-month period ended June 30, 2002, we sold one building located in Texas, realizing proceeds of $1.0 million, net of closing costs, resulting in a loss of $0.3 million.

Funds from operations ("FFO") for the three- and six-month periods ended June 30, 2003, on a fully diluted basis, was $8.5 million and $22.0 million, respectively, an increase of $3.5 million and $10.0 million, as compared to the $5.0 million and $12.0 million for the same periods in 2002, due to the factors mentioned above. For the three-month period ended June 30, 2003, nursing home revenues and expenses, on a net basis, decreased FFO by $0.1 million. For the six-month period ended June 30, 2003, the legal settlement, previously discussed, increased FFO by $2.2 million and nursing home revenues and expenses, on a net basis, decreased FFO by $1.4 million. Both the legal settlement and net impact from our owned and operated nursing home assets are included in the fully diluted FFO for the three- and six-month periods ended June 30, 2003. We believe that FFO is an important supplemental measure of our operating performance. Because the historical cost accounting convention used for real estate assets

requires depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time, while real estate values instead have historically risen or fallen with market conditions. The term FFO was designed by the real estate industry to address this issue. We generally use the National Association of Real Estate Investment Trusts' ("NAREIT") measure of FFO. We define FFO as net income available to common stockholders, adjusted for the effects of asset dispositions and impairments and certain non-cash items, primarily depreciation and amortization. FFO herein is not necessarily comparable to FFO presented by other REITs due to the fact that not all REITs use the same definition. Diluted FFO is adjusted for the assumed conversion of Series C preferred stock and the exercise of in-the-money stock options. FFO does not represent cash generated from operating activities in accordance with GAAP, and therefore, should not be considered an alternative to net earnings or an indication of operating performance or to net cash flow from operating activities, as determined by GAAP, as a measure of liquidity, and such measure is not necessarily indicative of cash available to fund cash needs. We believe that in order to facilitate a clear understanding of our consolidated historical operating results, FFO should be examined in conjunction with net income.

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
<S>	<C>	<C>	<C>	<C>
Net income (loss) available to common	$ 1,800	$ (5,569)	$ 2,756	$ (6,141)
(Less gain) plus loss from real estate dispositions	(1,338)	302	(1,338)	302
Plus impairment charge	-	2,483	4,618	2,483
Sub-total	462	(2,784)	6,036	(3,356)
Elimination of non-cash items included in net income (loss):				
Depreciation	5,366	5,309	10,648	10,589
Amortization	38	43	85	89
Adjustment of derivatives to fair value	-	(198)	-	(598)
Funds from operations, basic	5,866	2,370	16,769	6,724
Series C Preferred Dividends	2,621	2,621	5,242	5,242
Funds from operations, diluted	$ 8,487	$ 4,991	$22,011	$ 11,966
Weighted-average common shares outstanding, basic	37,153	37,129	37,149	32,302
Assumed conversion of Series C Preferred Stock	16,775	16,775	16,775	16,775
Assumed exercise of stock options	1,058	1,439	1,058	1,439
Weighted-average common shares outstanding, diluted	54,986	55,343	54,982	50,516
FFO per share, basic	$ 0.16	$ 0.06	$ 0.45	$ 0.21
FFO per share, diluted*	$ 0.15	$ 0.06	$ 0.40	$ 0.21

</TABLE>
* Lower of basic or diluted FFO per share.

The table below reconciles reported revenues and expenses to revenues and expenses excluding nursing home revenues and expenses of owned and operated assets. Nursing home revenues and expenses of owned and operated assets for the three- and six-month periods ended June 30, 2003 are shown on a net basis on the face of our Consolidated Statements of Operations and are shown on a gross basis for the three- and six-month periods ended June 30, 2002. Since nursing home revenues are not included in reported revenues for the three- and six-month periods ended June 30, 2003, no adjustment is necessary to exclude nursing home revenues.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(In thousands)		(In thousands)	
Total revenues	$20,789	$34,404	$45,353	$78,328
Nursing home revenues of owned and operated assets	-	12,210	-	33,958
Revenues excluding nursing home revenues of owned and operated assets	$20,789	$22,194	$45,353	$44,370
Total expenses	$15,298	$34,642	$33,877	$74,109
Nursing home expenses of owned and operated assets	-	13,485	-	37,185
Nursing home revenues and expenses of owned and operated assets - net	105	-	1,438	-
Expenses excluding nursing home expenses of owned and operated assets	$15,193	$21,157	$32,439	$36,924

PORTFOLIO DEVELOPMENTS

The partial expiration of certain Medicare rate increases has had an adverse impact on the revenues of the operators of nursing home facilities and has negatively impacted some operators' ability to satisfy their monthly lease or debt payments to us. In several instances, we hold security deposits that can be applied in the event of lease and loan defaults, subject to applicable limitations under bankruptcy law with respect to operators seeking protection under Chapter 11 of the Bankruptcy Act. (See "Reimbursement Issues and Other Factors Affecting Future Results" below).

Sun Healthcare Group, Inc. During the first quarter of 2003, Sun remitted rent of $5.0 million versus the contractual amount of $6.4 million. We agreed with Sun to use letters of credit (posted by Sun as security deposits) in the amount of $1.4 million to make up the difference in rent. During the second quarter of 2003, Sun remitted rent of $5.2 million versus the contractual of $6.7 million. The payment of $5.2 million was made up of $3.8 million in cash and the remaining security deposits of $1.4 million. All security deposits with Sun have been used.

Effective July 1, 2003, we re-leased five former Sun SNFs in the following three separate lease transactions: (i) a Master Lease of two SNFs in Florida, representing 350 beds, which Master Lease has a ten-year term and has an initial annual lease rate of $1.3 million; (ii) a Master Lease of two SNFs in Texas, representing 256 beds, which Master Lease has a ten-year term and has an initial annual lease rate of $800,000; and (iii) a lease of one SNF in Louisiana, representing 131 beds, which lease has a ten-year term and requires an initial annual lease rate of $400,000. Aggregate monthly contractual lease payments, under all three transactions, total approximately $208,000 and commenced July 1, 2003. (See Note J - Subsequent Events).

As a result of the above mentioned transitions of the five former Sun SNFs, Sun's contractual monthly rent, starting in July, was reduced $0.2 million from approximately $2.2 million to approximately $2.0 million. However, for the month of July, Sun remitted approximately $1.51 million in lease payments, and we are recognizing revenue from Sun on a cash-basis as it is received. We continue our ongoing restructuring discussions with Sun. At the time of this filing, we cannot determine the timing or outcome of these discussions. There can be no assurance that Sun will continue to pay rent at any level, although, we believe that alternative operators would be available to lease or buy the remaining Sun facilities if an appropriate agreement is not completed with Sun. (See "Reimbursement Issues and Other Factors Affecting Future Results" below).

Alterra Healthcare Corporation. Alterra announced during the first quarter of 2003, that, in order to facilitate and complete its on-going restructuring

initiatives, they had filed a voluntary petition with the U.S. Bankruptcy Court for the District of Delaware to reorganize under Chapter 11 of the U.S. Bankruptcy Code. At that time, we leased eight assisted living facilities (325 units) located in seven states to subsidiaries of Alterra.

Effective July 7, 2003, we amended our Master Lease with a subsidiary of Alterra whereby the number of leased facilities was reduced from eight to five. The amended Master Lease has a remaining term of approximately ten years with an annual rent requirement of approximately $1.5 million. This compares to the 2002 annualized revenue of $2.6 million. We are in the process of negotiating terms and conditions to re-lease the remaining three properties. In the interim, Alterra will continue to operate the three facilities. The Amended Master Lease has been approved by the U.S. Bankruptcy Court in the District of Delaware. (See Note J - Subsequent Events).

Claremont Healthcare Holdings, Inc. Claremont failed to pay base rent due on July 1, 2003 in the amount of $0.5 million. On July 21, 2003, we drew on a letter of credit (posted by Claremont as a security deposit) in the amount of $0.5 million to pay Claremont's July rent payment and we demanded that Claremont restore the $0.5 million letter of credit. As of the date of this filing, we have additional security deposits in the form of cash and letters of credit in the amount of $2.0 million. We are recognizing revenue from Claremont on a cash-basis as it is received. (See Note J - Subsequent Events).

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2003, we had total assets of $797.7 million, stockholders equity of $489.5 million and debt of $298.8 million, representing approximately 37.9% of total capitalization.

BANK CREDIT AGREEMENTS

In June 2003, we completed a new $225 million Senior Secured Credit Facility ("Credit Facility") arranged and syndicated by GE Healthcare Financial Services. At the closing, we borrowed $187.1 million under the new Credit Facility to repay borrowings under our two previous credit facilities and replace letters of credit. In addition, proceeds from the loan are permitted to be used to pay cumulative unpaid preferred dividends and for general corporate purposes.

The new Credit Facility includes a $125 million term loan ("Term Loan") and a $100 million revolving line of credit ("Revolver") fully secured by 121 facilities representing approximately half of the our invested assets. Both the Term Loan and Revolver have a four-year maturity with a one-year extension at our option. The Term Loan amortizes on a 25-year basis and is priced at London Interbank Offered Rate ("LIBOR") plus a spread of 3.75%, with a floor of 6.00%. The Revolver is also priced at LIBOR plus a 3.75% spread, with a 6.00% floor.

At June 30, 2003, we had $187.1 million of Credit Facility borrowings outstanding and $12.5 million of letters of credit outstanding, leaving availability of $25.4 million. The $187.1 million of outstanding borrowings had an interest rate of 6.00% at June 30, 2003. (See Note H - Borrowing Arrangements).

DIVIDENDS

In order to qualify as a 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.

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. 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. Due to our 2002 taxable loss, no distribution was necessary to maintain our REIT status for 2002. Net operating loss carry-forwards through 2002 of approximately $24.0 million are available to help offset taxable income. In

addition, we intend to make the necessary distributions, if any, to satisfy the 2003 REIT requirements. The accumulated and unpaid dividends relating to all series of preferred stocks total $50.1 million as of June 30, 2003. In aggregate, preferred dividends continue to accumulate at approximately $5.0 million per quarter.

No preferred or common cash dividends were paid during the first six months ending June 30, 2003 and 2002, respectively. (See Note D - Dividends).

In July, 2003, our Board of Directors declared a full catch-up of cumulative, unpaid dividends for all classes of preferred stock to be paid August 15, 2003 to preferred stockholders of record on August 5, 2003. In addition, the Board declared the regular quarterly dividend for all classes of preferred stock to be paid on August 15, 2003 to preferred stockholders of record on August 5, 2003. Total August 2003 dividend payments for all classes of preferred stock are approximately $55.1 million. (See Note J - Subsequent Events).

LIQUIDITY

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

REIMBURSEMENT ISSUES AND OTHER FACTORS AFFECTING FUTURE RESULTS

This document contains forward-looking statements, including statements regarding potential asset sales, potential future changes in reimbursement and the future effect of the "Medicare cliff" on our operators. These statements relate to our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events, 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 including "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 filing and only speak as to 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 the forward-looking statements contained herein as a result of a variety of factors, including, among other things: (i) those items discussed in Item 1 above; (ii) regulatory changes in the healthcare sector, including without limitation, changes in Medicare reimbursement; (iii) changes in the financial position of our operators; (iv) uncertainties relating to the restructure of Sun's remaining obligations and payment of contractual rents; (v) the ability of 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 the pendency of a bankruptcy proceeding and retain security deposits for the debtor's obligations; (vi) our ability to dispose of assets held for sale on a timely basis and at appropriate prices; (vii) 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; (viii) our ability to manage, re-lease or sell owned and operated assets; (ix) the availability and cost of capital; and (x) competition in the financing of healthcare facilities.

MEDICARE REIMBURSEMENT. 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 facility owned and operated for our own 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 subject to frequent and substantial change. The Balanced Budget Act of 1997 ("Balanced Budget Act") significantly reduced spending levels for the Medicare and Medicaid programs. Due to the implementation of the terms of the Balanced Budget Act, effective July 1, 1998, the majority of skilled nursing facilities shifted from payments based on reimbursable cost to a prospective payment system for services provided to Medicare beneficiaries. Under the prospective payment system, skilled nursing facilities are paid on a per diem prospective case-mix adjusted payment basis for all covered services. Implementation of the prospective payment system has affected each long-term care facility to a different degree, depending upon the amount of revenue it derives from Medicare patients. Long-term care facilities have had to attempt to restructure their operations to operate profitably under the new Medicare prospective payment system reimbursement policies.

Legislation adopted in 1999 and 2000 increased Medicare payments to nursing facilities and specialty care facilities on an interim basis. Section 101 of the Balanced Budget Relief Act of 1999 ("Balanced Budget Relief Act") included a 20% increase for 15 patient acuity categories (known as Resource Utilization Groups ("RUGS")) and a 4% across the board increase of the adjusted federal per diem payment rate. The 20% increase was implemented in April 2000 and will remain in effect until the implementation of refinements in the current RUG case-mix classification system to more accurately estimate the cost of non-therapy

ancillary services. The 4% increase was implemented in April 2000 and expired October 1, 2002.

The Benefits Improvement and Protection Act of 2000 ("Benefits Improvement and Protection Act") included a 16.7% increase in the nursing component of the case-mix adjusted federal periodic payment rate and a 6.7% increase in the 14 RUG payments for rehabilitation therapy services. The 16.7% increase was implemented in April 2000 and expired October 1, 2002. The 6.7% increase is an adjustment to the 20% increase granted in the Balance Budget Relief Act and spreads the funds directed at three of those 15 RUGs to an additional 11 rehabilitation RUGs. The increase was implemented in April 2001 and will remain in effect until the implementation of refinements in the current RUG case-mix classification system.

In addition to the expiration of the 4% increase implemented in the Balanced Budget Relief Act and the 16.7% increase implemented in the Benefits Improvement and Protection Act, Medicare reimbursement could be further reduced when the Centers for Medicare & Medicaid Services ("CMS") completes its RUG refinement, thereby triggering the sunset of the temporary 20% and 6.7% increases also established under these statutes. The expiration of the 4% and 16.7% increases under these statutes as of October 1, 2002 has had an adverse impact on the revenues of the operators of nursing facilities and has negatively impacted some operators' ability to satisfy their monthly lease or debt payments to us.

On May 16, 2003, CMS published its proposed payment rates for SNFs for federal fiscal year 2004 to become effective on October 1, 2003. The publication of the final rates for federal fiscal year 2004 is anticipated soon, as these rates are supposed to be published before August 1, 2003. The proposed rates and temporary updates discussed below may be revised when the final rates are published. Within the May 16th proposed rule, CMS proposed that the SNF update would be a 2.9% increase in Medicare payments for federal fiscal year 2004. In addition, on May 16, 2003, CMS announced that the two temporary payment increases - the 20% and 6.7% add-ons for certain payment categories - will continue to be effective for federal fiscal year 2004.

On June 10, 2003, CMS published an additonal proposed payment revision for federal fiscal year 2004 in which CMS announced that it would incorporate a forecast error adjustment that takes into account previous years' update errors. According to CMS, there was a cumulative SNF market basket, or inflation adjustment, forecast error of 3.26% for federal fiscal years 2000 through 2002. As a result, CMS proposed to increase the national payment rate by an additional 3.26% above the 2.9% increase for federal fiscal year 2004 that was proposed in May. As with the rates and policies published in the May 16, 2003 proposed rule, this adjustment could change with the publication of the final payment rates, which are supposed to be published before August 1, 2003.

Due to the temporary nature of the remaining payment increases, we cannot be assured that the federal reimbursement will remain at levels comparable to present levels and that such reimbursement will be sufficient for our lessees or mortgagors to cover all operating and fixed costs necessary to care for Medicare and Medicaid patients. We also cannot be assured that there will be any future legislation to increase payment rates for skilled nursing facilities. If payment rates for skilled nursing facilities are not increased in the future, some of our lessees and mortgagors may have difficulty meeting their payment obligations to us.

MEDICAID AND OTHER THIRD-PARTY REIMBURSEMENT. Each state has its own Medicaid program that is funded jointly by the state and federal government. Federal law governs how each state manages its Medicaid program, but there is wide latitude for states to customize Medicaid programs to fit the needs and resources of its citizens.

Rising Medicaid costs and decreasing state revenues caused by current economic conditions have prompted an increasing number of states to cut or consider reductions in Medicaid funding as a means of balancing their respective state budgets. Existing and future initiatives affecting Medicaid reimbursement may reduce utilization of (and reimbursement for) services offered by the operators of our properties. In early 2003, many states announced actual or potential budget shortfalls. As a result of these budget shortfalls, many states have announced that they are implementing or considering implementing "freezes" or cuts in Medicaid rates paid to SNF providers. We cannot predict the extent to which Medicaid rate freezes or cuts will ultimately be adopted, the number of states that will adopt them nor the impact of such adoption on our operators. However, extensive Medicaid rate cuts or freezes could have a material adverse effect on our operators' liquidity, financial condition and results of operations, which could affect adversely their ability to make rental payments to us.

On May 28, 2003, the federal Jobs and Growth Tax Relief Reconciliation Act ("Tax Relief Act") was signed into law, which included an increase in Medicaid federal funding for five fiscal quarters (April 1, 2003 through June 30, 2004). In addition, the Tax Relief Act provides state fiscal relief for federal fiscal years 2003 and 2004 to assist states with funding shortfalls. It is anticipated that these temporary federal funding provisions will mitigate state Medicaid

funding reductions through federal fiscal year 2004.

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 which reduce reimbursement levels could adversely affect 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.

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 a 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.

CONCENTRATION OF RISK. Approximately 49.7% of our real estate investments are operated by four public companies, including Sun (26.8%), Advocat (12.5%), Mariner (7.1%), and Alterra (3.3%). The three largest private operators represent 10.3%, 4.0% and 3.8%, respectively, of our investments. No other operator represents more than 2.8% of our investments. The three states in which we have our highest concentration of investments are Florida (15.4%), California (8.0%) and Illinois (7.9%).

HEALTHCARE INVESTMENT RISKS. 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.

GENERAL REAL ESTATE RISKS. 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.

RISKS RELATED TO OWNED AND OPERATED ASSETS. As a consequence of the financial difficulties encountered by a number of our operators, over the last several years we 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. At June 30, 2003, we had one facility, managed under a third-party management agreement, classified as owned and operated. Our management contract with this third-party operator provides that the third-party operator is responsible for regulatory compliance, but we could be sanctioned for violation of regulatory requirements. In general, the risks of third-party claims such as patient care and personal injury claims are higher with respect to our owned and operated property as compared with our leased and mortgaged assets.

We and several of our wholly-owned subsidiaries have been named as defendants in professional liability claims related to our owned and operated facilities. Other third-party managers responsible for the day-to-day operations of these facilities have also been named as defendants in these claims. In these suits, patients of certain previously owned and operated facilities have alleged significant damages, including punitive damages against the defendants. The lawsuits are in various stages of discovery and we are unable to predict the likely outcome at this time. We continue to vigorously defend these claims and pursue all rights we may have against the managers of the facilities, under the terms of the management agreements. We have insured these matters, subject to self-insured retentions of various amounts.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

The market value of our long-term fixed rate borrowings and mortgages are subject to interest rate risk. Generally, the market value of fixed rate financial instruments will decrease as interest rates rise and increase as interest rates fall. The estimated fair value of our total long-term borrowings at June 30, 2003 was $289.8 million. A one-percent increase in interest rates would result in a decrease in the fair value of long-term borrowings by approximately $2.6 million.

We utilize interest rate swaps and caps 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 June 30, 2003, the derivative instrument was reported at its fair value of $4.1 million as compared to its fair value at December 31, 2002 of $7.3 million. An adjustment of $2.5 million and $3.2 million to Other Comprehensive Income was made for the change in fair value of this cap during the three- and six-month periods ended June 30, 2003, respectively. 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. Over the twelve months ending December 31, 2003, $0.1 million is expected to be amortized.

ITEM 4 - CONTROLS 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 as of the end of the period covered by this 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 have materially affected, or are reasonably likely to affect, our internal control over financial reporting during the most recent fiscal quarter.

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 PART I, 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. Dividends on our preferred stock are cumulative: therefore, all accrued and unpaid dividends on our Series A, B and C preferred stock must be paid in full prior to recommencing the payment of cash dividends on our Common Stock.

The table below sets forth information regarding arrearages in payment of preferred stock dividends as of June 30, 2003:

Title of Class	Annual Dividend Per Share	Arrearage as of June 30, 2003
9.25% Series A Cumulative Preferred Stock	$ 2.3125	$ 13,296,875
8.625% Series B Cumulative Preferred Stock	$ 2.1563	$ 10,781,250
Series C Convertible Preferred Stock	$10.0000	$ 26,007,843
TOTAL		$ 50,085,968

In July 2003, our Board of Directors declared a full catch-up of cumulative, unpaid dividends for all classes of preferred stock to be paid August 15, 2003 to preferred stockholders of record on August 5, 2003. In addition, the Board declared the regular quarterly dividend for all classes of preferred stock to be paid on August 15, 2003 to preferred stockholders of record on August 5, 2003. (See Note D - Dividends and Note J - Subsequent Events, PART I, Item 1 hereto).

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) An Annual Meeting of Stockholders was held on April 3, 2003.

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

Manner of Vote Cast	Daniel A. Decker	Thomas F. Franke	Bernard J. Korman
For*	51,999,523	52,763,112	52,345,845
Withheld	993,571	230,252	647,519
Abstentions and broker non-votes	-	-	-

* Includes 16,774,722 votes represented by Series C preferred stock.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

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

Exhibit	Description
10.1	Loan Agreement among General Electric Capital Corporation and certain subsidiaries of Omega Healthcare Investors, Inc., dated as of June 23, 2003.
10.2	Guaranty by Omega Healthcare Investors, Inc. for the benefit of General Electric Capital Corporation, dated as of June 23, 2003.
10.3	Ownership Pledge, Assignment and Security Agreement between Omega Healthcare Investors, Inc. and General Electric Capital Corporation, dated as of June 23, 2003.
10.4	2000 Stock Incentive Plan (as amended January 1, 2001).
31.1	Certification of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer under Section 906 of the Sarbanes - Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer under Section 906 of the Sarbanes - Oxley Act of 2002.

(b) Reports on Form 8-K

The following reports on Form 8-K were filed or furnished during the quarter ended June 30, 2003:

Form 8-K dated May 8, 2003: Report with the following exhibit:

Press release issued by Omega Healthcare Investors, Inc. on May 8, 2003

Form 8-K dated June 24, 2003: Report with the following exhibit:

Press release issued by Omega Healthcare Investors, Inc. on June 23, 2003

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: July 31, 2003 By: /s/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

Date: July 31, 2003 By: /s/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer

LOAN AGREEMENT

AMONG

GENERAL ELECTRIC CAPITAL CORPORATION,
as Agent and a Lender

AND

THE OTHER FINANCIAL INSTITUTIONS WHO ARE OR HEREAFTER
BECOME PARTIES TO THIS AGREEMENT
as Lenders

AND

OHI ASSET, LLC
OHI ASSET (FL), LLC,
OHI ASSET (IN), LLC
OHI ASSET (LA), LLC
OHI ASSET (TX), LLC
OHI ASSET (ID), LLC
OHI ASSET (MI/NC), LLC
OHI ASSET (OH), LLC
OHI ASSET (MO), LLC
OHI ASSET (CA), LLC
DELTA INVESTORS I, LLC
DELTA INVESTORS II, LLC
NRS VENTURES, LLC
OHI (ILLINOIS), INC.
OHI (INDIANA), INC.
STERLING ACQUISITION CORP.

as Borrowers

DATED AS OF JUNE 23, 2003

$225,000,000
OMEGA LOAN PORTFOLIO

TABLE OF CONTENTS

List of Exhibits

Exhibit 1.1.3(a)	Form of Swing Line Note
Exhibit 1.1.3(b)	Swing Line Commitment
Exhibit 1.4.2	Principal Payments Amortization Schedule
Exhibit 3.4	Title Policy Exceptions
Exhibit 3.7	Leases and Lease Collateral
Exhibit 3.8	Insurance Certificates
Exhibit 4.9	Flood Hazard Properties
Exhibit 4.12	Litigation
Exhibit 4.20	Security Deposits
Exhibit 4.23	Interest Holder Certification and Agreement
Exhibit 4.26	Taxes
Exhibit 4.27	ERISA Matters
Exhibit 4.28	Intellectual Property
Exhibit 4.29	Deposits and Accounts
Exhibit 4.30	Compliance with Healthcare Laws
Exhibit 5.3.1	Form of Compliance Certificate
Exhibit 5.7.1	Form of Lockbox Agreement
Exhibit 6.1.5(a)	Sun Lease Projects and Rents
Exhibit 6.1.5(b)	Form of Lease for New Sun Lease Tenants

SCHEDULE I Index of Defined Terms

(Omega Healthcare Investors, Inc. undertakes to supplementally furnish to the Securities and Exchange Commission a copy of omitted attachments to this exhibit upon request).

Loan No. 70004093

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") is dated as of the 23rd day of June, 2003 by and among (a) OHI ASSET, LLC, OHI ASSET (FL), LLC, OHI ASSET (IN), LLC, OHI ASSET (LA), LLC, OHI ASSET (TX), LLC, OHI ASSET (ID), LLC, OHI ASSET (MI/NC), LLC, OHI ASSET (OH), LLC, OHI ASSET (MO), LLC, OHI ASSET (CA), LLC, DELTA INVESTORS I, LLC, DELTA INVESTORS II, LLC, NRS VENTURES, LLC, OHI (ILLINOIS), INC., OHI (INDIANA), INC. and STERLING ACQUISITION CORP. (collectively, "Borrowers" and each, individually, a "Borrower"), (b) the financial institutions who are or hereafter become parties to this Agreement as Lenders and (c) GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation (in its individual capacity, "GECC"), as Agent and a Lender.

RECITALS

A. Borrowers have requested that Lenders (as defined below) extend term loan and revolving loan facilities to Borrowers of up to Two Hundred Twenty-Five Million Dollars ($225,000,000.00) in the aggregate (collectively, the "Loan"), subject to the terms and conditions contained in this Agreement and the other Loan Documents (as defined below). The Loan is comprised of the Term Loan and the Revolving Loan (each as defined in Section 1.1 below). The Loan is further evidenced by the Term Notes, Revolving Notes and Swing Line Notes (each as defined in Section 1.1 below).

B. As set forth on Exhibit A hereto, a Borrower is either the owner, ground lessee, ground sublessee or first mortgagee with respect to each of the 121 skilled nursing facilities, mentally retarded and developmentally disabled facilities, rehab hospitals, long term acute care facilities and intermediate care facilities for the mentally disabled (collectively, the "Health Care Facilities"), as more particularly described on such Exhibit. The Title Policies (as defined in Section 3.4 below) contain the legal descriptions of the land on which each of the Health Care Facilities is located (collectively called the "Properties" and each individually called a "Property"). The improvements located on such Properties are collectively called the "Improvements". The Properties and the Improvements are sometimes collectively called the "Projects", and a single Property and its Improvements are sometimes called a "Project". Those Properties owned by a Borrower are called the "Owned Properties"; those Properties ground leased or subleased by a Borrower are called the "Ground Leased Properties" and the ground leases or ground subleases with respect thereto are called the "Ground Leases"; and those Properties on which a Borrower holds a first mortgage are called the "Omega Mortgaged Properties". The Owned Properties and the Ground Leased Properties are collectively called the "Omega Leased Properties."

C. Borrowers will use the proceeds of the Loan for the purpose of refinancing the Projects, for other general corporate purposes and as described in subsection 1.1.2(c) below.

D. Borrowers' obligations under the Loan will be secured by, among other things, (a) a first priority Mortgage, Assignment of Rents and Security Agreement (or a document of similar title) of even date herewith (collectively, the "Mortgages") encumbering each Owned Property, (b) a first priority Leasehold Mortgage, Assignment of Rents and Security Agreement (or a document of similar title) of even date herewith (collectively, the "Leasehold Mortgages")

encumbering each Ground Leased Property, (c) a Pledge and Collateral Assignment of Loans with respect to each Omega Mortgaged Property and the Omega Loan Documents (as defined in subsection 5.7.2 below) (collectively, the "Assignments of Loan Documents"), (d) the Pledge (as defined in Section 3.1 below) encumbering one hundred percent (100%) of the ownership interests in each Borrower, and (e) the Assignments of Leases (if any) (as defined in Section 3.1 below). This Agreement, the Notes, the Mortgages, the Leasehold Mortgages, the Assignments of Loan Documents, the Guaranty (as defined in Section 3.1 below), the Environmental Indemnity (as defined in Section 3.1 below), the Pledge, the Assignments of Leases (if any) and any other documents evidencing or securing the Loan or executed in connection therewith or herewith, and any modifications, renewals, extensions and amendments thereof, are referred to herein collectively as the "Loan Documents."

E. "Agent" means GECC in its capacity as agent for the Lenders under this Agreement and each of the other Loan Documents and any successor in such capacity appointed pursuant to Section 8.2 below. "Lender" or "Lenders" means GECC in its individual capacity and its successors and permitted assigns pursuant to Section 8.1 below and any other financial institution which is now or hereafter becomes a party to this Agreement as a Lender.

F. An index of defined terms in this Agreement appears on Schedule I hereto.

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

ARTICLE I
The Loan

1.1. Disbursements.

1.1.1. Term Loan.

(a) Subject to the terms and conditions hereof, each Lender agrees to make a term loan (collectively, the "Term Loan") on the Closing Date (as defined below) to Borrowers in the amount of the applicable Lender's Term Loan Commitment (as defined below). Each such Term Loan shall be evidenced by a promissory note in the form of Exhibit 1.1.1(a) hereto (each, a "Term Note" and, collectively, the "Term Notes"), and all Borrowers shall jointly execute and deliver each Term Note to the applicable Lender. Each Term Note shall represent the obligation of Borrowers to pay each Lender's Term Loan Commitment, together with interest thereon. The aggregate principal amount of the Term Loan advanced to Borrowers shall be the primary obligation of Borrowers jointly and severally. "Closing Date" means the date of disbursement of the Term Loan.

(b) "Term Loan Commitment" means (a) as to any Lender, the commitment of such Lender to make its Pro Rata Share (as defined in subsection 8.1.1 below) of the Term Loan, as set forth on Exhibit 1.1.1(b) hereto, and (b) as to all Lenders, the aggregate commitment of all Lenders to make the Term Loan, which aggregate commitment shall be One Hundred Twenty-Five Million Dollars ($125,000,000.00) on the Closing Date. After advancing the Term Loan, each reference to a Lender's Term Loan Commitment shall refer to that Lender's Pro Rata Share of the outstanding Term Loan.

(c) Each payment of principal with respect to the Term Loan shall be paid to Agent for the benefit of each Lender, ratably in proportion to each Lender's respective Term Loan Commitment.

1.1.2. Revolving Loan.

(a) Subject to the terms and conditions hereof, each Lender agrees to make available to Borrowers on the Closing Date and from time to time during the Borrowing Period (as defined below) advances (each, a "Revolving Credit Advance") in an amount not to exceed such Lender's Revolving Loan Commitment (as defined below). Borrowers shall execute and deliver to each Lender a promissory note to evidence the Revolving Loan Commitment of that Lender. Each promissory note shall be in the principal amount of the Revolving Loan Commitment of the applicable Lender, and in the form of Exhibit 1.1.2(a) hereto (each, a "Revolving Note" and, collectively, the "Revolving Notes"). Each Revolving Note shall represent the obligation of Borrowers to pay the amount of the applicable Lender's Revolving Loan Commitment, together with interest thereon. The aggregate principal amount of the Revolving Loan advanced to Borrowers shall be the primary obligation of Borrowers jointly and severally.

(b) "Revolving Loan Commitment" means (a) as to any Lender, the aggregate commitment of such Lender to make Revolving Credit Advances, as set forth on Exhibit 1.1.2(b) hereto and (b) as to all Lenders, the aggregate commitment of all Lenders to make Revolving Credit Advances, which aggregate commitment shall be One Hundred Million Dollars ($100,000,000.00) (such aggregate commitment is also referred to as the "Revolving Loan") on the Closing Date.

(c) During the two (2) year period commencing on the Closing Date (the "Borrowing Period"), and so long as no (i) Event of Default of any nature, (ii) Potential Default (as defined in Section 7.1 below), or (iii) default under any

of the covenants set forth in Section 6.1, 6.2, 6.3, 6.4 or 6.5 of the Guaranty, shall have occurred and be continuing, Borrowers shall have the right to borrow an amount up to the full amount of the Revolving Loan on a revolving basis, subject to the terms and conditions set forth below; provided, Lenders are not obligated to make Revolving Credit Advances at any time which would exceed the then Borrowing Availability (as defined in subsection 1.1.2(e) below). The Revolving Loan may be repaid by Borrowers in full or in part at any time, and any amounts repaid by Borrowers may be reborrowed, subject to the terms of this subsection 1.1.2. After the Borrowing Period, Borrowers may not borrow or reborrow additional amounts under this subsection 1.1.2. The proceeds of the Revolving Loan may be used by Borrowers for general working capital purposes of Guarantor and its Affiliates, to repay debt or letters of credit or to pay shareholder dividends. Any other proposed uses, including without limitation, acquisitions of properties, are subject to Agent's prior written consent, which shall not be unreasonably withheld or delayed.

(d) Borrowers shall provide Agent with a written draw request at least two (2) Business Days prior to the proposed draw date. Each draw request shall be irrevocable and shall state the proposed draw date and the amount of the draw (which shall not be less than $500,000). During the Borrowing Period, Borrowers may borrow funds under the Revolving Loan at any time and from time to time. Borrowers shall pay Agent, for the benefit of Lenders in accordance with their respective Pro Rata Share of the Revolving Loan Commitments, a quarterly non-use fee equal to three-eighths percent (0.375%) (per annum, based upon a 360-day year) of the portion of the Revolving Loan that would then be available to be borrowed or reborrowed (so long as no (i) Event of Default of any nature, (ii) Potential Default, or (iii) default under any of the covenants set forth in Section 6.1, 6.2, 6.3, 6.4 or 6.5 of the Guaranty, shall have occurred and be continuing), calculated on a daily basis. Such non-use fee shall be payable in arrears, due on the fifteenth (15th) day of each calendar quarter, and computed based upon the excess, if any, of the Revolving Loan Commitment over the daily actual aggregate balance of the Revolving Loan and Swing Line Loan (as defined in subsection 1.1.3(a) below) outstanding during such prior calendar quarter.

(e) Agent is authorized to, and at its sole election may, charge to the Revolving Loan balance on behalf of Borrowers and cause to be paid all Costs (as defined in Section 9.1 below) and interest and principal, other than principal of the Revolving Loan, owing by Borrowers under this Agreement or any of the other Loan Documents if and to the extent Borrowers have failed to pay any such amounts as and when due, including after any applicable grace periods, up to the amount of Borrowing Availability (as defined below) at such time. At Agent's option and to the extent permitted by law, any charges so made shall constitute part of the Revolving Loan hereunder. "Borrowing Availability" means the aggregate Revolving Loan Commitment of all Lenders, less the sum of the aggregate balance of the Revolving Loan and the Swing Line Loan then outstanding and less the outstanding amount of Letter of Credit Obligations (as defined in Exhibit B hereto).

(f) Notwithstanding anything to the contrary contained in this subsection 1.1.2, unless and until all of the industrial revenue bonds and similar financial instruments referenced on Exhibit 3.4 hereto (collectively, the "IRBs") have been paid in full or defeased and any mortgages, deeds of trust or other documents securing any of the IRBs which constitute a lien against any of the Projects (or portions thereof) have been released (and reasonably satisfactory evidence thereof has been provided to Agent), Agent shall have the right to hold back from the Revolving Credit Advances which Lenders otherwise have agreed to make hereunder an amount equal to the then aggregate outstanding balance of all IRBs not so paid or defeased (or as to which there exists a lien against any Project or portion thereof). Any amounts so held back shall still be subject to the non-use fee described in subsection 1.1.2(d) above. Notwithstanding the foregoing, so long as there is no Event of Default then continuing under any of the Loan Documents, Borrowers shall have the right to obtain a Revolving Credit Advance for the purpose of repaying or defeasing the outstanding balance of all or any of the IRBs. Furthermore, there will be no hold back from the Revolving Credit Advances for the outstanding balances of the IRBs related to SunBridge Care and Rehab of Salem, West Virginia and SunBridge Pine Lodge Care and Rehab, Berkley, West Virginia, as the same are secured by letters of credit and not otherwise subject to any liens securing such IRBs.

(g) Notwithstanding anything to the contrary contained in this subsection 1.1.2, unless and until Borrowers have completed all of the matters set forth on Schedule II to the Environmental Indemnity with respect to the Project known as Nodaway Nursing Home located in Maryville, Missouri (and reasonably satisfactory evidence thereof has been provided to Agent), Agent shall have the right to hold back from the Revolving Credit Advances which Lenders otherwise have agreed to make hereunder an amount equal to One Hundred Thousand Dollars ($100,000.00). Any amounts so held back shall still be subject to the non-use fee described in subsection 1.1.2(d) above.

1.1.3. Swing Line Facility.

(a) Agent shall notify the Swing Line Lender (as defined below) upon Agent's receipt of any notice of a requested Revolving Credit Advance. Subject to the terms and conditions hereof, the Swing Line Lender may, in its discretion, make available from time to time during the Borrowing Period

advances (each, a "Swing Line Advance") in accordance with any such notice. The provisions of this subsection 1.1.3(a) shall not relieve Lenders of their obligations to make Revolving Credit Advances under subsection 1.1.2 above; provided, that if the Swing Line Lender makes a Swing Line Advance pursuant to any such notice, such Swing Line Advance shall be in lieu of any Revolving Credit Advance that otherwise may be made by Lenders pursuant to such notice. Borrowers shall execute and deliver to the Swing Line Lender a promissory note to evidence the Swing Line Commitment. Each promissory note shall be in the principal amount of the Swing Line Commitment of the Swing Line Lender, and in the form of Exhibit 1.1.3(a) hereto (each, a "Swing Line Note" and, collectively, the "Swing Line Notes"). Each Swing Line Note shall represent the obligation of Borrowers to pay the amount of the Swing Line Commitment or, if less, the aggregate unpaid principal amount of all Swing Line Advances made to Borrowers, together with interest thereon. "Swing Line Lender" shall mean GECC. "Swing Line Loan" means the aggregate amount of Swing Line Advances outstanding to Borrowers at any time.

(b) The aggregate amount of Swing Line Advances outstanding shall not exceed at any time the lesser of (i) the Swing Line Commitment and (ii) the Revolving Loan Commitment less the outstanding balance of the Revolving Loan at such time and less the then outstanding amount of all Letter of Credit Obligations ("Swing Line Availability"). During the Borrowing Period, Borrowers may from time to time borrow, repay and reborrow in accordance with this subsection 1.1.3. Each Swing Line Advance shall be made pursuant to a written request in accordance with subsection 1.1.2(d). Unless the Swing Line Lender has received at least one Business Day's prior written notice from Requisite Lenders instructing it not to make a Swing Line Advance, the Swing Line Lender shall be entitled to fund that Swing Line Advance, and to have each Lender make Revolving Credit Advances in accordance with subsection 1.1.3(c) below or purchase participating interests in accordance with subsection 1.1.3(d) below. The aggregate outstanding principal amount of any Swing Line Loan shall be paid by converting such Swing Line Loan to a Revolving Loan. "Swing Line Commitment" means the commitment of the Swing Line Lender to make Swing Line Advances as set forth on Exhibit 1.1.3(b) hereto, which commitment constitutes a sub-facility of the Revolving Loan Commitment of the Swing Line Lender.

(c) The Swing Line Lender, at any time and from time to time in its sole and absolute discretion, may on behalf of Borrowers (and Borrowers hereby irrevocably authorize the Swing Line Lender to so act on their behalf) request each Lender (including the Swing Line Lender) to make a Revolving Credit Advance to Borrowers in an amount equal to that Lender's Pro Rata Share of the principal amount of the Borrower's Swing Line Loan (the "Refunded Swing Line Loan") outstanding on the date such notice is given. Unless an event described in subsection 7.1(d) below has occurred and is continuing (in which event the procedures of subsection 1.1.3(d) below shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of a Revolving Credit Advance are then satisfied, each Lender shall disburse directly to Agent its Pro Rata Share of a Revolving Credit Advance on behalf of the Swing Line Lender prior to 2:00 p.m. (New York time) in immediately available funds on the Business Day next succeeding the date that notice is given. The proceeds of those Revolving Credit Advances shall be immediately paid to the Swing Line Lender and applied to repay the Refunded Swing Line Loan of Borrowers.

(d) If, prior to refunding a Swing Line Loan with a Revolving Credit Advance, an event described in subsection 7.1(d) below has occurred and is continuing, then, subject to the provisions of subsection 1.1.3(e) below, each Lender shall, on the date such Revolving Credit Advance was to have been made for the benefit of Borrowers, purchase from the Swing Line Lender an undivided participation interest in the Swing Line Loan to Borrowers in an amount equal to its Pro Rata Share of such Swing Line Loan. Upon request, each Lender shall promptly transfer to the Swing Line Lender, in immediately available funds, the amount of its participation interest.

(e) Each Lender's obligation to make Revolving Credit Advances in accordance with subsection 1.1.3(c) above and to purchase participation interests in accordance with subsection 1.1.3(d) above shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Lender may have against the Swing Line Lender, any Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of any default or Event of Default; (iii) any inability of any Borrower to satisfy the conditions precedent to borrowing set forth in this Agreement at any time; or (iv) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Lender does not make available to Agent or the Swing Line Lender, as applicable, the amount required pursuant to subsections 1.1.3(c) or (d) above, as the case may be, the Swing Line Lender shall be entitled to recover such amount on demand from such Lender, together with interest thereon for each day from the date of non-payment until such amount is paid in full at the Federal Funds Rate for the first two (2) Business Days and at the Interest Rate thereafter.

1.1.4. Reliance on Notices. Agent shall be entitled to rely upon, and shall be fully protected in relying upon, any notice of a requested Revolving Credit Advance reasonably believed by Agent to be genuine. Agent may assume that each Person executing and delivering any notice in accordance herewith was duly

authorized, unless the responsible individual acting thereon for Agent has actual knowledge to the contrary. Each Borrower hereby designates Guarantor as its exclusive representative ("Borrower Representative") and agent on its behalf for the purposes of issuing notices of requests for Revolving Credit Advances, giving instructions with respect to the disbursement of the proceeds of the Loan, giving and receiving all other notices and consents hereunder or under any of the other Loan Documents and taking all other actions (including in respect of compliance with covenants) on behalf of Borrowers under the Loan Documents. The individuals described in Section 4.33 below, as well as any other individuals designated from time to time in a written notice from Guarantor to Agent, are the only authorized persons who may act on behalf of Borrower Representative. Agent and each Lender may regard any notice or other communication pursuant to any Loan Document from the individuals designated by Borrower Representative as a notice or communication from all Borrowers, and may give any notice or communication required or permitted to be given to any Borrower hereunder to Borrower Representative on behalf of such Borrower. Each Borrower agrees that each notice, election, representation and warranty, covenant, agreement and undertaking made on its behalf by Borrower Representative shall be deemed for all purposes to have been made by such Borrower and shall be binding upon and enforceable against such Borrower to the same extent as if the same had been made directly by such Borrower.

1.1.5. Receipt of Payments. Borrowers shall make each payment described in this Agreement not later than 11:00 a.m. (New York time) on the day when due in immediately available funds. All payments shall be deemed received on the Business Day on which immediately available funds therefor are received by Agent at or prior to 11:00 a.m. New York time, in the manner for payment set forth in the Notes. Payments received after 11:00 a.m. New York time on any Business Day or on a day that is not a Business Day shall be deemed to have been received on the following Business Day.

1.1.6. Lenders' Obligations Are Several, Not Joint. Notwithstanding any other provision of this Article I to the contrary, each Lender's agreement to make disbursements of the Loan under this Agreement shall be several, and not joint, and in the amount of their respective Pro Rata Share of the amount of such disbursement.

1.1.7. Notes. The Term Notes, the Revolving Notes and the Swing Line Notes, together with any and all amendments thereto and substitutions therefor are hereinafter collectively referred to as the "Notes". The terms and provisions of the Notes are hereby incorporated herein by reference in this Agreement. In the event of an assignment under Section 8.1 below, each Borrower shall, upon surrender of the assigning Lender's Notes, issue new Notes to reflect the interests of the assigning Lender and the Person to which interests are to be assigned.

1.2. Loan Term.

1.2.1. Maturity Date. Both the Term Loan and the Revolving Loan shall mature on June 22, 2007 or such earlier date upon which the Loan becomes due and payable in full, whether at maturity, prepayment acceleration or otherwise (the "Maturity Date"). The "Term" of the Loan shall commence on the Closing Date and end on the Maturity Date, as it may be extended as provided below.

1.2.2. Extension Option. Borrowers may extend the Maturity Date for a period of twelve (12) months immediately following the Maturity Date; provided, that: (a) Borrowers have given Agent written notice (the "Extension Notice") of such extension not less than forty-five (45) days nor more than one hundred twenty (120) days prior to the Maturity Date; (b) Borrowers have paid or caused to be paid to Agent concurrently with giving the Extension Notice an extension fee equal to three-quarters percent (0.75%) of the outstanding principal balance of the Loan as of the date of the Extension Notice, which extension fee shall be non-refundable unless the proposed extension is not approved by Agent for any reason; (c) no Event of Default under any of the Loan Documents exists as of the date of the Extension Notice or as of the Maturity Date; (d) there has not been a monetary Event of Default under any of the Loan Documents at any time; (e) there has not been a non-monetary Event of Default under any of the Loan Documents at any time which remained uncured for more than ninety (90) days; (f) as of May 31, 2007, the Project Yield for the prior twelve (12) months is not less than 25.0%; (g) as of May 31, 2007, the Debt Coverage Ratio for the prior twelve (12) months exceeds 2.00 to 1.00; (h) rent payments for the prior twelve (12) months from the Leases (as defined in Section 3.7 below) and debt service payments for the prior twelve (12) months from Omega Mortgagors (as defined in subsection 5.7.2 below) under the Omega Loan Documents are not less than eighty percent (80%) of the underwritten rent payments and debt service payments (but only with respect to loans evidenced by the Omega Loan Documents which have not been repaid); (i) all tenants under the Leases are current with respect to their payment obligations then due and payable under the Leases, including any applicable grace periods for payment thereof; (j) all Omega Mortgagors are current with respect to their payment obligations then due and payable under the Omega Loan Documents, including any applicable grace periods for payment thereof; and (k) the maturity date of the Public Debt (as defined in the Guaranty) (or any other indebtedness, the proceeds of which are used to repay the Public Debt) has been extended to not earlier than September 30, 2008.

"Debt Coverage Ratio" means the ratio, as reasonably determined by Agent, of (i) Adjusted Net Operating Income from the Projects for a particular period, to (ii) payments of interest and principal due on the Loan for the same period less any payments received pursuant to the Interest Rate Agreement (as defined in Section 3.12 below).

"Project Yield" for any period means the quotient, as reasonably calculated by Agent, of (x) the Adjusted Net Operating Income from the Projects for a particular period, divided by (y) the sum of the then current outstanding principal balance of the Loan plus any Borrowing Availability (if during the Borrowing Period), plus all accrued but unpaid interest thereon, plus the outstanding amount of the Letter of Credit Obligations.

"Adjusted Net Operating Income" means net income from the operations of the tenants under the Leases and the Omega Mortgagors at the Projects (on a Project by Project basis) over the previous twelve (12) month period, calculated in accordance with generally accepted accounting principles consistent with the standards utilized by Agent in connection with its underwriting of this Loan, excluding interest, taxes, depreciation, amortization, rent and management fees, adjusted for a five percent (5%) management fee and a $400 per bed per annum replacement reserve, adjusted (upward or downward) by Agent in a reasonably consistent manner to take into account any definitive federal or state changes in applicable Medicare and Medicaid reimbursement rates. Any Project with a negative Adjusted Net Operating Income will be excluded for purposes of this calculation. Adjusted Net Operating Income will be reasonably estimated by Agent. Borrowers shall use commercially reasonable efforts to provide Agent with financial information with respect to the operations of the tenants under the Leases and Omega Mortgagors, as applicable, enforcing applicable provisions of Leases and the Omega Loan Documents requiring the delivery of such financial information to Borrowers.

1.3. Interest Rate. Borrowers shall pay interest on the outstanding principal balance of the Loan at a floating rate per annum equal to the Base Rate plus three and three-quarters percent (3.75%) (the aggregate rate is referred to as the "Interest Rate"). "Base Rate" shall mean the rate published each day in The Wall Street Journal for notes maturing one (1) month after issuance under the caption "Money Rates, London Interbank Offered Rates (LIBOR)". The Interest Rate for each calendar month shall be fixed based upon the Base Rate published prior to and in effect on the first (1st) Business Day of such month; provided, however, the Interest Rate from and including the Closing Date through June 30, 2003 shall be fixed based upon the Base Rate in effect on the Business Day immediately preceding the Closing Date. Interest shall be calculated based on a 360 day year and charged for the actual number of days elapsed. Notwithstanding anything to the contrary contained herein, in no event shall the Interest Rate at any time be less than six percent (6.00%) per annum.

1.4. Payments.

1.4.1. Interest. Borrowers shall make interest payments monthly in arrears on the first (1st) day of each month commencing on August 1, 2003 computed on the outstanding principal balance of the Loan at the Interest Rate.

1.4.2. Principal. Commencing on August 1, 2003, and on the first day of each month thereafter until the Maturity Date, Borrowers shall make monthly principal amortization payments on the Term Loan in accordance with the principal amortization schedule set forth on Exhibit 1.4.2 hereof.

1.5. Intentionally Omitted.

1.6. Prepayments of Term Loan. Borrowers may not prepay any of the outstanding principal balance of the Term Loan prior to June 22, 2004. If Borrowers do prepay any of the outstanding principal balance of the Term Loan (whether at maturity, acceleration or otherwise) prior to June 22, 2004, Borrowers shall concurrently with each such prepayment pay to Agent for the benefit of Lenders an exit fee which shall be calculated and assessed on a pro rata basis, based on the ratio of the amount of the Term Loan actually prepaid prior to June 22, 2004 to the total Term Loan Commitment, multiplied by $4,500,000; in addition, Borrowers shall pay the amount of interest which (in Agent's reasonable estimation) would have accrued on the Term Loan from and after the date of the partial or complete prepayment through June 22, 2004. If Borrowers shall prepay the Term Loan on or after June 22, 2004 but prior to June 22, 2005 (whether a full or partial prepayment), then Borrowers shall concurrently with each such prepayment, pay to Agent for the benefit of Lenders, an exit fee which shall be calculated and assessed on a pro rata basis, based on the ratio of the amount actually prepaid during said period to the total Term Loan Commitment, multiplied by $4,500,000. Thereafter, Borrowers may prepay the outstanding principal balance of the Term Loan in full or in part at any time; provided, Borrowers give Agent at least thirty (30) days prior written notice. The Revolving Loan is not subject to any exit fee or other prepayment fee under this Section 1.6. Any exit fee specified in this Section 1.6 is hereinafter referred to as an "Exit Fee".

1.7. Change of Control. Notwithstanding anything to the contrary contained in Section 1.6 above, if a Change of Control (as defined below) occurs, Agent

may, but shall not be obligated to, accelerate the Loan, in which event Borrowers shall be obligated to repay the entire outstanding principal balance of the Loan in full and, if the Change of Control occurs prior to June 22, 2005, pay the Exit Fee due pursuant to Section 1.6 above. So long as Borrowers give Agent at least forty-five (45) days written notice prior to any such Change of Control (a "Change of Control Notice"), then Agent shall give Borrowers at least one hundred twenty (120) days written notice prior to any such acceleration, which notice from Agent may be given at any time after Agent's receipt of the Borrowers' Change of Control Notice.

"Change of Control" means either (i) Guarantor ceases to be a corporation whose common stock is publicly traded; (ii) any Person and its affiliates own in the aggregate greater than fifty percent (50%) of the common stock of Guarantor (other than Explorer Holdings, L.P. or a Qualified Investor (as defined below); provided, that in the case of a Qualified Investor, such Qualified Investor executes and delivers to Agent a guaranty of the Loan in substantially the form of the Guaranty and otherwise reasonably acceptable to Agent, together with such opinions of counsel and other documents as Agent may reasonably request with respect to such guaranty); or (iii) Guarantor merges or consolidates with any Person other than a Qualified Investor.

"Qualified Investor" means a real estate investment trust or other institutional real estate investor, in either case which has (a) a tangible net worth equal to or greater than Guarantor's then tangible net worth, in each case as reasonably determined by Agent based upon such Person's and Guarantor's most recent consolidated balance sheets prepared in accordance with generally accepted accounting principles and consistent with the manner in which Agent has underwritten Guarantor's tangible net worth in entering into this Agreement, and (b) substantial experience owning Health Care Facilities, including skilled nursing facilities. Notwithstanding the foregoing to the contrary, if (x) Guarantor merges or consolidates with a Person which is not a Qualified Investor and Guarantor is the surviving entity, or (y) a Person and its affiliates (other than Explorer Holdings, L.P. or a Qualified Investor) own, in aggregate, greater than fifty percent (50%) of the outstanding common stock of Guarantor, then in either case it shall not constitute a Change of Control if (1) the people listed in clauses (a) and (b) of Section 4.33 below continue in their respective positions of management of Guarantor as described in clauses (a) and (b) of Section 4.33 until the Maturity Date; provided, however, the failure of any such individual to continue in their position of management due to death or disability shall not result in a Change of Control, and (2) if clause (y) is applicable, said Person executes and delivers to Agent a guaranty of the Loan in substantially the form of the Guaranty and otherwise reasonably acceptable to Agent, together with such opinions of counsel and other documents as Agent may reasonably request with respect to such guaranty.

1.8. Letters of Credit. Subject to and in accordance with the terms and conditions contained herein and in Exhibit B hereto, Borrowers shall have the right to request, and Lenders agree to incur, or purchase participations in, Letter of Credit Obligations of Borrowers. Borrowers shall pay to Agent, for the benefit of Lenders, the Letter of Credit Fees as described in Exhibit B hereto.

ARTICLE II
Security

2.1. Collateral. The Loan and all other Indebtedness and obligations under the Loan Documents shall be secured by real and personal property which is subject to a security interest or lien granted in this Agreement or in any of the following Loan Documents (collectively, the "Collateral"): (a) the Mortgages, (b) the Leasehold Mortgages, (c) the Assignments of Loan Documents, (d) the Assignments of Leases, if any, and (e) the Pledge; as well as any other collateral or security described in this Agreement or in the other Loan Documents or required by Agent or Lenders in connection with the Loan.

2.2. Substitution of Properties. During the Term of the Loan, Borrowers may notify Agent in writing that Borrowers desire to pledge one or more new properties as Collateral for the Loan in substitution for one or more of the Properties. So long as no Event of Default shall be continuing (unless such Event of Default shall be cured by the substitution of Properties as permitted by this Section 2.2), Agent shall approve such request provided that the following conditions are satisfied in Agent's reasonable discretion: (a) Agent shall have determined that each Property to be replaced has a negative Adjusted Net Operating Income for at least the most recent two (2) consecutive calendar quarters, (b) Agent shall have approved each new property proposed to be pledged, (c) Borrowers shall have executed and delivered such documents as Agent shall require in order to evidence that such new property has been added as Collateral for the Loan, including, without limitation, a Mortgage with respect to each new property, an amendment to the Loan Documents executed by all Borrowers and Guarantor confirming that each new property has been added as a Property, and opinions of counsel to Borrowers and Guarantor in forms reasonably satisfactory to Agent, (d) Borrowers shall have delivered to Agent a Title Policy, Survey, appraisal, environmental report and any other documents or reports requested by Agent with respect to each new property, (e) Borrowers shall have paid all reasonable Costs (defined in Section 9.1 below) incurred by Agent and/or Lenders in connection with such substitution, and (f) the aggregate net rental payments due under the Leases with respect to the new properties (or

if applicable, the aggregate debt service due under the Omega Loan Documents with respect to such new properties) are, in Agent's reasonable determination, at least eighty percent (80%) of the aggregate net rental payments due under the Leases (or if applicable, the aggregate debt service due under the Omega Loan Documents) with respect to the Properties to be replaced. In no event shall Borrowers have the right to substitute more than ten (10) Properties in the aggregate during the Term of the Loan, including pursuant to clause (Z) in the last grammatical paragraph of Section 7.1 below; provided, that the foregoing shall not otherwise limit the number of Properties that can be added as Collateral pursuant to Section 2.3 below or clause (Y) in the last grammatical paragraph of Section 7.1 below. Following any substitution of Properties pursuant to this Section 2.2, Agent shall provide written notice thereof to each of the Lenders.

2.3. Optional Additional Collateral. During the Term of the Loan, Borrowers may notify Agent in writing that Borrowers desire to pledge one or more additional properties as Collateral for the Loan. So long as no Event of Default shall be continuing (unless such Event of Default shall be cured by the activities described in this Section 2.3), Agent shall approve such request provided that the following conditions are satisfied in Agent's reasonable discretion: (a) Agent shall have approved each new property proposed to be pledged, (b) Borrowers shall have executed and delivered such documents as Agent shall require in order to evidence that such new property has been added as Collateral for the Loan, including, without limitation, a Mortgage with respect to each new property, an amendment to the Loan Documents executed by all Borrowers and Guarantor confirming that each new property has been added as a Property, and opinions of counsel to Borrowers and Guarantor in forms reasonably satisfactory to Agent, (c) Borrowers shall have delivered to Agent a Title Policy, Survey, appraisal, environmental report and any other documents or reports requested by Agent with respect to each additional property, and (d) Borrowers shall have paid all reasonable Costs incurred by Agent and/or Lenders in connection with such addition.

2.4. Omega Mortgaged Properties. During the Term of the Loan, if any indebtedness with respect to any of the Omega Loan Documents is repaid by an Omega Mortgagor, Borrowers shall notify Agent thereof in writing prior to such repayment and Borrowers shall, within two (2) Business Days of receipt thereof, deliver all proceeds of such repayment to Agent, which proceeds shall be used by Agent towards the repayment of the Term Loan. If applicable, in connection with any such prepayment, Borrowers shall pay Agent a portion of the Exit Fee as set forth in Section 1.6 above.

2.5. Payments Pursuant to Leases. During the Term of the Loan, if any Borrower receives any payment pursuant to a Lease with respect to any Omega Leased Property, whether as a result of a casualty or condemnation with respect to such Property or otherwise, or if any Borrower receives proceeds of any collateral or applies any reserves or deposits held by a Borrower or Guarantor as security for the obligations of a tenant under a Lease, Borrowers shall provide prompt written notice thereof to Agent and, subject to the terms and conditions of the SNDAs, Borrowers shall, within two (2) Business Days of receipt thereof, deliver such payment, proceeds, reserves or deposits to Agent, which shall be used by Agent towards the repayment of the Term Loan. If applicable, in connection with any such prepayment, Borrowers shall pay Agent a portion of the Exit Fee as set forth in Section 1.6 above.

ARTICLE III
Conditions Precedent

Lenders' obligation to disburse the Loan is subject to satisfaction of all of the following conditions:

3.1. Loan Documents. Agent shall have received the following Loan Documents, all in form and substance satisfactory to Agent:

(a) this Agreement;

(b) the Notes;

(c) the Mortgages;

(d) the Leasehold Mortgages;

(e) an Assignment of Leases and Rents with respect to each Property (the "Assignments of Leases"), if required by Agent;

(f) the Assignments of Loan Documents, together with all documents which Borrowers are required to deliver pursuant thereto, including without limitation, estoppel certificates from each Omega Mortgagor in a form approved by Agent;

(g) such Uniform Commercial Code ("UCC") financing statements as Agent may require;

(h) a Guaranty (the "Guaranty"), executed by Omega Healthcare Investors, Inc., a Maryland corporation ("Guarantor");

(i) a Hazardous Materials Indemnity Agreement ("Environmental Indemnity"), executed by Borrowers and Guarantor;

(j) an Ownership Pledge, Assignment and Security Agreement (the "Pledge"), executed by Guarantor pursuant to which Guarantor pledges to Agent, for the benefit of Lenders, all of the stock and membership interests of Borrowers;

(k) a collateral assignment of the Interest Rate Agreement (as defined in Section 3.12 below), executed by Guarantor and Merrill Lynch Derivative Products AG ("Merrill");

(l) a Subordination, Non-Disturbance and Attornment Agreement (including estoppel provisions and/or separate estoppel agreements), executed by the tenants under each Lease in a form reasonably acceptable to Agent with respect to each Lease (collectively, the "SNDAs");

(m) a guarantor estoppel certificate executed by the guarantor under each guaranty of any Lease (the "Lease Guaranties") with respect to each Lease (the "Guarantor Estoppels");

(n) a recognition and estoppel agreement or similar agreement as required by Agent executed by each ground lessor and ground sublessor with respect to each Ground Leased Property (collectively, the "Ground Lease Estoppels") and such subordination, non-disturbance and attornment agreements from ground lessors (as to ground subleases) and from mortgagees of the fee interest (or if applicable in the case of any ground subleased Property, the ground sublessor's interest) in any Ground Leased Property as Agent may require;

(o) a Lockbox Account Agreement with respect to the Lockbox (as defined in subsection 5.7.1 below) executed by Borrowers, Agent and Lockbox Bank (as defined in subsection 5.7.1 below);

(p) a Bank Agency Agreement with respect to the Deposit Account (as defined in subsection 5.7.5 below), executed by Borrowers, Agent and Bank One;

(q) a collateral assignment of any collateral and documents related to the Advocat Note (as defined in Section 3.14 below) executed by Borrowers;

(r) a collateral assignment of any collateral and documents related to the Essex Note (as defined in Section 3.15 below) executed by Borrowers;

(s) a collateral assignment of the Lease Collateral (as defined in Section 3.16 below) executed by Borrowers and Guarantor; and

(t) an agreement with all title insurance companies providing reinsurance with respect to the Title Policies, allowing Agent, Lenders and Borrowers direct access to any reinsurance proceeds with respect to the Title Policies.

3.2. Intentionally Omitted.

3.3. Appraisal. Agent shall obtain an appraisal report for each Project, in form and content reasonably acceptable to Agent, prepared by an independent MAI appraiser in accordance with the Financial Institutions Reform, Recovery and Enforcement Act ("FIRREA") and the regulations promulgated pursuant to FIRREA.

3.4. Title Policies and Endorsements. Agent shall have received final marked title commitments for title insurance at the Closing (collectively, the "Title Commitments" and individually a "Title Commitment") with respect to each Project issued by Stewart Title Guaranty Company. On the Closing Date, Agent shall have received a title insurance policy for each Project (collectively, the "Title Policies" and individually, a "Title Policy"), reasonably acceptable to Agent, insuring that, except as otherwise disclosed on Exhibit 3.4 hereto, (a) the lien of each Mortgage is a valid first lien on the respective Owned Property; (b) the lien of each Leasehold Mortgage is a valid first lien on the respective Borrower's leasehold interest in the respective Ground Leased Property; and (c) the lien of each mortgage on an Omega Mortgaged Property, as assigned to Agent, is a valid first lien on such Omega Mortgaged Property; in each case subject only to exceptions to title approved by Agent. The Title Policies shall also contain any reinsurance and endorsements reasonably required by Agent including, without limitation, creditors' rights, access, survey, tax parcel, environmental, zoning 3.1 with parking, variable rate, usury, last dollar, first loss, revolving loan, tie-in and extended coverage endorsements (Comprehensive Form 1), to the extent available. If a zoning endorsement can not be issued in a particular state, Borrowers shall deliver to Agent prior to the Closing Date a zoning letter from the applicable government authority where each Project in such state is located, which letter shall confirm that there are no zoning violations with respect to such Project and otherwise be in form and substance reasonably acceptable to Agent. Borrowers shall also have the right to receive their own title commitments and title policies with respect to each Project at the Closing.

3.5. Surveys. Agent shall have received and approved an existing survey of each Project, prepared by a registered land surveyor in accordance with the American Land Title Association/ American Congress on Surveying and Mapping

Standards (collectively, the "Surveys"). Each surveyor shall certify that the Property is not in a flood hazard area as identified by the Secretary of Housing and Urban Development. Each Survey shall be sufficient for the title insurer to remove the general survey exception with respect to that Property.

3.6. Environmental Report. Agent shall have received a Phase I environmental audit of each Project. Each audit shall be acceptable to Agent in its sole discretion.

3.7. Leases. All leases, master leases, subleases, licenses and other agreements with regard to the occupancy of each of the Omega Leased Properties to which any Borrower is a party (other than as a lessee) (collectively, "Leases") and all Lease Guaranties shall be in form and substance acceptable to Agent. Agent has approved those Leases set forth on Exhibit 3.7 hereto, which is a true, correct and complete list of all Leases. The tenants thereunder shall execute and deliver to Agent prior to the Closing or prior to the execution thereof by any Borrower, as applicable, SNDAs in forms reasonably acceptable to Agent.

3.8. Insurance. Borrowers shall have provided Agent with and Agent shall have approved copies of certificates evidencing the insurance policies required to be maintained by Borrowers, tenants under the Leases and the Omega Mortgagors, which certificates are attached as Exhibit 3.8 hereto.

3.9. Compliance with Laws. Borrowers shall have provided Agent with copies of all current operating licenses maintained by the Health Care Facilities located at each Project.

3.10. Intentionally Omitted.

3.11. Audit Requirement. Agent shall have determined that the aggregate annualized Adjusted Net Operating Income of the Projects is at least $47,500,000.

3.12. Interest Rate Cap Agreement. Borrowers shall have delivered to Agent a copy of the International Swap Dealers Association, Inc. Master Agreement, dated as of September 10, 2002, and the Confirmation dated September 11, 2002 and amended September 16, 2002, each executed by Guarantor and Merrill, in form and substance reasonably acceptable to Agent (collectively, the "Interest Rate Agreement").

3.13. Letter From Guarantor's CPA. Guarantor shall have delivered to Agent a letter from Guarantor to such independent certified public accountant authorizing such accountant to communicate directly with Agent in matters relating to the financial statements delivered in connection with obtaining the Loan or pursuant to this Agreement.

3.14. Assignment of Advocat Note. Borrowers shall have caused Guarantor to deliver to Agent the original Subordinated Note executed by Advocat, Inc. in favor of Guarantor, dated November 8, 2000, in the original principal amount of $1,700,000 (the "Advocat Note") and Borrowers shall have caused Guarantor to execute and deliver to Agent an Allonge to the Advocat Note. Borrowers shall have caused Guarantor to execute and deliver to Agent a security agreement or other collateral assignment document requested by Agent in order to pledge as Collateral for the Loan the Advocat Note and any collateral given by Advocat, Inc. in connection therewith. Notwithstanding the foregoing, Guarantor shall have the right, in its sole discretion, to amend, modify, extend or cancel the Advocat Note, without Agent's consent, provided that (a) any new or additional collateral received by Guarantor in connection with the Advocat Note or any modification thereof shall be delivered and pledged to Agent as additional Collateral for the Loan pursuant to documents acceptable to Agent, and (b) any funds received by a Borrower, Guarantor or any Affiliate of a Borrower or Guarantor from the full or partial repayment of the Advocat Note or such other collateral given by Advocat, Inc. shall be immediately transferred to Agent and may be used by Agent towards the repayment of the Term Loan, without incurring any Exit Fee under Section 1.6 above.

3.15. Assignment of Essex Note. Borrowers shall have caused Guarantor to deliver to Agent the original Second Working Capital Replacement Note executed by Essex Healthcare Corporation in favor of Guarantor, dated as of October 31, 2002, in the original principal amount of $3,000,000 (the "Essex Note") and Borrowers shall have caused Guarantor to execute and deliver to Agent an Allonge to the Essex Note. Borrowers shall have caused Guarantor to execute and deliver to Agent a security agreement or other collateral assignment document requested by Agent in order to pledge as Collateral for the Loan the Essex Note and any collateral given to secure the Essex Note. Notwithstanding the foregoing, Guarantor shall have the right, in its sole discretion, to amend, modify, extend or cancel the Essex Note, without Agent's consent, provided that (a) any new or additional collateral received by Guarantor in connection with the Essex Note or any modification thereof shall be delivered and pledged to Agent as additional Collateral for the Loan pursuant to documents acceptable to Agent, and (b) during the continuance of any Event of Default under any of the Loan Documents, any funds received by a Borrower, Guarantor or any Affiliate of a Borrower or Guarantor from the full or partial repayment of the Essex Note or proceeds of the collateral given to secure the Essex Note shall be immediately transferred

to Agent and may be used by Agent towards the repayment of the Term Loan, or at Agent's option, any other Indebtedness, without incurring any Exit Fee under Section 1.6 above.

3.16. Lease Collateral. In connection with each of the Leases, and the sublease of any such Leases, Borrowers shall have granted a security interest to Agent in, and shall have delivered to Agent to the extent required or shall have maintained in the Deposit Accounts with Bank One, all collateral for the obligations of such tenants and subtenants, including, without limitation, all security deposits and letters of credit (collectively, the "Lease Collateral"). A true and complete description of such Lease Collateral with respect to each Lease is set forth on Exhibit 3.7 hereto.

3.17. Additional Items. Agent shall have received such other items as Agent may reasonably require.

ARTICLE IV
Representations and Warranties

As an inducement to Lenders to disburse the Loan, each Borrower hereby represents and warrants to Lenders and Agent as follows, which representations and warranties shall be true as of the date hereof and shall remain true throughout the Term of the Loan:

4.1. Borrower Existence. Each Borrower is a limited liability company (each, an "LLC Borrower") or corporation (each, a "Corporate Borrower") duly formed or organized, validly existing and in good standing under the laws of its state of formation and the state or states in which its respective Properties are located. The principal place of business of each Borrower is at 9690 Deereco Road, Suite 100, Timonium, Maryland 21093. The Loan Documents have each been duly authorized, executed and delivered and each constitutes the duly authorized, legally valid and binding obligation of each Borrower, in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion.

4.2. Intentionally Omitted.

4.3. Borrower's Organizational Documents.

4.3.1. LLC Borrowers. A true and complete copy of the operating agreement creating each LLC Borrower and any and all amendments thereto (collectively, the "Operating Agreement") have been furnished to Agent. The Operating Agreement constitutes the entire agreement among the members of the LLC Borrowers and is binding upon and enforceable against each of the members in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion. There are no other agreements, oral or written, among any of the members relating to each LLC Borrower. No default exists under the Operating Agreement and no condition exists which, with the giving of notice or the passage of time or both, would constitute a default under the Operating Agreement.

4.3.2. Corporate Borrowers. A true and complete copy of the articles of incorporation and by-laws of each Corporate Borrower and all other material documents creating and governing such Corporate Borrower (collectively, the "Borrower Incorporation Documents") have been furnished to Agent. There are no other agreements, oral or written, among any of the shareholders of each Corporate Borrower relating to such Corporate Borrower. The Borrower Incorporation Documents were duly executed and delivered, are in full force and effect, and binding upon and enforceable in accordance with their terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion. No breach exists under the Borrower Incorporation Documents and no act has occurred and no condition exists which, with the giving of notice or the passage of time or both, would constitute a breach under the Borrower Incorporation Documents.

4.4. Intentionally Omitted.

4.5. Other Agreements. No Borrower is in default (with due notice or lapse of time or both) under any contract, agreement or commitment to which it is a party, except for any default which would not reasonably be expected to have a material adverse effect on (a) the business, operations or financial condition of Borrowers or the Projects, taken as a whole, or (b) the ability of Borrowers or Guarantor to perform their respective obligations under the Loan Documents (a "Material Adverse Effect"). The execution, delivery and compliance with the terms and provisions of this Agreement and the other Loan Documents will not (i) to each Borrower's knowledge, violate the provisions of any applicable law,

regulation, order or other decree of any court or governmental entity, or (ii) conflict or be inconsistent with, or result in any default (with due notice or lapse of time or both) under, any contract, agreement or commitment to which any Borrower is bound, except for any conflict, inconsistency or default which would not reasonably be expected to have a Material Adverse Effect. Each Borrower has delivered to Agent copies of any material agreements (including leases) between such Borrower and any Affiliate related in any way to the use and operation of any Project.

4.6. Properties. Good and marketable fee simple title to each Owned Property is owned by the applicable Borrower listed on Exhibit A hereto free and clear of all liens, claims, encumbrances, covenants, conditions and restrictions, security interests and claims of others, except only such exceptions or matters as have been approved in writing by Agent or as set forth in a Title Commitment or a Title Policy. A good and marketable leasehold estate in each Ground Leased Property is owned by the applicable Borrower listed on Exhibit A hereto free and clear of all liens, claims, encumbrances, covenants, conditions and restrictions, security interests and claims of others, except only such exceptions or matters as have been approved in writing by Agent or as set forth in a Title Commitment or a Title Policy. A first mortgage lien on each Omega Mortgaged Property is held by the applicable Borrower listed on Exhibit A hereto free and clear of all liens, claims, encumbrances, covenants, conditions and restrictions, security interests and claims of others, except only such exceptions or matters as have been approved in writing by Agent or as set forth in a Title Commitment or a Title Policy. Borrowers may in good faith, by appropriate proceeding, contest the validity or amount of any asserted lien and, pending such contest, Borrowers shall not be deemed to be in default hereunder; provided, that if the amount of such lien or liens exceeds the sum of $125,000 at any Project or $1,000,000 for all Borrowers in the aggregate, then Borrowers shall first obtain an endorsement, in form and substance reasonably satisfactory to Agent, to the Title Policy insuring over such lien, or Borrowers shall deposit with Agent a bond or other security reasonably satisfactory to Agent in the amount of 150% of the amount of such lien to assure payment of the same as and when due, which bond or amount (to the extent not used to pay such lien and related costs) shall be returned promptly to Borrowers upon payment or other termination of the lien.

To each Borrower's knowledge, each Project is in compliance in all material respects with all zoning requirements, building codes, subdivision improvement agreements, and all covenants, conditions and restrictions of record. To each Borrower's knowledge, the zoning and subdivision approval of each Project and the right and ability to, use or operate the Improvements are not in any way dependent on or related to any real estate other than the applicable Property. To each Borrower's knowledge, there are no, nor are there any alleged or asserted, material violations of any applicable laws, regulations, ordinances, codes, permits, licenses, declarations, covenants, conditions, or restrictions of record, or other agreements relating to any Project, or any part thereof, except as expressly set forth in a Title Commitment or a Title Policy. To each Borrower's knowledge, there have been no improvements constructed on or material modifications to any Property since the date of the Survey for such Property delivered to Agent.

4.7. Property Access. To each Borrower's knowledge, each Property is accessible through fully improved and dedicated roads accepted for maintenance and public use by the public authority having jurisdiction, except as described on the Survey for such Property delivered to Agent.

4.8. Utilities. To each Borrower's knowledge, all utility services necessary and sufficient for the use or operation of each Project are available including water, storm, sanitary sewer, gas, electric and telephone facilities, except as described on the Survey for such Property delivered to Agent.

4.9. Flood Hazards/Wetlands. Except as set forth on Exhibit 4.9 hereto, or explicitly set forth on the Survey for such Property delivered to Agent, no Property is situated in an area designated as having special flood hazards as defined by the Flood Disaster Protection Act of 1973, as amended, or as a wetlands by any governmental entity having jurisdiction over the Property.

4.10. Taxes/Assessments. There are no unpaid or outstanding real estate or other taxes, assessments, impositions or other charges or obligations on or against any Project or any part thereof, except general real estate taxes not yet due or payable and except for any such matters which are insured over on a Title Commitment or Title Policy at Closing (collectively, "Charges"). Copies of the current general real estate tax bills with respect to each Project have been delivered to Agent. Said bills cover the entire applicable Project and do not cover or apply to any other property. To each Borrower's knowledge, there is no pending or contemplated action pursuant to which any special assessment may be levied against any portion of the Project. Borrowers shall have the right to contest, in good faith by appropriate proceedings, the amount or validity of any Charges, so long as: (a) Borrowers have given prior written notice to Agent of Borrowers' intent to so contest or object to any such Charges; (b) such contest stays the enforcement or collection of the Charges or any lien created; and (c) if the amount of such Charges exceeds the sum of $250,000, then Borrowers shall have obtained an endorsement, in form and substance reasonably satisfactory to Agent, to the Title Policy insuring over any such Charges, or Borrowers shall

have deposited with Agent a bond or other security reasonably satisfactory to Agent in the amount of 125% of the amount of such Charges to assure payment of the same as and when due, which bond or amount (to the extent not used to pay such Charges and related costs) shall be promptly returned to Borrowers upon payment or other termination of the Charges.

4.11. Eminent Domain. There is no eminent domain or condemnation proceeding pending or, to each Borrower's knowledge threatened, relating to any Project.

4.12. Litigation. Except as set forth on Exhibit 4.12 hereto, there is no litigation, arbitration or other proceeding or governmental investigation pending or, to each Borrower's knowledge, threatened against or relating to (a) (i) any Borrower or any Borrower's ownership of any of its property, assets or business, including any Project or (ii) to each Borrower's knowledge, the operation and management of any Project, except in each case for any matters which the insurance company of any tenant or Omega Mortgagor has agreed to defend and indemnify Borrowers against, or (b) Guarantor or any of its property, assets or business, which in each case or in the aggregate with others, if decided adversely would reasonably be expected to have a Material Adverse Effect.

4.13. Accuracy. Neither this Agreement nor any document, financial statement, credit information, certificate or statement furnished to Agent by Borrowers or Guarantor contains any materially untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading as of the date such statement was made; provided, however, that any representation in respect of any furnished document, financial statement or information that was received by Borrowers from any third party in respect of any Project or any of the Health Care Facilities is limited in all respects to each Borrower's knowledge.

4.14. Foreign Ownership. No Borrower is or will be, and no legal or beneficial interest of an Affiliate of any Borrower is or will be held, directly or indirectly, by a "foreign corporation", "foreign partnership", "foreign trust", "foreign estate", "foreign person", "affiliate" of a "foreign person" or a "United States intermediary" of a "foreign person" within the meaning of Sections 897 and 1445 of the Internal Revenue Code of 1986, as amended ("IRC"), the Foreign Investments in Real Property Tax Act of 1980, the International Foreign Investment Survey Act of 1976, the Agricultural Foreign Investment Disclosure Act of 1978, or the regulations promulgated pursuant to such Acts set forth above in this Section 4.14 or any amendments to such Acts.

4.15. Solvency. No Borrower is insolvent and there has been no: (a) assignment made for the benefit of the creditors of any Borrower; (b) appointment of a receiver for any Borrower or for the property of any Borrower; or (c) bankruptcy, reorganization, or liquidation proceeding instituted by or against any Borrower.

4.16. Financial Statement/No Change. Each Borrower has heretofore delivered to Agent copies of the most current financial statements of each Project. To each Borrower's knowledge, said financial statements were prepared on a basis consistent with that of preceding years, and all of such financial statements present fairly in all material respects the financial condition of said Project as of the respective dates in question and the results of operations for the respective periods indicated. To each Borrower's knowledge, since the dates of such statements, there has been no material adverse change in the business or financial condition of any Project. Neither Borrowers nor Guarantor has any material contingent liabilities not provided for or disclosed in any financial statements delivered to Agent. There has been no material adverse change since March 31, 2003 in the structure, business operations, credit, prospects or financial condition of any Borrower or any Project.

4.17. Single Asset Entity. No Borrower: (a) holds, directly or indirectly, any ownership interest (legal or equitable) in any real or personal property other than the interest which it owns in its respective Projects; (b) is a shareholder or partner or member of any other entity; or (c) conducts any business other than the ownership, lease or asset management of its respective Projects. Each Borrower maintains a separate bank account, and no funds are commingled therein except funds related to such Borrower's Properties.

4.18. No Broker. No brokerage commission or finder's fee is owing to any broker or finder arising out of any actions or activity of Borrowers in connection with the Loan.

4.19. Employees. No Borrower has any employees and no Borrower shall have any employees until after the date on which the entire principal balance of the Loan and all interest thereon and all other sums due pursuant to the Loan Documents have been repaid in full.

4.20. Security Deposits. No Borrower has collected or received any security deposit from any tenant or resident of the Project, except as described on Exhibit 4.20 hereto.

4.21. HIPAA Compliance. Neither Borrowers nor Guarantor is a "covered entity" within the meaning of HIPAA (as defined below), To the extent that and

for so long as any Borrower or Guarantor becomes a "covered entity" within the meaning of HIPAA, each Borrower (a) will promptly undertake all necessary surveys, audits, inventories, reviews, analyses and/or assessments (including any necessary risk assessments) of all areas of its business and operations required by HIPAA and/or that could be materially adversely affected by the failure of each Borrower or Guarantor, as applicable, to be HIPAA Compliant (as defined below); (b) will promptly develop a detailed plan and time line for becoming HIPAA Compliant (a "HIPAA Compliance Plan"); and (c) will implement those provisions of such HIPAA Compliance Plan in all material respects necessary to ensure that each Borrower or Guarantor, as applicable, is or becomes HIPAA Compliant. For purposes hereof, "HIPAA Compliant" shall mean that each Borrower or Guarantor, as applicable, (x) will be in compliance in all material respects with each of the applicable requirements of the so-called "Administrative Simplification" provisions of HIPAA on and as of each date that any part thereof, or any final rule or regulation thereunder, becomes effective in accordance with its or their terms, as the case may be (each such date, a "HIPAA Compliance Date") and (y) is not and could not reasonably be expected to become, as of any date following any such HIPAA Compliance Date, the subject of any civil or criminal penalty, process, claim, action or proceeding, or any administrative or other regulatory review, survey, process or proceeding (other than routine surveys or reviews conducted by any government health plan or other accreditation entity) that could result in any of the foregoing or that could reasonably be expected to have a Material Adverse Effect in connection with any actual or potential violation by any Borrower or Guarantor of the then effective provisions of HIPAA. "HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as the same may be amended, modified or supplemented from time to time, and any successor statute thereto, and any and all rules or regulations promulgated from time to time thereunder.

4.22. Intentionally Omitted.

4.23. Anti-Terrorism and Anti-Money Laundering Compliance.

4.23.1. Compliance with Anti-Terrorism Laws. Each Borrower is not and shall not be, and, after making due inquiry, no Person who owns a controlling interest in or otherwise controls any Borrower is or shall be, (i) listed on the Specially Designated Nationals and Blocked Persons List (the "SDN List") maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, and/or on any other similar list ("Other Lists" and, collectively with the SDN List, the "Lists") maintained by the OFAC pursuant to any authorizing statute, Executive Order or regulation (collectively, "OFAC Laws and Regulations"); or (ii) a Person (a "Designated Person") either (A) included within the term "designated national" as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515, or (B) designated under Sections 1(a), 1(b), 1(c) or 1(d) of Executive Order No. 13224, 66 Fed. Reg. 49079 (published September 25, 2001) or similarly designated under any related enabling legislation or any other similar Executive Orders (collectively, the "Executive Orders"). The OFAC Laws and Regulations and the Executive Orders are collectively referred to in this Amendment as the "Anti-Terrorism Laws". Each Borrower also shall require, and shall take reasonable measures to ensure compliance with the requirement, that no Person who owns any other direct interest in such Borrower is or shall be listed on any of the Lists or is or shall be a Designated Person. This Section 4.23.1 shall not apply to any Person to the extent that such Person's interest in any Borrower is through a U.S. Publicly-Traded Entity. As used in this Agreement, "U.S. Publicly-Traded Entity" means a Person (other than an individual) whose securities are listed on a national securities exchange, or quoted on an automated quotation system, in the United States, or a wholly-owned subsidiary of such a Person.

4.23.2. Compliance by Interest Holders. Each Borrower shall require each Person that proposes to become a partner, member or shareholder in such Borrower after the date hereof and that is not a U.S. Publicly-Traded Entity to sign, and to deliver to such Borrower (and such Borrower shall deliver to Lender), (a) an Interest Holder Certification and Agreement, in the form of Exhibit 4.23 hereto ("Interest Holder Agreement") and (b) if requested by Agent, each Borrower shall deliver to Agent a schedule of the name, legal domicile address and (for entities) place of organization of each holder of a direct or indirect legal or beneficial interest in such Borrower.

4.23.3. Anti-Terrorism Policies. Each Borrower agrees to adopt and maintain adequate policies, procedures and controls to ensure that it is in compliance with all Anti-Terrorism Laws and related government guidance (such policies, procedures and controls are collectively referred to in this Amendment as "Borrower Anti-Terrorism Policies"). Each Borrower further agrees to make the Borrower Anti-Terrorism Policies, and the respective policies, procedures and controls for Persons who are or are to become partners, members or shareholders in Borrower (such policies, procedures and controls are collectively referred to as "Investor Anti-Terrorism Policies"), together with the information collected thereby concerning Borrower and such partners, members or shareholders (but not information about indirect members that are not Controlling Persons), available to Agent and Lenders for review and inspection by Agent and Lenders from time to time during normal business hours and upon reasonable prior notice, and each Borrower agrees to deliver copies of the same to Agent and/or Lenders from time to time upon request. Agent and Lenders will keep the Borrower Anti-Terrorism Policies and the Investor Anti-Terrorism Policies, and the information collected

thereby, confidential subject to customary exceptions for legal process, auditors, regulators, or as otherwise reasonably required by Agent and Lenders for enforcement of its rights and/or in connection with reasonable business us in the management, administration and disposition of its assets and investments. Each Borrower consents to the disclosure to U.S. regulators and law enforcement authorities by Agent and Lenders or any of their respective Affiliates or agents of such information about any Borrower and the owners of direct and indirect interests in any Borrower that Agent or Lenders reasonably deems necessary or appropriate to comply with applicable Anti-Terrorism Laws and Anti-Money Laundering Laws.

4.23.4. Funds Invested in Borrowers. Each Borrower has taken, and shall continue to take, reasonable measures appropriate to the circumstances (and in any event as required by applicable law), with respect to each holder of a direct or indirect interest in such Borrower, to assure that funds invested by such holders in such Borrower are derived from legal sources ("Anti-Money Laundering Measures"). The Anti-Money Laundering Measures have been and shall be undertaken in accordance with the Bank Secrecy Act, 31 U.S.C. ss.ss. 5311 et seq. ("BSA"), and all applicable laws, regulations and government guidance on BSA compliance and on the prevention and detection of money laundering violations under 18 U.S.C. ss.ss. 1956 and 1957 (collectively with the BSA, "Anti-Money Laundering Laws").

4.23.5. No Violation of Anti-Money Laundering Laws. To each Borrower's knowledge neither such Borrower nor any holder of a direct or indirect interest in such Borrower (a) is under investigation by any governmental authority for, or has been charged with, or convicted of, money laundering under 18 U.S.C. ss.ss. 1956 and 1957, drug trafficking, terrorist-related activities or other money laundering predicate crimes, or any violation of the BSA, (b) has been assessed civil penalties under any Anti-Money Laundering Laws, or (c) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws.

4.23.6. Borrower Compliance with Anti-Money Laundering Laws. Each Borrower has taken, and agrees that it shall continue to take, reasonable measures appropriate to the circumstances (in any event as required by applicable law), to ensure that such Borrower is and shall be in compliance with all current and future Anti-Money Laundering Laws and applicable laws, regulations and governmental guidance for the prevention of terrorism, terrorist financing and drug trafficking.

4.23.7. Notification of Lender; Quarantine Steps. Each Borrower shall immediately notify Agent if such Borrower obtains actual knowledge that any holder of a direct or indirect interest in such Borrower, or any director, manager or officer of any of such holder, (a) has been listed on any of the Lists, (b) has become a Designated Person, (c) is under investigation by any governmental authority for, or has been charged with or convicted of, money laundering drug trafficking, terrorist-related activities or other money laundering predicate crimes, or any violation of the BSA, (d) has been assessed civil penalties under any Anti-Money Laundering Laws, or (e) has had funds seized or forfeited in an action under any Anti-Money Laundering Laws.

4.24. Government Regulations. No Borrower is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940. No Borrower is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The making of the Loan by Lenders to Borrowers, the application of the proceeds thereof and repayment thereof will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

4.25. Margin Regulations. No Borrower is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). No Borrower owns any Margin Stock, and none of the proceeds of the Loan or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any indebtedness that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause the Loan or other extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. No Borrower will take or permit to be taken any action that might cause any Loan Document to violate any regulation of the Federal Reserve Board.

4.26. Taxes. All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Borrower have been filed with the appropriate Governmental Authority and all charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid). Copies of the current general real estate

tax bills with respect to the Properties have been delivered to Agent. Said bills cover each respective parcel of the Properties and do not cover or apply to any other property. There is no pending or to the best of each Borrower's knowledge, contemplated action pursuant to which any special assessment may be levied against any of the Properties. Exhibit 4.26 hereto sets forth as of the Closing Date those taxable years for which any Borrower's tax returns are currently being audited by the IRS or any other applicable Governmental Authority, and any assessments or threatened assessments in connection with such audit, or otherwise currently outstanding. Except as described on Exhibit 4.26 hereto, no Borrower has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any taxes.

4.27. ERISA.

4.27.1. Exhibit 4.27 hereto lists (a) all ERISA Affiliates and (b) all Plans and separately identifies all Pension Plans, including Title IV Plans, Multiemployer Plans, ESOPs and Welfare Plans, including all Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest IRS/DOL 5500-series form for each such Plan, have been delivered to Agent. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and to each Borrower's knowledge, nothing has occurred that would cause the loss of such qualification or tax-exempt status. Each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA, including the statement required by 29 CFR Section 2520.104-23. Neither any Borrower nor ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan. Neither any Borrower nor ERISA Affiliate has engaged in a "prohibited transaction," as defined in Section 406 of ERISA and Section 4975 of the IRC, in connection with any Plan, that would subject any Borrower to a material tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the IRC.

4.27.2. Except as set forth in Exhibit 4.27 hereto: (a) no Title IV Plan has any Unfunded Pension Liability; (b) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (c) there are no pending, or to the knowledge of any Borrower, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (d) no Borrower or ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (e) within the last five (5) years no Title IV Plan of any Borrower or ERISA Affiliate has been terminated, whether or not in a "standard termination" as that term is used in Section 4041(b)(1) of ERISA, nor has any Title IV Plan of any Borrower or any ERISA Affiliate (determined at any time within the last five (5) years) with Unfunded Pension Liabilities been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of any Borrower or ERISA Affiliate (determined at such time); (f) except in the case of any ESOP, stock or membership interests of all Borrowers and their ERISA Affiliates makes up, in the aggregate, no more than ten percent (10%) of fair market value of the assets of any Plan measured on the basis of fair market value as of the latest valuation date of any Plan; and (g) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by the Standard & Poor's Corporation or an equivalent rating by another nationally recognized rating agency.

4.28. Intellectual Property. As of the Closing Date, each Borrower owns or has rights to use all Intellectual Property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it, and each Patent, Trademark, Copyright and License necessary to continue to conduct its business as now heretofore conducted by it or proposed to be conducted by it is listed, together with application or registration numbers, as applicable, on Exhibit 4.28 hereto. Each Borrower conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect. Except as set forth on Exhibit 4.28 hereto, no Borrower has knowledge of any infringement claim by any other Person with respect to any Intellectual Property. All capitalized terms used in this Section 4.28 have the meanings set forth in Exhibit 4.28 hereto.

4.29. Deposit and Other Accounts. Exhibit 4.29 hereto lists all banks and other financial institutions at which any Borrower maintains deposit or other accounts as of the Closing Date, and such Exhibit correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

4.30. Compliance with Healthcare Laws. Except as disclosed on Exhibit 4.30 hereto, no Borrower has any knowledge that any Project or any tenant or operator of any Project is in violation of any applicable statute, law, ordinance, rules and regulations of any governmental authority with respect to regulatory matters primarily relating to patient healthcare (including without limitation Section

1128B(b) of the Social Security Act, as amended, 42 U.S.C. Section 1320a-7(b) (Criminal Penalties Involving Medicare or State Health Care Programs), commonly referred to as the "Federal Anti-Kickback Statute," and the Social Security Act, as amended, Section 1877, 42 U.S.C Section 1395nn (Prohibition Against Certain Referrals), commonly referred to as "Stark Statute"). To each Borrower's knowledge, tenant or operator of each Project, as applicable, has all licenses, permits, consents and approvals from or by, and has made all required filings with, all Governmental Authorities having jurisdiction, to the extent required for the ownership, lease, management or operation, as applicable, of each Project as a Health Care Facility. "Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

4.31. Certificate of Need. To each Borrower's knowledge, the tenants or operators of the Projects are the lawful owners of any certificate of need or other required license for the ownership, lease, management and/or operation of the Project. To each Borrower's knowledge, in the event that Agent or Lenders acquire any of the Projects through foreclosure or otherwise, neither the Borrowers nor Agent or any Lender, nor any purchaser of such Project (through a foreclosure or otherwise), must obtain a certificate of need from any applicable state healthcare regulatory authority or agency (other than giving such notice required under the applicable state law or regulation) prior to applying for and receiving a license to operate such Project and certification to receive Medicare and Medicaid payments (and any successor program) for patients having coverage thereunder, provided that neither the services offered at the Project nor the number of beds operated would be changed.

4.32. Notes in Connection with Leases. Except for the Advocat Note, there are no other promissory notes in favor of any Borrower or Guarantor in connection with any of the Leases.

4.33. Borrower's Knowledge. Any representation and warranty made in this Agreement which is explicitly limited "to Borrowers' knowledge", "to any Borrower's knowledge" or "to each Borrower's knowledge" shall mean that such representation and warranty is made to the actual knowledge (without inquiry) of any of the following people or their respective successors: (a) C. Taylor Pickett, Chief Executive Officer of Borrowers and Guarantor, (b) Daniel J. Booth, Chief Operating Officer of Borrowers and Guarantor, (c) Robert Stephenson, Chief Financial Officer of Borrowers and Guarantor, or (d) R. Lee Crabill, Jr., Senior Vice President of Operations of Guarantor.

ARTICLE V
Affirmative Covenants

5.1. Inspection. Subject to the rights of tenants under the Leases set forth on Exhibit 3.7 hereto and Omega Mortgagors under the Omega Loan Documents and any future Leases and Omega Loan Documents approved by Agent, Agent and its authorized agents may enter upon and inspect any Project during normal business hours upon two (2) Business Days prior notice given orally or in writing to Borrowers. Agent shall retain one or more independent consultants, at Agent's sole cost, to periodically (but, as long as no Event of Default is then continuing and Agent has no good faith basis to be concerned that a breach of this Agreement or any other Loan Document is continuing at a Project, not more than once a year) inspect any Project and all documents, drawings, plans, and consultants' reports relating thereto; provided, however, if an Event of Default is continuing or if Agent has a good faith reason to believe that a breach of this Agreement or any other Loan Document is continuing at a Project, then Borrowers shall pay all of Agent's out of pocket costs and internal costs in connection with any such inspections.

5.2. Books and Records. Each Borrower shall keep and maintain at all times at Borrowers' address stated below, or such other place as Agent may approve in writing, complete books of the accounts and records received by Borrowers from any tenant and any Omega Mortgagor that reflect the results of the operation of each Project and relate to the financial statements required to be provided to Agent pursuant to Section 5.3 below and copies of all written contracts, correspondence, reports of Agent's independent consultant, if any, and other documents affecting any Project. Upon two (2) Business Days prior notice given orally or in writing to Borrowers, Agent and its designated agents shall have the right to inspect and copy any of the foregoing during normal business hours.

5.3. Financial Statements; Balance Sheets. Each Borrower shall furnish to Agent and shall cause the Guarantor to furnish to Agent such financial statements and other financial information in respect of the Projects as Agent may from time to time reasonably request (and after receipt thereof, Agent shall deliver copies thereof to each of the Lenders), so long as such financial statements and other financial information in respect of the Projects is in the possession of Borrowers or Borrowers have the right to request it from any third party under the Leases or the Omega Loan Documents. To each Borrower's knowledge, such Project financial statements and information accurately and fairly present the results of operations of each Project at the respective dates and for the respective periods indicated. Without limitation of the foregoing, each Borrower shall furnish to Agent and shall cause Guarantor to furnish to Agent the following statements:

5.3.1. Monthly and Annual Operating Statements. Statements of the operation of each Project (in form substantially similar to those previously furnished to Agent) as of the last day of each month, to be delivered within fifty (50) days after the end of each month, and yearly statements of the operation of each Project, to be delivered within one hundred twenty (120) days after the end of each fiscal year; in each case, and without limitation of the foregoing, in sufficient detail for Agent to reasonably determine the Adjusted Net Operating Income of such Project. Borrowers shall also execute and deliver to Agent each quarter a compliance certificate in the form of Exhibit 5.3.1 hereto. At Agent's request, Borrowers shall deliver to Agent (who shall then deliver to the Lenders) copies of Borrowers' bank statements with respect to the Lockbox and the Deposit Account.

5.3.2. Annual Balance Sheets and Financial Statements. Annual balance sheets and financial statements from each Borrower within one hundred twenty (120) days of the end of each fiscal year which are true and correct in all material respects, have been prepared in accordance with generally accepted accounting principles, and fairly present the financial condition of such Borrower as of the date(s) indicated. As long as Guarantor is a publicly traded corporation, Borrowers will also provide Agent with copies of Guarantor's quarterly and annual securities filings within five (5) days after the required date for such filings under the federal securities laws. However, if Guarantor ceases to be a publicly traded corporation, Borrowers will provide Agent with annual balance sheets and financial statements of Guarantor within one hundred twenty (120) days of the end of each fiscal year which will be true and correct in all respects, have been prepared in accordance with generally accepted accounting principles, and will fairly present the financial condition of Guarantor as of the date(s) indicated. In addition, at Agent's request, such financial statements of Guarantor shall contain information concerning Guarantor's other real estate holdings, including property income and expenses, debt service requirements and occupancy.

5.3.3. Audits. If Borrowers fail to furnish or cause to be furnished promptly any report required by this Section 5.3, or if Agent reasonably deems such reports to be unacceptable, Agent may elect (in addition to exercising any other right and remedy) to conduct an audit of all books and records of Borrowers and Guarantor which in any way pertain to the Projects and to prepare the statement or statements which Borrowers failed to procure and deliver. Such audit shall be made and such statement or statements shall be prepared at Agent's option, either internally by Agent or by an independent firm of certified public accountants to be selected by Agent. Borrowers shall pay all reasonable expenses of the audit and other services, which expenses shall be immediately due and payable and, if not paid within twenty (20) days after the receipt of invoices thereof, shall be included as additional Indebtedness bearing interest thereon at the Default Rate set forth in the Notes until paid.

5.4. Use of Proceeds. Borrowers shall use the proceeds of the Loan for proper business purposes. No portion of the proceeds of the Loan shall be used by Borrowers in any manner that might cause the borrowing or the application of such proceeds to violate Regulation U, Regulation T or Regulation X or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

5.5. Notice of Litigation or Default. Borrowers shall promptly provide Agent (who shall then deliver to Lenders) with:

(a) written notice of any litigation, arbitration, or other proceeding or governmental investigation pending or, to any Borrower's or Guarantor's knowledge, threatened against or relating to any Borrower, Guarantor or any Project; provided, that with respect to any such litigation, arbitration or other proceeding relating solely to a monetary claim of less than $50,000, Borrowers shall not be required to provide notice (written or otherwise) of such claim in accordance with the terms of this subsection 5.5(a); and

(b) a copy of all notices of default and violations of applicable laws, regulations, codes, ordinances and the like received by any Borrower or Guarantor relating to any Borrower, the Collateral or any Project; and

(c) a copy of all notices of default, violations, casualty, condemnation or any other material matter and a copy of any request for waiver or forbearance sent to or received (i) from any party under any of the Omega Loan Documents, Leases or Lease Guaranties (including, without limitation, all reports and financial statements) or (ii) pursuant to or in connection with the Advocat Note, Essex Note or any of the collateral which secures the Advocat Note, Essex Note or the Lease Collateral.

5.6. Affiliate Transactions. Prior to entering into any agreement with an Affiliate pertaining to the Projects, Borrowers shall deliver to Agent a copy of such agreement, which shall be satisfactory to Agent in its sole discretion, except Borrowers need not deliver a copy of any agreement with an Affiliate entered into in the ordinary course of and pursuant to the reasonable requirements of the business of Borrowers and upon fair and reasonable terms which are no less favorable to Borrowers than would be obtained in a comparable

arm's length transaction. Unless otherwise agreed to by Agent in writing, all such agreements shall provide Agent the right to terminate it upon Agent's or Lenders' (or their designee's) acquisition of the applicable Project through foreclosure, a deed-in-lieu of foreclosure, UCC sale or otherwise.

"Affiliate" means with respect to any individual, trust, estate, partnership, limited liability company, corporation or any other incorporated or unincorporated organization (each, a "Person"), a Person that directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with any Borrower or Guarantor; or any officer, director, partner or shareholder of such Borrower or Guarantor. The term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

5.7. Cash Management System.

5.7.1. Tenant Deposits. Borrowers shall maintain a lockbox (the "Lockbox") with LaSalle Bank (the "Lockbox Bank"), subject to the terms of this Agreement, and shall execute with the Lockbox Bank a lockbox agreement in the form of Exhibit 5.7.1 hereto, and such other documents as Agent may reasonably request in connection therewith. During the Term, Borrowers shall ensure that all payments by tenants and guarantors (if applicable) of rent and other sums due under the Leases and Lease Guaranties shall be made directly into the Lockbox, and Borrowers shall provide written notice thereof to all tenants and guarantors under the Leases and Lease Guaranties immediately following the Closing Date.

5.7.2. Omega Mortgagor Deposits. During the Term, Borrowers shall ensure that all payments of interest, principal and other sums made by mortgagors with respect to the Omega Mortgaged Properties (collectively, the "Omega Mortgagors") pursuant to the loan documents in favor of Borrowers in connection therewith (collectively, the "Omega Loan Documents"), shall be made directly into the Lockbox described in subsection 5.7.1 above, and Borrowers shall provide written notice thereof to all Omega Mortgagors immediately following the Closing Date.

5.7.3. Borrower Collections Held in Trust. To the extent that any funds are not sent directly to the Lockbox as required by this Section 5.7 but are received by any Borrower, such collections shall be held in trust for the benefit of Agent and remitted, in the form received, to the Lockbox within two (2) Business Days after receipt by any Borrower. Each Borrower acknowledges and agrees that all cash, checks or other items of payment constituting proceeds of Collateral are part of the Collateral. All proceeds of the sale or other disposition of any Collateral, shall be deposited directly into the Lockbox.

5.7.4. Collection Account. All funds deposited into the Lockbox shall be immediately transferred into a collection account (the "Collection Account") held by Agent, or such other account as may be specified by Agent in writing as the Collection Account.

5.7.5. Agent Account. Each Borrower shall immediately transfer to an account with Agent (the "Agent Account") all escrows and reserves (if any) of any type that have previously been escrowed or deposited with such Borrower pursuant to any of the Leases or the Omega Loan Documents and, on a monthly basis not later than three (3) Business Days after receipt by such Borrower, all future escrows and reserves that are paid, escrowed or deposited with such Borrower during the Term (other than funds which are required to be deposited directly into the Lockbox). Without limiting the foregoing, Borrowers shall at all times have on deposit with Agent, as cash collateral for the Loan and all amounts payable under the Loan Documents, an amount of cash equal to the aggregate amount of escrows and reserves which are or may become refundable to tenants of the Projects from time to time and all escrows and reserves which are or may become refundable to Omega Mortgagors from time to time. Agent agrees to allow Borrowers to use such funds solely for the purposes for which they were deposited, as and when such obligations are due; provided, that after the occurrence and during the continuation of an Event of Default, Agent may, at its sole election, but shall not be obligated to, pay such amounts directly to the party or parties to whom they are due, upon Agent's receipt of evidence reasonably satisfactory to Agent that such amounts are due; and, provided further, upon payment in full of the Loan and all other amounts due Agent under the Loan Documents, Agent shall pay any remaining amounts on deposit with Agent pursuant to this subsection 5.7.5 to Borrowers. Any security deposits or other deposits of any type made by tenants under the Leases or Omega Mortgagors under the Omega Loan Documents and currently held by any Borrower shall be immediately transferred into Borrowers' account with Bank One (the "Deposit Account"). Any such deposits received by Borrowers in the future shall be transferred into the Deposit Account within two (2) Business Days of receipt by Borrowers.

5.7.6. Lien on Accounts. The Lockbox, Collection Account, Agent Account and Deposit Account shall be cash collateral accounts, with all cash, checks and other similar items of payment in such accounts securing payment of the Loan and all other Obligations. Each Borrower hereby grants to Agent, on behalf of itself and Lenders, a security interest in all checks, instruments, documents and funds now or hereafter held in the Lockbox, Collection Account, Agent Account or Deposit Account and each Borrower agrees to execute any documents reasonably requested by Agent in connection therewith to perfect and maintain Agent's

security interest therein.

5.7.7. Disbursements from Collection Account to Borrowers. If Borrowers have failed to make any payment under any of the Loan Documents within five (5) days of the date due, then Agent may apply the funds in the Collection Account first to any costs, fees or expenses due under the Loan Documents, second to accrued and current interest payments due under the Loan Documents, third, to the extent received from a tenant under a Lease or an Omega Mortgagor under an Omega Loan Document, to payments into real estate tax, insurance or other escrows due under such Leases and/or Omega Loan Documents, if any, and fourth to principal payments due under the Loan Documents. So long as there is no uncured monetary default or any non-monetary Event of Default under any of the Loan Documents, then after application as set forth above, and subject to subsection 5.7.8 below, Agent shall cause all sums then held in the Collection Account to be disbursed to Borrowers on a weekly basis.

5.7.8. Sweep of Lockbox and Collection Account By Agent. Notwithstanding anything to the contrary contained herein, Agent may apply all sums then or in the future held in the Lockbox or Collection Account towards the outstanding principal balance of the Loan in the event that any of the following events has occurred: (a) Borrowers have failed to make any payment when due under any of the Loan Documents, (b) any of the Sweep Events (defined below) shall have occurred, (c) Agent has elected to accelerate the Loan after an Event of Default, (d) the Adjusted Net Operating Income of the Project is less than 69.5% of the amount underwritten by Agent (as adjusted to take into consideration any repaid debt under the Omega Loan Documents) (for informational purposes, as of the Closing Date, 69.5% of the annual Adjusted Net Operating Income of the Projects as underwritten by Agent is equal to $34,600,000) for two (2) consecutive calendar quarters, or (e) more than fifty percent (50%) of the aggregate rent obligations of tenants under the Leases and debt obligations of the Omega Mortgagors under the Omega Loan Documents have not been paid or are otherwise abated for more than three (3) consecutive calendar months.

"Sweep Events" shall mean any of the following: (a) Agent has a reasonable good faith basis to believe that any Borrower or Guarantor has intentionally made a material misrepresentation or has committed a fraud in connection with the Loan or any of the Projects; (b) any Borrower or Guarantor knowingly or intentionally diverts funds from the Lockbox, the Collection Account, the Agent Account or the Deposit Account, as applicable; (c) the transfer of any interest in any Borrower or any Borrower's interest in any Property in violation of the terms of any Loan Document; or (d) the filing by any Borrower or Guarantor, or the filing against any Borrower or Guarantor by any Borrower or Guarantor, of any proceeding for relief under any federal or state bankruptcy, insolvency or receivership laws or any assignment for the benefit of creditors made by any Borrower or Guarantor.

5.8. Leases. Each Borrower covenants that it shall enforce in a commercially reasonable manner all of its rights under the Leases and it shall not take any action, or fail to take any action, which would cause a default by a Borrower under any of the Leases. In the event that any Borrower receives any written request for its consent or approval pursuant to any of the Leases, such Borrower shall promptly deliver a copy of such request (together with any documentation and information supporting such request) to Agent. If such consent or approval involves any Material Lease Modification (as defined in subsection 6.1.2 below), then no Borrower shall grant its consent or approval pursuant to such request unless Agent has also granted its written approval, which approval shall not be unreasonably withheld or delayed. Each Borrower shall promptly deliver to Agent copies of any financial statements received by such Borrower in connection with the Leases, including without limitation, financial statements, budgets, reports and other financial information of tenants, subtenants and guarantors. Agent shall have no obligation to notify Borrowers if any rent payment is late or if a rent payment is made in an amount other than the amount due under the applicable Lease. Each Borrower shall also deliver to Agent any letters of credit which have been delivered to such Borrower by any tenant under any of the Leases, and each Borrower hereby grants to Agent a security interest in any such letters of credit. All Leases shall be on forms previously approved by Agent. Borrowers shall not be authorized to enter into any ground lease of any Property without Agent's prior written approval. If Agent consents to any Lease or the renewal of any existing Lease, then such Lease shall either be in the form approved by Agent under Section 3.7 above or substantially similar to the form of lease attached hereto as Exhibit 6.1.5(b), and at Agent's request, Borrowers shall cause the tenant thereunder to execute a subordination and attornment agreement in form and substance reasonably satisfactory to Agent prior to Borrowers' execution of such Lease or renewal.

5.9. Omega Loan Documents. Each Borrower covenants that it shall enforce in a commercially reasonable manner all of its rights under the Omega Loan Documents and it shall not take any action, or fail to take any action, which would cause a default by a Borrower under any of the Omega Loan Documents. In the event that any Borrower receives any written request for its consent or approval pursuant to any of the Omega Loan Documents, such Borrower shall promptly deliver a copy of such request (together with any documentation and information supporting such request) to Agent. If such consent or approval involves any Material Loan Document Modification (as defined in subsection 6.1.3 below), then no Borrower shall grant its consent or approval pursuant to such

request unless Agent has also granted its written approval, which approval shall not be unreasonably withheld or delayed. Each Borrower shall promptly deliver to Agent copies of any financial statements received by such Borrower in connection with the Omega Loan Documents, including, without limitation, financial statements, budgets, reports and other financial information of Omega Mortgagors. Agent shall have no obligation to notify Borrowers if any payment is late or if a payment is made in an amount other than the amount due under the applicable Omega Loan Document.

5.10. HIPAA Compliance. Each Borrower shall cause the representations and warranties set forth in Section 4.21 above to remain true and correct in all material respects at all times.

5.11. Insurance. Borrowers shall maintain and cause the tenants and Omega Mortgagors to maintain at all times during the Term of the Loan the insurance policies and coverages indicated on the certificates attached as Exhibit 3.8 hereto, subject to changes in policies and coverages based on the availability of insurance for similar Health Care Facilities in the market where the Projects are located, in each case as approved by Agent in its reasonable discretion.

5.12. Ground Lease Matters. For so long as any portion of the Loan shall remain outstanding or any Obligations remain unsatisfied, Borrowers hereby covenant, warrant and represent as follows:

(a) Each Ground Lease is and shall be maintained in full force and effect, unmodified by any writing or otherwise, except such modifications as are permitted by Agent in its reasonable discretion.

(b) All rent and other charges payable under each Ground Lease have been and will be paid when due.

(c) To each Borrower's knowledge, there are, as of the date hereof, and will be no defenses to any Borrower's enforcement of its rights under any Ground Lease.

(d) As of the date hereof, no Borrower is in default in any material respect in the performance of any of its obligations under any Ground Lease, and there are no circumstances that, alone or with the passage of time or the giving of notice or both, would constitute a default by a Borrower under any Ground Lease.

(e) To each Borrower's knowledge, as of the date hereof, no lessor under a Ground Lease (a "Ground Lessor") is in default in the performance of any of its material obligations under any Ground Lease.

(f) Each Borrower will promptly and faithfully materially observe, perform and comply with all the terms, covenants and provisions of each Ground Lease, on its part to be observed, performed and complied with, at the times set forth therein, and will enforce the material obligations of each Ground Lessor under its respective Ground Lease.

(g) No Borrower will knowingly do, permit, suffer or refrain from doing anything, as a result of which, there would be a default or breach of any of the terms of any Ground Lease in any material respect.

(h) Without Agent's prior written consent, no Borrower will cancel or surrender any Ground Lease, nor sublet or assign any of its interest under any Ground Lease.

(i) Each Borrower will give Agent prompt written notice of any default by anyone under any Ground Lease, and promptly deliver to Agent copies of each notice of default by anyone under any Ground Lease.

(j) Each Borrower will furnish to Agent such information as Agent may reasonably request concerning such Borrower's due observance, performance and compliance with the terms, covenants and provisions of each Ground Lease. If any default has occurred and is continuing under any Ground Lease, Agent shall have the right, but not the obligation, to cure such default and all sums paid to cure any such default shall bear interest at the Default Rate and shall be added to the Indebtedness.

(k) Fee title to the land and the estate conveyed by each Ground Lease shall not merge but shall always be kept separate and distinct, notwithstanding the union of said estates in either a Ground Lessor, any Borrower or a third party, whether by purchase or otherwise and accordingly: (i) if any Borrower acquires the fee title or any other estate, title or interest in the land demised by any Ground Lease, or any part thereof, the lien of any Leasehold Mortgage shall attach to, cover and be a lien upon such acquired estate, title or interest; and (ii) each Borrower agrees to execute all instruments and documents which Agent may reasonably require to ratify, confirm and further evidence Agent's lien on the acquired estate, title or interest.

(l) Agent shall have no liability or obligation under any Ground Lease by reason of its acceptance of a Leasehold Mortgage.

5.13. Master Lease Matters. Each Borrower covenants and agrees, subject to the terms and conditions of the Leases, the SNDAs and applicable law, that if any Mortgage or Leasehold Mortgage is foreclosed, whether by power of sale or by court action, or upon a transfer of one or more Properties by conveyance in lieu of foreclosure (the purchaser at foreclosure or the transferee in lieu of foreclosure, including Agent if it is the purchaser or transferee, is referred to as the "New Owner") and Agent is not entitled to or, if applicable, does not elect to, terminate any Lease with respect to the applicable Property, the subject Property shall continue to be a Property under the Lease with such New Owner being added as an additional landlord thereunder on the same terms and conditions as the Lease except as provided below (each such Lease being referred to as an "Amended Lease "). With respect to each Amended Lease for which there is more than one landlord, subject to the terms and conditions of the Leases, the SNDAs and applicable law, Base Rent (as defined in the Lease) applicable to each Property thereunder shall be equal to the Base Rent payable under the Lease immediately prior to the transfer of title times a fraction, the numerator of which is the Adjusted Net Operating Income of the affected Property and the denominator of which is the Adjusted Net Operating Income of all Properties subject to such Lease immediately prior to such transfer of title and being based on the most recent quarterly financial reporting theretofore received from the tenant pursuant to such Lease. In the event any Property subject to an Amended Lease or all Properties then subject to the Lease have a negative Adjusted Net Operating Income, Base Rent shall be allocated based on the relative unencumbered fair market value of the applicable Properties as reasonably determined by Agent.

Notwithstanding the fact that there may be more than one landlord with respect to an Amended Lease, as long as any Mortgage or Leasehold Mortgage continues to encumber a Property subject to the applicable Amended Lease, subject to the terms and conditions of the Leases, the SNDAs and applicable law, (a) all rent and other sums payable by the tenant under such Amended Lease shall be paid directly to Agent and Agent shall then distribute to the other landlords under such Amended Lease their respective proportionate shares of such payments received by Agent, and (b) all actions and decisions to be taken or made by the landlord under such Amended Lease shall be taken or made by Agent. After all Mortgages and Leasehold Mortgages encumbering the Properties subject to the applicable Amended Lease have been released, (y) rent and other sums payable by the tenant under such Amended Lease shall be paid as the landlords owning a majority of the Properties subject to such Amended Lease may agree, and (z) all actions and decisions to be taken or made by the landlord under such Amended Lease shall be taken or made as the landlords owning a majority of the Properties subject to such Amended Lease may agree.

ARTICLE VI
Negative Covenants

6.1. No Amendments.

6.1.1. Organizational Documents. Borrowers shall not amend, modify or terminate, or permit the amendment, modification or termination of the Operating Agreement or the Borrower Incorporation Documents without Agent's prior written consent, which consent shall not be unreasonably withheld or delayed.

6.1.2. Leases. Borrowers may amend or modify or permit the amendment or modification of any of the Leases or the Lease Guaranties without Agent's prior written consent, unless such amendment or modification does any of the following (each a "Material Lease Modification"): (a) changes the rent or any other monetary obligations under any Lease; (b) changes the term of any Lease; (c) releases or limits the liability of any guarantor under any Lease or Lease Guaranty; (d) releases any security deposits or letters of credit or any other security or collateral under any Lease; (e) consents to the assignment, delegation or other transfer of rights and obligations under any Lease or Lease Guaranty; or (f) makes any other material change to the terms and conditions of any of the Leases or Lease Guaranties or increases in any material respect the obligations or liabilities of the landlord thereunder. Agent shall not unreasonably withhold its consent to any requested amendment to a Lease, so long as such amendment would not cause an Event of Default under subsections 7.1(l), (m) or (n) below. Borrowers shall not terminate or permit the termination of any of the Leases or the Lease Guaranties without Agent's prior written consent, which consent shall not be unreasonably withheld or delayed. If a Lease with any tenant is restructured in a manner that requires the tenant to be replaced by a new tenant or is terminated by the tenant or rejected in bankruptcy, then Borrowers shall identify a proposed new tenant and deliver to Agent a proposed lease with such new tenant within one hundred twenty (120) days thereafter. So long as the new tenant is reasonably acceptable to Agent and the new lease provides for rent payments in each year which are at least eighty percent (80%) of the rent payments which were due from the tenant being replaced for such year, then Agent shall not unreasonably withhold or delay its consent to such proposed new tenant and new lease.

6.1.3. Omega Loan Documents. Borrowers may amend or modify or permit the amendment or modification of any of the Omega Loan Documents without Agent's prior written consent, unless such amendment or modification does any of the following (each a "Material Loan Document Modification"): (a) changes the principal of or the rate of interest on the loan or any fees or other monetary

obligations under any Omega Loan Document; (b) changes the maturity date or postpones any date for the payment of principal, interest or fees under any Omega Loan Document; (c) releases or limits the liability of any Omega Mortgagor or any guarantor of any obligation under an Omega Loan Document; (d) releases any security deposits or letters of credit or any other security or collateral under any Omega Loan Document; (e) consents to the assignment, delegation or other transfer of rights and obligations under any Omega Loan Document; or (f) makes any other material change to the terms and conditions of any Omega Loan Document or increases in any material respect the obligations or liabilities of the lender or secured party thereunder. Agent shall not unreasonably withhold its consent to any requested amendment to an Omega Loan Document, so long as such amendment would not cause an Event of Default under subsections 7.1(l), (m) or (n) hereof.

6.1.4. Deemed Approval. Within ten (10) Business Days after receiving all information reasonably necessary in order to evaluate a proposed amendment, modification or termination of any of the Leases, the Lease Guaranties or the Omega Loan Documents, if Agent has not either approved such proposal or disapproved such proposal and provided a reasonably detailed written explanation for such disapproval, then Agent shall be deemed to have approved such proposal.

6.1.5. Sun Healthcare Lease. In connection with the Lease with Sun Healthcare (the "Sun Lease"), Borrowers may amend or modify the Sun Lease and provide new tenants at the Projects covered by the Sun Lease that are listed on Exhibit 6.1.5(a) hereto, so long as (a) from and after January 1, 2004, aggregate rent payments under the Sun Lease (as it may have been amended or modified) and any new lease of any of the Projects which, as of the date hereof, are the subject of the Sun Lease, are at least sixty-five percent (65%) of the aggregate rent payments which are listed on Exhibit 6.1.5(a) hereto for the Projects which, as of the date hereof, are the subject of the Sun Lease; (b) any new lease with a new tenant at a Project previously covered by the Sun Lease shall be substantially similar to the lease in the form of Exhibit 6.1.5(b) hereto; and (c) no Potential Default occurs under subsection 7.1(l), (m) or (n) below as a result thereof.

6.2. No Additional Indebtedness. No Borrower shall, without Agent's and Lenders' prior written consent, incur additional indebtedness, except for trade payables in the ordinary course of business.

6.3. No Commingling Funds. No Borrower shall commingle the funds related to its respective Projects with funds from any other property.

6.4. Lienable Work. No material excavation, construction, earth work, site work or any other mechanic's lienable work that costs in excess of $125,000 shall be done to or for the benefit of any Property, without Agent's approval, which approval shall not be unreasonably withheld or delayed, except for normal repair and maintenance in the ordinary course of business and except for any such actions which may be taken by a tenant under the Leases or an Omega Mortgagor under the Omega Loan Documents without the consent of Borrowers.

6.5. Conversion. Borrowers shall not permit the Projects or any portion thereof to be converted, and Borrowers shall not take any preliminary actions which could lead to a conversion, to condominium or cooperative form or ownership.

6.6. Use of Property. Unless required by applicable law, Borrowers shall not permit changes in the use of any material part of any Property from a Health Care Facility. Borrowers shall not initiate or acquiesce in a change in the plat of subdivision, or zoning classification of any Property without Agent's prior written consent, which shall not be unreasonably withheld or delayed.

ARTICLE VII
Events of Default; Acceleration of Indebtedness; Remedies

7.1. Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default" under this Agreement:

(a) (i) Failure of Borrowers to pay, within five (5) days of the due date, any scheduled payment under the Loan Documents (whether such amount is interest, principal, charge or reserve) or (ii) failure of Borrowers to pay, within the time period specified in the applicable provision of the Loan Documents, or if no such time period is specified, then within twenty (20) days after written notice from Agent to Borrowers, any other payment obligations of Borrowers to Agent or Lenders under the Loan Documents (items (i) and (ii) are collectively referred to as the "Indebtedness"); or

(b) Failure of Borrowers to strictly comply with the provisions of Section 4.17 (single asset entity) or Section 6.2 (no additional indebtedness) of this Agreement; or

(c) Breach of any covenant, representation or warranty other than as set forth in subsections (a) and (b) above which is not cured within thirty (30) days after written notice thereof from Agent to Borrowers; provided, however, if such breach cannot by its nature be cured within thirty (30) days, and Borrowers diligently pursue the curing thereof (and then in all events cure such failure

within ninety (90) days after the original notice thereof), Borrowers shall not be in default hereunder; provided, further, that such cure period shall not apply to the breach of any representation or warranty which, by its nature, is not curable; or

(d) A petition under any Chapter of Title 11 of the United States Code or any similar law or regulation is filed by or against any Borrower or Guarantor (and in the case of an involuntary petition in bankruptcy, such petition is not discharged within ninety (90) days of its filing), or a custodian, receiver or trustee for any Project is appointed and such appointment is not vacated within ninety (90) days of its filing and which thereafter results in a Material Adverse Effect, or any Borrower or Guarantor makes an assignment for the benefit of creditors, or any of them are adjudged insolvent by any state or federal court of competent jurisdiction, or any of them admit their insolvency or inability to pay their debts as they become due or an attachment or execution is levied against any Project which is not vacated within ninety (90) days of its filing and which thereafter results in a Material Adverse Effect; or

(e) The occurrence of (i) an Event of Default, as defined under any other Loan Document or (ii) if Event of Default is not defined, a default and the expiration of any grace or cure periods applicable thereto under any other Loan Document; or

(f) Any Borrower shall default in the payment of any indebtedness (other than the Indebtedness) or Guarantor or any of its Affiliates shall default in the payment of any indebtedness in excess of $3,000,000 in the aggregate for Guarantor, Borrowers and all of their Affiliates, and such default(s) is (are) declared and is (are) not cured within the time, if any, specified therefor in any agreement governing the same; or

(g) Any statement, report or certificate prepared by any Borrower or Guarantor and delivered to Agent or any Lender by any Borrower or Guarantor is not materially true and complete in all material respects as of the date it was prepared or delivered; or

(h) There shall occur a Material Adverse Effect; or

(i) Guarantor ceases to own one hundred percent (100%) of the membership interests of each LLC Borrower and one hundred percent (100%) of the outstanding stock of each Corporate Borrower, free and clear of all liens and encumbrances; or

(j) Any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Borrower or Guarantor shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any material provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any lien created under any Loan Document ceases to be a valid and perfected first priority lien (except as otherwise permitted under the Loan Documents or disclosed on Exhibit 3.4 hereto) in any of the Collateral purported to be covered thereby, other than as a result of Agent's failure to record and/or file where and/or when appropriate (based on each Borrower's representations) the security documents required under the Loan Documents and any required continuation statements; or

(k) Any event occurs, whether or not insured or insurable, including, without limitation, the revocation of any license required to operate the Health Care Facilities at any of the Projects as they were being operated immediately prior to such revocation, as a result of which revenue-producing activities cease or are substantially curtailed at any Property or Properties generating in the aggregate more than ten percent (10%) of Borrowers' consolidated revenues for the fiscal year preceding such event and such cessation or curtailment continues for more than thirty (30) days; or

(l) The aggregate annualized rent payments under the Leases plus the aggregate annualized debt service payments under the Omega Loan Documents (taking into consideration any repaid debt) for the immediately preceding three (3) month period (i) is less than eighty percent (80%) of the amount underwritten by Agent or (ii) is less than 1.75 times an amount equal to the aggregate payments of interest and principal due on the Loan for the same period less any payments received pursuant to the Interest Rate Agreement, to be calculated on a quarterly basis, in each instance, beginning September 30, 2003; or

(m) The annualized Adjusted Net Operating Income of the Projects (taking into consideration any repaid debt under the Omega Loan Documents) (i) is not greater than seventy-seven and two tenths percent (77.2%) of the amount underwritten by Agent, to be calculated on a quarterly basis over the immediately preceding twelve (12) month period, or (ii) does not provide an aggregate Debt Coverage Ratio of at least 1.75 to 1.00, to be calculated on a quarterly basis over the immediately preceding twelve (12) month period, in each instance, beginning September 30, 2003; or

(n) More than twenty-five percent (25%) of the aggregate rent obligations

of tenants under the Leases and debt obligations of the Omega Mortgagors under the Omega Loan Documents have not been paid for more than six (6) consecutive calendar months.

Notwithstanding the foregoing to the contrary, if any of the events specified in subsection 7.1(l), (m), or (n) above occurs (a "Potential Default"), such Potential Default shall not be an Event of Default so long as (1) Borrowers (or Guarantor on behalf of Borrowers) continue to make all required debt service payments under the Loan Documents when due, (2) within ten (10) Business Days of such Potential Default, Borrowers give written notice to Agent that Borrowers elect to cure such Potential Default, and (3) within ninety (90) days of such Potential Default, Borrowers have cured such Potential Default to Agent's reasonable satisfaction by any combination of the following: (W) meeting or complying with such financial covenant, (X) repaying a portion of the outstanding principal balance of the Loan, if applicable, together with any Exit Fee then due, (Y) pledging additional property satisfactory to Agent in its reasonable discretion as Collateral for the Loan, if applicable, and/or (Z) pledging additional property satisfactory to Agent in its reasonable discretion as Collateral for the Loan in substitution for certain Properties which are not performing satisfactorily in Agent's sole opinion (subject to the terms and conditions of Section 2.2 above). In determining whether a proposed new Property will be satisfactory to Agent, Agent may base its decision on, without limitation, a title commitment, survey, appraisal, environmental report, financial analysis, and any other factors which Agent uses in its underwriting process. Without limitation, such proposed new Property must meet or exceed Agent's underwriting standards used in connection with the initial Properties. In determining whether a Property may be replaced as Collateral for the Loan, Agent shall use its reasonable discretion. Borrowers shall promptly execute and deliver any documents and opinions of counsel requested by Agent in order to evidence that a new Property has been added as security for the Loan. During the continuance of any Event of Default any funds in the Lock Box, Collection Account or Agent Account may be applied by Agent towards the repayment of the outstanding principal balance of the Loan. Borrower shall pay all reasonable Costs incurred by Agent and/or Lenders in connection with the cure of a Potential Default.

7.2. Acceleration; Remedies. Upon the occurrence of an Event of Default and during the continuance thereof, at the option of Agent or at the direction of Requisite Lenders, the Indebtedness shall become immediately due and payable upon written notice to Borrowers and Agent and Lenders shall be entitled to all of the rights and remedies provided in the Loan Documents or at law or in equity. Upon the occurrence of an Event of Default and written notice thereof to Borrowers, Agent may apply all payments and all proceeds of the Collateral in any manner which Agent elects in connection with the Loan. Each remedy provided in the Loan Documents is distinct and cumulative to all other rights or remedies under the Loan Documents or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.

ARTICLE VIII
Assignment and Participation

8.1. Assignments and Participations.

8.1.1. Assignments. GECC may from time to time assign, subject to the terms of an Assignment and Acceptance Agreement in a form prescribed by Agent, its rights and delegate its obligations under this Agreement and the other Loan Documents as a Lender to another Person. Subject to Agent's consent (which shall not be unreasonably withheld), any Lender may assign its rights and delegate its obligations under this Agreement and other Loan Documents as a Lender pursuant to an Assignment and Acceptance Agreement in a form prescribed by Agent. Any Lender so assigning its rights shall pay Agent a fee of $3,500 contemporaneously with such assignment. In the case of an assignment authorized under this Section 8.1, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as it would if it were an initial Lender hereunder, subject to the applicable Assignment and Acceptance Agreement. The assigning Lender shall be relieved of its obligations hereunder with respect to its Pro Rata Share of the Loan or assigned portion thereof. Borrowers hereby acknowledge and agree that any assignment will give rise to a direct obligation of Borrowers to the assignee and that the assignee shall be considered to be a Lender hereunder. Except as provided in this subsection 8.1.1, and notwithstanding other provisions of this Agreement or the other Loan Documents which may be to the contrary, no Lender shall assign or sell participations in this Agreement, the other Loan Documents or the Loan.

"Pro Rata Share" means, with respect to any Lender, the percentage obtained by dividing (i) the outstanding principal amount of the Loan funded or required hereunder to be funded by such Lender, plus such Lender's share of the Letter of Credit Obligations, by (ii) the outstanding principal amount of the Loan, plus the amount of all Letter of Credit Obligations, as such percentage may be adjusted by assignments permitted by this Section 8.1; provided, however, as not every Lender's proportion of the Term Loan Commitments and the Revolving Loan Commitments is necessarily the same, when used with respect to the Term Loan or advances or prepayments thereof or to the sharing of Exit Fees, "Pro Rata Share" shall mean, with respect to a Lender, the percentage obtained by dividing that Lender's Term Loan Commitment by the aggregate amount of all Lenders' Term Loan

Commitments; and when used with respect to advances or repayments of the Revolving Loan and other matters pertaining to the Revolving Loan under subsection 1.1.2 (including fees for unborrowed availability), subsection 1.1.3 (regarding the Swing Line Loan) and Letter of Credit Obligations and Exhibit B (including fees pertaining thereto), "Pro Rata Share" shall mean, with respect to a Lender, the percentage obtained by dividing that Lender's Revolving Loan Commitment by the aggregate amount of all Lenders' Revolving Loan Commitments.

8.1.2. Recording of Assignments. Agent shall maintain at its office in Chicago, Illinois a copy of each Assignment and Acceptance Agreement delivered to it and a register for the recordation of the names and addresses of Lenders, and the commitments of, and principal amount of the Loans owing to each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be presumptive evidence of the amounts due and owing to each Lender in the absence of manifest error. Borrowers, Agent and each Lender may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrowers and any Lender, at any reasonable time upon reasonable prior notice.

8.1.3. Acceptance of Assignment by Agent. Subject to subsection 8.1.1, upon its receipt of a duly completed Assignment and Acceptance Agreement executed by an assigning Lender and its assignee (together with the Notes subject to such assignment), Agent shall (1) accept such Assignment and Acceptance Agreement, (2) record the information contained therein in the Register to reflect such Assignment and Acceptance Agreement and (3) give prompt notice thereof to Borrowers and Lenders. Upon request by Agent, Borrowers shall promptly execute and deliver to Agent Notes evidencing the Indebtedness owed by Borrowers to the assignee and, if applicable, the assigning Lender, after giving effect to the assignment. Agent shall cancel the Notes delivered to it by the assigning Lender and deliver the new Notes to the assignee and, unless the assigning Lender has assigned all of its interests under this Agreement, the assigning Lender.

8.1.4. Participations. Any Lender may sell (and buy back) participations in all or any part of its interest in the Loan to (from) another Person. So long as GECC remains the Agent, GECC shall not, through assignments or participations, reduce GECC's aggregate investment in the Term Loan and its Revolving Loan Commitment (including any participations it may have sold) to less than $25,000,000. All amounts payable by Borrowers hereunder shall be determined as if a Lender had not sold such participation and the holder of any such participation shall not be entitled to require Agent to take or omit to take any action hereunder; provided, however, to the extent required in a participation agreement delivered to Agent, a participant may be entitled to consent to any action directly effecting (i) any reduction in the principal amount or interest rate payable; (ii) any extension of the date fixed for any payment of principal or interest payable; or (iii) any release of all or substantially all of the Collateral (except if the sale, disposition or release of such Collateral is permitted hereunder or under any other Loan Document). Borrowers hereby acknowledge and agree that any participation will give rise to a direct obligation of Borrowers to the participant, and the participant shall for purposes of Sections 8.4 and 9.7 be considered to be a Lender hereunder.

8.1.5. Other Matters. Except as otherwise provided in this Section 8.1, no Lender shall, as between Borrowers and that Lender, be relieved of any of its obligations hereunder as a result of any assignment of, or granting of a participation in, all or any part of the Loans, the Notes, the Indebtedness or other obligations owed to such Lender. Each Lender may furnish any information concerning Borrowers and Guarantor in the possession of that Lender from time to time to assignees and participants (including prospective assignees and participants). Borrowers agree that they will use their commercially reasonable efforts to assist and cooperate with Agent and any Lender in any manner reasonably requested by Agent or such Lender to effect the sale of a participation or an assignment described above, including without limitation assistance in the preparation of appropriate disclosure documents or placement memoranda.

8.2. Agent.

8.2.1. Appointment. Each Lender hereby designates and appoints GECC as its Agent under this Agreement and the other Loan Documents, and each Lender hereby irrevocably authorizes Agent to execute and deliver the Loan Documents and to take such action or to refrain from taking such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers as are set forth herein or therein, together with such other powers as are reasonably incidental thereto. Agent is authorized and empowered to amend, modify, or waive any provisions of this Agreement or the other Loan Documents on behalf of Lenders subject to the requirement that certain of Lenders' consent be obtained in certain instances as provided in this Section 8.2 and 8.3. The provisions of this Section 8.2 are solely for the benefit of Agent and Lenders and neither Borrowers nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement, Agent shall act solely as agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for Borrowers or any other Person. Agent may perform any of its duties hereunder, or under the Loan Documents, by or

through its agents or employees.

8.2.2. Nature of Duties. The duties of Agent shall be mechanical and administrative in nature. Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Lender. Nothing in this Agreement or any of the Loan Documents, express or implied, is intended to or shall be construed to impose upon Agent any obligations in respect of this Agreement or any of the Loan Documents except as expressly set forth herein or therein. Each Lender shall make its own independent investigation of the financial condition and affairs of Borrowers, the Projects and Guarantor in connection with the extension of credit hereunder and shall make its own appraisal of the creditworthiness of Borrowers and Guarantor and the viability of the Projects, and Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto (other than as expressly required herein). If Agent seeks the consent or approval of any Lenders to the taking or refraining from taking any action hereunder, then Agent shall send notice thereof to each Lender. Agent shall promptly notify each Lender any time that the Requisite Lenders have instructed Agent to act or refrain from acting pursuant hereto.

8.2.3. Rights, Exculpation, Etc. Neither Agent nor any of its officers, directors, employees or agents shall be liable to any Lender for any action taken or omitted by them hereunder or under any of the Loan Documents, or in connection herewith or therewith, except that Agent shall be liable to the extent of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. Agent shall not be liable for any apportionment or distribution of payments made by it in good faith and if any such apportionment or distribution is subsequently determined to have been made in error the sole recourse of any Lender to whom payment was due but not made shall be to recover from other Lenders any payment in excess of the amount to which they are determined to be entitled (and such other Lenders hereby agree to return to such Lender any such erroneous payments received by them). In performing its functions and duties hereunder, Agent shall exercise the same care which it would in dealing with loans for its own account, but neither Agent nor any of its agents or representatives shall be responsible to any Lender for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, or sufficiency of this Agreement or any of the Loan Documents or the transactions contemplated thereby, or for the financial condition of any of Borrowers, Guarantor or Lenders. Agent shall not be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any of the Loan Documents or the financial condition of any of Borrowers, Guarantor or Lenders, or the existence or possible existence of any default hereunder or Event of Default. Agent may at any time request instructions from Lenders with respect to any actions or approvals which by the terms of this Agreement or of any of the Loan Documents Agent is permitted or required to take or to grant, and if such instructions are promptly requested, Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval and shall not be under any liability whatsoever to any Person for refraining from any action or withholding any approval under any of the Loan Documents until it shall have received such instructions from Requisite Lenders or all or such other portion of the Lenders as shall be prescribed by this Agreement. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting under this Agreement or any of the other Loan Documents in accordance with the instructions of Requisite Lenders and, notwithstanding the instructions of Requisite Lenders, Agent shall have no obligation to take any action if it believes, in good faith, that such action exposes Agent to any liability for which it has not received satisfactory indemnification in accordance with subsection 8.2.5 below.

"Requisite Lenders" means Lenders (other than Defaulting Lenders) having sixty-six and two-thirds percent (66-2/3%) or more of the outstanding principal balance of the Loan of all Lenders that are not Defaulting Lenders.

8.2.4. Reliance. Agent shall be entitled to rely, and shall be fully protected in relying, upon any written or oral notices, statements, certificates, orders or other documents or any telephone message or other communication (including any writing, telex, facsimile, telecopy, telegram or email) believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and with respect to all matters pertaining to this Agreement or any of the Loan Documents and its duties hereunder or thereunder. Agent shall be entitled to rely upon the advice of legal counsel, independent accountants, and other experts selected by Agent in its sole discretion.

8.2.5. Indemnification. Lenders will reimburse and indemnify Agent for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, attorneys' fees and expenses), advances or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any of the Loan Documents or any action taken or omitted by Agent under this Agreement or any of the Loan Documents, in proportion to each Lender's Pro Rata Share, but only to the extent that any of the foregoing is not reimbursed by Borrowers; provided,

however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, advances or disbursements to the extent resulting from Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction. If any indemnity furnished to Agent for any purpose shall, in the opinion of Agent, be insufficient or become impaired, Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against even if so directed by Requisite Lenders until such additional indemnity is furnished. The obligations of Lenders under this subsection 8.2.5 shall survive the payment in full of the Indebtedness and the performance in full of all other obligations of Borrowers or Guarantor to Agent and/or Lenders under any of the Loan Documents (collectively, the "Obligations") and the termination of this Agreement.

8.2.6. GECC Individually. With respect to its obligations under the Loan, GECC shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender. The terms "Lenders" (as defined above) or "Requisite Lenders" or any similar terms shall, unless the context clearly otherwise indicates, include GECC in its individual capacity as a Lender or one of the Requisite Lenders. GECC may lend money to, acquire equity or other ownership interests in, and generally engage in any kind of banking, trust or other business as if it were not acting as Agent pursuant hereto.

8.2.7. Successor Agent.

(a) Resignation. Agent may resign from the performance of all its agency functions and duties hereunder at any time by giving at least thirty (30) Business Days' prior written notice to Borrowers and the Lenders. Such resignation shall take effect upon the acceptance by a successor Agent of appointment pursuant to clause (b) below or as otherwise provided below.

(b) Appointment of Successor. Upon any such notice of resignation pursuant to clause (a) above, Requisite Lenders shall appoint a successor Agent which, unless an Event of Default by Borrowers or Guarantor has occurred and is continuing under the Loan Documents, shall be reasonably acceptable to Borrowers. If a successor Agent shall not have been so appointed within the thirty (30) Business Day period referred to in clause (a) above, the retiring Agent, upon written notice to Borrowers, shall then appoint a successor Agent who shall serve as Agent until such time, if any, as Requisite Lenders appoint a successor Agent as provided above. A successor Agent shall be either a Lender or a commercial entity with assets of at least $5 billion and with demonstrated experience in performing the duties of an agent under similar loan agreements.

(c) Successor Agent. Upon the acceptance of any appointment as Agent under the Loan Documents by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Agent's resignation as Agent, the provisions of this Section 8.2 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

(d) Release of Collateral. Lenders hereby irrevocably authorize Agent, at its option and in its discretion, to release any lien granted to or held by Agent upon any Collateral (i) upon termination of the Loan and payment and satisfaction of all Indebtedness and Obligations (other than contingent indemnification obligations to the extent no claims giving rise thereto have been asserted); or (ii) constituting property being sold or disposed or if Borrowers certify to Agent that the sale or disposition is made in compliance with the provisions of this Agreement (and Agent may rely in good faith conclusively on any such certificate, without further inquiry).

8.2.8. Collateral Matters.

(a) Confirmation of Authority; Execution of Releases. Without in any manner limiting Agent's authority to act without any specific or further authorization or consent by Lenders (as set forth in this subsection 8.2.8(a)), each Lender agrees to confirm in writing, upon request by Agent or Borrowers, the authority to release any Collateral conferred upon Agent. Upon receipt by Agent of any required confirmation from the Requisite Lenders of its authority to release any particular item or types of Collateral, and upon at least ten (10) Business Days prior written request by Borrowers, Agent shall (and is hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the liens granted to Agent upon such Collateral; provided, however, that (i) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create any obligation or entail any consequence other than the release of such liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Indebtedness or Obligations or any liens upon (or obligations of any Lender, in respect of), all interests retained by any Lender, including (without limitation) the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(b) Absence of Duty. Agent shall have no obligation whatsoever to any Lender or any other Person to assure that the property covered by the Loan

Documents exists or is owned by Borrowers, or is cared for, protected or insured or has been encumbered or that the liens granted to Agent have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this subsection 8.2.8 or in any of the Loan Documents, it being understood and agreed that in respect of the property covered by the Loan Documents or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in property covered by the Loan Documents as one of the Lenders and that Agent shall have no duty or liability whatsoever to any of the other Lenders, provided that Agent shall exercise the same care which it would in dealing with loans for its own account.

(c) Agency Provisions Relating to Collateral. (i) The Agent is hereby authorized on behalf of all Lenders, without the necessity of any notice to or further consent from any Lender, at any time and from time to time, to take any actions with respect to any Collateral for the Loan or any Loan Document which may be necessary to preserve and maintain such Collateral or to perfect and maintain perfected the liens upon such Collateral granted pursuant to this Agreement and the other Loan Documents.

(i) Should the Agent commence any proceeding or in any way seek to enforce the Agent's or the Lenders' rights or remedies under the Loan Documents, irrespective of whether as a result thereof the Agent shall acquire title to any Collateral, each Lender, upon demand therefor from time to time, shall contribute its Pro Rata Share of the reasonable costs and/or expenses of any such enforcement or acquisition, including, but not limited to, fees of receivers or trustees, court costs, title company charges, filing and recording fees, appraiser's fees and fees and expenses of attorneys to the extent not otherwise reimbursed by Borrowers. Without limiting the generality of the foregoing, each Lender shall contribute its Pro Rata Share of all reasonable out of pocket costs and expenses incurred by the Agent (including reasonable attorneys' fees and expenses but excluding any administrative fees payable to Agent hereunder) if the Agent employs counsel for advice or other representation (whether or not any suit has been or shall be filed) with respect to any Collateral for the Loan or any part thereof, or any of the Loan Documents, or the attempt to enforce any security interest or lien on any Collateral, or to enforce any rights of the Agent or the Lenders or any of Borrowers' or any other party's obligations under any of the Loan Documents, but not with respect to any dispute between any Agent and any other Lender(s). It is understood and agreed that in the event the Agent determines it is necessary to engage counsel for Lenders from and after the occurrence of a default or an Event of Default, said counsel shall be selected by the Agent and written notice of such selection, together with a copy of such counsel's engagement letter, shall be delivered to the Lenders.

(ii) In the event that all or any portion of the Collateral for the Loan is acquired by the Agent as the result of the exercise of any remedies hereunder or under any other Loan Document, or is retained in satisfaction of all or any part of Borrowers' obligations under the Loan Documents, title to any such Collateral or any portion thereof shall be held in the name of one or more of the Agent or a nominee or subsidiary of the Agent, as agent, for the ratable benefit of the Agent and the Lenders. The Agent shall prepare a recommended course of action for such Collateral (the "Post-Default Plan"), which shall be subject to the approval of the Requisite Lenders. The Agent shall administer the Collateral in accordance with the Post Default Plan, and upon demand therefor from time to time, each Lender will contribute its Pro Rata Share of all reasonable out of pocket costs and expenses incurred by the Agent pursuant to the Post-Default Plan, including without limitation, any operating losses and all necessary operating reserves. To the extent there is net operating income from such Collateral, the Agent shall, in accordance with the Post-Default Plan, determine the amount and timing of distributions to Lenders. All such distributions shall be made to Lenders in accordance with their respective Pro Rata Share. In no event shall the provisions of this subsection or the Post-Default Plan require any Agent or any Lender to take an action which would cause such Agent or Lender to be in violation of any applicable regulatory requirements.

(d) Lender Actions Against Borrowers or the Collateral. Each Lender agrees that it will not take any action, nor institute any actions or proceedings, against Borrowers, Guarantor or any other Person hereunder or under any other Loan Documents with respect to exercising claims against Borrowers or Guarantor or rights in any Collateral without the consent of the Requisite Lenders. With respect to any action by the Agent to enforce the rights and remedies of the Agent and Lenders with respect to the Borrowers or Guarantor or any Collateral in accordance with the terms of this Agreement, each Lender hereby consents to the jurisdiction of the court in which such action is maintained.

8.2.9. Agency for Perfection. Agent and each Lender hereby appoint each other as agent for the purpose of perfecting Agent's security interest in assets which, in accordance with the UCC in any applicable jurisdiction, can be

perfected only by possession. Should any Lender (other than Agent) obtain possession of any such assets, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor, shall deliver such assets to Agent or in accordance with Agent's instructions. Each Lender agrees that it will not have any right individually to enforce or seek to enforce any Loan Document or to realize upon any collateral security for the Loans unless instructed to do so by Agent, it being understood and agreed that such rights and remedies may be exercised only by Agent.

8.2.10. Notice of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any default or Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to Agent for the account of Lenders, unless Agent shall have received written notice from a Lender or Borrowers referring to this Agreement, describing such default and stating that such notice is a "notice of default". Agent will notify each Lender of its receipt of any such notice. Agent shall take such action with respect to such default or Event of Default as may be requested by Requisite Lenders in accordance with this Article VIII. Unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default as it shall deem advisable or in the best interests of Lenders. Notwithstanding the foregoing to the contrary, upon the occurrence of a default or an Event of Default, Agent may, but absent direction to do so from Requisite Lenders, Agent shall be under no obligation to, send a notice of such default or Event of Default to Borrowers and/or Guarantor; provided, if Agent sends such a notice, it shall send a copy thereof to each Lender.

8.2.11. Employment of Agents and Counsel. The Agent may undertake any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be liable to Lenders, except as to money or securities received by them or their authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder and under any other Loan Document.

8.2.12. Notice of Agent Consent. If Agent grants its written consent to any matter requested by Borrowers or Guarantor, Agent shall provide written notice thereof to the other Lenders.

8.3. Amendments, Consents and Waivers.

8.3.1. Except as otherwise provided in Section 8.2,this Section 8.3 or Section 9.16, and except as to matters set forth in other subsections hereof or in any other Loan Document as requiring only Agent's consent, the consent of Requisite Lenders, Borrowers and Guarantor will be required to amend, modify, terminate, or waive any provision of this Agreement or any of the other Loan Documents.

8.3.2. In the event Agent requests the consent of a Lender and does not receive a written consent or denial thereof within ten (10) Business Days after such Lender's receipt of such request, then such Lender will be deemed to have denied the giving of such consent.

8.4. Set Off and Sharing of Payments. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, during the continuance of any Event of Default, each Lender is hereby authorized by Borrowers at any time or from time to time, with reasonably prompt written notice to Borrowers (any prior or contemporaneous notice being hereby expressly waived) to set off and to appropriate and to apply any and all (a) balances held by such Lender at any of its offices for the account of Borrowers, and (b) other property at any time held or owing by such Lender to or for the credit or for the account of Borrowers, against and on account of any of the Indebtedness or Obligations; except that no Lender shall exercise any such right without the prior written consent of Agent. Any Lender exercising a right to set off shall purchase for cash (and the other Lenders shall sell) interests in each of such other Lender's Pro Rata Share of the Indebtedness or Obligations as would be necessary to cause all Lenders to share the amount so set off with each other Lender in accordance with their respective Pro Rata Shares. Borrowers agree, to the fullest extent permitted by law, that any Lender may exercise its right to set off with respect to amounts in excess of its Pro Rata Share of the Indebtedness or Obligations and upon doing so shall deliver such amount so set off to the Agent for the benefit of all Lenders in accordance with their Pro Rata Shares.

8.5. Disbursement of Funds. Agent may, on behalf of Lenders, disburse funds to Borrowers for advances of the Loan requested in compliance with the provisions of this Loan Agreement. Each Lender shall reimburse Agent on demand for all funds disbursed on its behalf by Agent, or if Agent so requests, each Lender will remit to Agent its Pro Rata Share of any portion of the Loan before Agent disburses same to Borrowers. If Agent elects to require that each Lender make funds available to Agent, prior to a disbursement by Agent to Borrowers, Agent shall advise each Lender by telephone, email, facsimile or telecopy of the amount of such Lender's Pro Rata Share of the advance requested by Borrowers no later than 10:00 a.m. Chicago time on the funding date applicable thereto, and

each such Lender shall pay Agent such Lender's Pro Rata Share of such requested advance, in same day funds, by wire transfer to Agent's account on such funding date. If any Lender fails to pay the amount of its Pro Rata Share within one (1) Business Day after Agent's demand, Agent shall promptly notify Borrowers, and Borrowers shall immediately repay such amount to Agent. Any repayment required pursuant to this Section 8.5 shall be without premium or penalty, but with interest at the Interest Rate. Nothing in this Section 8.5 or elsewhere in this Agreement or the other Loan Documents, including without limitation the provisions of Section 8.6, shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights that Agent or Borrowers may have against any Lender as a result of any default by such Lender hereunder.

8.6. Disbursements of Advances; Payment.

8.6.1. Revolving Loan Advances, Payments and Settlements; Interest and Fee Payments.

(a) Each Lender's obligation to fund its portion of any advances made by Agent to Borrowers will commence on the date such advances are made by Agent. Such payments will be made by such Lender without set-off, counterclaim or reduction of any kind.

(b) Agent will advise each Lender periodically by email or telecopy of the amount of such Lender's Pro Rata Share of the Loan balance as of a particular date (the "Settlement Date"). In the event that payments are necessary to adjust the amount of such Lender's required Pro Rata Share of the Loan balance to such Lender's actual Pro Rata Share of the Loan balance as of any Settlement Date, the party from which such payment is due will pay the other, in same day funds, by wire transfer to the other's account not later than 3:00 p.m. Chicago time on the Business Day following the Settlement Date.

(c) For purposes of this subsection 8.6.1(c) the following terms and conditions will have the meanings indicated:

(1) "Daily Loan Balance" means an amount calculated as of the end of each calendar day by subtracting (i) the cumulative principal amount paid by Agent to a Lender on the Loan from the Closing Date through and including such calendar day, from (ii) the cumulative principal amount on the Loan advanced by such Lender to Agent on the Loan from the Closing Date through and including such calendar day.

(2) "Daily Interest Rate" means an amount calculated by dividing the interest rate payable to a Lender on the Loan (as set forth in Section 1.3) as of each calendar day by three hundred sixty (360).

(3) "Daily Interest Amount" means an amount calculated by multiplying the Daily Loan Balance of the Loan by the associated Daily Interest Rate on the Loan.

(4) "Interest Ratio" means a number calculated by dividing the total amount of the interest on the Loan received by Agent with respect to the immediately preceding month by the total amount of interest on the Loan due from Borrowers during the immediately preceding month.

On the first (1st) Business Day of each month ("Interest Settlement Date"), Agent will advise each Lender by telephone, email or telecopy of the amount of such Lender's Pro Rata Share of interest and fees on the Loan as of the end of the last day of the immediately preceding month. Provided that such Lender has made all payments required to be made by it under this Agreement, Agent will pay to such Lender, by wire transfer to such Lender's account (as specified by such Lender on the signature page of the applicable Assignment and Acceptance Agreement, as amended by such Lender from time to time pursuant to the notice provisions contained herein or in the applicable Assignment and Acceptance Agreement) not later than 3:00 p.m. Chicago time on the Interest Settlement Date, such Lender's Pro Rata Share of interest and fees on the Loan. Such Lender's Pro Rata Share of interest on the Loan will be calculated by adding together the Daily Interest Amounts for each calendar day of the prior month and multiplying the total thereof by the Interest Ratio. Such Lender's Pro Rata Share of the Exit Fee described in Section 1.6 shall be paid and calculated in a manner consistent with the payment and calculation of interest as described in this subsection 8.6.1(C).

8.6.2. Term Loan Principal Payments. Payments of principal of the Loan will be settled as provided in subsection 8.7.1.

8.6.3. Availability of Lender's Pro Rata Share. Unless Agent shall have received notice from a Lender prior to a disbursement under the Loan that such Lender will not make available its Pro Rata Share of the Loan, Agent may assume that such Lender has made such amount available to Agent on the Business Day following the next Settlement Date. If a Lender has not in fact made its Pro Rata Share available to the Agent on such date (any such Lender, a "Defaulting Lender"), then the Defaulting Lender and Borrowers severally agree to pay to Agent forthwith on demand such amount without set-off, counterclaim or deduction of any kind, together with interest thereon, for each day from and including the

date such amount is made available to Agent by Borrowers or such Defaulting Lender to but excluding the date of payment to Agent, at (a) in the case of the Defaulting Lender, the greater of the Federal Funds Effective Rate and a rate determined by Agent in accordance with banking industry rules on interbank compensation or (b) in the case of Borrowers, the Interest Rate under this Agreement with respect to the Loan.

8.7. Payments.

8.7.1. Distribution and Apportionment of Payments.

(a) Subject to subsection 8.7.1(b), payments actually received by Agent for the account of the Lenders shall be paid to them promptly after receipt thereof by Agent, but in any event within one (1) Business Day, provided that, if any such payments are not distributed to the Lenders within one (1) Business Day after Agent's receipt thereof, Agent shall pay to such Lenders interest thereon, at the lesser of (i) the overnight cost of funds at which federal funds are made available to the Agent (such interest rate to change automatically effective as of the date of each change in the overnight cost of federal funds) and (ii) if the applicable payment represents repayment of a portion of the principal of the Loan, the Interest Rate, from the date of receipt of such funds by Agent until such funds are paid in immediately available funds to such Lenders provided such funds are received by Agent not later than 11:00 A.M. (Chicago time) on the date of receipt. All payments of principal and interest in respect of the Loan, all payments of the fees described in this Agreement (but not in any separate fee letter except to the extent expressly set forth therein), and all payments in respect of any other obligations of Borrowers under the Loan Documents shall be allocated among such of Lenders as are entitled thereto, in proportion to their respective Pro Rata Shares or otherwise as provided herein or in the other Loan Documents or in the Assignment and Acceptance Agreements, as the case may be. The Agent shall distribute to each Lender at its primary address set forth herein or in its Assignment and Acceptance Agreement, or at such other address as a Lender may request in writing, such funds as it may be entitled to receive, provided that the Agent shall in any event not be bound to inquire into or determine the validity, scope or priority of any interest or entitlement of any Lender and may suspend all payments and seek appropriate relief (including without limitation instructions from the Requisite Lenders, or all Lenders, as applicable, or an action in the nature of interpleader) in the event of any doubt or dispute as to any apportionment or distribution contemplated hereby. The order of priority herein is set forth solely to determine the rights and priorities of the Lenders as among themselves and may at any time or from time to time be changed by the Lenders as they may elect, in writing, without necessity of notice to or consent of or approval by Borrowers.

(b) If a Lender (a "Defaulting Lender") defaults in making any advance or paying any other sum payable by it hereunder, such sum together with interest thereon at the Interest Rate from the date such amount was due until repaid (such sum and interest thereon as aforesaid referred to, collectively, as the "Lender Default Obligation") shall be payable by the Defaulting Lender (i) to any Lender(s) which elect, at their sole option (and with no obligation to do so), to fund the amount which the Defaulting Lender failed to fund or (ii) to the Agent or any other Lender which under the terms of this Agreement is entitled to reimbursement from the Defaulting Lender for the amounts advanced or expended. Notwithstanding any provision hereof to the contrary, until such time as the Defaulting Lender has repaid the Lender Default Obligation in full (i) all amounts which would otherwise be distributed to the Defaulting Lender shall instead be applied first to repay the Lender Default Obligation (to be applied first to interest at the Interest Rate and then to principal) until the Lender Default Obligation has been repaid in full (whether by such application or by cure by the Defaulting Lender) whereupon such Lender shall no longer be a Defaulting Lender, and (ii) the Defaulting Lender's right to consent to or approve of matters which are subject to the consent or approval of Requisite Lenders or all Lenders shall be suspended, and for purposes of consent and approval the definition of "Requisite Lenders" and "all Lenders" shall be modified as if the Defaulting Lender were not a Lender. Any interest collected from Borrowers on account of principal advanced by any Lender(s) on behalf of a Defaulting Lender shall be paid to the Lender(s) who made such advance and shall be credited against the Defaulting Lender's obligation to pay interest on the amount advanced at the Interest Rate. The provisions of this Section shall apply and be effective regardless of whether an Event of Default occurs and is then continuing, and notwithstanding (i) any other provision of this Agreement to the contrary, (ii) any instruction of Borrowers as to their desired application of payments or (iii) the suspension of such Defaulting Lender's right to vote on matters which are subject to the consent or approval of Requisite Lenders, or all Lenders. The Agent shall be entitled to (i) withhold or set off, and to apply to the payment of the Lender Default Obligation any amounts to be paid to such Defaulting Lender under this Agreement, and (ii) bring an action or suit against such Defaulting Lender in a court of competent jurisdiction to recover the Lender Default Obligation and, to the extent such recovery would not fully compensate the Agent and Lenders for the Defaulting Lender's breach of this Agreement, to collect damages. In addition, the Defaulting Lender shall indemnify, defend and hold Agent and each of the other Lenders harmless from and against any and all claims, actions, liabilities, damages, costs and expenses (including attorneys' fees and expenses), plus interest thereon at the Interest Rate, for funds advanced by Agent or any other Lender on account of the

Defaulting Lender or any other damages such entities may sustain or incur by reason of or as a direct consequence of the Defaulting Lender's failure or refusal to abide by its obligations under this Agreement.

(c) At least five (5) Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Lender, each Lender that is not incorporated under the laws of the United States of America, or a state thereof, agrees that it will deliver to the Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Lender is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Lender which so delivers a Form 1001 or 4224 further undertakes to deliver to the Agent two additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Agent, in each case certifying that such Lender is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender advises the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

8.7.2. Return of Payments.

(a) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrowers or Guarantor and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender without set-off, counterclaim or deduction of any kind together with interest thereon, for each day from and including the date such amount is made available by Agent to such Lender to but excluding the date of repayment to Agent, at the greater of the Federal Funds Rate in effect on each such day (as determined by Agent) and a rate determined by Agent in accordance with banking industry rules on interbank compensation.

(b) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to Borrowers or Guarantor or paid to any other Person pursuant to any requirement of law, court order or otherwise, then, notwithstanding any other term or condition of this Agreement, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrowers, Guarantor or such other Person, without set-off, counterclaim or deduction of any kind.

8.8. Reserves. The Agent is hereby authorized on behalf of all Lenders, without with necessity of any notice to or further consent from any Lender, at any time and from time to time (i) to disburse the inspection fees collected under Section 5.1 to pay for the inspections referred to therein (including payment to Agent therefor), and (ii) to disburse all or any portion of any real estate tax or other reserves maintained under any Loan Documents.

8.9. Loan Account and Accounting. Agent shall maintain a loan account (the "Loan Account") on its books to record: all Revolving Credit Advances, Swing Line Advances and the Term Loan, all payments made by Borrowers, and all other debits and credits as provided in this Agreement with respect to the Loan or any other Indebtedness. All entries in the Loan Account shall be made in accordance with Agent's customary accounting practices as in effect from time to time. The balance in the Loan Account, as recorded on Agent's most recent printout or other written statement, shall, absent manifest error, be presumptive evidence of the amounts due and owing to Agent and Lenders by Borrowers; provided, that any failure to so record or any error in so recording shall not limit, increase or otherwise affect any Borrower's duty to pay the Indebtedness. Not more than five (5) Business Days after the end of each month, Agent shall render to Borrower Representative a monthly accounting of transactions with respect to the Loan setting forth each transaction or other entry and the balance of the Loan Account as to Borrowers for the immediately preceding month. Unless Borrower Representative notifies Agent in writing of any objection to any such accounting (describing in reasonable detail the basis for such objection), within 30 days after Borrowers' receipt of such monthly accounting, each and every such accounting shall (absent manifest error) be deemed final, binding and conclusive on Borrowers in all respects as to all matters reflected therein. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrowers. Notwithstanding any provision herein contained to the contrary, any Lender may elect (which election may be revoked) to dispense with the issuance of a Note to that Lender and may rely on the Loan Account as evidence of the amount of Indebtedness from time to time owing to it.

ARTICLE IX
Miscellaneous

9.1. Expenditures and Expenses. Upon receipt of reasonably detailed invoices thereof from Agent, Borrowers shall promptly and within twenty (20) days of receipt thereof, pay all reasonable Costs (defined below) incurred by Agent and/or Lenders in connection with the documentation, modification, workout, collection, administration or enforcement of the Loan or any of the Loan Documents (as applicable), and the substitution or addition of Collateral, and all such Costs, if not paid within twenty (20) days after receipt of invoices, shall be included as additional Indebtedness bearing interest at the Default Rate set forth in the Notes until paid. Notwithstanding anything to the contrary contained herein, except for the Costs of GECC (as Agent and a Lender) and its attorneys, Borrowers shall have no obligation to pay for any Costs incurred by the other Lenders or their respective attorneys in connection with the negotiation of the Loan Documents which are executed on or about the date of this Agreement or any due diligence in connection therewith. For the purposes hereof "Costs" means all reasonable expenditures and expenses which may be paid or incurred by or on behalf of Agent and/or Lenders in accordance with this Agreement and the other Loan Documents including, without limitation, filing fees, recordation taxes, repair costs, payments to remove or protect against liens, reasonable attorneys' fees (including reasonable fees of Agent's and/or Lenders' inside counsel), receivers' fees, engineers' fees, accountants' fees, independent consultants' fees (including environmental consultants), all reasonable costs and expenses incurred in connection with any of the foregoing, Agent's and/or Lenders' reasonable out-of-pocket costs and expenses related to any audit or inspection of any Project (if chargeable to Borrowers under the Loan Documents), outlays for documentary and expert evidence, stenographers' charges, stamp taxes, publication costs, and costs (which may be estimates as to items to be expended after entry of an order or judgment) for procuring all such abstracts of title, title and UCC searches, and examination, title insurance policies, Torrens' Certificates and similar data and assurances with respect to title as Agent may deem reasonably necessary either to prosecute any action permitted under the Loan Documents or to evidence to bidders at any foreclosure sale of any Project the true condition of the title to, or the value of, any Project. Costs shall not include any due diligence costs incurred by any financial institution, other than Agent and the Lenders who are the original signatories to this Agreement, prior to such financial institution becoming a Lender or any syndication costs. Agent shall apply all "Good Faith Deposit" payments received prior to the date hereof from Borrowers or Guarantor towards any Costs due at Closing.

9.2. Disclosure of Information. Agent and/or Lenders shall have the right (but shall be under no obligation) to make available to any party for the purpose of granting participations in or selling, transferring, assigning or conveying all or any part of the Loan (including any governmental agency or authority and any prospective bidder at any foreclosure sale of the Project) any and all information which Agent and/or Lenders may have with respect to the Project and Borrowers, whether provided by Borrowers, Guarantor or any third party or obtained as a result of any environmental assessments. Borrowers agree that Agent and Lenders shall have no liability whatsoever as a result of delivering any such information to any third party, and Borrowers, on behalf of themselves, their Affiliates and their successors and assigns, hereby release and discharge Agent and Lenders from any and all liability, claims, damages, or causes of action, arising out of, connected with or incidental to the delivery of any such information to any third party.

9.3. Intentionally Omitted.

9.4. Forbearance by Lender Not a Waiver. Any forbearance by Agent and/or Lenders in exercising any right or remedy under any of the Loan Documents, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. Agent's or Lenders' acceptance of payment of any sum secured by any of the Loan Documents after the due date of such payment shall not be a waiver of Agent's or Lenders' right to either require prompt payment when due of all other sums so secured or to declare a default or an Event of Default, as applicable, for failure to make a payment when due under any of the Loan Documents. The procurement of insurance or the payment of taxes or other liens or charges by Agent or Lenders in accordance with the terms and conditions of any of the Loan Documents, shall not be a waiver of Agent's or Lenders' right to accelerate the maturity of the Loan, nor shall Agent's or Lenders' receipt of any awards, proceeds, or damages under Section 4 of the Mortgages or Leasehold Mortgages operate to cure or waive Borrowers' or Guarantor's default in payment of sums secured by any of the Loan Documents. With respect to all Loan Documents, only waivers made in writing and in accordance with Section 9.16 below shall be effective against Agent and Lenders.

9.5. APPLICABLE LAW; SEVERABILITY. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES. The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect or impair the validity, legality or enforceability of the remainder of this Agreement, and to this end, the provisions of this Agreement are declared to be severable.

9.6. Relationship. The relationship between Agent and Lenders, on the one hand, and Borrowers on the other, shall be that of creditor-debtor only. No term

in this Agreement or in the other Loan Documents and no course of dealing between the parties shall be deemed to create any relationship of agency, partnership or joint venture or any fiduciary duty by Agent and/or Lenders to any other party, except for the agency relationship of Agent and Lenders as and to the extent expressly provided in this Agreement.

9.7. Indemnity. Each Borrower shall indemnify, protect, hold harmless and defend Agent and Lenders, their respective successors, assigns, shareholders, directors, officers, employees, and agents (each, an "Indemnified Person") from and against any and all loss, damage, cost, expense (including reasonable attorneys' fees), and claims arising out of or in connection with (a) any Project, (b) the Collateral, (c) the assignment of the Leases and the performance of the terms and conditions of each of the Leases, (d) any act or omission of any Borrower or Guarantor, or their respective employees or agents, whether actual or alleged, and (e) any and all brokers' commissions or other costs of similar type by any party in connection with the Loan (collectively, "Indemnified Liabilities"), except that Borrowers shall have no obligation under this Section 9.7 to any Indemnified Person with respect to Indemnified Liabilities arising from any Indemnified Person's gross negligence or willful misconduct. Upon written request by an Indemnified Person, Borrowers will undertake, at their own cost and expense, on behalf of such Indemnified Person, using counsel reasonably satisfactory to the Indemnified Person, the defense of any legal action or proceeding whether or not such Indemnified Person shall be a party and for which such Indemnified Person is entitled to be indemnified pursuant to this Section 9.7. At Agent's or Requisite Lenders' option and upon prior written notice to Borrowers, Agent may, at Borrowers' expense, prosecute or defend any third party claim or action involving the priority, validity or enforceability of any of the Loan Documents.

9.8. Notice. Any notice or other communication required or permitted to be given under this Agreement or the other Loan Documents shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier or U.S. Mail and shall be deemed given: (a) if served in person, when served; (b) if telecopied, on the date of transmission if before 3:00 p.m. (Chicago time) on a Business Day; provided, that a hard copy of such notice is also sent pursuant to (c) or (d) below; (c) if by overnight courier, on the first Business Day after delivery to the courier; or (d) if by U.S. Mail, certified or registered mail, return receipt requested on the fourth (4th) day after deposit in the mail postage prepaid.

Notices to Borrowers and Guarantor:	c/o Omega Healthcare Investors, Inc. 9690 Deereco Road, Suite 100 Timonium, Maryland 21093 Attn: C. Taylor Pickett Attn: Daniel J. Booth Telecopy: (410) 427-8824
With a copy to:	LeBoeuf, Lamb, Greene & MacRae, LLP 125 West 55th Street New York, New York 10019 Attn: John R. Fallon, Jr., Esq. Telecopy: (212) 424-8500
And a copy to:	Munsch Hardt Kopf & Harr, P.C. 1445 Ross Avenue, Suite 4000 Dallas, Texas 75202 Attn: Glenn B. Callison, Esq. Telecopy: (214) 978-4351
Notices to Agent and Lenders:	General Electric Capital Corporation Loan No. 70004093 2 Bethesda Metro Center, Suite 600 Bethesda, Maryland 20814 Attn: Manager, Portfolio Administration Group Telecopy: (301) 347-3150
With a copy to:	General Electric Capital Corporation Loan No. 70004093 c/o Segal McCambridge Singer & Mahoney 100 Congress Avenue, Suite 700 Austin, Texas 78701 Attn: Diana Pennington, Chief Counsel Telecopy: (866) 221-0433
And a copy to:	General Electric Capital Corporation Loan No. 70004093 500 West Monroe Street Chicago, Illinois 60661 Attn: Kevin McMeen, Senior Vice President Telecopy: (312) 441-6755

9.9. Successors and Assigns Bound; Joint and Several Liability; Agents; and Captions. The covenants and agreements contained in the Loan Documents shall

bind, and the rights thereunder shall inure to, the respective successors and assigns of Agent, Lenders, Borrowers and Guarantor, subject to the provisions of this Agreement. All covenants and agreements of Borrowers shall be joint and several. In exercising any rights under the Loan Documents or taking any actions provided for therein, Agent and Lenders may act through their respective employees, agents or independent contractors as authorized by Agent or Lenders, respectively. The captions and headings of the paragraphs and sections of this Agreement are for convenience only and are not to be used to interpret or define the provisions hereof.

9.10. Terms and Usage. As used in the Loan Documents "Business Day" means any day, other than a Saturday or a Sunday, when banks in Chicago, Illinois are not required or authorized to be closed.

9.11. Time of Essence. Time is of the essence of this Agreement and the other Loan Documents and the performance of each of the covenants and agreements contained herein and therein.

9.12. CONSENT TO JURISDICTION. EACH BORROWER, AGENT AND EACH LENDER HEREBY CONSENT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF COOK, STATE OF ILLINOIS AND EACH BORROWER, AGENT AND EACH LENDER IRREVOCABLY AGREE THAT, SUBJECT TO AGENT'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS (UNLESS OTHERWISE SPECIFIED THEREIN) SHALL BE LITIGATED IN SUCH COURTS. EACH BORROWER, AGENT AND EACH LENDER EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. EACH BORROWER, AGENT AND EACH LENDER HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON BORROWERS, AGENT AND EACH LENDER BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO BORROWERS, AGENT AND LENDERS AT THE ADDRESSES SET FORTH IN SECTION 9.8 OF THIS AGREEMENT.

9.13. WAIVER OF JURY TRIAL. EACH BORROWER, AGENT AND EACH LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. EACH BORROWER, AGENT AND EACH LENDER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH OF THEM HAS RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THAT EACH OF THEM WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. BORROWERS, AGENT AND LENDERS WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

9.14. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, and together shall constitute the Agreement.

9.15. Entire Agreement. This Agreement and the other Loan Documents embody the entire agreement among Borrowers, Guarantor, Lenders and Agent and supercede all prior commitments, agreements, representations and understandings, whether written or oral, relating to the subject matter hereof, and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto.

9.16. Amendments and Waivers. Except as otherwise provided herein, no amendment, modification, termination or waiver of any provision of this Agreement, the Notes or any of the other Loan Documents, or consent to any departure by any party therefrom, shall in any event be effective unless the same shall be in writing and signed by Requisite Lenders (or Agent, if expressly set forth herein, in any Note or in any other Loan Document) and the Borrowers, if applicable; provided, that except to the extent permitted by the applicable Assignment and Acceptance Agreement, no amendment, modification, termination or waiver shall, unless in writing and signed by all Lenders, do any of the following: (a) increase any Lender's Pro Rata Share of the Loan; (b) reduce the principal of or the rate of interest on the Loan or the fees payable with respect to the Loan; (c) extend any date fixed for any payment of principal, interest or fees; (d) change the definition of the term Requisite Lenders or the percentage of Lenders which shall be required for Lenders to take any action hereunder; (e) release Collateral (except if the sale, disposition, release or substitution of such Collateral is permitted under Section 2.2, Section 2.3 or Section 7.1 above or under any other Loan Document); (f) amend or waive this Section 9.16 or the definitions of the terms used in this Section 9.16 insofar as the definitions affect the substance of this Section 9.16; or (g) consent to the assignment, delegation or other transfer by any party of any of its rights and obligations under any Loan Document; and provided, further, that no amendment, modification, termination or waiver affecting the rights or duties of Agent under any Loan Document shall in any event be effective, unless in writing and signed by Agent, in addition to all Lenders required to take such action. Notwithstanding anything to the contrary in this Section 9.16, Agent and Borrowers may execute amendments to this Agreement and the other Loan Documents for the purpose of correcting typographical errors, making immaterial modifications thereto and documenting the matters governed by Section 2.2, Section 2.3 and Section 7.1 above without the consent of Lenders. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. Unless

required by Agent, no amendment, modification, termination or waiver shall be required for Agent to take additional Collateral pursuant to any Loan Document, but Borrowers shall comply with all of the requirements of Section 2.2, Section 2.3 and Section 7.1 above in connection with the addition or substitution of any Collateral. No notice to or demand on Borrowers or any other party in any case shall entitle Borrowers or any other party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 9.16 shall be binding upon each holder of the Notes at the time outstanding, each future holder of the Notes and, if signed by a party, upon such party.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement or have caused the same to be executed by their duly authorized representatives as of the date first above written.

BORROWERS:
OHI ASSET, LLC,
a Delaware limited liability company
OHI ASSET (FL), LLC,
a Delaware limited liability company
OHI ASSET (IN), LLC,
a Delaware limited liability company
OHI ASSET (LA), LLC,
a Delaware limited liability company
OHI ASSET (TX), LLC,
a Delaware limited liability company
OHI ASSET (ID), LLC,
a Delaware limited liability company
OHI ASSET (MI/NC), LLC,
a Delaware limited liability company
OHI ASSET (OH), LLC,
a Delaware limited liability company
OHI ASSET (MO), LLC,
a Delaware limited liability company
OHI ASSET (CA), LLC,
a Delaware limited liability company
DELTA INVESTORS I, LLC,
a Maryland limited liability company
DELTA INVESTORS II, LLC,
a Maryland limited liability company
NRS VENTURES, LLC,
a Kentucky limited liability company

By:
Omega Healthcare Investors, Inc., a
Maryland corporation, as the sole member
of each such company

By: /S/ DANIEL J. BOOTH

Name: Daniel J. Booth
Title: Chief Operating Officer

OHI (ILLINOIS), INC.,
an Illinois corporation
OHI (INDIANA), INC.,
an Indiana corporation
STERLING ACQUISITION CORP.,
a Kentucky corporation
By: /S/ DANIEL J. BOOTH

Name: Daniel J. Booth
Title: Chief Operating Officer of
each such corporation

LENDERS:

GENERAL ELECTRIC CAPITAL CORPORATION,
as Agent and a Lender

By: /S/ JEFFREY M. MUCHMORE

Name: Jeffrey M. Muchmore
Its: Authorized Signatory

MERRILL LYNCH CAPITAL, a division of
Merrill Lynch Business Financial Services

Inc., a Delaware corporation

By: /S/ HOWARD WIDRA

Name: Howard Widra
Title: Managing Director

LASALLE BANK NATIONAL ASSOCIATION, a national banking association

By: /S/ FRANCES P. DEAN

Name: Frances P. Dean
Title: First Vice President

THE PROVIDENT BANK

By: /S/ STEVEN J. BLOEMER

Name: Steven J. Bloemer
Title: Vice President

BANK ONE, NA, a national banking association

By: /S/ MARCIA F. VENTURA

Name: Marcia F. Ventura
Title: First Vice President

FLEET NATIONAL BANK

By: /S/ JAMES V. MAIORINO

Name: James V. Maiorino
Title: Vice President

EXHIBIT A

Property Locations and Borrower Interests

<TABLE>
<CAPTION>

No.	Property Name	Operator	Address	City	State	Zip	Beds/ Units	Omega's Structure	Facility Type	Borrowing Current Legal Owner/Mortgagee	Legal Entity/Omega Subsidiary No.
<S>	<C>	<C>	<C>	<C>	<C>	<C>					
1.	Continental Rehab Hospital	Sun Delta Investors I, LLC	555 Washington Street	San Diego	CA	92103	110	Lease	LTAC	Delta Investors I, LLC	1.
2.	SunBridge - Circleville	Sun Delta Investors I, LLC	1155 Atwater Ave	Circleville	OH	43113	100	Lease	SNF	Delta Investors I, LLC	2.
3.	SunBridge - Emmett	Sun Delta Investors I, LLC	501 West Idaho Blvd.	Emmett	ID	83617	40	Lease	SNF	Delta Investors I, LLC	3.
4.	SunBridge - Homestead	Sun Delta Investors I, LLC	1900 East Main Street	Lancaster	OH	43130	102	Lease	SNF	Delta Investors I, LLC	4.

5. SunBridge - Delta Investors Milford I, LLC	Sun	10 Veterans Memorial Drive	Milford	MA	01757	135	Lease	SNF	Delta Investors I, LLC	5.
6. SunBridge - Delta Investors Putnam I, LLC	Sun	300 Seville Road	Hurricane	WV	25526	120	Lease	SNF	Delta Investors I, LLC	6.
7. SunBridge - Delta Investors Pine Lodge Care I, LLC	Sun	405 Stanaford Road	Beckley	WV	25801	120	Lease	SNF	Delta Investors I, LLC	7.
8. Robert Ballard Rehab Hospital	Sun	1760 West 16th Street	San Bernardino	CA	92411	60	Lease	REHAB	Delta Investors II, LLC	1. Delta Investors II, LLC
9. SunBridge - Delta Investors Dunbar II, LLC	Sun	501 Caldwell Lane	Dunbar	WV	25064	120	Lease	SNF	Delta Investors II, LLC	2.
10.SunBridge - Delta Investors Lexington II, LLC	Sun	877 Hill Everhart Road	Lexington	NC	27295	86	Lease	SNF	Delta Investors II, LLC	3.
11.SunBridge - Delta Investors Marion II, LLC	Sun	524 James Way	Marion	OH	43302	100	Lease	SNF	Delta Investors II, LLC	4.
12.SunBridge - Delta Investors Parkersburg II, LLC	Sun	1716 Gihon Road	Parkersburg	WV	26101	66	Lease	SNF	Delta Investors II, LLC	5.
13.SunBridge - Delta Investors Salem II, LLC	Sun	146 Water Street	Salem	WV	26426	128	Lease	SNF	Delta Investors II, LLC	6.
14.Mount Manor of Pikeville	HQM	260 South Mayo Trail	Pikeville	KY	41501	106	Lease	SNF	NRS Ventures, LLC	1. NRS Ventures, LLC
15.Prestonburg Health Care	HQM	147 N. Highland Avenue	Prestonburg	KY	41653	56	Lease	SNF	NRS Ventures, LLC	2. NRS Ventures, LLC
16.Riverview Health Care Center	HQM	70 Sparrow Lane	Prestonburg	KY	41653	121	Lease	SNF	NRS Ventures, LLC	3. NRS Ventures, LLC
17.SunBridge - Danville	Sun	801 North Logan Avenue	Danville	IL	61832	108	Lease	SNF	OHI (Illinois), Inc.	1. OHI (Illinois),

Inc.									
18.Sunbridge - Edwardsville	Sun	401 St. Mary's Drive	Edwardsville	IL	62025	120	Lease	SNF	OHI (Illinois), Inc. 2. OHI (Illinois), Inc.
19.Sunbridge - University Dr.	Sun	1095 University Drive	Edwardsville	IL	62025	122	Lease	SNF	OHI (Illinois), Inc. 3. OHI (Illinois), Inc.
20.Hickory Creek at Columbus	Hickory	5480 East 25th Street	Columbus	IN	47203	40	Mortgage	SNF	OHI (Indiana), Inc. 1. OHI (Indiana), Inc.
21.Hickory Creek at Connersville	Hickory	2600 N. Grand Ave.	Connersville	IN	47331	40	Mortgage	SNF	OHI (Indiana), Inc. 2. OHI (Indiana), Inc.
22.Hickory Creek at Crawfordsville	Hickory	817 North Whitlock Avenue	Crawfordsville	IN	47933	40	Mortgage	SNF	OHI (Indiana), Inc. 3. OHI (Indiana), Inc.
23.Hickory Creek at Franklin	Hickory	1130 North Main Street	Franklin	IN	46131	40	Mortgage	SNF	OHI (Indiana), Inc. 4. OHI (Indiana), Inc.
24.Hickory Creek at Greensburg	Hickory	1620 North Lincoln Street	Greensburg	IN	47240	40	Mortgage	SNF	OHI (Indiana), Inc. 5. OHI (Indiana), Inc.
25.Hickory Creek at Huntington	Hickory	1425 Grant Street	Huntington	IN	46750	40	Mortgage	SNF	OHI (Indiana), Inc. 6. OHI (Indiana), Inc.
26.Hickory Creek at Kendallville	Hickory	1433 S. Main Street	Kendallville	IN	46755	40	Mortgage	SNF	OHI (Indiana), Inc. 7. OHI (Indiana), Inc.
27.Hickory Creek at Lebanon	Hickory	1585 Perry Worth Drive	Lebanon	IN	46052	130	Mortgage	SNF	OHI (Indiana), Inc. 8. OHI (Indiana), Inc.
28.Hickory Creek at Madison	Hickory	1945 Cragmont Street	Madison	IN	47250	40	Mortgage	SNF	OHI (Indiana), Inc. 9. OHI (Indiana), Inc.
29.Hickory Creek at New Castle	Hickory	901 North 16th Street	New Castle	IN	47362	40	Mortgage	SNF	OHI (Indiana), Inc. 10. OHI (Indiana), Inc.
30.Hickory Creek at Peru	Hickory	390 Boulevard	Peru	IN	46970	40	Mortgage	SNF	OHI (Indiana), Inc. 11. OHI (Indiana), Inc.

31.Hickory Creek at Rochester	Hickory	240 E. 18th Street	Rochester	IN	46975	40	Mortgage	SNF	OHI (Indiana), Inc.	12.	OHI (Indiana), Inc.
32.Hickory Creek at Scottsburg	Hickory	1100 North Gardner Street	Scottsburg	IN	47170	40	Mortgage	SNF	OHI (Indiana), Inc.	13.	OHI (Indiana), Inc.
33.Hickory Creek at Sunset	Hickory	1109 South Indiana Street	Greencastle	IN	46135	79	Mortgage	SNF	OHI (Indiana), Inc.	14.	OHI (Indiana), Inc.
34.Hickory Creek at Winamac	Hickory	515 E. 13th Street	Winamac	IN	46996	40	Mortgage	SNF	OHI (Indiana), Inc.	15.	OHI (Indiana), Inc.
35.Laurel Park	Sun	1425 West Laurel Ave	Pomona	CA	91768	43	Lease	IMD	Delta Investors I, LLC	1.	OHI Asset (CA), LLC
36.Meadowbrook Manor	Sun	3951 East Boulevard	Los Angeles	CA	90066	77	Lease	IMD	Delta Investors I, LLC	2.	OHI Asset (CA), LLC
37.Olive Vista	Sun	2335 South Towne	Pomona	CA	91766	120	Lease	IMD	Delta Investors II, LLC	3.	OHI Asset (CA), LLC
38.Shandin Hills Behavior Center	Sun	4164 North 4th Ave	San Bernardino	CA	92407	78	Lease	IMD	Delta Investors II, LLC	4.	OHI Asset (CA), LLC
39.Sierra Vista	Sun	3455 East Highland Ave	Highland	CA	92346	116	Lease	IMD	Delta Investors I, LLC	5.	OHI Asset (CA), LLC
40.SunBridge - Claremont	Sun	219 East Foothill Boulevard	Pomona	CA	92767	99	Lease	SNF	Delta Investors II, LLC	6.	OHI Asset (CA), LLC
41.Sunbridge - Coalinga	Sun	834 Maple Road	Coalinga	CA	93210	58	Lease	SNF	Delta Investors II, LLC	7.	OHI Asset (CA), LLC
42.Sunbridge - Escondido	Sun	1260 East Ohio Street	Escondido	CA	92025	98	Lease	SNF	Delta Investors I, LLC	8.	OHI Asset (CA), LLC
43.SunBridge - Fullerton	Sun	2800 North Harbor Blvd	Fullerton	CA	92835	59	Lease	SNF	Delta Investors II, LLC	9.	OHI Asset (CA), LLC
44.SunBridge -	Sun	1555 Superior	Newport	CA	92663	59	Lease	SNF	Delta Investors	10.	OHI Asset (CA),

Newport Beach LLC		Drive	Beach						II, LLC	
45.SunBridge - OHI Asset (CA), Pico Rivera LLC	Sun	9140 Verner Street	Pico Rivera	CA	90660	99	Lease	SNF	Delta Investors II, LLC	11.
46.SunBridge - OHI Asset (CA), San Diego LLC	Sun	3022 45th Street	San Diego	CA	92105	53	Lease	SNF	Delta Investors I, LLC	12.
47.SunBridge - OHI Asset (CA), Santa Monica LLC	Sun	1330 17th Street	Santa Monica	CA	90404	72	Lease	SNF	Delta Investors II, LLC	13.
48.SunBridge - OHI Asset (CA), Weed LLC	Sun	445 Park Street	Weed	CA	96094	59	Lease	SNF	Delta Investors II, LLC	14.
49.SunBridge OHI Asset (CA), Care-Intercommunity LLC	Sun	12627 Studebaker Road	Norwalk	CA	90650	86	Lease	SNF	Delta Investors II, LLC	15.
50.Vista Knoll OHI Asset (CA), Care Facility LLC	Sun	2000 Westwood Road	Vista	CA	92083	119	Lease	SNF	Delta Investors II, LLC	16.
51.SunBridge - OHI Asset (FL), Palm Beach LLC	Sun	6414 13th Road South	West Palm Beach	FL	33415	120	Lease	SNF	Delta Investors I, LLC	1.
52.SunBridge - OHI Asset (FL), Southpoint LLC	Sun	42 Collins Avenue	Miami Beach	FL	33139	230	Lease	SNF	Omega Healthcare Investors, Inc.	2.
53.Idaho Falls OHI Asset (ID), Care Center LLC	Peak	3111 Channing Way	Idaho Falls	ID	83404	108	Lease	SNF	Omega Healthcare Investors, Inc.	1.
54.Twin Falls OHI Asset (ID), Care Center LLC	Peak	674 Eastland Drive	Twin Falls	ID	83301	116	Lease	SNF	Omega Healthcare Investors, Inc.	2.
55.SunBridge - OHI Asset (IN), Elkhart LLC	Sun	343 South Nappanee Street	Elkhart	IN	46514	99	Lease	SNF	OHI (Illinois), Inc.	1.
56.SunBridge - OHI Asset (LA), Patterson	Sun	910 Lia Street	Patterson	LA	70392	131	Lease	SNF	Omega Healthcare Investors, Inc.	1.

LLC										
57.Brian Center of Durham	Mariner	6000 Fayetteville Road	Durham	NC	27713	160	Mortgage SNF	Omega Healthcare Investors, Inc.	1. OHI Asset (MI/NC), LLC	
58.Brian Center of Goldsboro	Mariner	1700 Wayne Memorial Drive	Goldsboro	NC	27534	120	Mortgage SNF	Omega Healthcare Investors, Inc.	2. OHI Asset (MI/NC), LLC	
59.Brian Center of Statesville	Mariner	520 Valley Street	Statesville	NC	28677	167	Mortgage SNF	Omega Healthcare Investors, Inc.	3. OHI Asset (MI/NC), LLC	
60.Cambridge E. Nursing Center	Mariner	31155 Dequindre Road	Madison Heights	MI	48071	160	Mortgage SNF	Omega Healthcare Investors, Inc.	4. OHI Asset (MI/NC), LLC	
61.Cambridge N. Nursing Center	Mariner	535 North Main St.	Clawson	MI	48017	120	Mortgage SNF	Omega Healthcare Investors, Inc.	5. OHI Asset (MI/NC), LLC	
62.Cambridge S. Nursing Center	Mariner	18200 West 13 Mile Road	Southfield	MI	48025	102	Mortgage SNF	Omega Healthcare Investors, Inc.	6. OHI Asset (MI/NC), LLC	
63.Clinton-Aire Health Care Center	Mariner	17001 17 Mile Road	Clinton Township	MI	48038	150	Mortgage SNF	Omega Healthcare Investors, Inc.	7. OHI Asset (MI/NC), LLC	
64.Crestmont Nursing Center	Mariner	111 Trealout Drive	Fenton	MI	48430	132	Mortgage SNF	Omega Healthcare Investors, Inc.	8. OHI Asset (MI/NC), LLC	
65.Heritage Manor Nursing Center	Mariner	3201 Beecher Road	Flint	MI	48532	180	Mortgage SNF	Omega Healthcare Investors, Inc.	9. OHI Asset (MI/NC), LLC	
66.Hope Nursing Care Center	Mariner	38410 Cherry Hill Road	Westland	MI	48185	142	Mortgage SNF	Omega Healthcare Investors, Inc.	10. OHI Asset (MI/NC), LLC	
67.Nightingale Nursing Center	Mariner	11525 East Ten Mile Road	Warren	MI	48089	185	Mortgage SNF	Omega Healthcare Investors, Inc.	11. OHI Asset (MI/NC), LLC	
68.King City Manor	Tiffany	300 W Fairview	King City	MO	64463	60	Mortgage SNF	Omega Healthcare Investors, Inc.	1. OHI Asset (MO), LLC	
69.McLarney Manor	Tiffany	116 E Pratt	Brookfield	MO	64628	60	Mortgage SNF	Omega Healthcare Investors, Inc.	2. OHI Asset (MO), LLC	

70.Nodaway Nursing Home	Tiffany	Highway 46 West	Maryville	MO	64468	79	Mortgage	SNF	Omega Healthcare Investors, Inc.	3. OHI Asset (MO), LLC
71.Oregon Care Center	Tiffany	501 Monroe	Oregon	MO	64473	60	Mortgage	SNF	Omega Healthcare Investors, Inc.	4. OHI Asset (MO), LLC
72.Tiffany Heights	Tiffany	1531 Nebraska Street	Mound City	MO	64470	60	Mortgage	SNF	Omega Healthcare Investors, Inc.	5. OHI Asset (MO), LLC
73.Canton Healthcare	Essex	1223 North Market Street	Canton	OH	44714	200	Mortgage	MRDD	Omega Healthcare Investors, Inc.	1. OHI Asset (OH), LLC
74.Essex of Salem I	Essex	2511 Bentley Drive	Salem	OH	44460	100	Mortgage	SNF	Omega Healthcare Investors, Inc.	2. OHI Asset (OH), LLC
75.Essex of Salem II	Essex	250 Continental Drive	Salem	OH	44460	100	Mortgage	SNF	Omega Healthcare Investors, Inc.	3. OHI Asset (OH), LLC
76.Essex of Salem III	Essex	230 Continental Drive	Salem	OH	44460	50	Mortgage	SNF	Omega Healthcare Investors, Inc.	4. OHI Asset (OH), LLC
77.Meridian Arms Living Ctr	Essex	650 South Meridian Road	Youngstown	OH	44509	100	Mortgage	SNF	Omega Healthcare Investors, Inc.	5. OHI Asset (OH), LLC
78.St. Mary's Living Center	Essex	1209 Indiana Avenue	St. Mary's	OH	45885	83	Mortgage	SNF	Omega Healthcare Investors, Inc.	6. OHI Asset (OH), LLC
79.SunBridge - Humble	Sun	8450 Will Clayton Parkway	Humble	TX	77338	126	Lease	SNF	Omega Healthcare Investors, Inc.	1. OHI Asset (TX), LLC
80.SunBridge - Katy	Sun	1525 Tull Street	Katy	TX	77449	130	Lease	SNF	Omega Healthcare Investors, Inc.	2. OHI Asset (TX), LLC
81.Ballard Convalescent Center	Sun	820 NW 95th Street	Seattle	WA	98117	142	Lease	SNF	Delta Investors II, LLC	1. OHI Asset, LLC
82.SunBridge - Allegheny	Sun	179 Combs Street	Sparta	NC	28675	112	Lease	SNF	Omega Healthcare Investors, Inc.	2. OHI Asset, LLC

83.SunBridge - OHI Asset, LLC Decatur	Sun	1350 14th Avenue SE	Decatur	AL	35601	183	Lease	SNF	Omega Healthcare Investors, Inc.	3.
84.SunBridge - OHI Asset, LLC Elmore	Sun	280 Mount Hebron Road	Elmore	AL	36025	124	Lease	SNF	Omega Healthcare Investors, Inc.	4.
85.SunBridge - OHI Asset, LLC LaFollette	Sun	155 Davis Road	LaFollette	TN	37766	178	Lease	SNF	Omega Healthcare Investors, Inc.	5.
86.SunBridge - OHI Asset, LLC Maynardsville	Sun	215 Richardson Way	Maynardsville	TN	37871	77	Lease	SNF	Omega Healthcare Investors, Inc.	6.
87.SunBridge - OHI Asset, LLC Mount Olive	Sun	228 Smith Chapel Road	Mount Olive	NC	28365	150	Lease	SNF	Omega Healthcare Investors, Inc.	7.
88.SunBridge - OHI Asset, LLC Muscle Shoals	Sun	200 Alabama Avenue	Muscle Shoals	AL	35661	90	Lease	SNF	Omega Healthcare Investors, Inc.	8.
89.SunBridge - OHI Asset, LLC Shoals	Sun	500 John Aldridge Drive	Tuscumbia	AL	35674	103	Lease	SNF	Omega Healthcare Investors, Inc.	9.
90.SunBridge - OHI Asset, LLC Siler City	Sun	900 West Dolphin Street	Siler City	NC	27344	160	Lease	SNF	Omega Healthcare Investors, Inc.	10.
91.SunBridge - OHI Asset, LLC Triad	Sun	707 N Elm Street	Highpoint	NC	27262	199	Lease	SNF	Omega Healthcare Investors, Inc.	11.
92.SunBridge - OHI Asset, LLC Tuscumbia	Sun	813 Keller Lane	Tuscumbia	AL	35674	109	Lease	SNF	Omega Healthcare Investors, Inc.	12.
93.Ash Flat Nursing & Rehab Center	Advocat	66 Ozbirn Lane	Ash Flat	AR	72513	105	Lease	SNF	Sterling Acquisiton Corp. Inc.	1.
94.Best Care, Inc.	Advocat	2159 Dogwood Ridge	Wheelersburg	OH	45694	151	Lease	SNF	Sterling Acquisiton Corp. Inc.	2.
95.Boone Health Care Center, Inc.	Advocat	Lick Creek Road, P.O. Box 605	Danville	WV	25053	120	Lease	SNF	Sterling Acquisiton Corp. Inc.	3.
96.Boyd Nursing & Rehab Center	Advocat	12800 Princeland Drive	Ashland	KY	41102	60	Lease	SNF	Sterling Acquisiton Corp. Inc.	4.

97.Canterbury Health Center	Advocat	1720 Knowles Road	Phoenix City	AL	36867	172	Lease	SNF	Sterling Acquisiton Corp. Inc.	5. Sterling Acquisition Corp. Inc.
98.Carter Nursing & Rehab Center	Advocat	250 McDavid Blvd, P.O. 904	Grayson	KY	41143	120	Lease	SNF	Sterling Acquisiton Corp. Inc.	6. Sterling Acquisition Corp. Inc.
99.Conway Nursing (Faulkner)	Advocat	2603 Dave Ward Drive	Conway	AR	72032	105	Lease	SNF	Sterling Acquisiton Corp. Inc.	7. Sterling Acquisition Corp. Inc.
100.Des Arc Nursing & Rehab Center	Advocat	2216 W Main, P.O. Box 143B	Des Arc	AR	72040	98	Lease	SNF	Sterling Acquisiton Corp. Inc.	8. Sterling Acquisition Corp. Inc.
101.Elliott Nursing & Rehab Center	Advocat	Howard Creek Road, Rt 32 E	Sandy Hook	KY	41171	60	Lease	SNF	Sterling Acquisiton Corp. Inc.	9. Sterling Acquisition Corp. Inc.
102.Eureka Springs Nursing & Rehab Ctr	Advocat	235 Huntsville Road	Eureka Springs	AR	72632	100	Lease	SNF	Sterling Acquisiton Corp. Inc.	10. Sterling Acquisition Corp. Inc.
103.Garland Nursing & Rehab Ctr & Apts	Advocat	610 Carpenter Dam Road	Hot Springs	AR	71901	105	Lease	SNF	Sterling Acquisiton Corp. Inc.	11. Sterling Acquisition Corp. Inc.
104.Hardee Manor Care Center	Advocat	401 Orange Place	Wauchula	FL	33873	79	Lease	SNF	Sterling Acquisiton Corp. Inc.	12. Sterling Acquisition Corp. Inc.
105.Laurel Manor Health Center	Advocat	602 Buchanan Road, PO Box 505	New Tazwell	TN	37825	134	Lease	SNF	Sterling Acquisiton Corp. Inc.	13. Sterling Acquisition Corp. Inc.
106.Laurel Nursing & Rehab Center	Advocat	HC75, Box 153, Clinic Road	Ivydale	WV	25113	60	Lease	SNF	Sterling Acquisiton Corp. Inc.	14. Sterling Acquisition Corp. Inc.
107.Lynwood Nursing Home	Advocat	4164 Halls Mill Road	Mobile	AL	36693	127	Lease	SNF	Sterling Acquisiton Corp.	15. Sterling

Acquisition Corp.											
										Inc.	
Inc.											
108.Manor	Advocat	537 Spring St,	Dover	TN	37058	88	Lease	SNF	Sterling		16.
Sterling											
House of Dover		PO Box 399							Acquisiton Corp.		
Acquisition Corp.											
									Inc.		
Inc.											
109.Mayfield	Advocat	200 Mayfield	Smyrna	TN	37167	125	Lease	SNF	Sterling		17.
Sterling											
Rehab & Special		Drive							Acquisiton Corp.		
Acquisition Corp.											
Care Ctr									Inc.		
Inc.											
110.Northside	Advocat	700 Hutchins	Gadsden	AL	35901	115	Lease	SNF	Sterling		18.
Sterling											
Healthcare		Ave							Acquisiton Corp.		
Acquisition Corp.											
									Inc.		
Inc.											
111.Ouachita	Advocat	1411 Country	Camden	AR	71701	114	Lease	SNF	Sterling		19.
Sterling											
Nursing/Pine		Club Road							Acquisiton Corp.		
Acquisition Corp.											
Manor Apts.									Inc.		
Inc.											
112.Pocahontas	Advocat	105 Country	Pocahontas	AR	72455	97	Lease	SNF	Sterling		20.
Sterling											
Nursing & Rehab		Club Road							Acquisiton Corp.		
Acquisition Corp.											
Ctr									Inc.		
Inc.											
113.Rich Mountain	Advocat	306 Hornbeck	Mena	AR	71953	115	Lease	SNF	Sterling		21.
Sterling											
Nursing & Rehab									Acquisiton Corp.		
Acquisition Corp.											
Ctr									Inc.		
Inc.											
114.Sheridan	Advocat	113 S Briarwood	Sheridan	AR	72150	121	Lease	SNF	Sterling		22.
Sterling											
Nursing & Rehab		Dr							Acquisiton Corp.		
Acquisition Corp.											
Ctr									Inc.		
Inc.											
115.South Shore	Advocat	James Hannah	South	KY	41175	60	Lease	SNF	Sterling		23.
Sterling											
Nursing & Rehab		Drive	Shore						Acquisiton Corp.		
Acquisition Corp.											
Ctr		PO Box 489							Inc.		
Inc.											
116.Stillmeadow	Advocat	105 Russellville	Malvern	AR	72104	104	Lease	SNF	Sterling		24.
Sterling											
Nursing (Arbor		Road, Rt 2,							Acquisiton Corp.		
Acquisition Corp.											
Oaks)		Hwy 67 S							Inc.		
Inc.											
117.The Pines	Advocat	524 Carpenter	Hot	AR	71901	70	Lease	SNF	Sterling		25.
Sterling											
Nursing & Rehab		Dam Road	Springs						Acquisiton Corp.		
Acquisition Corp.											
Ctr									Inc.		
Inc.											

118.Walnut Ridge Nursing & Rehab Ctr	Advocat	1500 West Main	Walnut Ridge	AR	72476	119	Lease	SNF	Sterling Acquisiton Corp. Inc.	26. Sterling Acquisition Corp. Inc.	
119.West Liberty Nursing & Rehab Ctr	Advocat	774 Liberty Rd, PO Box 219, Rt 5	West Liberty	KY	41472	48	Lease	SNF	Sterling Acquisiton Corp. Inc.	27. Sterling Acquisition Corp. Inc.	
120.Westside Health Care Center	Advocat	4320 Judith Ln	Huntsville	AL	35805	129	Lease	SNF	Sterling Acquisiton Corp. Inc.	28. Sterling Acquisition Corp. Inc.	
121.Wurtland Nursing & Rehab Center	Advocat	100 Wurtland Ave, PO Box 677	Wurtland	KY	41144	126	Lease	SNF	Sterling Acquisiton Corp. Inc.	29. Sterling Acquisition Corp. Inc.	
Grand Total						12,228					

</TABLE>

EXHIBIT B

LETTERS OF CREDIT

(a) Issuance. Subject to the terms and conditions of this Agreement, Agent and Lenders agree to incur (on a pro rata basis based on their respective Revolving Loan Commitment), from time to time during the Borrowing Period, upon the request of Borrowers, Letter of Credit Obligations (defined below) by causing Letters of Credit to be issued by a bank or other legally authorized financial institution selected by or acceptable to Agent in its sole discretion (each, an "L/C Issuer") for Borrowers' account and guaranteed by Agent; provided, that if the L/C Issuer is a Lender, then such Letters of Credit shall not be guaranteed by Agent but rather each Lender shall, subject to the terms and conditions hereinafter set forth, purchase (or be deemed to have purchased) risk participations in all such Letters of Credit issued with the written consent of Agent, as more fully described in paragraph (b)(ii) below. The aggregate amount of all such Letter of Credit Obligations shall not at any time exceed the lesser of (i) Twenty Million Dollars ($20,000,000.00) (the "L/C Sublimit") and (ii) the Revolving Loan Commitment of all Lenders less the aggregate outstanding principal balance of the Revolving Credit Advances and the Swing Line Loan. No such Letter of Credit shall have an expiry date that is more than one (1) year following the date of issuance thereof or that is later than the Maturity Date, unless otherwise approved by the Agent in its sole discretion. The letters of credit listed at the end of this Exhibit B (the "Fleet LCs") shall be deemed to be Letters of Credit. The parties to this Agreement shall cooperate, using good faith efforts (including, without limitation, sending notices to the beneficiaries of the Fleet LCs), to terminate in an expeditious manner the Fleet LCs in accordance with their respective terms and replace them with new Letters of Credit issued pursuant to this Agreement.

(b) Advances Automatic; Participations.

(i) In the event that Agent or any Lender shall make any payment on or pursuant to any Letter of Credit Obligation, such payment shall then be deemed automatically to constitute a Revolving Credit Advance, and each Lender shall be obligated to pay its Pro Rata Share thereof in accordance with this Agreement. The failure of any Lender to make available to Agent for Agent's own account its Pro Rata Share of any such Revolving Credit Advance or payment by Agent under or in respect of a Letter of Credit shall not relieve any other Lender of its obligation hereunder to make available to Agent its Pro Rata Share thereof, but no Lender shall be responsible for the failure of any other Lender to make available such other Lender's Pro Rata Share of any such payment.

(ii) If it shall be illegal or unlawful for any Borrower to incur Revolving Credit Advances as contemplated by paragraph (b)(i) above or if it shall be illegal or unlawful for any Lender to be deemed to have assumed a ratable share of the reimbursement obligations owed to an L/C Issuer, or if the L/C Issuer is

a Lender, then (A) immediately and without further action whatsoever, each Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation equal to such Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations in respect of all Letters of Credit then outstanding and (B) thereafter, immediately upon issuance of any Letter of Credit, each Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation in such Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations with respect to such Letter of Credit on the date of such issuance. Each Lender shall fund its participation in all payments or disbursements made under the Letters of Credit in the same manner as provided in this Agreement with respect to Revolving Credit Advances.

(c) Cash Collateral.

(i) If Borrowers are required to provide cash collateral for any Letter of Credit Obligations pursuant to the Agreement because such Letter of Credit Obligations extend beyond to the Maturity Date, Borrowers will pay to Agent for the ratable benefit of itself and Lenders cash or cash equivalents acceptable to Agent ("Cash Equivalents") in an amount equal to 105% of the maximum amount then available to be drawn under each applicable Letter of Credit outstanding for the benefit of such Borrower. Such funds or Cash Equivalents shall be held by Agent in a cash collateral account (the "Cash Collateral Account") maintained at a bank or financial institution acceptable to Agent. The Cash Collateral Account shall be in the name of Borrowers and shall be pledged to, and subject to the control of, Agent, for the benefit of Agent and Lenders, in a manner satisfactory to Agent. Each Borrower hereby pledges and grants to Agent, on behalf of itself and Lenders, a security interest in all such funds and Cash Equivalents held in the Cash Collateral Account from time to time and all proceeds thereof, as security for the payment of all amounts due in respect of the Letter of Credit Obligations and other Obligations, whether or not then due. The Agreement, including this Exhibit C, shall constitute a security agreement under applicable law.

(ii) If any Letter of Credit Obligations, whether or not then due and payable, shall for any reason be outstanding on the Maturity Date, Borrowers shall either (A) provide cash collateral therefor in the manner described above, or (B) cause all such Letters of Credit and guaranties thereof, if any, to be canceled and returned, or (C) deliver a stand-by letter (or letters) of credit in guaranty of such Letter of Credit Obligations, which stand-by letter (or letters) of credit shall be of like tenor and duration (plus thirty (30) additional days) as, and in an amount equal to 105% of, the aggregate maximum amount then available to be drawn under, the Letters of Credit to which such outstanding Letter of Credit Obligations relate and shall be issued by a Person, and shall be subject to such terms and conditions, as are be satisfactory to Agent in its sole discretion.

(iii)From time to time after funds are deposited in the Cash Collateral Account by Borrowers, whether before or after the Maturity Date, Agent may apply such funds or Cash Equivalents then held in the Cash Collateral Account to the payment of any amounts, and in such order as Agent may elect, as shall be or shall become due and payable by Borrowers to Agent and Lenders with respect to such Letter of Credit Obligations and, upon the satisfaction in full of all Letter of Credit Obligations, to any other Obligations of Borrowers then due and payable.

(iv) No Borrower nor any Person claiming on behalf of or through any Borrower shall have any right to withdraw any of the funds or Cash Equivalents held in the Cash Collateral Account, except that upon the termination of all Letter of Credit Obligations and the payment of all amounts payable by Borrowers to Agent and Lenders in respect thereof, any funds remaining in the Cash Collateral Account shall be applied to other Obligations then due and owing and upon payment in full of such Obligations, any remaining amount shall be paid to Borrowers or as otherwise required by law. Interest earned on deposits in the Cash Collateral Account shall be for the account of Borrowers.

(d) Fees and Expenses. Borrowers agree to pay to Agent for the benefit of Lenders, as compensation to Lenders for Letter of Credit Obligations incurred hereunder, (i) all reasonable costs and expenses incurred by Agent or any Lender on account of such Letter of Credit Obligations, including, without limitation, any placement fee, and (ii) for each month during which any Letter of Credit Obligation shall remain outstanding, a fee (the "Letter of Credit Fee") in an amount equal to three and three-quarters percent (3.75%) per annum (based upon a 360-day year) multiplied by the maximum amount available from time to time to be drawn under the applicable Letter of Credit. Such fee shall be paid to Agent for the benefit of the Lenders in arrears, on the first day of each month. In addition, Borrowers shall pay to any L/C Issuer, on demand, such reasonable fees (including all per annum fees), charges and expenses of such L/C Issuer in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued.

(e) Request for Incurrence of Letter of Credit Obligations. Borrower Representative shall give Agent at least two (2) Business Days' prior written notice requesting the incurrence of any Letter of Credit Obligation. The notice shall be accompanied by the form of the Letter of Credit (which shall be acceptable to the L/C Issuer) and a completed Application for Standby Letter of Credit. Notwithstanding anything contained herein to the contrary, Letter of Credit applications by Borrower Representative and approvals by Agent and the L/C Issuer may be made and transmitted pursuant to electronic codes and security measures mutually agreed upon and established by and among Borrower Representative, Agent and the L/C Issuer.

(f) Obligation Absolute. The obligation of Borrowers to reimburse Agent and Lenders for payments made with respect to any Letter of Credit Obligation shall be absolute, unconditional and irrevocable, without necessity of presentment, demand, protest or other formalities, and the obligations of each Lender to make payments to Agent with respect to Letters of Credit shall be unconditional and irrevocable. Such obligations of Borrowers and Lenders shall be paid strictly in accordance with the terms hereof under all circumstances including the following:

(i) any lack of validity or enforceability of any Letter of Credit or the Agreement or the other Loan Documents or any other agreement;

(ii) the existence of any claim, setoff, defense or other right that any Borrower or any of their respective Affiliates or any Lender may at any time have against a beneficiary or any transferee of any Letter of Credit (or any Persons or entities for whom any such transferee may be acting), Agent, any Lender, or any other Person, whether in connection with the Agreement, the Letter of Credit, the transactions contemplated herein or therein or any unrelated transaction (including any underlying transaction between any Borrower or any of their respective Affiliates and the beneficiary for which the Letter of Credit was procured);

(iii)any draft, demand, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) payment by Agent (except as otherwise expressly provided in paragraph (g)(ii)(C) below) or any L/C Issuer under any Letter of Credit or guaranty thereof against presentation of a demand, draft or certificate or other document that does not comply with the terms of such Letter of Credit or such guaranty;

(v) any other circumstance or event whatsoever, that is similar to any of the foregoing; or

(vi) the fact that a default or an Event of Default has occurred and is continuing.

(g) Indemnification; Nature of Lenders' Duties.

(i) In addition to amounts payable as elsewhere provided in this Agreement, Borrowers hereby agree to pay and to protect, indemnify, and save harmless Agent and each Lender from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees and allocated costs of internal counsel) that Agent or any Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or guaranty thereof, or (B) the failure of Agent or any Lender seeking indemnification or of any L/C Issuer to honor a demand for payment under any Letter of Credit or guaranty thereof as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority, except that Borrowers shall have no obligation under this subsection to the extent that any liabilities resulted from the gross negligence or willful misconduct of Agent or such Lender (as finally determined by a court of competent jurisdiction).

(ii) As between Agent and any Lender and Borrowers, Borrowers assume all risks of the acts and omissions of, or misuse of any Letter of Credit by beneficiaries of any Letter of Credit. In furtherance and not in limitation of the foregoing, to the fullest extent permitted by law, neither Agent nor any Lender shall be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document issued by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) failure of the beneficiary of any Letter of Credit to comply fully with conditions required in order to demand payment under such Letter of Credit; provided, that in the case of any payment by Agent under any Letter of Credit or guaranty thereof, Agent shall be liable to the extent such payment was made solely as a result of its gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction) in determining that the demand for payment under such Letter of Credit or guaranty thereof complies on its face with any applicable

requirements for a demand for payment under such Letter of Credit or guaranty thereof; (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they may be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any document required in order to make a payment under any Letter of Credit or guaranty thereof or of the proceeds thereof; (G) the credit of the proceeds of any drawing under any Letter of Credit or guaranty thereof; and (H) any consequences arising from causes beyond the control of Agent or any Lender. None of the above shall affect, impair, or prevent the vesting of any of Agent's or any Lender's rights or powers hereunder or under the Agreement.

(iii)Nothing contained herein shall be deemed to limit or to expand any waivers, covenants or indemnities made by Borrowers in favor of any L/C Issuer in any letter of credit application, reimbursement agreement or similar document, instrument or agreement between or among Borrowers and such L/C Issuer, including a Master Standby Agreement entered into with Agent.

(h) Definitions.

"Letter of Credit Obligations" means all outstanding obligations incurred by Agent and Lenders at the request of Borrowers, whether direct or indirect, contingent or otherwise, due or not due, in connection with the issuance of Letters of Credit by Agent or another L/C Issuer or the purchase of a participation with respect to any Letter of Credit. The amount of such Letter of Credit Obligations shall equal the maximum amount that may be payable at such time or at any time thereafter by Agent or Lenders thereupon or pursuant thereto.

"Letters of Credit" means documentary or standby letters of credit issued for the account of Borrowers by any L/C Issuer, and bankers' acceptances issued by Borrowers, for which Agent and Lenders have incurred Letter of Credit Obligations.

"Letter-of-Credit Rights" means "letter-of-credit rights" as such term is defined in the Code, now owned or hereafter acquired by Borrowers, including rights to payment or performance under a letter of credit, whether or not Borrowers, as beneficiary, have demanded or are entitled to demand payment or performance.

FLEET LCs

<TABLE>
<CAPTION>

Applicant	Beneficiary	Issuing Bank	LC Number	Amount	Expiration 1	Evergreen
Omega Healthcare Investors, Inc.	Mutual Indemnity (Bermuda) LTD	Fleet National Bank	YS1280711	$ 8,500,000	July 9, 2004	Yes, 90 days notice
Delta Investors I, LLC	Bank of New York, as Trustee	Fleet National Bank	YS1102062	2,481,969	September 15, 2003	Yes, 90 days notice
Delta Investors II, LLC	Bank of New York, as Trustee	Fleet National Bank	YS1102064	1,491,265	September 15, 2003	Yes, 90 days notice
				$12,473,234		

</TABLE>

1) The Delta I & Delta II LC's reduce each September, as principal and interest on the bonds are paid. The Indenture's require that the LC's be in place until all the bonds are retired. The first optional redemption date for both bond issues is September 1, 2006.

EXHIBIT 1.1.1(a)

FORM OF TERM NOTE

Loan No. 70004093

TERM NOTE

$_____ June ___, 2003

FOR VALUE RECEIVED, the undersigned, OHI ASSET, LLC, OHI ASSET (FL), LLC,

OHI ASSET (IN), LLC, OHI ASSET (LA), LLC, OHI ASSET (TX), LLC, OHI ASSET (ID), LLC, OHI ASSET (MI/NC), LLC, OHI ASSET (OH), LLC, OHI ASSET (MO), LLC, OHI ASSET (CA), LLC, DELTA INVESTORS I, LLC, DELTA INVESTORS II, LLC, NRS VENTURES, LLC, OHI (ILLINOIS), INC., OHI (INDIANA), INC. and STERLING ACQUISITION CORP. (collectively, "Borrowers"), promise to pay, in lawful money of the United States, to the order of _____, a _____ ("Holder") at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation ("GECC"), as Agent for Holder, the principal sum of _____ and No/100 Dollars ($_____) under the Term Loan established pursuant to that certain Loan Agreement dated as of even date herewith by and among the undersigned Borrowers, GECC, as Agent and a Lender, and the financial institutions who are or hereafter become parties to the Loan Agreement as Lenders (as amended, modified, restated or replaced from time to time, the "Loan Agreement"), plus interest on the unpaid balance thereof and all other amounts added thereto pursuant to this Term Note (as amended, modified, restated or replaced from time to time, this "Note") or otherwise payable to Holder pursuant to the Loan Documents, calculated on the basis of the actual number of days elapsed over a year of 360 days, at the Interest Rate (or if applicable, the Default Rate), as set forth in the Loan Agreement. Payments shall be made to Agent at the following address: GEMSA Loan Services, File 59229, Los Angeles, CA 90074-9229 (or such other address as Agent may hereafter designate in writing to Borrowers).

1. All capitalized terms used and not otherwise specifically defined in this Note shall have the meanings given to them in the Loan Agreement.

2. This Note is one of the Term Notes issued pursuant to the Loan Agreement. Reference is hereby made to the Loan Agreement for a statement of all of the terms and conditions under which the Term Loan, evidenced in part hereby, is made and is to be repaid. In the event of any conflict between the terms of this Note and the terms of the Loan Agreement, the terms of the Loan Agreement shall prevail. All of the terms, covenants, provisions, conditions, stipulations, promises and agreements contained in the Loan Documents to be kept, observed and/or performed by the undersigned are made a part of this Note and are incorporated into this Note by this reference to the same extent and with the same force and effect as if they were fully set forth in this Note; and the undersigned promise and agree to keep, observe and perform them or cause them to be kept, observed and performed, strictly in accordance with the terms, provisions and conditions set forth in the Loan Documents.

3. The principal balance of the Term Loan, the rates of interest applicable thereto and the date and amount of each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided, that the failure of Agent to make any such recordation shall not affect the obligations of Borrowers to make a payment when due of any amount owing under the Loan Agreement or this Note.

4. The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Loan Agreement. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Loan Agreement. The terms of the Loan Agreement are hereby incorporated herein by reference.

5. This Note shall become due and payable upon the earlier to occur of (a) the Maturity Date, or (b) the occurrence of any Event of Default under the Loan Agreement, or any other event under any other Loan Documents which would result in this Note becoming due and payable, whereupon Agent, upon written notice to Borrowers, declares this Note to be immediately due and payable. At such time, the entire principal balance of this Note and all other fees, costs and expenses, if any, that are required to be paid pursuant to the terms and conditions of the Loan Documents, shall be due and payable in full. Upon the failure of Borrowers to pay the entire amount of Indebtedness when due, Agent shall then have the option at any time and from time to time thereafter to exercise all of the rights and remedies set forth in this Note and in the other Loan Documents, as well as all rights and remedies otherwise available to Agent and/or Holder at law or in equity, to collect the unpaid indebtedness under this Note and the other Loan Documents. This Note is secured by the Collateral, as defined in and described in the Loan Agreement. Borrowers shall have no right to prepay this Note except as expressly permitted or required under the Loan Agreement.

6. Whenever any principal and/or interest and/or fee under this Note shall not be paid when due, or at the Maturity Date or following acceleration of this Note after any Event of Default, or during any Event of Default, interest on this Note shall thereafter be payable at a rate per annum equal to four (4) percentage points above the Interest Rate (the "Default Rate") until such amounts shall be paid and, if applicable, all such non-monetary Events of Default are cured (and such cure is accepted) or waived.

7. The undersigned Borrowers, Agent and Holder intend to conform strictly to the applicable usury laws in effect from time to time during the Term of the Loan. Accordingly, if any transaction contemplated by the Loan Agreement or this Note would be usurious under such laws, then notwithstanding any other provision hereof: (a) the aggregate of all interest that is contracted for, charged, or

received under this Note or under any other Loan Document shall not exceed the maximum amount of interest allowed by applicable law (the "Highest Lawful Rate"), and any excess shall be promptly credited to the undersigned by Agent (or, to the extent that such consideration shall have been paid, such excess shall be promptly refunded to the undersigned by Holder); (b) neither the undersigned Borrowers, nor any other Person (as defined in the Loan Agreement) now or hereafter liable hereunder shall be obligated to pay the amount of such interest to the extent that it is in excess of the Highest Lawful Rate; and (c) the effective rate of interest shall be reduced to the Highest Lawful Rate. All sums paid, or agreed to be paid, to Agent and/or Holder for the use, forbearance, and detention of the debt of Borrowers to Holder shall, to the extent permitted by applicable law, be allocated throughout the full term of this Note until payment is made in full so that the actual rate of interest does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. If at any time the rate of interest under this Note exceeds the Highest Lawful Rate, the rate of interest to accrue pursuant to this Note shall be limited, notwithstanding anything to the contrary in this Note, to the Highest Lawful Rate, but any subsequent reductions in the Interest Rate shall not reduce the interest to accrue pursuant to this Note below the Highest Lawful Rate until the total amount of interest accrued equals the amount of interest that would have accrued if a varying rate per annum equal to the interest rate under the Note had at all times been in effect. If the total amount of interest paid or accrued pursuant to this Note under the foregoing provisions is less than the total amount of interest that would have accrued if a varying rate per annum equal to the applicable interest rate under this Note had been in effect, then the undersigned agrees to pay to Agent for the benefit of Holder an amount equal to the difference between (x) the lesser of (A) the amount of interest that would have accrued if the Highest Lawful Rate had at all times been in effect, or (B) the amount of interest that would have accrued if a varying rate per annum equal to the applicable interest rate under the Note had at all times been in effect, and (y) the amount of interest accrued in accordance with the other provisions of this Note and the Loan Agreement.

8. Each party liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, (a) waives presentment for payment, demand, protest and notice of presentment, notice of protest, notice of non-payment and notice of dishonor of this debt and each and every other notice of any kind respecting this Note (unless expressly required under the Loan Documents) and all lack of diligence or delays in collection or enforcement hereof; (b) agrees that Agent at any time or times, without notice to the undersigned or its consent, may grant extensions of time, without limit as to the number of the aggregate period of such extensions, for the payment of any principal, interest or other sums due hereunder; (c) to the extent permitted by law, waives all exemptions under the laws of the State of Illinois and/or any state or territory of the United States; (d) to the extent permitted by law, waives the benefit of any law or rule of law intended for its advantage or protection as an obligor under this Note or providing for its release or discharge from liability on this Note, in whole or in part, on account of any facts or circumstances other than full and complete payment of all amounts due under this Note; and (e) agrees to pay, in addition to all other sums of money due, all reasonable costs of collection and attorney's fees, whether suit be brought or not, if this Note is not paid in full when due, whether at the stated maturity or by acceleration.

9. No waiver by Agent or Holder of any one or more defaults by the undersigned in the performance of any of their obligations under this Note shall operate or be construed as a waiver of any future default or defaults, whether of a like or different nature. No failure or delay on the part of Agent or Holder in exercising any right, power or remedy under this Note (including, without limitation, the right to declare this Note due and payable) shall operate as a waiver of such right, power or remedy nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy.

10. If any term, provision, covenant or condition of this Note or the application of any term, provision, covenant or condition of this Note to any party or circumstance shall be found by a court of competent jurisdiction to be, to any extent, invalid or unenforceable, then the remainder of this Note and the application of such term, provision, covenant, or condition to parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, provision, covenant or condition shall be valid and enforced to the fullest extent permitted by law. Upon determination that any such term, provision, covenant or condition is invalid, illegal or unenforceable, Agent and/or Holder may, but are not obligated to, advance funds to Borrowers under this Note until Borrowers and Agent amend this Note so as to effect the original intent of the parties as closely as possible in a valid and enforceable manner.

11. No amendment, supplement or modification of this Note nor any waiver of any provision of this Note shall be made except in writing executed by the party against whom enforcement is sought.

12. This Note shall be binding upon the undersigned Borrowers and their successors and assigns. Notwithstanding the foregoing, the undersigned Borrowers

may not assign any of their rights or delegate any of their obligations under this Note without the prior written consent of Agent, which may be withheld in its sole discretion.

13. Agent, at any time and without the consent of Borrowers, may grant participations in or sell, transfer, assign and convey all or any portion of its right, title and interest in and to the Loan, this Note, the Mortgages, the Leasehold Mortgages and the other Loan Documents, any guaranties given in connection with the Loan and any Collateral given to secure the Loan.

14. Notices shall be given under this Note in conformity with the terms and conditions of Section 9.8 of the Loan Agreement.

15. Time is of the essence of this Note and the performance of each of the covenants and agreements contained herein.

16. THIS NOTE IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS WITHOUT RESPECT TO ANY OTHERWISE APPLICABLE CONFLICTS-OF-LAWS PRINCIPLES, BOTH AS TO INTERPRETATION AND PERFORMANCE. BORROWERS AND, BY HOLDER'S ACCEPTANCE OF THIS NOTE, AGENT AND HOLDER, EXPRESSLY CONSENT AND AGREE TO THE NON-EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND TO THE LAYING OF VENUE IN THE STATE OF ILLINOIS, WAIVING ALL CLAIMS OR DEFENSES BASED ON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE, INCONVENIENT FORUM OR THE LIKE. BORROWERS AND, BY HOLDER'S ACCEPTANCE OF THIS NOTE, AGENT AND HOLDER HEREBY CONSENT TO SERVICE OF PROCESS BY MAILING A COPY OF THE SUMMONS TO BORROWERS, AGENT OR HOLDER BY CERTIFIED OR REGISTERED MAIL, POSTAGE PREPAID, TO THE ADDRESSES SET FORTH IN SECTION 9.8 OF THE LOAN AGREEMENT. BORROWERS, AGENT AND HOLDER FURTHER WAIVE ANY CLAIM FOR CONSEQUENTIAL DAMAGES IN RESPECT OF ANY ACTION TAKEN OR OMITTED TO BE TAKEN BY LENDER IN GOOD FAITH.

17. In any litigation, trial, arbitration or other dispute resolution proceeding relating to this Note or any of the other Loan Documents, all directors, officers, employees and agents of each Borrower or of its Affiliates shall be deemed to be employees or managing agents of such Borrower for purposes of all applicable law or court rules regarding the production of witnesses by notice for testimony (whether in a deposition, at trial or otherwise). Each Borrower in any event will use all commercially reasonable efforts, in compliance and in accordance with applicable law, to produce in any such dispute resolution proceeding, at the time and in the manner requested by Agent, all Persons, documents (whether in tangible, electronic or other form) or other things under its control and relating to the dispute in any jurisdiction that recognizes that (or any similar) distinction.

18. BORROWERS AND, BY HOLDER'S ACCEPTANCE OF THIS NOTE, HOLDER AND AGENT HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS NOTE AND THE BUSINESS RELATIONSHIP THAT IS BEING ESTABLISHED. THIS WAIVER IS KNOWINGLY, INTENTIONALLY AND VOLUNTARILY MADE BY BORROWERS, LENDER AND AGENT, AND BORROWERS, HOLDER AND AGENT ACKNOWLEDGE THAT NEITHER BORROWERS, AGENT, OR HOLDER NOR ANY PERSON ACTING ON BEHALF OF THEM HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR HAS TAKEN ANY ACTIONS WHICH IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. BORROWERS, HOLDER AND AGENT ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT BORROWERS, HOLDER AND AGENT HAVE ALREADY RELIED ON THIS WAIVER IN ENTERING INTO OR ACCEPTING THIS NOTE AND THAT EACH OF THEM WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. BORROWERS, AGENT AND HOLDER FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED (OR HAVE HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OR ACCEPTANCE OF THIS NOTE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL.

SIGNATURE PAGES FOLLOW

IN WITNESS WHEREOF, intending to be legally bound, and intending that this Term Note constitutes an instrument executed under seal, Borrowers have caused this Term Note to be executed under seal as of the date first written above.

BORROWERS:
OHI ASSET, LLC,
a Delaware limited liability company
OHI ASSET (FL), LLC,
a Delaware limited liability company
OHI ASSET (IN), LLC,
a Delaware limited liability company
OHI ASSET (LA), LLC,
a Delaware limited liability company
OHI ASSET (TX), LLC,
a Delaware limited liability company
OHI ASSET (ID), LLC,
a Delaware limited liability company
OHI ASSET (MI/NC), LLC,
a Delaware limited liability company
OHI ASSET (OH), LLC,

a Delaware limited liability company
OHI ASSET (MO), LLC,
a Delaware limited liability company
OHI ASSET (CA), LLC,
a Delaware limited liability company
DELTA INVESTORS I, LLC,
a Maryland limited liability company
DELTA INVESTORS II, LLC,
a Maryland limited liability company
NRS VENTURES, LLC,
a Kentucky limited liability company

By: Omega Healthcare Investors, Inc., a Maryland corporation, as the sole member of each such company
By:

Name: Daniel J. Booth
Title: Chief Operating Officer

OHI (ILLINOIS), INC.,
an Illinois corporation
OHI (INDIANA), INC.,
an Indiana corporation
STERLING ACQUISITION CORP.,
a Kentucky corporation

By:

Name: Daniel J. Booth
Title: Chief Operating Officer of each such corporation

EXHIBIT 1.1.2(a)

FORM OF REVOLVING NOTE

Loan No. 72004093

REVOLVING NOTE

$_____ June ___, 2003

FOR VALUE RECEIVED, the undersigned, OHI ASSET, LLC, OHI ASSET (FL), LLC, OHI ASSET (IN), LLC, OHI ASSET (LA), LLC, OHI ASSET (TX), LLC, OHI ASSET (ID), LLC, OHI ASSET (MI/NC), LLC, OHI ASSET (OH), LLC, OHI ASSET (MO), LLC, OHI ASSET (CA), LLC, DELTA INVESTORS I, LLC, DELTA INVESTORS II, LLC, NRS VENTURES, LLC, OHI (ILLINOIS), INC., OHI (INDIANA), INC. and STERLING ACQUISITION CORP. (collectively, "Borrowers"), promise to pay, in lawful money of the United States, to the order of _____, a _____ ("Holder") at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation ("GECC"), as Agent for Holder, the principal sum of _____ and No/100 Dollars ($_____), or if less, the aggregate unpaid amount of all Revolving Credit Advances made to the undersigned pursuant to the Loan Agreement dated as of even date herewith by and among the undersigned Borrowers, GECC, as Agent and a Lender, and the financial institutions who are or hereafter become parties to the Loan Agreement as Lenders (as amended, modified, restated or replaced from time to time, the "Loan Agreement"), plus interest on the unpaid balance thereof and all other amounts added thereto pursuant to this Revolving Note (as amended, modified, restated or replaced from time to time, this "Note") or otherwise payable to Holder pursuant to the Loan Documents, calculated on the basis of the actual number of days elapsed over a year of 360 days, at the Interest Rate (or if applicable, the Default Rate), as set forth in the Loan Agreement. Payments shall be made to Agent at the following address: GEMSA Loan Services, File 59229, Los Angeles, CA 90074-9229 (or such other address as Agent may hereafter designate in writing to Borrowers).

1. All capitalized terms used and not otherwise specifically defined in this Note shall have the meanings given to them in the Loan Agreement.

2. This Note is one of the Revolving Notes issued pursuant to the Loan Agreement. Reference is hereby made to the Loan Agreement for a statement of all of the terms and conditions under which the Revolving Loan, evidenced in part hereby, is made and is to be repaid. In the event of any conflict between the terms of this Note and the terms of the Loan Agreement, the terms of the Loan Agreement shall prevail. All of the terms, covenants, provisions, conditions, stipulations, promises and agreements contained in the Loan Documents to be kept, observed and/or performed by the undersigned are made a part of this Note

and are incorporated into this Note by this reference to the same extent and with the same force and effect as if they were fully set forth in this Note; and the undersigned promise and agree to keep, observe and perform them or cause them to be kept, observed and performed, strictly in accordance with the terms, provisions and conditions set forth in the Loan Documents.

3. The date and amount of each Revolving Credit Advance made by Lenders to Borrowers, the rates of interest applicable thereto and the date and amount of each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided, that the failure of Agent to make any such recordation shall not affect the obligations of Borrowers to make a payment when due of any amount owing under the Loan Agreement or this Note.

4. The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Loan Agreement. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Loan Agreement. The terms of the Loan Agreement are hereby incorporated herein by reference.

5. This Note shall become due and payable upon the earlier to occur of (a) the Maturity Date, or (b) the occurrence of any Event of Default under the Loan Agreement, or any other event under any other Loan Documents which would result in this Note becoming due and payable, whereupon Agent, upon written notice to Borrowers, declares this Note to be immediately due and payable. At such time, the entire principal balance of this Note and all other fees, costs and expenses, if any, that are required to be paid pursuant to the terms and conditions of the Loan Documents, shall be due and payable in full. Upon the failure of Borrowers to pay the entire amount of Indebtedness when due, Agent shall then have the option at any time and from time to time thereafter to exercise all of the rights and remedies set forth in this Note and in the other Loan Documents, as well as all rights and remedies otherwise available to Agent and/or Holder at law or in equity, to collect the unpaid indebtedness under this Note and the other Loan Documents. This Note is secured by the Collateral, as defined in and described in the Loan Agreement. Borrowers may prepay this Note in full or in part in accordance with the terms and conditions of the Loan Agreement.

6. Whenever any principal and/or interest and/or fee under this Note shall not be paid when due, or at the Maturity Date or following acceleration of this Note after any Event of Default, or during any Event of Default, interest on this Note shall thereafter be payable at a rate per annum equal to four (4) percentage points above the Interest Rate (the "Default Rate") until such amounts shall be paid and, if applicable, all such non-monetary Events of Default are cured (and such cure is accepted) or waived.

7. The undersigned Borrowers, Agent and Holder intend to conform strictly to the applicable usury laws in effect from time to time during the Term of the Loan. Accordingly, if any transaction contemplated by the Loan Agreement or this Note would be usurious under such laws, then notwithstanding any other provision hereof: (a) the aggregate of all interest that is contracted for, charged, or received under this Note or under any other Loan Document shall not exceed the maximum amount of interest allowed by applicable law (the "Highest Lawful Rate"), and any excess shall be promptly credited to the undersigned by Agent (or, to the extent that such consideration shall have been paid, such excess shall be promptly refunded to the undersigned by Holder); (b) neither the undersigned Borrowers, nor any other Person (as defined in the Loan Agreement) now or hereafter liable hereunder shall be obligated to pay the amount of such interest to the extent that it is in excess of the Highest Lawful Rate; and (c) the effective rate of interest shall be reduced to the Highest Lawful Rate. All sums paid, or agreed to be paid, to Agent and/or Holder for the use, forbearance, and detention of the debt of Borrowers to Holder shall, to the extent permitted by applicable law, be allocated throughout the full term of this Note until payment is made in full so that the actual rate of interest does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. If at any time the rate of interest under this Note exceeds the Highest Lawful Rate, the rate of interest to accrue pursuant to this Note shall be limited, notwithstanding anything to the contrary in this Note, to the Highest Lawful Rate, but any subsequent reductions in the Interest Rate shall not reduce the interest to accrue pursuant to this Note below the Highest Lawful Rate until the total amount of interest accrued equals the amount of interest that would have accrued if a varying rate per annum equal to the interest rate under the Note had at all times been in effect. If the total amount of interest paid or accrued pursuant to this Note under the foregoing provisions is less than the total amount of interest that would have accrued if a varying rate per annum equal to the applicable interest rate under this Note had been in effect, then the undersigned agrees to pay to Agent for the benefit of Holder an amount equal to the difference between (x) the lesser of (A) the amount of interest that would have accrued if the Highest Lawful Rate had at all times been in effect, or (B) the amount of interest that would have accrued if a varying rate per annum equal to the applicable interest rate under the Note had at all times been in effect, and (y) the amount of interest accrued in accordance with the other provisions of this Note and the Loan Agreement.

8. Each party liable on this Note in any capacity, whether as maker,

endorser, surety, guarantor or otherwise, (a) waives presentment for payment, demand, protest and notice of presentment, notice of protest, notice of non-payment and notice of dishonor of this debt and each and every other notice of any kind respecting this Note (unless expressly required under the Loan Documents) and all lack of diligence or delays in collection or enforcement hereof; (b) agrees that Agent at any time or times, without notice to the undersigned or its consent, may grant extensions of time, without limit as to the number of the aggregate period of such extensions, for the payment of any principal, interest or other sums due hereunder; (c) to the extent permitted by law, waives all exemptions under the laws of the State of Illinois and/or any state or territory of the United States; (d) to the extent permitted by law, waives the benefit of any law or rule of law intended for its advantage or protection as an obligor under this Note or providing for its release or discharge from liability on this Note, in whole or in part, on account of any facts or circumstances other than full and complete payment of all amounts due under this Note; and (e) agrees to pay, in addition to all other sums of money due, all reasonable costs of collection and attorney's fees, whether suit be brought or not, if this Note is not paid in full when due, whether at the stated maturity or by acceleration.

9. No waiver by Agent or Holder of any one or more defaults by the undersigned in the performance of any of their obligations under this Note shall operate or be construed as a waiver of any future default or defaults, whether of a like or different nature. No failure or delay on the part of Agent or Holder in exercising any right, power or remedy under this Note (including, without limitation, the right to declare this Note due and payable) shall operate as a waiver of such right, power or remedy nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy.

10. If any term, provision, covenant or condition of this Note or the application of any term, provision, covenant or condition of this Note to any party or circumstance shall be found by a court of competent jurisdiction to be, to any extent, invalid or unenforceable, then the remainder of this Note and the application of such term, provision, covenant, or condition to parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, provision, covenant or condition shall be valid and enforced to the fullest extent permitted by law. Upon determination that any such term, provision, covenant or condition is invalid, illegal or unenforceable, Agent and/or Holder may, but are not obligated to, advance funds to Borrowers under this Note until Borrowers and Agent amend this Note so as to effect the original intent of the parties as closely as possible in a valid and enforceable manner.

11. No amendment, supplement or modification of this Note nor any waiver of any provision of this Note shall be made except in writing executed by the party against whom enforcement is sought.

12. This Note shall be binding upon the undersigned Borrowers and their successors and assigns. Notwithstanding the foregoing, the undersigned Borrowers may not assign any of their rights or delegate any of their obligations under this Note without the prior written consent of Agent, which may be withheld in its sole discretion.

13. Agent, at any time and without the consent of Borrowers, may grant participations in or sell, transfer, assign and convey all or any portion of its right, title and interest in and to the Loan, this Note, the Mortgages, the Leasehold Mortgages and the other Loan Documents, any guaranties given in connection with the Loan and any Collateral given to secure the Loan.

14. Notices shall be given under this Note in conformity with the terms and conditions of Section 9.8 the Loan Agreement.

15. Time is of the essence of this Note and the performance of each of the covenants and agreements contained herein.

16. THIS NOTE IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS WITHOUT RESPECT TO ANY OTHERWISE APPLICABLE CONFLICTS-OF-LAWS PRINCIPLES, BOTH AS TO INTERPRETATION AND PERFORMANCE. BORROWERS AND, BY HOLDER'S ACCEPTANCE OF THIS NOTE, AGENT AND HOLDER, EXPRESSLY CONSENT AND AGREE TO THE NON-EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND TO THE LAYING OF VENUE IN THE STATE OF ILLINOIS, WAIVING ALL CLAIMS OR DEFENSES BASED ON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE, INCONVENIENT FORUM OR THE LIKE. BORROWERS AND, BY HOLDER'S ACCEPTANCE OF THIS NOTE, AGENT AND HOLDER HEREBY CONSENT TO SERVICE OF PROCESS BY MAILING A COPY OF THE SUMMONS TO BORROWERS, AGENT OR HOLDER BY CERTIFIED OR REGISTERED MAIL, POSTAGE PREPAID, TO THE ADDRESSES SET FORTH IN SECTION 9.8 OF THE LOAN AGREEMENT. BORROWERS, AGENT AND HOLDER FURTHER WAIVE ANY CLAIM FOR CONSEQUENTIAL DAMAGES IN RESPECT OF ANY ACTION TAKEN OR OMITTED TO BE TAKEN BY LENDER IN GOOD FAITH.

17. In any litigation, trial, arbitration or other dispute resolution proceeding relating to this Note or any of the other Loan Documents, all directors, officers, employees and agents of each Borrower or of its Affiliates

shall be deemed to be employees or managing agents of such Borrower for purposes of all applicable law or court rules regarding the production of witnesses by notice for testimony (whether in a deposition, at trial or otherwise). Each Borrower in any event will use all commercially reasonable efforts, in compliance and in accordance with applicable law, to produce in any such dispute resolution proceeding, at the time and in the manner requested by Agent, all Persons, documents (whether in tangible, electronic or other form) or other things under its control and relating to the dispute in any jurisdiction that recognizes that (or any similar) distinction.

18. BORROWERS AND BY HOLDER'S ACCEPTANCE OF THIS NOTE, HOLDER AND AGENT HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS NOTE AND THE BUSINESS RELATIONSHIP THAT IS BEING ESTABLISHED. THIS WAIVER IS KNOWINGLY, INTENTIONALLY AND VOLUNTARILY MADE BY BORROWERS, LENDER AND AGENT, AND BORROWERS, HOLDER AND AGENT ACKNOWLEDGE THAT NEITHER BORROWERS, AGENT, OR HOLDER NOR ANY PERSON ACTING ON BEHALF OF THEM HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR HAS TAKEN ANY ACTIONS WHICH IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. BORROWERS, HOLDER AND AGENT ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT BORROWERS, HOLDER AND AGENT HAVE ALREADY RELIED ON THIS WAIVER IN ENTERING INTO OR ACCEPTING THIS NOTE AND THAT EACH OF THEM WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. BORROWERS, AGENT AND HOLDER FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED (OR HAVE HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OR ACCEPTANCE OF THIS NOTE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL.

SIGNATURE PAGES FOLLOW

IN WITNESS WHEREOF, intending to be legally bound, and intending that this Revolving Note constitutes an instrument executed under seal, Borrowers have caused this Revolving Note to be executed under seal as of the date first written above.

BORROWERS:
OHI ASSET, LLC,
a Delaware limited liability company
OHI ASSET (FL), LLC,
a Delaware limited liability company
OHI ASSET (IN), LLC,
a Delaware limited liability company
OHI ASSET (LA), LLC,
a Delaware limited liability company
OHI ASSET (TX), LLC,
a Delaware limited liability company
OHI ASSET (ID), LLC,
a Delaware limited liability company
OHI ASSET (MI/NC), LLC,
a Delaware limited liability company
OHI ASSET (OH), LLC,
a Delaware limited liability company
OHI ASSET (MO), LLC,
a Delaware limited liability company
OHI ASSET (CA), LLC,
a Delaware limited liability company
DELTA INVESTORS I, LLC,
a Maryland limited liability company
DELTA INVESTORS II, LLC,
a Maryland limited liability company
NRS VENTURES, LLC,
a Kentucky limited liability company

By: Omega Healthcare Investors, Inc., a Maryland corporation, as the sole member of each such company
By:

Name: Daniel J. Booth
Title: Chief Operating Officer

OHI (ILLINOIS), INC.,
an Illinois corporation
OHI (INDIANA), INC.,
an Indiana corporation
STERLING ACQUISITION CORP.,
a Kentucky corporation

By:

Name: Daniel J. Booth

Title: Chief Operating Officer of each such corporation

EXHIBIT 1.1.3(a)

FORM OF SWING LINE NOTE

Loan No. 70004093

SWING LINE NOTE

$_____ June ___, 2003

FOR VALUE RECEIVED, the undersigned, OHI ASSET, LLC, OHI ASSET (FL), LLC, OHI ASSET (IN), LLC, OHI ASSET (LA), LLC, OHI ASSET (TX), LLC, OHI ASSET (ID), LLC, OHI ASSET (MI/NC), LLC, OHI ASSET (OH), LLC, OHI ASSET (MO), LLC, OHI ASSET (CA), LLC, DELTA INVESTORS I, LLC, DELTA INVESTORS II, LLC, NRS VENTURES, LLC, OHI (ILLINOIS), INC., OHI (INDIANA), INC. and STERLING ACQUISITION CORP. (collectively, "Borrowers"), promise to pay, in lawful money of the United States, to the order of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation ("Holder") at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation ("GECC"), as Agent for Holder, the principal sum of _____ and No/100 Dollars ($_____), or if less, the aggregate unpaid amount of all Swing Line Advances made to the undersigned pursuant to the Loan Agreement dated as of even date herewith by and among the undersigned Borrowers, GECC, as Agent and a Lender, and the financial institutions who are or hereafter become parties to the Loan Agreement as Lenders (as amended, modified, restated or replaced from time to time, the "Loan Agreement"), plus interest on the unpaid balance thereof and all other amounts added thereto pursuant to this Swing Line Note (as amended, modified, restated or replaced from time to time, this "Note") or otherwise payable to Holder pursuant to the Loan Documents, calculated on the basis of the actual number of days elapsed over a year of 360 days, at the Interest Rate (or if applicable, the Default Rate), as set forth in the Loan Agreement. Payments shall be made to Agent at the following address: GEMSA Loan Services, File 59229, Los Angeles, CA 90074-9229 (or such other address as Agent may hereafter designate in writing to Borrowers).

1. All capitalized terms used and not otherwise specifically defined in this Note shall have the meanings given to them in the Loan Agreement.

2. This Note is one of the Swing Line Notes issued pursuant to the Loan Agreement. Reference is hereby made to the Loan Agreement for a statement of all of the terms and conditions under which the Revolving Loan, evidenced in part hereby, is made and is to be repaid. In the event of any conflict between the terms of this Note and the terms of the Loan Agreement, the terms of the Loan Agreement shall prevail. All of the terms, covenants, provisions, conditions, stipulations, promises and agreements contained in the Loan Documents to be kept, observed and/or performed by the undersigned are made a part of this Note and are incorporated into this Note by this reference to the same extent and with the same force and effect as if they were fully set forth in this Note; and the undersigned promise and agree to keep, observe and perform them or cause them to be kept, observed and performed, strictly in accordance with the terms, provisions and conditions set forth in the Loan Documents.

3. The date and amount of each Swing Line Advance made by Lender to Borrowers, the rates of interest applicable thereto and the date and amount of each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided, that the failure of Agent to make any such recordation shall not affect the obligations of Borrowers to make a payment when due of any amount owing under the Loan Agreement or this Note.

4. The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Loan Agreement. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Loan Agreement. The terms of the Loan Agreement are hereby incorporated herein by reference.

5. This Note shall become due and payable upon the earlier to occur of (a) the Maturity Date, or (b) the occurrence of any Event of Default under the Loan Agreement, or any other event under any other Loan Documents which would result in this Note becoming due and payable, whereupon Agent, upon written notice to Borrowers, declares this Note to be immediately due and payable. At such time, the entire principal balance of this Note and all other fees, costs and expenses, if any, that are required to be paid pursuant to the terms and conditions of the Loan Documents, shall be due and payable in full. Upon the failure of Borrowers to pay the entire amount of Indebtedness when due, Agent shall then have the option at any time and from time to time thereafter to exercise all of the rights and remedies set forth in this Note and in the other Loan Documents, as well as all rights and remedies otherwise available to Agent

and/or Holder at law or in equity, to collect the unpaid indebtedness under this Note and the other Loan Documents. This Note is secured by the Collateral, as defined in and described in the Loan Agreement. Borrowers may prepay this Note in full or in part in accordance with the terms and conditions of the Loan Agreement.

6. Whenever any principal and/or interest and/or fee under this Note shall not be paid when due, or at the Maturity Date or following acceleration of this Note after any Event of Default, or during any Event of Default, interest on this Note shall thereafter be payable at a rate per annum equal to four (4) percentage points above the Interest Rate (the "Default Rate") until such amounts shall be paid and, if applicable, all such non-monetary Events of Default are cured (and such cure is accepted) or waived.

7. The undersigned Borrowers, Agent and Holder intend to conform strictly to the applicable usury laws in effect from time to time during the Term of the Loan. Accordingly, if any transaction contemplated by the Loan Agreement or this Note would be usurious under such laws, then notwithstanding any other provision hereof: (a) the aggregate of all interest that is contracted for, charged, or received under this Note or under any other Loan Document shall not exceed the maximum amount of interest allowed by applicable law (the "Highest Lawful Rate"), and any excess shall be promptly credited to the undersigned by Agent (or, to the extent that such consideration shall have been paid, such excess shall be promptly refunded to the undersigned by Holder); (b) neither the undersigned Borrowers, nor any other Person (as defined in the Loan Agreement) now or hereafter liable hereunder shall be obligated to pay the amount of such interest to the extent that it is in excess of the Highest Lawful Rate; and (c) the effective rate of interest shall be reduced to the Highest Lawful Rate. All sums paid, or agreed to be paid, to Agent and/or Holder for the use, forbearance, and detention of the debt of Borrowers to Holder shall, to the extent permitted by applicable law, be allocated throughout the full term of this Note until payment is made in full so that the actual rate of interest does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. If at any time the rate of interest under this Note exceeds the Highest Lawful Rate, the rate of interest to accrue pursuant to this Note shall be limited, notwithstanding anything to the contrary in this Note, to the Highest Lawful Rate, but any subsequent reductions in the Interest Rate shall not reduce the interest to accrue pursuant to this Note below the Highest Lawful Rate until the total amount of interest accrued equals the amount of interest that would have accrued if a varying rate per annum equal to the interest rate under the Note had at all times been in effect. If the total amount of interest paid or accrued pursuant to this Note under the foregoing provisions is less than the total amount of interest that would have accrued if a varying rate per annum equal to the applicable interest rate under this Note had been in effect, then the undersigned agrees to pay to Agent for the benefit of Holder an amount equal to the difference between (x) the lesser of (A) the amount of interest that would have accrued if the Highest Lawful Rate had at all times been in effect, or (B) the amount of interest that would have accrued if a varying rate per annum equal to the applicable interest rate under the Note had at all times been in effect, and (y) the amount of interest accrued in accordance with the other provisions of this Note and the Loan Agreement.

8. Each party liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, (a) waives presentment for payment, demand, protest and notice of presentment, notice of protest, notice of non-payment and notice of dishonor of this debt and each and every other notice of any kind respecting this Note (unless expressly required under the Loan Documents) and all lack of diligence or delays in collection or enforcement hereof; (b) agrees that Agent at any time or times, without notice to the undersigned or its consent, may grant extensions of time, without limit as to the number of the aggregate period of such extensions, for the payment of any principal, interest or other sums due hereunder; (c) to the extent permitted by law, waives all exemptions under the laws of the State of Illinois and/or any state or territory of the United States; (d) to the extent permitted by law, waives the benefit of any law or rule of law intended for its advantage or protection as an obligor under this Note or providing for its release or discharge from liability on this Note, in whole or in part, on account of any facts or circumstances other than full and complete payment of all amounts due under this Note; and (e) agrees to pay, in addition to all other sums of money due, all reasonable costs of collection and attorney's fees, whether suit be brought or not, if this Note is not paid in full when due, whether at the stated maturity or by acceleration.

9. No waiver by Agent or Holder of any one or more defaults by the undersigned in the performance of any of their obligations under this Note shall operate or be construed as a waiver of any future default or defaults, whether of a like or different nature. No failure or delay on the part of Agent or Holder in exercising any right, power or remedy under this Note (including, without limitation, the right to declare this Note due and payable) shall operate as a waiver of such right, power or remedy nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy.

10. If any term, provision, covenant or condition of this Note or the

application of any term, provision, covenant or condition of this Note to any party or circumstance shall be found by a court of competent jurisdiction to be, to any extent, invalid or unenforceable, then the remainder of this Note and the application of such term, provision, covenant, or condition to parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, provision, covenant or condition shall be valid and enforced to the fullest extent permitted by law. Upon determination that any such term, provision, covenant or condition is invalid, illegal or unenforceable, Agent and/or Holder may, but are not obligated to, advance funds to Borrowers under this Note until Borrowers and Agent amend this Note so as to effect the original intent of the parties as closely as possible in a valid and enforceable manner.

11. No amendment, supplement or modification of this Note nor any waiver of any provision of this Note shall be made except in writing executed by the party against whom enforcement is sought.

12. This Note shall be binding upon the undersigned Borrowers and their successors and assigns. Notwithstanding the foregoing, the undersigned Borrowers may not assign any of their rights or delegate any of their obligations under this Note without the prior written consent of Agent, which may be withheld in its sole discretion.

13. Agent, at any time and without the consent of Borrowers, may grant participations in or sell, transfer, assign and convey all or any portion of its right, title and interest in and to the Loan, this Note, the Mortgages, the Leasehold Mortgages and the other Loan Documents, any guaranties given in connection with the Loan and any Collateral given to secure the Loan.

14. Notices shall be given under this Note in conformity with the terms and conditions of Section 9.8 the Loan Agreement.

15. Time is of the essence of this Note and the performance of each of the covenants and agreements contained herein.

16. THIS NOTE IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS WITHOUT RESPECT TO ANY OTHERWISE APPLICABLE CONFLICTS-OF-LAWS PRINCIPLES, BOTH AS TO INTERPRETATION AND PERFORMANCE. BORROWERS AND, BY HOLDER'S ACCEPTANCE OF THIS NOTE, AGENT AND HOLDER, EXPRESSLY CONSENT AND AGREE TO THE NON-EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND TO THE LAYING OF VENUE IN THE STATE OF ILLINOIS, WAIVING ALL CLAIMS OR DEFENSES BASED ON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE, INCONVENIENT FORUM OR THE LIKE. BORROWERS AND, BY HOLDER'S ACCEPTANCE OF THIS NOTE, AGENT AND HOLDER HEREBY CONSENT TO SERVICE OF PROCESS BY MAILING A COPY OF THE SUMMONS TO BORROWERS, AGENT OR HOLDER BY CERTIFIED OR REGISTERED MAIL, POSTAGE PREPAID, TO THE ADDRESSES SET FORTH IN SECTION 9.8 OF THE LOAN AGREEMENT. BORROWERS, AGENT AND HOLDER FURTHER WAIVE ANY CLAIM FOR CONSEQUENTIAL DAMAGES IN RESPECT OF ANY ACTION TAKEN OR OMITTED TO BE TAKEN BY LENDER IN GOOD FAITH.

17. In any litigation, trial, arbitration or other dispute resolution proceeding relating to this Note or any of the other Loan Documents, all directors, officers, employees and agents of each Borrower or of its Affiliates shall be deemed to be employees or managing agents of such Borrower for purposes of all applicable law or court rules regarding the production of witnesses by notice for testimony (whether in a deposition, at trial or otherwise). Each Borrower in any event will use all commercially reasonable efforts, in compliance and in accordance with applicable law, to produce in any such dispute resolution proceeding, at the time and in the manner requested by Agent, all Persons, documents (whether in tangible, electronic or other form) or other things under its control and relating to the dispute in any jurisdiction that recognizes that (or any similar) distinction.

18. BORROWERS AND BY HOLDER'S ACCEPTANCE OF THIS NOTE, HOLDER AND AGENT HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS NOTE AND THE BUSINESS RELATIONSHIP THAT IS BEING ESTABLISHED. THIS WAIVER IS KNOWINGLY, INTENTIONALLY AND VOLUNTARILY MADE BY BORROWERS, LENDER AND AGENT, AND BORROWERS, HOLDER AND AGENT ACKNOWLEDGE THAT NEITHER BORROWERS, AGENT, OR HOLDER NOR ANY PERSON ACTING ON BEHALF OF THEM HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR HAS TAKEN ANY ACTIONS WHICH IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. BORROWERS, HOLDER AND AGENT ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT BORROWERS, HOLDER AND AGENT HAVE ALREADY RELIED ON THIS WAIVER IN ENTERING INTO OR ACCEPTING THIS NOTE AND THAT EACH OF THEM WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. BORROWERS, AGENT AND HOLDER FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED (OR HAVE HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OR ACCEPTANCE OF THIS NOTE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL.

SIGNATURE PAGES FOLLOW

IN WITNESS WHEREOF, intending to be legally bound, and intending that this

Swing Line Note constitutes an instrument executed under seal, Borrowers have caused this Swing Line Note to be executed under seal as of the date first written above.

BORROWERS:
OHI ASSET, LLC,
a Delaware limited liability company
OHI ASSET (FL), LLC,
a Delaware limited liability company
OHI ASSET (IN), LLC,
a Delaware limited liability company
OHI ASSET (LA), LLC,
a Delaware limited liability company
OHI ASSET (TX), LLC,
a Delaware limited liability company
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OHI ASSET (CA), LLC,
a Delaware limited liability company
DELTA INVESTORS I, LLC,
a Maryland limited liability company
DELTA INVESTORS II, LLC,
a Maryland limited liability company
NRS VENTURES, LLC,
a Kentucky limited liability company

By: Omega Healthcare Investors, Inc., a Maryland corporation, as the sole member of each such company
By:

Name: Daniel J. Booth
Title: Chief Operating Officer

OHI (ILLINOIS), INC.,
an Illinois corporation
OHI (INDIANA), INC.,
an Indiana corporation
STERLING ACQUISITION CORP.,
a Kentucky corporation

By:

Name: Daniel J. Booth
Title: Chief Operating Officer of each such corporation

EXHIBIT 1.4.2

PRINCIPAL PAYMENTS AMORTTIZATION SCHEDULE

Month	Term Loan	Amortization
1	125,000,000	154,307
2	124,845,693	155,207
3	124,690,485	156,113
4	124,534,372	157,023
5	124,377,349	157,939
6	124,219,409	158,861
7	124,060,549	159,787
8	123,900,761	160,720
9	123,740,042	161,657
10	123,578,385	162,600
11	123,415,784	163,549
12	123,252,236	164,503
13	123,087,733	165,462
14	122,922,271	166,427
15	122,755,844	167,398
16	122,588,445	168,375
17	122,420,071	169,357
18	122,250,714	170,345
19	122,080,369	171,339
20	121,909,030	172,338
21	121,736,692	173,343
22	121,563,349	174,354

23	121,388,995	175,372
24	121,213,623	176,395
25	121,037,229	177,423
26	120,859,805	178,458
27	120,681,347	179,499
28	120,501,847	180,547
29	120,321,301	181,600
30	120,139,701	182,659
31	119,957,042	183,725
32	119,773,317	184,796
33	119,588,521	185,874
34	119,402,647	186,959
35	119,215,688	188,049
36	119,027,639	189,146
37	118,838,493	190,249
38	118,648,243	191,359
39	118,456,884	192,476
40	118,264,409	193,598
41	118,070,810	194,728
42	117,876,083	195,864
43	117,680,219	197,006
44	117,483,213	198,155
45	117,285,058	199,311
46	117,085,747	200,474
47	116,885,273	201,643
48	116,683,630	202,819
49	116,480,810	204,003
50	116,276,808	205,193
51	116,071,615	206,390
52	115,865,225	207,594
53	115,657,632	208,804
54	115,448,827	210,023
55	115,238,805	211,248
56	115,027,557	212,480
57	114,815,077	213,719
58	114,601,358	214,966
59	114,386,392	216,220
60	114,170,172	217,481

GUARANTY

THIS GUARANTY (this "Guaranty"), dated as of the 23rd day of June, 2003, is made by OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation ("Guarantor"), for the benefit of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, in its capacity as Agent for the Lenders (as Agent and Lenders are defined in the Loan Agreement as defined below).

RECITALS

A. Financial Accommodations. OHI ASSET, LLC, OHI ASSET (FL), LLC, OHI ASSET (IN), LLC, OHI ASSET (LA), LLC, OHI ASSET (TX), LLC, OHI ASSET (ID), LLC, OHI ASSET (MI/NC), LLC, OHI ASSET (OH), LLC, OHI ASSET (MO), LLC, OHI ASSET (CA), LLC, DELTA INVESTORS I, LLC, DELTA INVESTORS II, LLC, NRS VENTURES, LLC, OHI (ILLINOIS), INC., OHI (INDIANA), INC. and STERLING ACQUISITION CORP. (collectively, "Borrowers"), Agent and Lenders are concurrently herewith entering into that certain Loan Agreement (the "Loan Agreement") dated as of even date herewith pursuant to which Lenders shall extend financial accommodations to Borrowers.

B. Inducement. To induce Lenders to extend to Borrowers the financial accommodations set forth in the Loan Agreement, Guarantor is willing to execute and deliver this Guaranty.

In consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

1. DEFINED TERMS

All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Loan Agreement.

2. THE GUARANTY

2.1 Guaranty of Obligations. Guarantor unconditionally and absolutely guarantees to Agent and Lenders the full and prompt payment and performance when due, whether at maturity or earlier, by reason of acceleration or otherwise, and at all times thereafter, of the indebtedness, liabilities and obligations of every kind and nature of Borrowers to Agent and/or Lenders arising under or in any way relating to the Loan Agreement or any of the other Loan Documents, howsoever created, incurred or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, due or to become due, and howsoever owned, held or acquired by Agent and/or Lenders (collectively, the "Obligations"), subject to and in accordance with the terms and conditions of the Loan Agreement and the other Loan Documents. Without limitation to the foregoing, the Obligations shall include (a) all reasonable attorneys' and paralegals' fees, including the cost of inside attorneys and paralegals, costs and expenses and all court costs and costs of appeal incurred by Agent and/or Lenders in collecting any amount due Agent and/or Lenders under this Guaranty or in prosecuting any action against any Borrower or Guarantor with respect to all or any part of the Obligations, and (b) all interest, fees and the reasonable costs and expenses due Agent and/or Lenders after the filing of a bankruptcy petition by or against any Borrower regardless of whether such amounts can be collected during the pendency of the bankruptcy proceedings.

2.2 Continuing Guaranty; Guaranty of Payment. This Guaranty is a continuing guaranty of the Obligations until terminated in accordance with Section 7.17 below, and Guarantor agrees that the obligations of Guarantor to Agent and/or Lenders hereunder shall be primary obligations, shall not be subject to any counterclaim, set-off, abatement, deferment or defense based upon any claim that Guarantor may have against Agent and/or any Lender, any Borrower or any other person or entity.

2.3 Liability of Guarantor Not Affected. Until terminated in accordance with Section 7.17 below, this Guaranty shall remain in full force and effect without regard to, and shall not be released, discharged or affected in any way by, any circumstances or condition, including, without limitation:

(a) the attempt or the absence of any attempt by Agent and/or Lenders to obtain payment or performance by Borrowers or any other guarantor (this being a guaranty of payment and performance and not of collection);

(b) Agent's and/or Lenders' delay in enforcing Guarantor's obligations hereunder or of any other party under the Loan Documents, or any prior partial exercise by Agent and/or Lenders of any right or remedy hereunder or under any of the other Loan Documents;

(c) any renewal, extension, substitution, modification, replacement of or indulgence with respect to, the Obligations, all of which Agent and/or Lenders is hereby authorized to make;

(d) the fact that Borrowers are not liable for the payment or performance of

the Obligations, or any portion thereof, for any reason whatsoever (except as a result of actual payment by Borrowers and receipt thereof by Agent), Guarantor being liable for the Obligations notwithstanding that Borrowers may not be;

(e) any sale, exchange, release, surrender or other disposition of, or realization upon, any collateral securing the Obligations, or any settlement or compromise of any guaranties of the Obligations, or any other obligation of any person or entity with respect to the Loan Documents;

(f) the acceptance by Agent and/or Lenders of any additional security for the Obligations;

(g) the lack of validity or enforceability of, or Agent's and/or Lenders' waiver or consent with respect to, any provision of any instrument evidencing, securing or otherwise relating to the Obligations, or any part thereof, including, without limitation, the Loan Documents;

(h) the failure by Agent and/or Lenders to take any steps to perfect, maintain, or enforce its security interests or remedies under the Loan Documents, or to preserve its rights to or protect any security or collateral, for the Obligations;

(i) any voluntary or involuntary bankruptcy, insolvency, reorganization, arrangement, readjustment, assignment for the benefit of creditors, composition, receivership, liquidation, marshalling of assets and liabilities or similar event or proceedings with respect to any Borrower or Guarantor, as applicable, or any of their respective properties (each, an "Insolvency Proceeding"), or any action taken by Agent and/or Lenders, any trustee or receiver or by any court in any such proceeding;

(j) the failure by Agent and/or Lenders to file or enforce a claim against the estate (either in an Insolvency Proceeding or other proceeding) of any Borrower or Guarantor;

(k) in any proceeding under Title 11 of the United States Code (11 U.S.C. Section 101 et seq.), as amended (the "Bankruptcy Code"): (i) any election by Agent and/or Lenders under Section 1111(b)(2) of the Bankruptcy Code, (ii) any borrowing or grant of a security interest by any Borrower as debtor-in-possession under Section 364 of the Bankruptcy Code, (iii) the inability of Agent and/or Lenders to enforce the Obligations against any Borrower by application of the automatic stay provisions of Section 362 of the Bankruptcy Code, or (iv) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of Agent's and/or Lenders' claim(s) against any Borrower for repayment of the Obligations;

(l) the failure of Guarantor to receive notice of any intended disposition of the collateral for the Obligations;

(m) any merger or consolidation of any Borrower into or with any other entity, or any sale, lease or transfer of any of the assets of any Borrower or Guarantor to any other person or entity;

(n) any change in the ownership of any Borrower, or any change in the relationship between any Borrower and Guarantor or any termination of any such relationship;

(o) the dissolution or other change in status of any Borrower or Guarantor;

(p) the making of additional loans to Borrowers, the increase or reduction of the maximum principal amount of the Obligations, the increase or reduction in the interest rate provided in the Notes, or any other modification, amendment, release or waiver of the terms of the Loan Documents;

(q) the absence, impairment or loss of any right of reimbursement or subrogation or other right or remedy of Guarantor; and

(r) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of any Borrower, Guarantor or any other guarantor.

Guarantor hereby expressly waives and surrenders any defense to its liability under this Guaranty based upon any of the foregoing acts, omissions, agreements, waivers or matters, whether or not Guarantor had notice or knowledge of same. It is the purpose and intent of this Guaranty that the obligations of Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

2.4 Rights of Agent and/or Lenders. Agent and/or Lenders are hereby authorized, without notice to or demand of Guarantor and without affecting the liability of Guarantor hereunder, to take any of the following actions from time to time in accordance with the terms and conditions of the Loan Agreement, to the extent applicable: (a) increase or decrease the amount of, or renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to, the Obligations, or otherwise modify, amend or change the terms of any

promissory note or other agreement evidencing, securing or otherwise relating to any of the Obligations, including, without limitation, the making of additional advances thereunder; (b) accept and apply any payments on or recoveries against the Obligations from any source, and any proceeds of any security therefor, to the Obligations in such manner, order and priority as Agent and/or Lenders may elect in their sole discretion; (c) take, hold, sell, release or otherwise dispose of all or any security for the Obligations or the payment of this Guaranty; (d) settle, release, compromise, collect or otherwise liquidate the Obligations or any portion thereof; (e) accept, hold, substitute, add or release any other guaranty or endorsements of the Obligations; and (f) at any time after maturity of the Obligations, appropriate and apply toward payment of the Obligations (i) any indebtedness due or to become due from Agent and/or Lenders to Guarantor, and (ii) any moneys, credits, or other property belonging to Guarantor at any time held by or coming into the possession of Agent and/or Lenders or any affiliates thereof, whether for deposit or otherwise.

Without limiting the generality, scope or meaning of any of the foregoing or any other provision of this Guaranty, Guarantor:

(a) acknowledges that Section 2856 of the California Civil Code authorizes and validates waivers of a guarantor's rights of subrogation and reimbursement and certain other rights and defenses available to Guarantor under California law;

(b) waives all rights of subrogation, reimbursement, indemnification, and contribution and all other rights and defenses that are or may become available by reason of Sections 2787 to 2855, inclusive, of the California Civil Code;

(c) waives all rights and defenses arising out of an election of remedies by Agent and/or Lenders, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Borrowers by the operation of Section 580d of the California Code of Civil Procedure or otherwise;

(d) waives all rights and defenses that Guarantor may have because the Borrowers' debt is secured by real property. This means, among other things:

(i) Agent and Lenders may collect from Guarantor without first foreclosing on any real or personal property Collateral pledged by Borrowers;

(ii) If Agent or Lenders foreclose on any real property Collateral pledged by any Borrower:

(1) the amount of the debt may be reduced only by the price for which that Collateral is sold at the foreclosure sale, even if the Collateral is worth more than the sale price; and

(2) Agent and Lenders may collect from Guarantor even if Agent and Lenders, by foreclosing on the real property Collateral, has destroyed any right Guarantor may have to collect from Borrowers.

(e) waives all rights and defenses, if any, now or hereafter arising under the laws of the State of Illinois and all other states where a Property is located, which are the same as or similar to the rights and defenses waived as described above.

This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because Borrowers' debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Sections 580a, 580b, 580d, or 726 of the California Code of Civil Procedure.

2.5 Subordination. All indebtedness now or hereafter owing by Borrowers to Guarantor for borrowed money or otherwise is hereby subordinated to the payment of the Obligations, and, (a) during the continuation of a default hereunder or under any of the other Loan Documents, Guarantor shall not accept any principal payment with respect to such subordinated indebtedness until satisfaction in full of the Obligations, and (b) during the continuation of an Event of Default hereunder or under any of the other Loan Documents, Guarantor shall not accept payment of all or any portion of such subordinated indebtedness until satisfaction in full of the Obligations. All security interests, liens and encumbrances which Guarantor now or hereafter may have upon any of the assets of Borrowers, or any one of them, are hereby subordinated to all security interests, liens and encumbrances heretofore, now or hereafter granted to Agent and/or Lenders pursuant to the Loan Documents.

3. GUARANTOR'S WAIVERS

3.1 Statutes of Limitation. Guarantor irrevocably waives all statutes of limitation as a defense to any action or proceeding brought against Guarantor by Agent and/or Lenders, to the fullest extent permitted by law.

3.2 Election of Remedies. Guarantor irrevocably waives any defense based upon an election of remedies made by Agent and/or Lenders or any other election afforded to Agent and/or Lenders pursuant to applicable law, including, without limitation, (a) any election to proceed by judicial or nonjudicial foreclosure or by UCC sale or by deed or assignment in lieu thereof, or any election of remedies which destroys or otherwise impairs the subrogation rights of the Guarantor or the rights of the Guarantor to proceed against any Borrower for reimbursement, or both, (b) the waiver by Agent and/or Lenders, either by action or inaction of Agent and/or Lenders or by operation of law, of a deficiency judgment against any Borrower, and (c) any election pursuant to an Insolvency Proceeding.

3.3 Rights of Subrogation and Other Rights. Guarantor irrevocably waives (a) all rights at law or in equity to seek subrogation, contribution, indemnification or any other form of reimbursement or repayment from any Borrower or any other person or entity now or hereafter primarily or secondarily liable for any of the Obligations for any disbursements made by any Guarantor under or in connection with this Guaranty, (b) all claims of any kind or type against any Borrower as a result of any payment made by Guarantor to Agent and/or Lenders, and (c) any right to participate in any security now or hereafter held by Agent and/or Lenders. In furtherance, and not in limitation, of the foregoing, Guarantor agrees that any payment to Agent and/or Lenders pursuant to this Guaranty shall be deemed a contribution to the capital of Borrowers or other obligated party and shall not constitute Guarantor a creditor of Borrowers or such other party. Guarantor further agrees that to the extent the waiver of its rights of subrogation as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation Guarantor may have against Borrowers or against any collateral or security for any of the Obligations shall be junior and subordinate to any rights Agent and/or Lenders may have against Borrowers and to all right, title and interest Agent and/or Lenders may have in such collateral or security.

3.4 Demands and Notices. Guarantor irrevocably waives all presentments, demands for performance, protests, notices of protest, notices of dishonor, notices of acceptance of this Guaranty and of the existence, creation or incurring of new or additional Obligations, notices of defaults or Events of Default by Borrowers or any other person liable for the Obligations and demands and notices of every kind that may be required to be given by any statute or rule or law.

3.5 Borrowers Information. Guarantor irrevocably waives (a) any duty of Agent and/or Lenders to advise Guarantor of any information known to Agent and/or Lenders regarding the financial condition of Borrowers (it being the obligation of Guarantor to keep informed regarding such condition), and (b) any defense based on any claim that Guarantor's obligations exceed or are more burdensome than those of Borrowers.

3.6 Limitation of Liability. Guarantor irrevocably waives any impairment, modification, change, release or limitation of the liability of, or stay of actions or lien enforcement proceedings against, Borrowers or Guarantor, their property, or their estate in bankruptcy, resulting from the operation of any provision of the state or federal bankruptcy laws, or from the decision of any court.

3.7 Lack of Diligence. Guarantor irrevocably waives any and all claims or defenses based upon lack of diligence in: (a) collection of any Obligations; (b) protection of any collateral or other security for the Indebtedness or Obligations; or (c) realization upon the other Loan Documents.

3.8 Other Defenses. Guarantor irrevocably waives any other defenses, set-offs or counterclaims which may be available to Borrowers and any and all other defenses now or at any time hereafter available to Guarantor (including without limitation those given to sureties) at law or in equity, except for the defense that payment has actually been made and received by Agent.

4. REPRESENTATIONS AND WARRANTIES

Guarantor represents and warrants to Agent and Lenders as follows:

4.1 Guarantor Existence; Authority. Guarantor is a corporation, duly organized, validly existing and in good standing under the laws of the State of Maryland with its principal place of business at 9690 Deereco Road, Suite 100, Timonium, Maryland 21093. Guarantor is qualified to do business in those jurisdictions in which the character of the properties owned by it or in which the transaction of its business makes its qualification necessary. Guarantor is the sole member of each LLC Borrower and owns one hundred percent (100%) of the membership interests in each LLC Borrower, free and clear of all liens, claims, and encumbrances, except as otherwise created under the Loan Documents. Guarantor is the sole stockholder of each Corporate Borrower and owns one hundred percent (100%) of the outstanding stock in each Corporate Borrower, free and clear of all liens, claims, and encumbrances, except as otherwise created under the Loan Documents. Guarantor has full right, power and authority to execute this Guaranty and the Loan Documents on its own behalf and on behalf of each Borrower.

4.2 Enforcement. This Guaranty has been duly authorized, executed and delivered and constitutes the duly authorized, legally valid and binding obligation of Guarantor, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion.

4.3 Guarantor's Organizational Documents. A true and complete copy of the articles of incorporation and by-laws of Guarantor and all other material documents creating and governing Guarantor (collectively, the "Guarantor Incorporation Documents") have been furnished to Agent. There are no other material agreements, oral or written, among any of the shareholders of Guarantor relating to Guarantor. The Guarantor Incorporation Documents were duly executed and delivered, are in full force and effect, and binding upon and enforceable in accordance with their terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion. No breach exists under the Guarantor Incorporation Documents and no act has occurred and no condition exists which, with the giving of notice or the passage of time or both, would constitute a breach under the Guarantor Incorporation Documents.

4.4 Financial Statements. All financial statements and other financial information of Guarantor furnished or to be furnished to Agent and/or Lenders (a) are or will be true and correct in all material respects and do or will represent fairly in all material respects the financial condition of Guarantor (including all contingent liabilities) as of the respective dates in question and the results of operations for the respective periods indicated, and (b) were or will be prepared in accordance with generally accepted accounting principles, or such other accounting principles as may be reasonably acceptable to Agent at the time of their preparation, consistently applied. There has been no material adverse change since March 31, 2003 in Guarantor's structure, business operations, credit, prospects or financial condition.

4.5 No Defaults. There is no existing event of default, and no event has occurred which with the passage of time and/or the giving of notice or both will constitute an event of default, under any agreement to which Guarantor is a party, which event of default could reasonably be expected to create a Material Adverse Effect. Neither the execution and delivery of this Guaranty nor compliance with the terms and provisions hereof will (a) violate any presently existing applicable law, regulation, order, writ, injunction or decree of any court or governmental department, commission, board, bureau, agency or instrumentality, or (b) conflict or be inconsistent with, or result in any default (with due notice or lapse of time or both) under, any agreement to which Guarantor is bound, except for any conflict, inconsistency or default which would not reasonably be expected to have a Material Adverse Effect.

4.6 No Litigation. Except as set forth on Exhibit 4.6 hereto, there are no actions, suits or proceedings pending or, to Guarantor's knowledge, threatened against Guarantor before any court or any governmental, administrative, regulatory, adjudicatory or arbitrational body or agency of any kind which, if decided adversely, would reasonably be expected to have a Material Adverse Effect.

4.7 Accuracy. Neither this Guaranty nor any document, financial statement, credit information, certificate or statement heretofore furnished or required herein to be furnished to Agent and/or Lenders by Guarantor contains any materially untrue statement of material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading as of the date such statement was made; provided, however, that any representation in respect of any furnished document, financial statement or information that was received by Guarantor from any third party which is not an Affiliate of any Borrower or Guarantor in respect of any Project or any of the Health Care Facilities is limited in all respects to Guarantor's knowledge.

4.8 Foreign Ownership. Guarantor is not and will not be, and no legal or beneficial interest of an Affiliate of Guarantor is or will be held, directly or indirectly, by a "foreign corporation", "foreign partnership", "foreign trust", "foreign estate", "foreign person", "affiliate" of a "foreign person" or a "United States intermediary" of a "foreign person" within the meaning of Sections 897 and 1445 of the Internal Revenue Code of 1986, as amended ("IRC"), the Foreign Investments in Real Property Tax Act of 1980, the International Foreign Investment Survey Act of 1976, the Agricultural Foreign Investment Disclosure Act of 1978, or the regulations promulgated pursuant to such Acts set forth above in this Section 4.8 or any amendments to such Acts.

4.9 Solvency. Guarantor is solvent and there has been no: (a) assignment made for the benefit of the creditors of Guarantor; (b) appointment of a receiver for Guarantor or for the property of Guarantor; or (c) bankruptcy, reorganization, or liquidation proceeding instituted by or against Guarantor.

4.10 Public Debt. The execution and delivery of the applicable Loan

Documents by Borrowers and Guarantor will not violate the terms of or cause a breach or default under any outstanding indebtedness of Guarantor, including, without limitation, the 6.95% Notes due August 2007 (the "Public Debt"). Guarantor has delivered to Agent a complete and correct copy of all material documents evidencing the Public Debt.

4.11 Government Regulations. Guarantor is not an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940. Guarantor is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The making of the Loan by Lenders to Borrowers, the application of the proceeds thereof and repayment thereof will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

4.12 Margin Regulations. Guarantor is not engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). Guarantor does not own any Margin Stock, and none of the proceeds of the Loan or other extensions of credit under the Loan Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any indebtedness that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause the Loan or other extensions of credit under the Loan Agreement to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. Guarantor will not take or permit to be taken any action that might cause any Loan Document to violate any regulation of the Federal Reserve Board.

4.13 Taxes. All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by Guarantor have been filed with the appropriate Governmental Authority and, except to the extent that appropriate reserves therefor have been made and are disclosed on Guarantor's balance sheet, all charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid). Exhibit 4.13 hereto sets forth as of the Closing Date those taxable years for which Guarantor's tax returns are currently being audited by the Internal Revenue Service (the "IRS") or any other applicable Governmental Authority, and any assessments or threatened assessments in connection with such audit, or otherwise currently outstanding. Except as described on Exhibit 4.13 hereto, Guarantor has not executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any taxes.

4.14 ERISA.

4.14.1. Exhibit 4.14 hereto lists (a) all ERISA Affiliates and (b) all Plans and separately identifies all Pension Plans, including Title IV Plans, Multiemployer Plans, ESOPs and Welfare Plans, including all Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest IRS/DOL 5500-series form for each such Plan, have been delivered to Agent. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and, to Guarantor's knowledge, nothing has occurred that would cause the loss of such qualification or tax-exempt status. Each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA, including the statement required by 29 CFR Section 2520.104-23. Neither Guarantor nor any ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan. Neither Guarantor nor any ERISA Affiliate has engaged in a "prohibited transaction," as defined in Section 406 of ERISA and Section 4975 of the IRC, in connection with any Plan, that would subject Guarantor to a material tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the IRC.

4.14.2. Except as set forth on Exhibit 4.14 hereto: (a) no Title IV Plan has any Unfunded Pension Liability; (b) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (c) there are no pending or, to the knowledge of Guarantor, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (d) neither Guarantor nor any ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (e) within the last five (5) years no Title IV Plan of Guarantor or any ERISA Affiliate has been terminated, whether or not in a "standard termination" as that term is used in Section 4041(b)(1) of ERISA, nor has any Title IV Plan of Guarantor or any ERISA Affiliate (determined at any time within the last five (5) years) with

Unfunded Pension Liabilities been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of Guarantor or any ERISA Affiliate (determined at such time); (f) except in the case of any ESOP, stock or membership interests of Guarantor and its ERISA Affiliates makes up, in the aggregate, no more than ten percent (10%) of fair market value of the assets of any Plan measured on the basis of fair market value as of the latest valuation date of any Plan; and (g) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by the Standard & Poor's Corporation or an equivalent rating by another nationally recognized rating agency.

4.15 Guarantor's Knowledge. Any representation and warranty made in this Guaranty which is explicitly limited "to Guarantor's knowledge", shall mean that such representation and warranty is made to the actual knowledge (without inquiry) of any of the following people or their respective successors: (a) C. Taylor Pickett, Chief Executive Officer of Guarantor, (b) Daniel J. Booth, Chief Operating Officer of Guarantor, (c) Robert Stephenson, Chief Financial Officer of Guarantor, or (d) R. Lee Crabill, Jr., Senior Vice President of Operations of Guarantor.

5. EVENTS OF DEFAULT

Upon the occurrence of any of the following events and during the continuance thereof, at the option of Agent or at the direction of Requisite Lenders, Agent and/or Lenders may, upon written notice to Borrowers or Guarantor, declare any or all of the Obligations, whether or not then due, immediately due and payable by Guarantor under this Guaranty, and Agent and/or Lenders shall be entitled to enforce the obligations of Guarantor hereunder.

5.1 Loan Agreement Event of Default. The occurrence of any Event of Default under the Loan Agreement.

5.2 Failure to Pay or Perform. Guarantor fails to pay or perform, within five (5) days after written notice thereof from Agent to Guarantor, any of the Obligations under this Guaranty.

5.3 Guarantor Financial Covenants. The breach of any covenant set forth in Section 6.1, 6.2, 6.3, 6.4 or 6.5 below.

5.4 Other Guarantor Covenants and Representations. The breach of any covenant (other than matters referenced elsewhere in this Article 5), representation or warranty which is not cured within thirty (30) days after written notice thereof from Agent to Guarantor; provided, however, if such breach cannot by its nature be cured within thirty (30) days, and Guarantor diligently pursues the curing thereof (and then in all events cures such failure within ninety (90) days after the original notice thereof), Guarantor shall not be in default hereunder; provided, further, that such cure period shall not apply to the breach of any representation or warranty which, by its nature, is not curable.

5.5 Revocation or Termination of Guaranty. This Guaranty is revoked or terminated by Guarantor.

5.6 Dissolution. Guarantor dissolves or liquidates, or the business of Guarantor is suspended or terminated for any reason.

6. COVENANTS

6.1 Leverage Ratio. Guarantor's Leverage Ratio shall not exceed the following amounts for the following periods:

Periods	Maximum Leverage Ratio
Periods ending September 30, 2003 through June 30, 2004	6.00:1.00
Periods ending September 30, 2004 through June 30, 2005	5.75:1.00
Periods ending September 30, 2005 through June 30, 2006	5.50:1.00
Periods after June 30, 2006	5.00:1.00

Guarantor's "Leverage Ratio" shall mean (a) Guarantor's total consolidated indebtedness for borrowed money divided by (b) Guarantor's Adjusted Consolidated Net Income (as defined below) over the previous twelve (12) month period. Guarantor's Leverage Ratio shall be calculated on a quarterly basis, beginning September 30, 2003.

"Guarantor's Adjusted Consolidated Net Income" means Guarantor's consolidated net income as set forth on its income statement, over the previous twelve (12) month period, calculated in accordance with generally accepted

accounting principles consistent with standards utilized by Agent in connection with its underwriting of the Loan, excluding (a) interest, (b) taxes, (c) depreciation, (d) amortization, (e) in aggregate over the entire Term of the Loan, up to $35,000,000 for certain one time, non-cash loss or impairment charges related to certain investments and termination of certain third party leases satisfactory to Agent, (f) in aggregate over the entire Term of the Loan, $5,000,000 of costs associated with collections of and reserves taken against account receivables associated with formerly owned and operated Health Care Facilities, (g) in aggregate over the entire Term of the Loan, $5,000,000 of litigation settlement charges, and (h) non-cash charges resulting from changes in generally accepted accounting principles or the application thereof with respect to financial derivatives such as interest rate swaps or caps; provided, that calculation of Guarantor's Adjusted Consolidated Net Income shall not include those one time charges and costs made or incurred by Guarantor in the quarterly periods ending December 31, 2002, March 31, 2003 and June 30, 2003 which are listed on Exhibit 6.1 hereto, nor shall such one time charges and costs listed on Exhibit 6.1 hereto be subject to or count against the limitations to the exclusions over the Term of the Loan described in clauses (e), (f), (g) or (h) above.

6.2 Fixed Charge Coverage Ratio. Guarantor's Fixed Charge Coverage Ratio shall be greater than 1.75:1.00 at all times during the Term. Guarantor's "Fixed Charge Coverage Ratio" shall mean the ratio of (a) Guarantor's Adjusted Consolidated Net Income over the previous twelve (12) month period, to (b) payments of interest and principal due on any indebtedness of Guarantor on a consolidated basis during the same period; provided, that all principal payments made (i) on or prior to the Closing Date, (ii) in respect of the Revolving Loan or the Swing Line Loan, (iii) as non-regularly scheduled prepayments of the Term Loan, (iv) in respect of any of the IRBs and (v) in respect of Guarantor's Public Debt (but only to the extent such Public Debt is refinanced other than through proceeds of borrowings under the Loan Agreement), shall be excluded from any calculation of Guarantor's Fixed Charge Coverage Ratio. Guarantor's Fixed Charge Coverage Ratio shall be calculated on a quarterly basis, beginning September 30, 2003.

6.3 Net Worth. Guarantor's consolidated net worth as set forth on its balance sheet shall be equal to or greater than $270,000,000 at all times during the Term. Guarantor's net worth shall be calculated in accordance with generally accepted accounting principles consistent with standards utilized by Agent in connection with its underwriting of the Loan and shall be calculated on a quarterly basis, beginning September 30, 2003.

6.4 Recourse Indebtedness. Guarantor shall not incur additional indebtedness for Borrowed Money which is recourse to Guarantor in an amount greater than $50,000,000 in the aggregate (excluding indebtedness set forth on Guarantor's most recent balance sheet delivered to Agent and excluding the Loan and this Guaranty). "Borrowed Money" shall mean (a) all indebtedness for borrowed money, (b) all obligations evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) that portion of obligations with respect to capital leases that is properly classified as a liability on a balance sheet in conformity with GAAP, (d) any obligations issued or assumed as the deferred purchase price of property or services purchased, (e) all Borrowed Money of others secured by (or for which the holder of such Borrowed Money has an existing right, contingent or otherwise, to be secured by) any lien on, or payable out of the proceeds of production from, any property or asset owned, held or acquired, (f) all guaranty obligations of Guarantor in respect of any Borrowed Money of any other person or entity, (g) the maximum amount of all standby letters of credit issued or bankers' acceptances facilities created for the account of Guarantor and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), and (h) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product plus any accrued interest thereon.

6.5 Dividend Payouts. Guarantor shall not make any distributions of dividends except for (a) accrued preferred dividends as of the Closing Date and (b) no more than ninety-five percent (95%) of Guarantor's "Funds from Operations", as defined in the White Paper on Funds from Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts.

6.6 Guarantor Incorporation Documents. Guarantor shall not amend, modify or terminate, or permit the amendment, modification or termination of the Guarantor Incorporation Documents in any material respect without Agent's prior written consent, which consent shall not be unreasonably withheld or delayed.

6.7 Determination of Compliance By Agent. Agent shall determine, in its reasonable discretion, whether Guarantor has complied with each of the foregoing covenants in this Article 6.

7. MISCELLANEOUS

7.1 Revival and Reinstatement. If at any time all or any part of any payment theretofore applied by Agent and/or Lenders to any of the Obligations is or must be rescinded or returned by Agent and/or Lenders for any reason

whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of any Borrower), such Obligations shall, for the purposes of this Guaranty, to the extent such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by Agent and/or Lenders, and this Guaranty shall continue to be effective or be reinstated, as the case may be, as to such Obligations, and Guarantor shall be fully liable therefore, all as though such application by Agent and/or Lenders had not been made.

7.2 No Marshaling. Agent and Lenders have no obligation to marshal any assets in favor of Guarantor, or against or in payment of (a) any of the Obligations, or (b) any other obligation owed to Agent and/or Lenders by Guarantor, any Borrower or any other person.

7.3 No Modification, Waiver or Release Without Writing. Except as may otherwise be expressly set forth herein, this Guaranty may not be modified, amended, revised, revoked, terminated, changed or varied in any way whatsoever, nor shall any waiver of any of the provisions of this Guaranty be binding upon Agent or Lenders, except as expressly set forth in a writing duly executed by Agent and Lenders. No waiver by Agent or Lenders of any default shall operate as a waiver of any other default or the same default on a future occasion, and no action by Agent or Lenders permitted hereunder shall in any way affect or impair Agent's or Lenders' rights or the obligations of Guarantor under this Guaranty.

7.4 Assignment; Successors and Assigns. Guarantor may not assign Guarantor's obligations or liability under this Guaranty. Subject to the preceding sentence, this Guaranty shall be binding upon the parties hereto and their respective heirs, executors, successors, representatives and assigns and shall inure to the benefit of the parties hereto and their respective successors and assigns. Agent and/or Lenders may, without notice to anyone, sell or assign the Obligations, the Notes or other Loan Documents or any part thereof, or grant participations therein, and in any such event each and every assignee or holder of, or participant in, all or any of the Obligations shall have the right to enforce this Guaranty, by suit or otherwise for the benefit of such assignee, holder, or participant, as fully as if herein by name specifically given such right, but Agent and/or Lenders shall have an unimpaired right, prior and superior to that of any such assignee, holder or participant, to enforce this Guaranty for the benefit of Agent and/or Lenders.

7.5 Integration. This Guaranty is the entire agreement of Guarantor with respect to the subject matter of this Guaranty, provided that this Guaranty shall not in any way limit or abrogate the obligations of Guarantor under the other Loan Documents, including, without limitation, the Environmental Indemnity of even date herewith.

7.6 Rights Cumulative. All of Agent's and/or Lenders' rights under this Guaranty and the other Loan Documents are cumulative. The exercise of any one right does not exclude the exercise of any other right given in this Guaranty or the other Loan Documents or any other right of Agent and/or Lenders not set forth in this Guaranty or the other Loan Documents. If there is more than one Guarantor hereunder, Agent and/or Lenders may exercise their rights and remedies against any one or more of such Guarantors and the failure of Agent and/or Lenders to proceed against one or more of such Guarantors shall not affect the liability of the Guarantor under this Guaranty.

7.7 Severability. Whenever possible each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

7.8 Material Inducement; Consideration. Guarantor acknowledges and agrees that Agent and Lenders are specifically relying upon the representations, warranties, agreements and waivers contained herein and that such representations, warranties, agreements and waivers constitute a material inducement to Agent and Lenders to accept this Guaranty and to enter into the Loan Agreement and the transaction contemplated therein. Guarantor further acknowledges that it expects to benefit from Lenders' extension of financing accommodations to Borrowers because of its relationship to Borrowers, and that it is executing this Guaranty in consideration of that anticipated benefit.

7.9 Indemnification. Guarantor agrees to indemnify, pay and hold Agent and Lenders and their respective officers, directors, employees, agents, and attorneys (collectively, the "Indemnitees") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not any such Indemnitees shall be designated a party thereto) that may be imposed on, incurred by, or asserted against such Indemnitees, in any manner relating to or arising out of this Guaranty or the exercise of any right or remedy of Agent or Lenders hereunder or under the other documents pertaining to the Obligations (collectively, the "Indemnified Liabilities"); provided, that Guarantor shall have no obligation to

any Indemnitees under this Section 7.9 with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of any Indemnitees. Upon written request by any Indemnitees, Guarantor will undertake, at its own cost and expense, on behalf of such Indemnitees, using counsel reasonably satisfactory to such Indemnitees, the defense of any legal action or proceeding whether or not such Indemnified Person shall be a party and for which such Indemnified Person is entitled to be indemnified pursuant to this Section 7.9. At Agent's or Requisite Lenders' option and upon prior written notice to Guarantor, Agent may, at Guarantor's expense, prosecute or defend any third party claim or action involving the validity or enforceability of this Guaranty. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section 7.9 may be unenforceable because it is violative of any law or public policy, Guarantor shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by the Indemnitees or any of them.

7.10 Counterparts. This Guaranty may be executed in counterparts, each of which shall be deemed an original, but all of which, when taken together, shall be deemed one and the same agreement.

7.11 Governing Law. This Guaranty shall be governed by and construed in accordance with the internal laws of the State of Illinois, without regard to conflicts of law provisions.

7.12 Joint and Several Obligations. If this Guaranty is executed by more than one Guarantor then all of the covenants, obligations, agreements, indemnities, representations and warranties of the Guarantors contained herein shall be joint and several.

7.13 VENUE. GUARANTOR, AND BY THEIR ACCEPTANCE OF THIS GUARANTY, AGENT AND LENDERS, HEREBY CONSENT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF COOK, STATE OF ILLINOIS AND IRREVOCABLY AGREE THAT, SUBJECT TO AGENT'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS GUARANTY SHALL BE LITIGATED IN SUCH COURTS. GUARANTOR, AND BY THEIR ACCEPTANCE OF THIS GUARANTY, AGENT AND LENDERS, EXPRESSLY SUBMIT AND CONSENT TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVE ANY DEFENSE OF FORUM NON CONVENIENS. GUARANTOR, AND BY THEIR ACCEPTANCE OF THIS GUARANTY, AGENT AND LENDERS, HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREE THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON GUARANTOR, AGENT AND LENDERS BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO GUARANTOR, AGENT AND LENDERS, AT THE ADDRESSES SET FORTH IN SECTION 9.8 OF THE LOAN AGREEMENT.

7.14 WAIVER OF JURY TRIAL. GUARANTOR, AND BY THEIR ACCEPTANCE OF THIS GUARANTY, AGENT AND LENDERS, HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS GUARANTY AND THE BUSINESS RELATIONSHIP THAT IS BEING ESTABLISHED. THIS WAIVER IS KNOWINGLY, INTENTIONALLY AND VOLUNTARILY MADE BY GUARANTOR, AND BY THEIR ACCEPTANCE OF THIS GUARANTY, AGENT AND LENDERS. AGENT, LENDERS AND GUARANTOR ACKNOWLEDGE THAT NEITHER AGENT, LENDERS OR GUARANTOR NOR ANY PERSON ACTING ON BEHALF OF AGENT, LENDERS OR GUARANTOR HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR HAS TAKEN ANY ACTIONS WHICH IN ANY WAY MODIFY OR NULLIFY ITS EFFECT.

7.15 WAIVERS UNDER THIS GUARANTY. THE WAIVERS SET FORTH IN THIS GUARANTY (INCLUDING, WITHOUT LIMITATION, SECTIONS 7.13 AND 7.14 ABOVE) ARE KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY MADE BY GUARANTOR, AGENT AND LENDERS, AND GUARANTOR, AGENT AND LENDERS ACKNOWLEDGE THAT NEITHER GUARANTOR, AGENT, LENDERS NOR ANY PERSON ACTING ON BEHALF OF ANY OF THEM, HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THESE WAIVERS OR IN ANY WAY TO MODIFY OR NULLIFY THEIR EFFECT. GUARANTOR, AGENT AND LENDERS FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED (OR HAVE HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OR ACCEPTING OF THIS GUARANTY AND IN THE MAKING OF THESE WAIVERS BY INDEPENDENT LEGAL COUNSEL, SELECTED OF THEIR OWN FREE WILL, AND THAT THEY HAVE HAD THE OPPORTUNITY TO DISCUSS THESE WAIVERS WITH COUNSEL.

7.16 Disclosure of Information. Agent and/or Lenders shall have the right (but shall be under no obligation) to make available to any party for the purpose of granting participations in or selling, transferring, assigning or conveying all or any part of the Loan (including any governmental agency or authority and any prospective bidder at any foreclosure sale of any Project) any and all information which Agent and/or Lenders may have with respect to any Project and Borrowers, whether provided by Borrowers, Guarantor or any third party or obtained as a result of any environmental assessments. Guarantor agrees that Agent and Lenders shall have no liability whatsoever as a result of delivering any such information to any third party, and Guarantor, on behalf of itself, its Affiliates and its successors and assigns, hereby releases and discharges Agent and Lenders from any and all liability, claims, damages, or causes of action, arising out of, connected with or incidental to the delivery of any such information to any third party.

7.17 Termination of Guaranty. This Guaranty shall terminate upon the indefeasible payment in full of the Obligations and the termination of any further obligations of Lenders to extend any credit to the Borrowers under the

Loan Documents.

[SIGNATURE PAGE FOLLOWS]

The undersigned has duly executed this Guaranty as of the date and year first above written.

OMEGA HEALTHCARE INVESTORS, INC.,
a Maryland corporation

By: /S/ DANIEL J. BOOTH

Name: Daniel J. Booth
Its: Chief Operating Officer

OWNERSHIP PLEDGE, ASSIGNMENT AND SECURITY AGREEMENT

THIS OWNERSHIP PLEDGE, ASSIGNMENT AND SECURITY AGREEMENT (this "AGREEMENT") is made as of June 23, 2003, by OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation (the "PLEDGOR"), in favor of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, in its capacity as Agent for the Lenders (as Agent and Lenders are defined in the Loan Agreement as defined below).

RECITALS

R-1. The following entities are collectively referred to as "BORROWERS" and each individually as a "BORROWER": OHI ASSET, LLC, OHI ASSET (FL), LLC, OHI ASSET (IN), LLC, OHI ASSET (LA), LLC, OHI ASSET (TX), LLC, OHI ASSET (ID), LLC, OHI ASSET (MI/NC), LLC, OHI ASSET (OH), LLC, OHI ASSET (MO), LLC, OHI ASSET (CA), LLC, DELTA INVESTORS I, LLC, DELTA INVESTORS II, LLC, NRS VENTURES, LLC, OHI (ILLINOIS), INC., OHI (INDIANA), INC. and STERLING ACQUISITION CORP.

R-2. Pursuant to a certain Loan Agreement of even date herewith (as the same may be amended, modified, increased, renewed or restated from time to time, the "LOAN AGREEMENT"), Lenders have agreed to make available to Borrowers the Revolving Loan in the maximum principal amount of $100,000,000 and the Term Loan in the maximum principal amount of $125,000,000. Borrowers have also executed and delivered the Notes (as defined in the Loan Agreement). The terms and provisions of the Loan Agreement and Notes are hereby incorporated by reference in this Agreement.

R-3. All capitalized terms used but not defined herein shall have the meanings given to them in the Loan Agreement.

R-4. The term "OBLIGATIONS" as used herein means (a) the principal of, and interest on, the Notes and all other sums, fees, charges and expenses due or payable under this Agreement or the other Loan Documents, (b) all agreements and covenants with and obligations to Agent and/or Lenders arising under, out of, or as a result of or in connection with the Loan Documents, (c) all amounts advanced by Agent and/or any Lender to preserve, protect, defend, and enforce its rights under this Agreement and the other Loan Documents or in the Collateral encumbered by the Loan Documents, and all reasonable expenses incurred by Agent and/or Lenders in connection therewith, and (d) any and all other present and future indebtedness, liabilities and obligations of every kind and nature whatsoever of Borrowers to Agent and/or Lenders, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, joint or several, both now and hereafter existing, or due or to become due, in each case subject to and in accordance with the terms and conditions of the Loan Agreement and the other Loan Documents.

R-5. As a condition to making the Loan, Agent and Lenders have required the Pledgor to execute and deliver this Agreement as additional security for the Loan.

R-6. Pledgor is the sole member or sole shareholder of each Borrower and, as such, will derive substantial benefit by reason of Lenders making the Loan.

AGREEMENT

NOW, THEREFORE, as security for the Obligations, and to induce Lenders to make the Loan, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Pledgor and Agent, for itself and Lenders, hereby covenant and agree as follows:

1. Grant of Assignment and Security Interest. Pledgor hereby pledges, assigns and grants to Agent, for the benefit of Lenders, a security interest in the following property of Pledgor (collectively, the "COLLATERAL"), whether now existing or hereafter created or arising:

(a) all of the stock, shares, member interests and other equity ownership interests in each Borrower now or hereafter held by Pledgor (collectively, the "OWNERSHIP INTERESTS") and all of the Pledgor's rights to participate in the management of each Borrower, all rights, privileges, authority and powers of the Pledgor as owner or holder of its Ownership Interests in each Borrower, including, but not limited to, all contract rights, voting rights, general intangibles, accounts and payment intangibles related thereto, all rights, privileges, authority and powers relating to the economic interests of the Pledgor as owner or holder or its Ownership Interests in each Borrower, including, without limitation, all contract rights, general intangibles, accounts and payment intangibles related thereto, all options and warrants of the Pledgor for the purchase of any Ownership Interests in any Borrower, all documents and certificates representing or evidencing the Pledgor's Ownership Interests in any Borrower, all of Pledgor's right, title and interest to receive payments of principal and interest on any loans and/or other extensions of credit made by the Pledgor to each Borrower, and any other right, title, interest, privilege, authority and power of the Pledgor in or relating to each Borrower, all whether now existing or hereafter arising, and whether arising under any operating agreement, bylaws, certificate of formation, articles of

organization or other organization or governing documents of any Borrower (as the same may be amended, modified or restated from time to time) or otherwise, or at law or in equity and all books and records of the Pledgor pertaining to any of the foregoing and all options, warrants, distributions, investment property, cash, instruments and other rights and options from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such interests, and the Pledgor shall promptly thereafter deliver to Agent a certificate duly executed by the Pledgor describing such percentage interests, options or warrants and certifying that the same have been duly pledged hereunder;

(b) all rights to receive cash distributions, income, profits, losses and capital distributions (including, but not limited to, distributions in kind and liquidating dividends) and any other rights and property interests related to the Ownership Interests;

(c) all other securities, instruments or property (including cash) paid or distributed in respect of or in exchange for the Ownership Interests, whether or not as part of or by way of spin-off, merger, consolidation, dissolution, reclassification, combination or exchange of stock (or other ownership interests), asset sales, or similar rearrangement or reorganization or otherwise;

(d) all of Pledgor's right, title and interest in, to and under that certain International Swap Dealers Association, Inc. Master Agreement dated as of September 10, 2002, and the Confirmation dated September 11, 2002 and amended September 16, 2002, each executed by Pledgor and Merrill Lynch Derivative Products AG ("MERRILL") (collectively, the "INTEREST RATE AGREEMENT"); and

(e) all proceeds (both cash and non-cash) of the foregoing, whether now or hereafter arising under the foregoing.

2. Registration of Pledge in Books of Borrowers; Application of Proceeds. Pledgor hereby authorizes and directs each Borrower to register Pledgor's pledge to Agent of the Collateral on the books of each Borrower and, following written notice to do so by Agent after the occurrence of an "Event of Default" (as defined in Section 7 below) under this Agreement, to make direct payment to Agent of any amounts due or to become due to Pledgor with respect to the Collateral. During the continuation of an Event of Default, any moneys received by Agent shall be applied to the Obligations in such order and manner of application as Agent may from time to time determine in its sole discretion.

3. Rights of Pledgor in the Collateral. Until any Event of Default occurs under this Agreement, Pledgor shall be entitled to exercise all voting rights and to receive all dividends and other distributions that may be paid on any Collateral and that are not otherwise prohibited by the Loan Documents. Any cash dividend or distribution payable in respect of the Collateral that is, in whole or in part, a return of capital or that is made in violation of this Agreement or the Loan Documents shall be received by Pledgor in trust for Agent, shall be paid immediately to Agent and shall be retained by Agent as part of the Collateral. Upon the occurrence and during the continuation of an Event of Default, the Pledgor shall, at the written direction of Agent, immediately send a written notice to each Borrower instructing each Borrower, and shall cause each Borrower, to remit all cash and other distributions payable with respect to the Ownership Interests (until such time as Agent notifies Pledgor that such Event of Default has ceased to exist) directly to Agent. Nothing contained in this Section 3 shall be deemed to permit the payment of any sum or the making of any distribution which is prohibited by any of the Loan Documents, if any. Notwithstanding anything to the contrary contained in this Agreement, Pledgor acknowledges and agrees that, pursuant to a letter agreement between Pledgor and Merrill, any payments made by Merrill pursuant to the Interest Rate Agreement at any time during the Term of the Loan shall be made directly to Agent.

4. Representations and Warranties of Pledgor. Pledgor hereby represents and warrants to Agent and Lenders as follows:

(a) Pledgor has not heretofore transferred, pledged, assigned or otherwise encumbered any of its rights in or to the Collateral.

(b) Pledgor is not prohibited under any agreement with any other person or entity, or under any judgment or decree, from the execution and delivery of this Agreement or the performance or discharge of the obligations, duties, covenants, agreements, and liabilities contained in this Agreement.

(c) No action has been brought or, to Pledgor's knowledge, threatened that might prohibit or interfere with the execution and delivery of this Agreement or the performance or discharge of the obligations, duties, covenants, agreements, and liabilities contained in this Agreement.

(d) Pledgor has full power and authority to execute and deliver this Agreement, and the execution and delivery of this Agreement do not conflict with any agreement to which Pledgor is a party or any applicable law, order, ordinance, rule, or regulation to which Pledgor is subject or by which it is bound and does not constitute a default under any agreement or instrument binding upon Pledgor.

(e) This Agreement has been properly executed and delivered and constitutes the valid and legally binding obligation of Pledgor and is fully enforceable against Pledgor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion.

(f) Pledgor has good, valid and clear title to the Collateral. Pledgor is the sole legal, record and beneficial owner of all of the Ownership Interests, free and clear of all security interests, pledges, voting trusts, agreements, liens, claims and encumbrances whatsoever, other than the security interests, pledges, assignments and liens granted under this Agreement or the other Loan Documents.

5. Covenants of Pledgor. Pledgor hereby covenants and agrees as follows:

(a) To do or cause to be done all things necessary to preserve and to keep in full force and effect its interests in the Collateral, and to defend, at its sole expense, the title to the Collateral and any part of the Collateral;

(b) To cooperate fully with Agent's and Lenders' efforts to preserve the Collateral and to take such actions to preserve the Collateral as Agent may in good faith direct;

(c) To cause each Borrower to maintain proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to the Collateral and which reflect the lien of Agent on the Collateral;

(d) To deliver immediately to Agent any certificates that may be issued following the date of this Agreement representing the Ownership Interests or other Collateral, and to execute and deliver to Agent, for the benefit of Lenders, one or more transfer powers, in form and content satisfactory to Agent, pursuant to which Pledgor assigns, in blank, all Ownership Interests and other Collateral (collectively, the "TRANSFER POWERS") which Transfer Powers shall be held by Agent as part of the Collateral;

(e) To authorize Agent to file such financing statements as Agent may request with respect to the Collateral, and to take such other steps as Agent may from time to time reasonably request to perfect Agent's security interest in the Collateral under applicable law;

(f) Not to sell, discount, allow credits or allowances, assign, extend the time for payment on, convey, lease, assign, transfer or otherwise dispose of the Collateral or any part of the Collateral;

(g) After the occurrence of an Event of Default under the Loan Documents (including but not limited to this Agreement), and written notice thereof from Agent to Borrowers or Pledgor (except that during any bankruptcy or insolvency proceeding affecting any Borrower or Pledgor, no notice shall be required) not to receive any dividend or distribution or other benefit with respect to Borrowers, and not to vote, consent, waive or ratify any action taken, that would violate or be inconsistent with any of the terms and provisions of this Agreement, or any of the other Loan Documents or that would materially impair the position or interest of Agent in the Collateral or dilute the Ownership Interests pledged to Agent under this Agreement;

(h) Not to sell or otherwise dispose of, or create, incur, assume or suffer to exist any lien upon any of the Collateral, other than liens in favor of Agent granted under this Agreement or the other Loan Documents;

(i) Not to amend, modify or terminate the Interest Rate Agreement without the prior written consent of Agent, which consent shall not be unreasonably withheld with respect to a proposed amendment or modification; and

(j) That Pledgor consents to the admission of Agent (and its assigns or designee) as a member or stockholder of each Borrower, as applicable, upon Agent's acquisition of any of the Ownership Interests.

6. Rights of Agent. Agent may from time to time and at its option (i) require Pledgor to, and Pledgor shall, periodically deliver to Agent records and schedules, which show the ownership status of the Collateral and such other matters which affect the Collateral; (ii) during normal business hours and upon two (2) Business Days prior notice given orally or in writing to Pledgor, verify the Collateral and inspect the books and records of each Borrower and make copies of or extracts from the books and records; and (iii) notify any prospective buyers or transferees of the Collateral or any other persons of Agent's interest in the Collateral. Pledgor agrees that Agent may at any time take such steps as Agent deems reasonably necessary to protect Agent's interest in and to preserve the Collateral.

7. Events of Default. The occurrence of any one or more of the following

events shall constitute an event of default (an "EVENT OF DEFAULT") under this Agreement:

(a) breach of any covenant, representation or warranty of Pledgor hereunder which is not cured within thirty (30) days after written notice thereof from Agent to Pledgor; provided, however, if such breach cannot by its nature be cured within thirty (30) days, and Pledgor diligently pursues the curing thereof (and then in all events cures such failure within ninety (90) days after the original notice thereof), Pledgor shall not be in default hereunder; provided, further, that such cure period shall not apply to the breach of any representation or warranty which, by its nature, is not curable; or

(b) the occurrence of an Event of Default under the Loan Agreement or any other Loan Document.

8. Rights of Agent Following Event of Default. Upon the occurrence and continuance of an Event of Default, at the option of Agent or at the direction of the Requisite Lenders, the Indebtedness (as defined in the Loan Agreement) shall become immediately due and payable upon written notice to Pledgor or Borrowers and Agent and Lenders shall be entitled to all of the rights and remedies provided in the Loan Documents or at law or in equity. Each remedy provided in the Loan Documents is distinct and cumulative to all other rights or remedies under the Loan Documents or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever. In addition to all other rights and remedies granted to it under this Agreement, the Loan Agreement and the other Loan Documents, if any Event of Default shall have occurred and be continuing and upon either acceleration of the Loan in accordance with the terms and conditions of the Loan Agreement or the maturity of the Loan and Borrowers fail to pay the Indebtedness, Agent may do one or more of the following:

(a) Proceed to perform or discharge any and all of Pledgor's obligations, duties, responsibilities, or liabilities and exercise any and all of its rights in connection with the Collateral for such period of time as Agent may deem appropriate, with or without the bringing of any legal action in or the appointment of any receiver by any court;

(b) Do all other acts which Agent may deem necessary or proper to protect Agent's security interest in the Collateral and carry out the terms of this Agreement;

(c) Exercise all voting and management rights of Pledgor as to Borrowers or otherwise pertaining to the Collateral, and Pledgor, forthwith upon the request of Agent, shall use its best efforts to secure, and cooperate with the efforts of Agent to secure (if not already secured by Agent), all the benefits of such voting and management rights.

(d) Sell the Collateral in any manner permitted by the UCC; and upon any such sale of the Collateral, Agent may (i) bid for and purchase the Collateral and apply the expenses of such sale (including, without limitation, reasonable attorneys' fees) as a credit against the purchase price or (ii) apply the proceeds of any sale or sales to other persons or entities, in whatever order Agent in its sole discretion may decide, to the expenses of such sale (including, without limitation, reasonable attorneys' fees), to the Indebtedness (as defined in the Loan Agreement), and the remainder, if any, shall be paid to Pledgor or to such other person or entity legally entitled to payment of such remainder; and

(e) Proceed by suit or suits in law or in equity or by any other appropriate proceeding or remedy to enforce the performance of any term, covenant, condition, or agreement contained in this Agreement, and institution of such a suit or suits shall not abrogate the rights of Agent to pursue any other remedies granted in this Agreement or in any other Loan Document or to pursue any other remedy available to Agent either at law or in equity.

Agent shall have all of the rights and remedies of a secured party under the UCC and other applicable laws. All reasonable costs and expenses, including reasonable attorneys' fees and expenses, incurred or paid by Agent in exercising or protecting any interest, right, power or remedy conferred by this Agreement, shall bear interest thereafter at the Default Rate (as defined in the Loan Agreement) from the date of payment until repaid in full and shall, along with the interest thereon, constitute and become a part of the Obligations secured by this Agreement.

Pledgor hereby constitutes Agent as the attorney-in-fact of Pledgor after the occurrence of an Event of Default under the Loan Documents (including but not limited to this Agreement) and upon either acceleration of the Loan in accordance with the terms and conditions of the Loan Agreement or the maturity of the Loan and Borrowers fail to pay the Indebtedness, Agent may take such actions and execute such documents as Agent may deem appropriate in the exercise of the rights and powers granted to Agent in this Agreement, including, but not limited to, filling-in blanks in the Transfer Power to cause a transfer of the Ownership Interests and other Collateral pursuant to a sale of the Collateral. The power of attorney granted hereby shall be irrevocable and coupled with an interest and shall terminate only upon the payment in full of the Obligations.

Pledgor shall indemnify and hold Agent harmless for all losses, costs, damages, fees, and expenses suffered or incurred in connection with the exercise of this power of attorney and shall release Agent from any and all liability arising in connection with the exercise of this power of attorney, except that Pledgor shall have no obligation to indemnify or release Agent under this Section 8 with respect to matters arising from or as a result of Agent's gross negligence or willful misconduct.

9. Performance by Agent. During the continuance of an Event of Default and upon either acceleration of the Loan in accordance with the terms and conditions of the Loan Agreement or the maturity of the Loan and Borrowers fail to pay the Indebtedness, Agent, without waiving or releasing any of the Obligations or any Event of Default, may (but shall be under no obligation to) at any time thereafter perform such conditions, terms or covenants for the account and at the expense of Pledgor, and may enter upon the premises of Pledgor for that purpose and take all such action on the premises as Agent may consider necessary or appropriate for such purpose. All sums paid or advanced by Agent in connection with the foregoing and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection with the foregoing, together with interest thereon at the Default Rate, from the date of payment until repaid in full, shall be paid by Pledgor to Agent on demand and shall constitute and become a part of the Obligations secured by this Agreement.

10. Indemnification. Neither Agent nor Lenders shall in any way be responsible for the performance or discharge of, and neither Agent nor Lenders hereby undertakes to perform or discharge of, any obligation, duty, responsibility, or liability of Pledgor in connection with the Collateral or otherwise. Pledgor hereby agrees to indemnify Agent and Lenders and hold Agent and Lenders harmless from and against all losses, liabilities, damages, claims, or demands suffered or incurred by reason of this Agreement or by reason of any alleged responsibilities or undertakings on the part of Agent or Lenders to perform or discharge any obligations, duties, responsibilities, or liabilities of Pledgor in connection with the Collateral or otherwise; provided, however, that the foregoing indemnity and agreement to hold harmless shall not apply to losses, liabilities, damages, claims, or demands suffered or incurred as a result of Agent's or any Lender's own gross negligence or willful misconduct. Upon written request by Agent or Requisite Lenders, Pledgor will undertake, at its own cost and expense, on behalf of Agent and Lenders, using counsel reasonably satisfactory to Agent, the defense of any legal action or proceeding whether or not Agent or Lenders shall be a party and for which Agent or Lenders is entitled to be indemnified pursuant to this Section 10; provided, however, at Agent's or Requisite Lenders' option and upon prior written notice to Pledgor, Agent may, at Pledgor's expense, prosecute or defend any third party claim or action involving the validity or enforceability of Agent's liens on the Collateral or this Agreement. Agent shall have no duty to collect any amounts due or to become due in connection with the Collateral or enforce or preserve Pledgor's rights under this Agreement.

11. Termination. Upon indefeasible payment in full of the Obligations, and termination of any further obligation of Lenders to extend any credit to Borrowers under the Loan Documents, this Agreement shall terminate and Agent shall promptly execute appropriate documents to evidence such termination.

12. Release. Without prejudice to any of Agent's rights under this Agreement, Agent may take or release other security for the payment or performance of the Obligations, may release any party primarily or secondarily liable for the Obligations, and may apply any other security held by Agent to the satisfaction of the Obligations.

13. Pledgor's Liability Absolute. The liability of Pledgor under this Agreement shall be direct and immediate and not conditional or contingent upon the pursuit of any remedies against Pledgor or any other person, nor against other securities or liens available to Agent, its successors, assigns, or agents. Pledgor waives any right to require that resort be had to any security or to any balance of any deposit account or credit on the books of Agent in favor of any other person.

14. Preservation of Collateral. Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral and in preserving rights under this Agreement if Agent takes action for those purposes as Pledgor may reasonably request in writing, provided, that failure to comply with any such request shall not, in and of itself, be deemed a failure to exercise reasonable care, and no failure by Agent to preserve or protect any rights with respect to the Collateral or to do any act with respect to the preservation of the Collateral not so requested by Pledgor shall be deemed a failure to exercise reasonable care in the custody or preservation of the Collateral.

15. Private Sale. Pledgor recognizes that Agent may be unable to effect a public sale of the Collateral by reason of certain provisions contained in the federal Securities Act of 1933, as amended, and applicable state securities laws and, under the circumstances then existing, may reasonably resort to a private sale to a restricted group of purchasers who will be obliged to agree, among other things, to acquire the Collateral for their own account for investment and not with a view to the distribution or resale of the Collateral. Pledgor agrees

that a private sale so made may be at a price and on other terms less favorable to the seller than if the Collateral were sold at public sale and that Agent has no obligation to delay sale of the Collateral for the period of time necessary to permit Pledgor, even if Pledgor would agree to register or qualify the Collateral for public sale under the Securities Act of 1933, as amended, and applicable state securities laws. Pledgor agrees that a private sale made under the foregoing circumstances and otherwise in a commercially reasonable manner shall be deemed to have been made in a commercially reasonable manner under the UCC.

16. General.

(a) Final Agreement and Amendments. This Agreement, together with the other Loan Documents, constitutes the final and entire agreement and understanding of the parties and any term, condition, covenant or agreement not contained herein or therein is not a part of the agreement and understanding of the parties. Neither this Agreement, nor any term, condition, covenant or agreement hereof may be changed, waived, discharged or terminated except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

(b) Waiver. No party hereto shall be deemed to have waived the exercise of any right which it holds hereunder unless such waiver is made expressly and in writing (and, without limiting the generality of the foregoing, no delay or omission by any party hereto in exercising any such right shall be deemed a waiver of its future exercise). No such waiver made in any instance involving the exercise of any such right shall be deemed a waiver as to any other such instance, or any other such right. No single or partial exercise of any power or right shall preclude other or further exercise of the power or right or the exercise of any other power or right. No course of dealing between the parties hereto shall be construed as an amendment to this Agreement or a waiver of any provision of this Agreement. No notice to or demand on Pledgor in any case shall thereby entitle Pledgor to any other or further notice or demand in the same, similar or other circumstances.

(c) Headings. The headings of the Sections, subsections, paragraphs and subparagraphs hereof are provided herein for and only for convenience of reference, and shall not be considered in construing their contents.

(d) Construction. As used herein, all references made (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well, and (iii) to any Section, subsection, paragraph or subparagraph shall, unless therein expressly indicated to the contrary, be deemed to have been made to such Section, subsection, paragraph or subparagraph of this Agreement. The Recitals are incorporated herein as a substantive part of this Agreement and the Pledgor represents and warrants that such Recitals are true and correct.

(e) Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Pledgor, Agent and Lenders and their respective heirs, personal representatives, successors and assigns hereunder. In the event of any assignment or transfer by Agent of any of the Pledgor's obligations under the Loan Documents or the Collateral therefor, Agent thereafter shall be fully discharged from any responsibility with respect to such Collateral so assigned or transferred, but Agent shall retain all rights and powers given by this Agreement with respect to any of the Pledgor's obligations under the Loan Documents or Collateral not so assigned or transferred. Pledgor shall have no right to assign or delegate its rights or obligations hereunder.

(f) Severability. If any term, provision, covenant or condition of this Agreement or the application of such term, provision, covenant or condition to any party or circumstance shall be found by a court of competent jurisdiction to be, to any extent, invalid or unenforceable, the remainder of this Agreement and the application of such term, provision, covenant, or condition to parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, provision, covenant or condition shall be valid and enforced to the fullest extent permitted by law.

(g) Notices. Any notice or other communication required or permitted under this Agreement shall be in writing and sent in accordance with Section 9.8 of the Loan Agreement.

(h) Remedies Cumulative. Each right, power and remedy of Agent as provided for in this Agreement, or in any of the other Loan Documents or now or hereafter existing by law, shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Agreement, or in any of the other Loan Documents or now or hereafter existing by law, and the exercise or beginning of the exercise by Agent of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by Agent of any other rights, powers or remedies. (i) Time of the Essence; Survival; Joint and Several Liability. Time is of the essence of this Agreement and each and every term, covenant and condition contained herein. All covenants, agreements, representations and warranties made in this Agreement or in any of the other Loan Documents shall continue in full force and effect so long as any of the

obligations of any party under the Loan Documents (other than Agent) remain outstanding. Each persons or entity constituting Pledgor shall be jointly and severally liable for all of the obligations of Pledgor under this Agreement.

(j) Further Assurances. Pledgor hereby agrees that at any time and from time to time, at the expense of Pledgor, Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that Agent may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Agent or any of its agents to exercise and enforce its rights and remedies under this Agreement with respect to any portion of such collateral.

(k) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be considered to be an original, but all of which shall constitute one in the same instrument. As used in this Agreement, the term "this Agreement" shall include all attachments, exhibits, schedules, riders and addenda.

(l) Costs. Pledgor shall be responsible for the payment of any and all reasonable fees, costs and expenses which Agent and/or Lenders may incur by reason of this Agreement, including but not limited to the following: (i) any taxes of any kind related to any property or interests assigned or pledged hereunder; (ii) expenses incurred in filing public notices relating to any property or interests assigned or pledged hereunder; and (iii) any and all costs, expenses and fees (including, without limitation, reasonable attorneys' fees and expenses and court costs and fees), whether or not litigation is commenced, incurred by Agent and/or Lenders in protecting, insuring, maintaining, preserving, attaching, perfecting, enforcing, collecting or foreclosing upon any lien, security interest, right or privilege granted to Agent and/or Lenders or any obligation of Pledgor under this Agreement, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions or proceedings arising out of or related to this Agreement or any property or interests assigned or pledged hereunder.

(m) No Defenses. Pledgor's obligations under this Agreement shall not be subject to any set-off, counterclaim or defense to payment that Pledgor now has or may have in the future.

(n) Cooperation in Discovery and Litigation. In any litigation, trial, arbitration or other dispute resolution proceeding relating to this Agreement, all directors, officers, employees and agents of Pledgor or of its affiliates shall be deemed to be employees or managing agents of Pledgor for purposes of all applicable law or court rules regarding the production of witnesses by notice for testimony (whether in a deposition, at trial or otherwise). Pledgor in any event will use all commercially reasonable efforts, in compliance and in accordance with applicable law, to produce in any such dispute resolution proceeding, at the time and in the manner requested by Agent or any Lender, all persons and entities, documents (whether in tangible, electronic or other form) or other things under its control and relating to the dispute in any jurisdiction that recognizes that (or any similar) distinction.

(o) GOVERNING LAW; CONSENT TO JURISDICTION. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ANY OTHERWISE APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS. PLEDGOR, AGENT AND EACH LENDER HEREBY CONSENT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF COOK, STATE OF ILLINOIS AND PLEDGOR, AGENT AND EACH LENDER IRREVOCABLY AGREE THAT, SUBJECT TO AGENT'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS (UNLESS OTHERWISE SPECIFIED THEREIN) SHALL BE LITIGATED IN SUCH COURTS. PLEDGOR, AGENT AND EACH LENDER EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. PLEDGOR, AGENT AND EACH LENDER HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON PLEDGOR, AGENT AND EACH LENDER BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO PLEDGOR, AGENT AND LENDERS AT THE ADDRESSES SET FORTH IN SECTION 9.8 OF THIS AGREEMENT.

(p) WAIVER OF JURY TRIAL. PLEDGOR, AGENT AND EACH LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. PLEDGOR, AGENT AND EACH LENDER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH OF THEM HAS RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THAT EACH OF THEM WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. PLEDGOR, AGENT AND LENDERS WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

(q) Loan Agreement Governs. The Loan is governed by the terms and conditions set forth in the Loan Agreement and the other Loan Documents, and in the event of any conflict between the terms of this Agreement and the terms of the Loan Agreement, the terms of the Loan Agreement shall control; provided, however, that in the event there is any apparent conflict between any particular term or condition which appears in both this Agreement and the Loan Agreement and it is possible and reasonable for the terms of both this Agreement and the

Loan Agreement to be performed or complied with, then notwithstanding the foregoing, both the terms of this Agreement and the Loan Agreement shall be performed and complied with.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, intending to be legally bound, and intending that this instrument constitute an instrument executed under seal, each of the parties hereto has caused this Ownership Pledge, Assignment and Security Agreement to be executed under seal as of the day and year first above written.

PLEDGOR:

OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation

By: /S/ DANIEL J. BOOTH

Name: Daniel J. Booth
Title: Chief Operating Officer

AGENT:

GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation

By: /S/ JEFFREY M. MUCHMORE

Name: Jeffrey M. Muchmore
Its: Authorized Signatory

NOTICE OF PLEDGE

TO: OHI ASSET, LLC, OHI ASSET (FL), LLC, OHI ASSET (IN), LLC, OHI ASSET (LA), LLC, OHI ASSET (TX), LLC, OHI ASSET (ID), LLC, OHI ASSET (MI/NC), LLC, OHI ASSET (OH), LLC, OHI ASSET (MO), LLC, OHI ASSET (CA), LLC, DELTA INVESTORS I, LLC, DELTA INVESTORS II, LLC, NRS VENTURES, LLC, OHI (ILLINOIS), INC., OHI (INDIANA), INC. and STERLING ACQUISITION CORP. (collectively, "BORROWERS" and each individually, a "BORROWER")

Notice is hereby given that, pursuant to an Ownership Pledge, Assignment and Security Agreement of even date with this Notice of Pledge (the "AGREEMENT"), from the undersigned (the "PLEDGOR") to General Electric Capital Corporation, as Agent for the Lenders ("AGENT"), in connection with financing arrangements in effect between Lenders and Borrowers, Pledgor has pledged and assigned to Agent and granted to Agent, for the benefit of itself and Lenders, a continuing first priority security interest in, all of its right, title and interest, whether now existing or hereafter arising or acquired, in, to, and under the following (collectively, the "COLLATERAL"):

(a) all of the stock, shares, member interests and other equity ownership interests in each Borrower now or hereafter held by Pledgor (collectively, the "OWNERSHIP INTERESTS") and all of the Pledgor's rights to participate in the management of each Borrower, all rights, privileges, authority and powers of the Pledgor as owner or holder of its Ownership Interests in each Borrower, including, but not limited to, all contract rights and voting rights related thereto, all rights, privileges, authority and powers relating to the economic interests of the Pledgor as owner or holder or its Ownership Interests in each Borrower, including, without limitation, all contract rights related thereto, all options and warrants of the Pledgor for the purchase of any Ownership Interests in each Borrower, all documents and certificates representing or evidencing the Pledgor's Ownership Interests in each Borrower, all of Pledgor's right, title and interest to receive payments of principal and interest on any loans and/or other extensions of credit made by the Pledgor to each Borrower, and any other right, title, interest, privilege, authority and power of the Pledgor in or relating to each Borrower, all whether now existing or hereafter arising, and whether arising under any operating agreement of each Borrower (as the same may be amended, modified or restated from time to time), and the certificate of formation or existence of each Borrower (as the same may be amended, modified or restated from time to time) or otherwise, or at law or in equity and all books and records of the Pledgor pertaining to any of the foregoing and all options, warrants, distributions, investment property, cash, instruments and other rights and options from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such interests, and the Pledgor shall promptly thereafter deliver to Agent a certificate duly executed by the Pledgor describing such percentage interests, options or warrants and certifying that the same have been duly pledged

hereunder;

(b) all rights to receive cash distributions, profits, income, losses and capital distributions (including, but not limited to, distributions in kind and liquidating dividends) and any other rights and property interests related to the Ownership Interests;

(c) all other securities, instruments or property (including cash) paid or distributed in respect of or in exchange for the Ownership Interests, whether or not as part of or by way of spin-off, merger, consolidation, dissolution, reclassification, combination or exchange of stock (or other ownership interests), asset sales, or similar rearrangement or reorganization or otherwise; and

(d) all of Pledgor's right, title and interest in, to and under that certain International Swap Dealers Association, Inc. Master Agreement dated as of September 10, 2002, and the Confirmation dated September 11, 2002 and amended September 16, 2002, each executed by Pledgor and Merrill Lynch Derivative Products AG; and

(e) all proceeds (both cash and non-cash) of the foregoing, whether now or hereafter arising under the foregoing.

Pursuant to the Agreement, each Borrower is hereby authorized and directed to:

(i) register on its books Pledgor's pledge to Agent of the Collateral; and

(ii) upon the occurrence of an Event of Default under the Agreement (or prior thereto, as may be required under the Agreement) and written notice from Agent to Borrowers or Pledgor, make direct payment to Agent of any amounts due or to become due to Pledgor that are attributable, directly or indirectly, to Pledgor's ownership of the Collateral.

Pledgor hereby requests Borrowers to indicate their acceptance of this Notice of Pledge and consent to and confirmation of its terms and provisions by signing a copy of this Notice of Pledge where indicated below and returning it to Agent.

[SIGNATURE PAGES FOLLOW]

Dated as of June 23, 2003

PLEDGOR:

OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation

By: /S/ DANIEL J. BOOTH

Name: Daniel J. Booth
Its: Chief Operating Officer

ACKNOWLEDGED BY THE BORROWERS AS OF THIS 23RD DAY OF JUNE, 2003:

BORROWERS:

OHI ASSET, LLC,
a Delaware limited liability company
OHI ASSET (FL), LLC,
a Delaware limited liability company
OHI ASSET (IN), LLC,
a Delaware limited liability company
OHI ASSET (LA), LLC,
a Delaware limited liability company
OHI ASSET (TX), LLC,
a Delaware limited liability company
OHI ASSET (ID), LLC,
a Delaware limited liability company
OHI ASSET (MI/NC), LLC,
a Delaware limited liability company
OHI ASSET (OH), LLC,
a Delaware limited liability company
OHI ASSET (MO), LLC,
a Delaware limited liability company
OHI ASSET (CA), LLC,
a Delaware limited liability company
DELTA INVESTORS I, LLC,
a Maryland limited liability company
DELTA INVESTORS II, LLC,
a Maryland limited liability company

NRS VENTURES, LLC,
a Kentucky limited liability company

By: Omega Healthcare Investors, Inc., a Maryland corporation, as the sole member of each such company

By: /S/ DANIEL J. BOOTH

Name: Daniel J. Booth
Title: Chief Operating Officer

OHI (ILLINOIS), INC.,
an Illinois corporation
OHI (INDIANA), INC.,
an Indiana corporation
STERLING ACQUISITION CORP.,
a Kentucky corporation

By: /S/ DANIEL J. BOOTH

Name: Daniel J. Booth
Title: Chief Operating Officer of each such corporation

OMEGA HEALTHCARE INVESTORS, INC.
2000 STOCK INCENTIVE PLAN

(AMENDED AS OF JANUARY 1, 2001)

OMEGA HEALTHCARE INVESTORS, INC.

2000 STOCK INCENTIVE PLAN

TABLE OF CONTENTS

OMEGA HEALTHCARE INVESTORS, INC.

2000 STOCK INCENTIVE PLAN

SECTION 1. DEFINITIONS

1.1 Definitions. Whenever used herein, the masculine pronoun will be deemed to include the feminine, and the singular to include the plural, unless the context clearly indicates otherwise, and the following capitalized words and phrases are used herein with the meaning thereafter ascribed:

(a) "Affiliate" means:

(1) Any Subsidiary or Parent,

(2) An entity that directly or through one or more intermediaries controls, is controlled by, or is under common control with the Company, as determined by the Company, or

(3) Any entity in which the Company has such a significant interest that the Company determines it should be deemed an "Affiliate", as determined in the sole discretion of the Company.

(b) "Board of Directors" means the board of directors of the Company.

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

(d) "Committee" means the Compensation Committee of the Board of Directors.

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

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

(g) "Dividend Equivalent Rights" means certain rights to receive cash payments as described in Section 3.5.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(i) "Fair Market Value" with regard to a date means:

(1) the price at which Stock shall have been sold on that date or the last trading date prior to that date as reported by the national securities exchange selected by the Committee on which the shares of Stock are then actively traded or, if applicable, as reported by the NASDAQ Stock Market.

(2) if such market information is not published on a regular basis, the price of Stock in the over-the-counter market on that date or the last business day prior to that date as reported by the NASDAQ Stock Market or, if not so reported, by a generally accepted reporting service.

(3) if Stock is not publicly traded, as determined in good faith by the Committee with due consideration being given to (i) the most recent independent appraisal of the Company, if such appraisal is not more than twelve months old and (ii) the valuation methodology used in any such appraisal.

For purposes of Paragraphs (1), (2), or (3) above, the Committee may use the closing price as of the applicable date, the average of the high and low prices as of the applicable date or for a period certain ending on such date, the price determined at the time the transaction is processed, the tender offer price for shares of Stock, or any other method which the Committee determines is reasonably indicative of the fair market value.

(j) "Incentive Stock Option" means an incentive stock option within the meaning of Section 422 of the Internal Revenue Code.

(k) "Option" means a Non-Qualified Stock Option or an Incentive Stock Option.

(l) "Over 10% Owner" means an individual who at the time an Incentive Stock Option is granted owns Stock possessing more than 10% of the total combined voting power of the Company or one of its Subsidiaries, determined by applying the attribution rules of Code Section 424(d).

(m) "Non-Qualified Stock Option" means a stock option that is not an Incentive Stock Option.

(n) "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, with respect to Incentive Stock Options, at the time of the granting of the Option, each of the

corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A Parent shall include any entity other than a corporation to the extent permissible under Section 424(f) or regulations and rulings thereunder.

(o) "Participant" means an individual who receives a Stock Incentive hereunder.

(p) "Performance Goals" means the measurable performance objectives, if any, established by the Committee for a Performance Period that are to be achieved with respect to a Stock Incentive granted to a Participant under the Plan. Performance Goals may be described in terms of Company-wide objectives or in terms of objectives that are related to performance of the division, Affiliate, department or function within the Company or an Affiliate in which the Participant receiving the Stock Incentive is employed or on which the Participant's efforts have the most influence. The achievement of the Performance Goals established by the Committee for any Performance Period will be determined without regard to the effect on such Performance Goals of any acquisition or disposition by the Company of a trade or business, or of substantially all of the assets of a trade or business, during the Performance Period and without regard to any change in accounting standards by the Financial Accounting Standards Board or any successor entity. The Performance Goals established by the Committee for any Performance Period under the Plan will consist of one or more of the following:

(i) earnings per share and/or growth in earnings per share in relation to target objectives, excluding the effect of extraordinary or nonrecurring items;

(ii) operating cash flow and/or growth in operating cash flow in relation to target objectives;

(iii) cash available in relation to target objectives;

(iv) net income and/or growth in net income in relation to target objectives, excluding the effect of extraordinary or nonrecurring items;

(v) revenue and/or growth in revenue in relation to target objectives;

(vi) total shareholder return (measured as the total of the appreciation of and dividends declared on the Common Stock) in relation to target objectives;

(vii) return on invested capital in relation to target objectives;

(viii) return on shareholder equity in relation to target objectives;

(ix) return on assets in relation to target objectives; and

(x) return on common book equity in relation to target objectives

If the Committee determines that, as a result of a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which the Company conducts its business, or any other events or circumstances, the Performance Goals are no longer suitable, the Committee may in its discretion modify such Performance Goals or the related minimum acceptable level of achievement, in whole or in part, with respect to a period as the Committee deems appropriate and equitable, except where such action would result in the loss of the otherwise available exemption of the Stock Incentive under Section 162(m) of the Code. In such case, the Committee will not make any modification of the Performance Goals or minimum acceptable level of achievement.

(q) "Performance Period" means, with respect to a Stock Incentive, a period of time within which the Performance Goals relating to such Stock Incentive are to be measured. The Performance Period will be established by the Committee at the time the Stock Incentive is granted.

(r) "Performance Unit Award" refers to a performance unit award as described in Section 3.6.

(s) "Phantom Shares" refers to the rights described in Section 3.7.

(t) "Plan" means the Omega Healthcare Investors, Inc. 2000 Stock Incentive Plan.

(u) "Stock" means Company's common stock.

(v) "Stock Appreciation Right" means a stock appreciation right described in Section 3.3.

(w) "Stock Award" means a stock award described in Section 3.4.

(x) "Stock Incentive Agreement" means an agreement between the Company and

a Participant or other documentation evidencing an award of a Stock Incentive.

(y) "Stock Incentive Program" means a written program established by the Committee, pursuant to which Stock Incentives are awarded under the Plan under uniform terms, conditions and restrictions set forth in such written program.

(z) "Stock Incentives" means, collectively, Dividend Equivalent Rights, Incentive Stock Options, Non-Qualified Stock Options, Phantom Shares, Stock Appreciation Rights and Stock Awards and Performance Unit Awards.

(aa) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain. A "Subsidiary" shall include any entity other than a corporation to the extent permissible under Section 424(f) or regulations or rulings thereunder.

(bb) "Termination of Employment" means the termination of the employee-employer relationship between a Participant and the Company and its Affiliates, regardless of whether severance or similar payments are made to the Participant for any reason, including, but not by way of limitation, a termination by resignation, discharge, death, Disability or retirement. The Committee will, in its absolute discretion, determine the effect of all matters and questions relating to a Termination of Employment, including, but not by way of limitation, the question of whether a leave of absence constitutes a Termination of Employment.

SECTION 2 THE STOCK INCENTIVE PLAN

2.1 Purpose of the Plan. The Plan is intended to (a) provide incentive to officers, key employee, directors and consultants of the Company and its Affiliates to stimulate their efforts toward the continued success of the Company and to operate and manage the business in a manner that will provide for the long-term growth and profitability of the Company; (b) encourage stock ownership by officers, key employees, directors and consultants by providing them with a means to acquire a proprietary interest in the Company, acquire shares of Stock, or to receive compensation which is based upon appreciation in the value of Stock; and (c) provide a means of obtaining, rewarding and retaining officers, key personnel, directors, and consultants.

2.2 Stock Subject to the Plan. Subject to adjustment in accordance with Section 5.2, three million five hundred thousand (3,500,000) shares of Stock (the "Maximum Plan Shares") are hereby reserved exclusively for issuance upon exercise or payment pursuant to Stock Incentives. The shares of Stock attributable to the nonvested, unpaid, unexercised, unconverted or otherwise unsettled portion of any Stock Incentive that is forfeited or cancelled or expires or terminates for any reason without becoming vested, paid, exercised, converted or otherwise settled in full will again be available for purposes of the Plan.

2.3 Administration of The Plan. The Plan is administered by the Committee. The Committee has full authority in its discretion to determine the officers, key employees, directors and consultants of the Company or its Affiliates to whom Stock Incentives will be granted and the terms and provisions of Stock Incentives, subject to the Plan. Subject to the provisions of the Plan, the Committee has full and conclusive authority to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the respective Stock Incentive Agreements and to make all other determinations necessary or advisable for the proper administration of the Plan. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan (whether or not such persons are similarly situated). The Committee's decisions are final and binding on all Participants.

2.4 Eligibility and Limits. Stock Incentives may be granted only to officers, and key employees, directors, and consultants of the Company, or any Affiliate of the Company; provided, however, that an Incentive Stock Option may only be granted to an employee of the Company or any Subsidiary. In the case of Incentive Stock Options, the aggregate Fair Market Value (determined as at the date an Incentive Stock Option is granted) of stock with respect to which stock options intended to meet the requirements of Code Section 422 become exercisable for the first time by an individual during any calendar year under all plans of the Company and its Subsidiaries may not exceed $100,000; provided further, that if the limitation is exceeded, the Incentive Stock Option(s) which cause the limitation to be exceeded will be treated as Non-Qualified Stock Option(s).

2.5 Non-Employee Director Stock Option Grants. A Non-Qualified Stock Option with respect to 10,000 shares of stock shall be made to each non-employee director upon his election as a non-employee director. An additional Non-qualified Stock Option grant with respect to 1,000 shares shall be made to each non-employee director on or after each anniversary of the initial grant. [Amended as of January 1, 2001 to provide that the annual grant shall be made as of January 1 of each year.] Each Stock Option granted to a non-employee director will vest with respect to 1/3 of the grant on the first anniversary of the

grant, with respect to an additional 1/3 of the grant on the second anniversary of the grant, and with respect to the final 1/3 on the third anniversary of the grant; provided that a optionee will cease to vest when he or she ceases to provide services to the Company as an Employee, Consultant, or director.

Non-employee directors are not eligible for further grants of Stock Options.

SECTION 3 TERMS OF STOCK INCENTIVES

3.1 Terms and Conditions of All Stock Incentives.

(a) The number of shares of Stock as to which a Stock Incentive may be granted will be determined by the Committee in its sole discretion, subject to the provisions of Section 2.2 as to the total number of shares available for grants under the Plan and subject to the limits on Options and Stock Appreciation Rights in the following sentence. On such date as required by Section 162(m) of the Code and the regulations thereunder for compensation to be treated as qualified performance based compensation, the maximum number of shares of Stock with respect to which Options or Stock Appreciation Rights may be granted during any one year period to any employee may not exceed 1,100,000. If, after grant, an Option is cancelled, the cancelled Option shall continue to be counted against the maximum number of shares for which options may be granted to an employee as described in this Section 3.1. If, after grant, the exercise price of an Option is reduced or the base amount on which a Stock Appreciation Right is calculated is reduced, the transaction shall be treated as the cancellation of the Option or the Stock Appreciation Right, as applicable, and the grant of a new Option or Stock Appreciation Right, as applicable. If an Option or Stock Appreciation Right is deemed to be cancelled as described in the preceding sentence, the Option or Stock Appreciation Right that is deemed to be canceled and the Option or Stock Appreciation Right that is deemed to be granted shall both be counted against the maximum number of shares for which Options or Stock Appreciation Rights may be granted to an employee as described in this Section 3.1.

(b) Each Stock Incentive will either be evidenced by a Stock Incentive Agreement in such form and containing such terms, conditions and restrictions as the Committee may determine to be appropriate, including without limitation, Performance Goals that must be achieved as a condition to vesting or payment of the Stock Incentive, or be made subject to the terms of a Stock Incentive Program, containing such terms, conditions and restrictions as the Committee may determine to be appropriate, including without limitation, Performance Goals that must be achieved as a condition to vesting or payment of the Stock Incentive. Each Stock Incentive Agreement or Stock Incentive Program is subject to the terms of the Plan and any provisions contained in the Stock Incentive Agreement or Stock Incentive Program that are inconsistent with the Plan are null and void.

(c) The date a Stock Incentive is granted will be the date on which the Committee has approved the terms and conditions of the Stock Incentive and has determined the recipient of the Stock Incentive and the number of shares covered by the Stock Incentive, and has taken all such other actions necessary to complete the grant of the Stock Incentive.

(d) Any Stock Incentive may be granted in connection with all or any portion of a previously or contemporaneously granted Stock Incentive. Exercise or vesting of a Stock Incentive granted in connection with another Stock Incentive may result in a pro rata surrender or cancellation of any related Stock Incentive, as specified in the applicable Stock Incentive Agreement or Stock Incentive Program.

(e) Stock Incentives are not transferable or assignable except by will or by the laws of descent and distribution and are exercisable, during the Participant's lifetime, only by the Participant; or in the event of the Disability of the Participant, by the legal representative of the Participant; or in the event of death of the Participant, by the legal representative of the Participant's estate or if no legal representative has been appointed, by the successor in interest determined under the Participant's will; provided, however, that the Committee may waive any of the provisions of this Section or provide otherwise as to any Stock Incentives other than Incentive Stock Options.

3.2 Terms and Conditions of Options. Each Option granted under the Plan must be evidenced by a Stock Incentive Agreement. At the time any Option is granted, the Committee will determine whether the Option is to be an Incentive Stock Option described in Code Section 422 or a Non-Qualified Stock Option, and the Option must be clearly identified as to its status as an Incentive Stock Option or a Non-Qualified Stock Option. Incentive Stock Options may only be granted to employees of the Company or any Subsidiary. At the time any Incentive Stock Option granted under the Plan is exercised, the Company will be entitled to legend the certificates representing the shares of Stock purchased pursuant to the Option to clearly identify them as representing the shares purchased upon the exercise of an Incentive Stock Option. An Incentive Stock Option may only be

granted within ten (10) years from the earlier of the date the Plan is adopted or approved by the Company's stockholders.

(a) Option Price. Subject to adjustment in accordance with Section 5.2 and the other provisions of this Section 3.2, the exercise price (the "Exercise Price") per share of Stock purchasable under any Option must be as set forth in the applicable Stock Incentive Agreement, but in no event may it be less than the Fair Market Value on the date the Option is granted with respect to an Incentive Stock Option. With respect to each grant of an Incentive Stock Option to a Participant who is an Over 10% Owner, the Exercise Price may not be less than 110% of the Fair Market Value on the date the Option is granted. [Amended as of June 30, 2000]

(b) Option Term. Any Incentive Stock Option granted to a Participant who is not an Over 10% Owner is not exercisable after the expiration of ten (10) years after the date the Option is granted. Any Incentive Stock Option granted to an Over 10% Owner is not exercisable after the expiration of five (5) years after the date the Option is granted. The term of any Non-Qualified Stock Option must be as specified in the applicable Stock Incentive Agreement.

(c) Payment. Payment for all shares of Stock purchased pursuant to exercise of an Option will be made in any form or manner authorized by the Committee in the Stock Incentive Agreement or by amendment thereto, including, but not limited to, cash or, if the Stock Incentive Agreement provides:

(i) by delivery to the Company of a number of shares of Stock which have been owned by the holder for at least six (6) months prior to the date of exercise having an aggregate Fair Market Value of not less than the product of the Exercise Price multiplied by the number of shares the Participant intends to purchase upon exercise of the Option on the date of delivery;

(ii) in a cashless exercise through a broker; or

(iii) by having a number of shares of Stock withheld, the Fair Market Value of which as of the date of exercise is sufficient to satisfy the Exercise Price.

In its discretion, the Committee also may authorize (at the time an Option is granted or thereafter) Company financing to assist the Participant as to payment of the Exercise Price on such terms as may be offered by the Committee in its discretion. Payment must be made at the time that the Option or any part thereof is exercised, and no shares may be issued or delivered upon exercise of an option until full payment has been made by the Participant. The holder of an Option, as such, has none of the rights of a stockholder.

(d) Conditions to the Exercise of an Option. Each Option granted under the Plan is exercisable by the Participant or any other designated person, at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee specifies in the Stock Incentive Agreement; provided, however, that subsequent to the grant of an Option, the Committee, at any time before complete termination of such Option, may accelerate the time or times at which such Option may be exercised in whole or in part, including, without limitation, upon a Change in Control as defined in the Stock Incentive Agreement and may permit the Participant or any other designated person to exercise the Option, or any portion thereof, for all or part of the remaining Option term, notwithstanding any provision of the Stock Incentive Agreement to the contrary.

(e) Termination of Incentive Stock Option. With respect to an Incentive Stock Option, in the event of Termination of Employment of a Participant, the Option or portion thereof held by the Participant which is unexercised will expire, terminate, and become unexercisable no later than the expiration of three (3) months after the date of Termination of Employment; provided, however, that in the case of a holder whose Termination of Employment is due to death or Disability, one (1) year will be substituted for such three (3) month period; provided, further that such time limits may be exceeded by the Committee under the terms of the grant, in which case, the Incentive Stock Option will be a Non-Qualified Option if it is exercised after the time limits that would otherwise apply. For purposes of this Subsection (e), Termination of Employment of the Participant will not be deemed to have occurred if the Participant is employed by another corporation (or a parent or subsidiary corporation of such other corporation) which has assumed the Incentive Stock Option of the Participant in a transaction to which Code Section 424(a) is applicable.

(f) Special Provisions for Certain Substitute Options. Notwithstanding anything to the contrary in this Section 3.2, any Option issued in substitution for an option previously issued by another entity, which substitution occurs in connection with a transaction to which Code Section 424(a) is applicable, may provide for an exercise price computed in accordance with such Code Section and the regulations thereunder and may

contain such other terms and conditions as the Committee may prescribe to cause such substitute Option to contain as nearly as possible the same terms and conditions (including the applicable vesting and termination provisions) as those contained in the previously issued option being replaced thereby.

3.3 Terms and Conditions of Stock Appreciation Rights. Each Stock Appreciation Right granted under the Plan must be evidenced by a Stock Incentive Agreement. A Stock Appreciation Right entitles the Participant to receive the excess of (1) the Fair Market Value of a specified or determinable number of shares of the Stock at the time of payment or exercise over (2) a specified or determinable price which, in the case of a Stock Appreciation Right granted in connection with an Option, may not be less than the Exercise Price for that number of shares subject to that Option. A Stock Appreciation Right granted in connection with a Stock Incentive may only be exercised to the extent that the related Stock Incentive has not been exercised, paid or otherwise settled.

(a) Settlement. Upon settlement of a Stock Appreciation Right, the Company must pay to the Participant the appreciation in cash or shares of Stock (valued at the aggregate Fair Market Value on the date of payment or exercise) as provided in the Stock Incentive Agreement or, in the absence of such provision, as the Committee may determine.

(b) Conditions to Exercise. Each Stock Appreciation Right granted under the Plan is exercisable or payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee specifies in the Stock Incentive Agreement; provided, however, that subsequent to the grant of a Stock Appreciation Right, the Committee, at any time before complete termination of such Stock Appreciation Right, may accelerate the time or times at which such Stock Appreciation Right may be exercised or paid in whole or in part.

3.4 Terms and Conditions of Stock Awards. The number of shares of Stock subject to a Stock Award and restrictions or conditions on such shares, if any, will be as the Committee determines, and the certificate for such shares will bear evidence of any restrictions or conditions. Subsequent to the date of the grant of the Stock Award, the Committee has the power to permit, in its discretion, an acceleration of the expiration of an applicable restriction period with respect to any part or all of the shares awarded to a Participant. The Committee may require a cash payment from the Participant in an amount no greater than the aggregate Fair Market Value of the shares of Stock awarded determined at the date of grant in exchange for the grant of a Stock Award or may grant a Stock Award without the requirement of a cash payment.

3.5 Terms and Conditions of Dividend Equivalent Rights. A Dividend Equivalent Right entitles the Participant to receive payments from the Company in an amount determined by reference to any cash dividends paid on a specified number of shares of Stock to Company stockholders of record during the period such rights are effective. The Committee may impose such restrictions and conditions on any Dividend Equivalent Right as the Committee in its discretion shall determine, including the date any such right shall terminate and may reserve the right to terminate, amend or suspend any such right at any time.

(a) Payment. Payment in respect of a Dividend Equivalent Right may be made by the Company in cash or shares of Stock (valued at Fair Market Value as of the date payment is owed) as provided in the Stock Incentive Agreement or Stock Incentive Program, or, in the absence of such provision, as the Committee may determine.

(b) Conditions To Payment. Each Dividend Equivalent Right granted under the Plan is payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee specifies in the applicable Stock Incentive Agreement or Stock Incentive Program; provided, however, that subsequent to the grant of a Dividend Equivalent Right, the Committee, at any time before complete termination of such Dividend Equivalent Right, may accelerate the time or times at which such Dividend Equivalent Right may be paid in whole or in part.

3.6 Terms and Conditions of Performance Unit Awards. A Performance Unit Award shall entitle the Participant to receive, at a specified future date, payment of an amount equal to all or a portion of the value of a specified or determinable number of units (stated in terms of a designated or determinable dollar amount per unit) granted by the Committee. At the time of the grant, the Committee must determine the base value of each unit, the number of units subject to a Performance Unit Award, and the Performance Goals applicable to the determination of the ultimate payment value of the Performance Unit Award. The Committee may provide for an alternate base value for each unit under certain specified conditions.

(a) Payment. Payment in respect of Performance Unit Awards may be made by the Company in cash or shares of Stock (valued at Fair Market Value as of the date payment is owed) as provided in the applicable Stock Incentive Agreement or Stock Incentive Program or, in the absence of such provision, as the Committee may determine.

(b) Conditions To Payment. Each Performance Unit Award granted under the Plan shall be payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee shall specify in the applicable Stock Incentive Agreement or Stock Incentive Program; provided, however, that subsequent to the grant of a Performance Unit Award, the Committee, at any time before complete termination of such Performance Unit Award, may accelerate the time or times at which such Performance Unit Award may be paid in whole or in part.

3.7 Terms And Conditions Of Phantom Shares. Phantom Shares shall entitle the Participant to receive, at a specified future date, payment of an amount equal to all or a portion of the Fair Market Value of a specified number of shares of Stock at the end of a specified period. At the time of the grant, the Committee will determine the factors which will govern the portion of the phantom shares so payable, including, at the discretion of the Committee, any performance criteria that must be satisfied as a condition to payment. Phantom Share awards containing performance criteria may be designated as performance share awards.

(a) Payment. Payment in respect of Phantom Shares may be made by the Company in cash or shares of Stock (valued at Fair Market Value as of the date payment is owed) as provided in the applicable Stock Incentive Agreement or Stock Incentive Program, or, in the absence of such provision, as the Committee may determine.

(b) Conditions to Payment. Each Phantom Share granted under the Plan is payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee specify in the applicable Stock Incentive Agreement or Stock Incentive Program; provided, however, that subsequent to the grant of a Phantom Share, the Committee, at any time before complete termination of such Phantom Share, may accelerate the time or times at which such Phantom Share may be paid in whole or in part.

3.8 Treatment of Awards Upon Termination of Employment. Except as otherwise provided by Plan Section 3.2(e), any award under this Plan to a Participant who has experienced a Termination of Employment may be cancelled, accelerated, paid or continued, as provided in the applicable Stock Incentive Agreement or Stock Incentive Program, or, in the absence of such provision, as the Committee may determine. The portion of any award exercisable in the event of continuation or the amount of any payment due under a continued award may be adjusted by the Committee to reflect the Participant's period of service from the date of grant through the date of the Participant's Termination of Employment or such other factors as the Committee determines are relevant to its decision to continue the award.

SECTION 4 RESTRICTIONS ON STOCK

4.1 Escrow of Shares. Any certificates representing the shares of Stock issued under the Plan will be issued in the Participant's name, but, if the applicable Stock Incentive Agreement or Stock Incentive Program so provides, the shares of Stock will be held by a custodian designated by the Committee (the "Custodian"). Each applicable Stock Incentive Agreement or Stock Incentive Program providing for transfer of shares of Stock to the Custodian must appoint the Custodian as the attorney-in-fact for the Participant for the term specified in the applicable Stock Incentive Agreement or Stock Incentive Program, with full power and authority in the Participant's name, place and stead to transfer, assign and convey to the Company any shares of Stock held by the Custodian for such Participant, if the Participant forfeits the shares under the terms of the applicable Stock Incentive Agreement or Stock Incentive Program. During the period that the Custodian holds the shares subject to this Section, the Participant is entitled to all rights, except as provided in the applicable Stock Incentive Agreement or Stock Incentive Program, applicable to shares of Stock not so held. Any dividends declared on shares of Stock held by the Custodian must provide in the applicable Stock Incentive Agreement or Stock Incentive Program, to be paid directly to the Participant or, in the alternative, be retained by the Custodian or by the Company until the expiration of the term specified in the applicable Stock Incentive Agreement or Stock Incentive Program and shall then be delivered, together with any proceeds, with the shares of Stock to the Participant or to the Company, as applicable.

4.2 Restrictions On Transfer. The Participant does not have the right to make or permit to exist any disposition of the shares of Stock issued pursuant to the Plan except as provided in the Plan or the applicable Stock Incentive Agreement or Stock Incentive Program. Any disposition of the shares of Stock issued under the Plan by the Participant not made in accordance with the Plan or the applicable Stock Incentive Agreement or Stock Incentive Program will be void. The Company will not recognize, or have the duty to recognize, any disposition not made in accordance with the Plan and the applicable Stock Incentive Agreement or Stock Incentive Program, and the shares so transferred will continue to be bound by the Plan and the applicable Stock Incentive Agreement or Stock Incentive Program.

SECTION 5 GENERAL PROVISIONS

5.1 Withholding. The Company must deduct from all cash distributions under

the Plan any taxes required to be withheld by federal, state or local government. Whenever the Company proposes or is required to issue or transfer shares of Stock under the Plan or upon the vesting of any Stock Award, the Company has the right to require the recipient to remit to the Company an amount sufficient to satisfy any federal, state and local tax withholding requirements prior to the delivery of any certificate or certificates for such shares or the vesting of such Stock Award. A Participant may pay the withholding obligation in cash, or, if the applicable Stock Incentive Agreement or Stock Incentive Program provides, a Participant may elect to have the number of shares of Stock he is to receive reduced by, or with respect to a Stock Award, tender back to the Company, the smallest number of whole shares of Stock which, when multiplied by the Fair Market Value of the shares of Stock determined as of the Tax Date (defined below), is sufficient to satisfy federal, state and local, if any, withholding obligation arising from exercise or payment of a Stock Incentive (a "Withholding Election"). A Participant may make a Withholding Election only if both of the following conditions are met:

(a) The Withholding Election must be made on or prior to the date on which the amount of tax required to be withheld is determined (the "Tax Date") by executing and delivering to the Company a properly completed notice of Withholding Election as prescribed by the Committee; and

(b) Any Withholding Election made will be irrevocable except on six months advance written notice delivered to the Company; however, the Committee may in its sole discretion disapprove and give no effect to the Withholding Election.

5.2 Changes In Capitalization; Merger; Liquidation.

(a) The number of shares of Stock reserved for the grant of Options, Dividend Equivalent Rights, Performance Unit Awards, Phantom Shares, Stock Appreciation Rights and Stock Awards; the number of shares of Stock reserved for issuance upon the exercise or payment, as applicable, of each outstanding Option, Dividend Equivalent Right, Phantom Share and Stock Appreciation Right and upon vesting or grant, as applicable, of each Stock Award; the Exercise Price of each outstanding Option and the specified number of shares of Stock to which each outstanding Dividend Equivalent Right, Phantom Share and Stock Appreciation Right pertains must be proportionately adjusted for any increase or decrease in the number of issued shares of Stock resulting from a subdivision or combination of shares or the payment of a stock dividend in shares of Stock to holders of outstanding shares of Stock or any other increase or decrease in the number of shares of Stock outstanding effected without receipt of consideration by the Company.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, spin-off, sale of substantially all of the Company's assets, other change in capital structure of the Company, tender offer for shares of Stock, or a change in control of the Company (as defined by the Committee in the applicable Stock Incentive Agreement) the Committee may make such adjustments with respect to awards and take such other action as it deems necessary or appropriate to reflect such merger, consolidation, reorganization or tender offer, including, without limitation, the substitution of new awards, or the adjustment of outstanding awards, the acceleration of awards, the removal of restrictions on outstanding awards, or the termination of outstanding awards in exchange for the cash value determined in good faith by the Committee of the vested and/or unvested portion of the award. Any adjustment pursuant to this Section 5.2 may provide, in the Committee's discretion, for the elimination without payment therefor of any fractional shares that might otherwise become subject to any Stock Incentive, but except as set forth in this Section may not otherwise diminish the then value of the Stock Incentive.

(c) The existence of the Plan and the Stock Incentives granted pursuant to the Plan must not affect in any way the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or any part of its business or assets, or any other corporate act or proceeding.

5.3 Cash Awards. The Committee may, at any time and in its discretion, grant to any holder of a Stock Incentive the right to receive, at such times and in such amounts as determined by the Committee in its discretion, a cash amount which is intended to reimburse such person for all or a portion of the federal, state and local income taxes imposed upon such person as a consequence of the receipt of the Stock Incentive or the exercise of rights thereunder.

5.4 Compliance With Code. All Incentive Stock Options to be granted hereunder are intended to comply with Code Section 422, and all provisions of the Plan and all Incentive Stock Options granted hereunder must be construed in such manner as to effectuate that intent.

5.5 Right to Terminate Employment. Nothing in the Plan or in any Stock Incentive confers upon any Participant the right to continue as an employee or officer of the Company or any of its Affiliates or affect the right of the Company or any of its Affiliates to terminate the Participant's employment or services at any time.

5.6 Non-Alienation of Benefits. Other than as provided herein, no benefit under the Plan may be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge; and any attempt to do so shall be void. No such benefit may, prior to receipt by the Participant, be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the Participant.

5.7 Restrictions on Delivery and Sale of Shares; Legends. Each Stock Incentive is subject to the condition that if at any time the Committee, in its discretion, shall determine that the listing, registration or qualification of the shares covered by such Stock Incentive upon any securities exchange or under any state or federal law is necessary or desirable as a condition of or in connection with the granting of such Stock Incentive or the purchase or delivery of shares thereunder, the delivery of any or all shares pursuant to such Stock Incentive may be withheld unless and until such listing, registration or qualification shall have been effected. If a registration statement is not in effect under the Securities Act of 1933 or any applicable state securities laws with respect to the shares of Stock purchasable or otherwise deliverable under Stock Incentives then outstanding, the Committee may require, as a condition of exercise of any Option or as a condition to any other delivery of Stock pursuant to a Stock Incentive, that the Participant or other recipient of a Stock Incentive represent, in writing, that the shares received pursuant to the Stock Incentive are being acquired for investment and not with a view to distribution and agree that the shares will not be disposed of except pursuant to an effective registration statement, unless the Company shall have received an opinion of counsel that such disposition is exempt from such requirement under the Securities Act of 1933 and any applicable state securities laws. The Company may include on certificates representing shares delivered pursuant to a Stock Incentive such legends referring to the foregoing representations or restrictions or any other applicable restrictions on resale as the Company, in its discretion, shall deem appropriate.

5.8 Listing and Legal Compliance. The Committee may suspend the exercise or payment of any Stock Incentive so long as it determines that securities exchange listing or registration or qualification under any securities laws is required in connection therewith and has not been completed on terms acceptable to the Committee.

5.9 Termination and Amendment of the Plan. The Board of Directors at any time may amend or terminate the Plan without stockholder approval; provided, however, that the Board of Directors may condition any amendment on the approval of stockholders of the Company if such approval is necessary or advisable with respect to tax, securities or other applicable laws. No such termination or amendment without the consent of the holder of a Stock Incentive may adversely affect the rights of the Participant under such Stock Incentive.

5.10 Stockholder Approval. The Plan must be submitted to the stockholders of the Company for their approval within twelve (12) months before or after the adoption of the Plan by the Board of Directors of the Company. If such approval is not obtained, any Stock Incentive granted hereunder will be void.

5.11 Choice of Law. The laws of the State of Maryland shall govern the Plan, to the extent not preempted by federal law, without reference to the principles of conflict of laws.

5.12 Effective Date of Plan. This Plan was approved by the Board of Directors as of June 14, 2000.

EXHIBIT 31.1

CERTIFICATION

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.;

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 report;

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

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2003

/s/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

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.;

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 report;

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

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2003

/s/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer

EXHIBIT 32.1

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

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

(1) the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2003, (the "Report") fully complies with the requirements of ss.ss. 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: July 31, 2003

/s/ C. TAYLOR PICKETT
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C. Taylor Pickett
Chief Executive Officer

EXHIBIT 32.2

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

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

(1) the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2003, (the "Report") fully complies with the requirements of ss.ss. 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: July 31, 2003

/s/ ROBERT O. STEPHENSON
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Robert O. Stephenson
Chief Financial Officer