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 SEPETEMBER 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 SEPTEMBER 30, 2003.

COMMON STOCK, $.10 PAR VALUE	37,210,991
(CLASS)	(NUMBER OF SHARES)

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

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PART 1 - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	SEPTEMBER 30, 2003 (UNAUDITED)	DECEMBER 31, 2002 (SEE NOTE)
ASSETS		
Real estate properties		
Land and buildings at cost	$ 709,825	$ 669,188
Less accumulated depreciation	(133,344)	(117,986)
Real estate properties - net	576,481	551,202
Mortgage notes receivable - net	120,314	173,914
	696,795	725,116
Other investments - net	26,491	36,887
	723,286	762,003
Assets held for sale - net	2,091	2,324
Total investments	725,377	764,327
Cash and cash equivalents	6,079	14,340
Accounts receivable - net	2,599	2,766
Interest rate cap	5,280	7,258
Other assets	7,600	5,597
Operating assets for owned properties	-	9,721
Total assets	$ 746,935	$ 804,009
LIABILITIES AND STOCKHOLDERS EQUITY		
Revolving lines of credit	$ 190,545	$ 177,000
Unsecured borrowings	100,000	100,000
Other long-term borrowings	6,945	29,462

Accrued expenses and other liabilities	18,075	13,234
Operating liabilities for owned properties	-	4,612
Operating assets and liabilities for owned properties- net	957	-
Total liabilities	316,522	324,308
Preferred stock	212,342	212,342
Common stock and additional paid-in capital	484,918	484,766
Cumulative net earnings	169,092	151,245
Cumulative dividends paid	(431,123)	(365,654)
Unamortized restricted stock awards	-	(116)
Accumulated other comprehensive loss	(4,816)	(2,882)
Total stockholders equity	430,413	479,701
Total liabilities and stockholders equity	$ 746,935	$ 804,009

</TABLE>

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)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
REVENUES				
Rental income	$ 16,523	$ 16,472	$ 49,350	$ 47,569
Mortgage interest income	3,465	5,301	11,346	15,899
Other investment income - net	660	2,068	2,406	4,227
Nursing home revenues of owned and operated assets	-	6,798	-	40,756
Litigation settlement	-	-	2,187	-
Miscellaneous	278	243	990	759
	20,926	30,882	66,279	109,210
EXPENSES				
Nursing home expenses of owned and operated assets	-	19,677	-	56,862
Nursing home revenues and expenses of owned and operated assets - net	19	-	1,457	-
Depreciation and amortization	5,386	5,297	16,119	15,961

Interest	5,468	6,444	17,963	21,769
General and administrative	1,493	1,576	4,425	5,065
Legal	538	610	1,880	2,262
State taxes	153	54	472	270
Provision for impairment	4,276	2,371	8,894	1,699
Provision for uncollectible mortgages, notes and accounts receivable	-	5,219	-	8,898
Adjustment of derivatives to fair value	-	(348)	-	(946)
	17,333	40,900	51,210	111,840
Income (loss) before gain on assets sold	3,593	(10,018)	15,069	(2,630)
Gain on assets sold - net	-	2,157	1,282	1,855
Income (loss) from continuing operations	3,593	(7,861)	16,351	(775)
Income (loss) from discontinued operations	1,440	(1)	1,496	(3,170)
Net income (loss)	5,033	(7,862)	17,847	(3,945)
Preferred stock dividends	(5,029)	(5,029)	(15,087)	(15,087)
Net income (loss) available to common	$ 4	$(12,891)	$ 2,760	$(19,032)
Income (loss) per common share:				
Basic:				
Income (loss) from continuing operations	$ (0.04)	$ (0.35)	$ 0.03	$ (0.47)
Net income (loss)	$ -	$ (0.35)	$ 0.07	$ (0.56)
Diluted:				
Income (loss) from continuing operations	$ (0.04)	$ (0.35)	$ 0.03	$ (0.47)
Net income (loss)	$ -	$ (0.35)	$ 0.07	$ (0.56)
Dividends declared per common share	$ 0.15	$ -	$ 0.15	$ -
Weighted-average shares outstanding, basic	37,193	37,133	37,164	33,930
Weighted-average shares outstanding, diluted	38,617	37,133	38,587	33,930
Components of other comprehensive income:				
Unrealized gain on Omega Worldwide, Inc.	$ -	$ 411	$ -	$ 969
Unrealized gain (loss) on hedging contracts	$ 1,218	$ (1,318)	$ (1,934)	$ (952)

Total comprehensive income	$ 6,251	$ (8,769)	$ 15,913	$ (3,928)

</TABLE>

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(IN THOUSANDS)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income (loss)	$ 17,847	$ (3,945)
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	16,119	15,976
Provision for impairment	8,894	4,854
Provision for uncollectible mortgages, notes and accounts receivable	-	8,898
Gain on assets sold - net	(2,778)	(1,855)
Adjustment of derivatives to fair value	-	(946)
Other	4,286	1,077
Net change in accounts receivable for owned and operated assets - net	5,415	16,205
Net change in accounts payable for owned and operated assets	(324)	(3,741)
Net change in other owned and operated assets and liabilities	898	3,326
Net change in operating assets and liabilities	(7,121)	(1,957)
Net cash provided by operating activities	43,236	37,892
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from new financing - net	190,545	-
Payments of credit line borrowings - net	(177,000)	(3,889)
Proceeds from refinancing - net	-	13,409
Payments of long-term borrowings	(22,517)	(97,981)
Payments for derivative instruments	-	(10,140)
Receipts from Dividend Reinvestment Plan	3	4
Receipts from exercised options	82	-
Dividends paid	(54,859)	-
Proceeds from rights offering and private placement - net	-	44,600
Deferred financing costs paid	(7,203)	(5,604)
Net cash used in financing activities	(70,949)	(59,601)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of real estate investments - net	3,549	1,045
Capital improvements and funding of other investments	(1,307)	(299)
Proceeds from other assets	13,996	7,652
Collection of mortgage principal	3,214	11,587
Net cash provided by investing activities	19,452	19,985
Decrease in cash and cash equivalents	(8,261)	(1,724)
Cash and cash equivalents at beginning of period	14,340	4,896
Cash and cash equivalents at end of period	$ 6,079	$ 3,172
Interest paid during the period	$ 13,731	$ 22,890

</TABLE>

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

SEPTEMBER 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 ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections, 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. SFAS No. 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 Accounting Principles Board ("APB") Opinion No. 30, Reporting the Results of Operation's - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for classification as an extraordinary item shall be reclassified. Therefore, the $49 thousand loss on extinguishment of debt previously reported for the nine-month period ended September 30, 2002, 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 September 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 nine-month periods ended September 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 estimated 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 estimated fair value, less estimated costs of disposal.

Upon adoption of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, 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 SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. During 2003, certain properties were sold and $3.2 million of the impairment loss recorded in 2002 is now reflected in discontinued operations. (See "Mortgages Receivable, Closed Facilities and Assets Held for Sale" below).

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

<TABLE>
<CAPTION>

FACILITY COUNT	PURCHASE / LEASEBACK	MORTGAGES RECEIVABLE	OWNED & OPERATED	CLOSED FACILITIES	TOTAL HEALTHCARE FACILITIES	ASSETS HELD FOR SALE	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>		

<C> <C>

Balance at June 30, 2003..............	155	52	1	13	221	3	224
Properties closed......................	-	-	-	-	-	-	-
Properties sold/mortgages paid.........	-	(1)	-	(4)	(5)	(2)	(7)
Transition leasehold interest..........	-	-	-	-	-	-	-
Properties leased/mortgages placed.....	-	-	-	-	-	-	-
Properties transferred to purchase/leaseback...................	-	-	-	-	-	-	-
Balance at September 30, 2003..........	155	51	1	9	216	1	217
INVESTMENT ($000'S)							
Balance at June 30, 2003..............	$702,483	$120,912	$ 5,295	$ 8,070	$836,760	$ 2,227	$838,987
Properties transferred to assets held for sale........................	-	-	-	-	-	-	-
Properties closed......................	-	-	-	-	-	-	-
Properties sold/mortgages paid.........	-	(73)	-	(1,902)	(1,975)	(136)	(2,111)
Transition leasehold interest..........	-	-	-	-	-	-	-
Properties leased/mortgages placed.....	-	-	-	-	-	-	-
Properties transferred to purchase/leaseback...................	-	-	-	-	-	-	-
Impairment on properties..............	(4,276)	-	-	-	(4,276)	-	(4,276)
Capex and other........................	155	(525)	-	-	(370)	-	(370)
Balance at September 30, 2003..........	$698,362	$120,314	$ 5,295	$ 6,168	$830,139	$ 2,091	$832,230

</TABLE>

PURCHASE/LEASEBACK

During the three-month period ended September 30, 2003, we re-leased five former Sun Healthcare Group, Inc. ("Sun") skilled nursing facilities ("SNFs") to three separate operators. (See Note J - Subsequent Events).

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 $0.8 million; 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 $0.4 million. Aggregate monthly contractual lease payments, under all three transactions, total approximately $0.2 million and commenced July 1, 2003.

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 three-month period ended September 30, 2003, Sun remitted approximately $4.5 million in lease payments versus $3.8 million for the second quarter of 2003. However, during the second quarter, we applied $1.4 million of security deposits, which exhausted all remaining security deposits associated with Sun.

During the third quarter of 2003, we amended our Master Lease with a subsidiary of Alterra Healthcare Corporation ("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. (See Note J - Subsequent Events).

Also during the third quarter of 2003, Claremont Health Care Holdings, Inc. ("Claremont") (formerly Lyric Health Care, LLC) failed to pay base rent in the amount of $1.5 million. Therefore, we drew on a letter of credit (posted by Claremont as a security deposit) in the amount of $1.5 million to pay Claremont's third quarter rent payments and we demanded that Claremont restore the $1.5 million letter of credit. We are recognizing revenue from Claremont on a cash-basis as it is received. (See Note J - Subsequent Events). In addition, we permitted Claremont to close one facility. As a result, a provision for impairment of $4.3 million was recorded in the third quarter, reducing the carrying value of the facility in the process of being closed to its estimated fair value less estimated costs to dispose.

During the three-month period ended March 31, 2003, we re-leased nine facilities formerly operated by Integrated Health Services, Inc. ("IHS"). Accordingly, eight SNFs on which we held mortgages, and one SNF, which we leased to IHS, have been re-leased to various unaffiliated third parties. Titles to the eight properties on which we held mortgages 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 $1.3 million; (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. The $4.6 million provision was recorded to reduce the value of the investment to its estimated fair value. 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 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 September 30, 2003, one facility, located in Indiana, was removed from an existing mortgage and sold on behalf of the mortgagor. Net sales proceeds of approximately $73 thousand were used to repay principal on the existing mortgage.

During the three months ended June 30, 2003, fee-simple ownership of two closed facilities on which we held mortgages 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 nine-month periods ended September 30, 2003 as compared with $4.9 million for the same periods in 2002. The $4.9 million provision was associated with the write-down of two mortgage loans to bankrupt operators.

OWNED AND OPERATED ASSETS

At September 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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
	(IN THOUSANDS)		(IN THOUSANDS)	
NURSING HOME REVENUES (1)				
Medicaid	$ 604	$ 3,908	$ 2,073	$24,899
Medicare	193	1,591	645	8,662
Private & other	280	1,299	943	7,195
Total nursing home revenues (2)	1,077	6,798	3,661	40,756
NURSING HOME EXPENSES				
Patient care expenses	597	7,854	2,020	30,964
Administration	351	3,170	1,952	12,213
Property & related	67	1,070	327	3,545
Leasehold buyout expense	-	1,670	582	1,670
Management fees	81	414	209	2,292
Rent	-	480	28	1,957
Provision for uncollectible accounts	-	5,019	-	4,221
Total nursing home expenses (2)	1,096	19,677	5,118	56,862
Nursing home revenues and expenses of owned and operated assets - net (2)	$ (19)	$ -	$(1,457)	$ -

(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 nine-months ended September 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 nine-months ended September 30, 2002.

Accounts receivable for owned and operated assets is net of an allowance for doubtful accounts of approximately $5.5 million at September 30, 2003 and $10.8 million at September 30, 2002. The following table is a summary of allowance for doubtful accounts:

	SEPTEMBER 30,	
	2003	2002
	(IN THOUSANDS)	
Beginning balance	$ 12,171	$ 8,335
Provision charged/(recovery)	-	4,269
Provision applied	(7,666)	(1,823)
Collection of accounts receivable previously written off	1,008	-
Ending balance	$ 5,513	$ 10,781

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

	SEPTEMBER 30, 2003	DECEMBER 31, 2002
	(IN THOUSANDS)	
ASSETS		
Cash	$ 331	$ 838
Accounts receivable-net	1,997	7,491
Other current assets	294	1,207
Total current assets (1)	2,622	9,536
Investment in leasehold-net (1)	-	185
Land and buildings	5,295	5,571
Less accumulated depreciation	(643)	(675)
Land and buildings-net	4,652	4,896
Assets held for sale-net	2,091	2,324
Total assets	$ 9,365	$16,941
LIABILITIES		
Accounts payable	$ 65	$ 389
Other current liabilities	3,514	4,223
Total current liabilities	3,579	4,612
Total liabilities (1)	$ 3,579	$ 4,612
Operating assets and liabilities for owned properties-net (1)	$ (957)	$ -

(1) Operating assets and liabilities for owned properties as of September 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 September 30, 2003, we sold four closed facilities. We sold one facility located in Texas, realizing proceeds of $1.0 million, net of closing costs, resulting in a gain of approximately $0.6 million. We sold one facility located in Connecticut, realizing proceeds of approximately $1.2 million, net of closing costs, resulting in a gain of approximately $0.8 million. One facility located in Massachusetts was sold, realizing proceeds of $0.9 million, net of closing costs, resulting in a gain of approximately $0.3 million. Finally, one facility located in Florida was sold, realizing proceeds of $0.6 million, net of closing costs, resulting in a loss of approximately $0.3 million. In accordance with SFAS No. 144, the $1.4 million realized net gain for the nine months ended September 30, 2003 is reflected in our Consolidated Statements of Operations as discontinued operations.

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.

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 its estimated 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 September 30, 2003, there are nine closed properties of which two are currently under either a letter of intent or contract of sale. At this time it was determined that no provisions for impairments were needed on the nine remaining 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 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. (See Note J - Subsequent Events).

ASSETS HELD FOR SALE

During the three-month period ended September 30, 2003, we sold two closed buildings located in Indiana, realizing proceeds of $0.3 million, net of closing costs, resulting in a gain of approximately $92 thousand. There were no sales or transfers of real estate assets held for sale during the three-month period ended September 30, 2002. In accordance with SFAS No. 144, the $0.1 million

realized gain for the nine months ended September 30, 2003 is reflected in our Consolidated Statements of Operations as discontinued operations.

During the three-month period ended June 30, 2003, we sold one closed building located in Indiana, realizing proceeds of $0.2 million, net of closing costs, resulting in a gain of $56 thousand. During the three-month period ended June 30, 2002, we sold one closed 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 September 30, 2003, the carrying value of the remaining asset held for sale totaled $2.1 million (net of impairment reserves of $2.1 million). There can be no assurance if, or when, such sale will be completed or whether such sale 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

There were no non-core real estate transactions during the three-month period ended September 30, 2003; however, 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 September 30, 2003, our portfolio of domestic investments consisted of 216 healthcare facilities, located in 28 states and operated by 34 third-party operators. Our gross investment in these facilities, net of impairments, totaled $830.1 million at September 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 51 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 nine long-term healthcare facilities that were recovered from customers and are currently closed. At September 30, 2003, we also held miscellaneous investments and assets held for sale of approximately $28.6 million, including a $1.3 million investment in Principal Healthcare Finance Trust and $18.1 million of notes receivable, net of allowance.

Approximately 45.9% of our real estate investments are operated by four public companies: Sun Healthcare Group, Inc. (22.8%), Advocat, Inc. ("Advocat") (12.6%), Mariner Health Care, Inc. ("Mariner") (7.2%), and Alterra Healthcare Corporation (3.3%). The three largest private operators represent 9.9%, 6.6% 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 (8.0%). (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. 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 $21.9 million, which is comprised of $7.3 million associated with our REIT and $14.6 million associated with our taxable REIT subsidiary, are available to help offset taxable income.

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, our 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. As a result, for the nine months ended September 30, 2003, preferred cash dividend payments totaling $54.9 million were paid; however, no preferred cash dividends were paid during the twelve months ended December 31, 2002 and 2001.

Series A and Series B preferred stockholders of record on August 5, 2003 were 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 were 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 were approximately $54.9 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. In aggregate, preferred dividends continue to accumulate at approximately $5.0 million per quarter.

No common cash dividends were paid during the nine months ended September 30, 2003 or the twelve months ended December 31, 2002 and 2001. However, in September 2003, our Board of Directors declared the reinstatement of its common dividend to be paid November 17, 2003 to common shareholders of record on October 31, 2003 in the amount of $0.15 per share. In addition, our Board declared its regular quarterly dividends for all classes of preferred stock to be paid November 17, 2003 to preferred stockholders of record on October 31, 2003.

Series A and Series B preferred stockholders of record on October 31, 2003 will be paid dividends in the amount of approximately $0.578 and $0.539 per preferred share, respectively, on November 17, 2003. Our Series C preferred stockholder will be paid dividends of $2.50 per Series C preferred share on November 17, 2003. The liquidation preference for our Series A, B and C preferred stock is $25.00, $25.00 and $100.00 per share, respectively. Regular quarterly dividends represent dividends for the period August 1, 2003 through October 31, 2003. Total dividend payments for all classes of preferred stock are approximately $5.0 million.

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 nine-month periods ended September 30, 2003, stock options that were in-the-money had a dilutive effect of $0.0001 per share and $0.003 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 Opinion No. 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. At September 30, 2003, there were 2,352,835 outstanding options granted to 21 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 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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	
Net income (loss) to common stockholders..................................	$ 4	$(12,891)	$ 2,760	$(19,032)
Add: Stock-based compensation expense included in net income (loss) to common stockholders..	-	-	-	-
	4	(12,891)	2,760	(19,032)
Less: Stock-based compensation expense determined under the fair value based method for all awards...	26	19	66	58
Pro forma net (loss) income to common stockholders.........................	$ (22)	$(12,910)	$ 2,694	$(19,090)
Earnings per share:				
Basic, as reported...	$ 0.00	$ (0.35)	$ 0.07	$ (0.56)
Basic, pro forma...	$ 0.00	$ (0.35)	$ 0.07	$ (0.56)
Diluted, as reported...	$ 0.00	$ (0.35)	$ 0.07	$ (0.56)
Diluted, pro forma...	$ 0.00	$ (0.35)	$ 0.07	$ (0.56)

</TABLE>

At September 30, 2003, options currently exercisable (810,458) have a weighted-average exercise price of $3.622, with exercise prices ranging from $2.32 to $37.20. There are 574,486 shares available for future grants as of September 30, 2003.

The following is a summary of quarterly activity through September 30, 2003 under the plan.

	STOCK OPTIONS		
	NUMBER OF SHARES	EXERCISE PRICE	WEIGHTED-AVERAGE PRICE
Outstanding at December 31, 2002....	2,394,501	$1.590 - $37.205	$3.267
Granted during 1st quarter 2003...	-	-	-
Exercised........................	-	-	-
Canceled.........................	-	-	-
Outstanding at March 31, 2003.......	2,394,501	$1.590 - $37.205	$3.267
Granted during 2nd quarter 2003...	9,000	3.740 - 3.740	3.740
Exercised........................	-	-	-
Canceled.........................	-	-	-
Outstanding at June 30, 2003........	2,403,501	$1.590 - $37.205	$3.152
Granted during 3rd quarter 2003...	-	-	-
Exercised........................	(50,666)	1.590 - 3.813	1.619
Canceled.........................	-	-	-

Outstanding at September 30, 2003... 2,352,835 $2.320 - $37.205 $3.198

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 September 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

At September 30, 2003, we had $190.5 million of borrowings outstanding and $12.1 million of letters of credit outstanding, leaving availability of $22.0 million under our $225 million Senior Secured Credit Facility ("Credit Facility"). The $190.5 million of outstanding borrowings had an interest rate of 6.00% at September 30, 2003. In addition, during the quarter, we paid off three Industrial Revenue Bonds totaling approximately $4.4 million with a blended rate of 9.26% at the payoff date.

In June 2003, we completed the new $225 million 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 were permitted to be used to pay cumulative unpaid preferred dividends, and are permitted to be used 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.

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 previous credit 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 previous credit 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 nine-month periods ended September 30, 2003, our interest expense includes $0 and $2.6 million, respectively, of non-cash interest expense (financing costs) 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 SFAS 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 September 30, 2003, the derivative instrument was reported at its fair value of $5.3 million as compared to its fair value at December 31, 2002 of $7.3 million. An adjustment of $1.2 million (gain) and $1.9 million (loss) to Other Comprehensive Income was made for the change in fair value of this cap during the three- and nine-month periods ended September 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. The amortization for the three- and nine-month periods ended September 30, 2003 was $37,000 and $44,000, respectively, as compared to $0 for the same periods in 2002.

NOTE J - SUBSEQUENT EVENTS

Alterra Healthcare Corporation. On November 1, 2003, we re-leased one assisted living facility ("ALF") formerly leased by Alterra, located in Washington and representing 52 beds, to a new operator under a Lease, which has a ten-year term and has an initial annual lease rate of $0.2 million. We are in the process of negotiating terms and conditions for the re-lease of the remaining two properties. In the interim, Alterra will continue to operate the two facilities.

Sun Healthcare Group Inc. On November 1, 2003, we re-leased two SNFs formerly leased by Sun, located in California and representing 185 beds, to a new operator under a Master Lease, which has a ten-year term and has an initial annual lease rate of $0.6 million. In addition, on October 1, 2003, we re-leased three SNFs formerly leased by Sun, located in California and representing 271 beds, to a new operator under a Master Lease, which has a 15-year term and has an initial annual lease rate of $1.24 million.

Separately, 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. However, as a result of the above mentioned transitions of the five former Sun facilities, Sun's contractual monthly rent, starting in

November, was reduced approximately $0.15 million from approximately $2.00 million to approximately $1.85 million. For the month of November, Sun remitted approximately $1.51 million in lease payments (or $18.1 million annually) similar to what was paid on a monthly basis during the third quarter of 2003. Rent received in November from the ten former Sun facilities (five mentioned above, plus five facilities re-leased in July - see Note B - Properties; Purchase/Leaseback) totaled approximately $0.35 million or $4.22 million annually.

Claremont Healthcare Holdings, Inc. Effective November 7, 2003, we re-leased two SNFs formerly leased by Claremont, located in Ohio and representing 279 beds, to a new operator under a Master Lease, which has a ten-year term and has an initial annual lease rate of $1.2 million.

Claremont failed to pay base rent due on November 1, 2003 in the amount of $0.5 million. On November 10, 2003, we applied a security deposit in the amount of $0.5 million to pay Claremont's November rent payment and we demanded that Claremont restore the $0.5 million security deposit. As of the date of this filing, we have no additional security deposits with Claremont. We are recognizing revenue from Claremont on a cash-basis as it is received.

Other Assets. On November 4, 2003, we sold one closed facility located in Iowa for its approximate net book value. On October 31, 2003, we sold one closed facility located in Florida, realizing proceeds of $2.6 million, net of closing costs, resulting in a gain of $1.5 million. These two facilities are part of the nine closed facilities at September 30, 2003 and are included in "Land and buildings at cost" in our Consolidated Balance Sheet. (See Note B - Properties; Closed Facilities). In addition, on October 31, 2003, we sold our remaining held for sale facility located in Texas, realizing proceeds of $1.5 million, net of closing costs, resulting in a loss of $0.8 million. (See Note B - Properties; Assets Held for Sale).

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

As of September 30, 2003, our portfolio of domestic investments consisted of 216 healthcare facilities, located in 28 states and operated by 34 third-party operators. Our gross investment in these facilities, net of impairments, totaled $830.1 million at September 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 51 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 nine long-term healthcare facilities that were recovered from customers and are currently closed. At September 30, 2003, we also held miscellaneous investments and assets held for sale of approximately $28.6 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 nine-month periods ended September 30, 2003 totaled $20.9 million and $66.3 million, respectively, a decrease of $10.0 million and $42.9 million, respectively, from the same periods in 2002. When excluding nursing home revenues of owned and operated assets, revenues decreased $3.2 million and $2.2 million versus the three- and nine-month periods ended September 30, 2002, respectively. The decrease during the quarter was primarily the result of operator restructurings. The decrease for the nine-month period is primarily due to operator restructurings and the second quarter sale of our investment in a Baltimore, Maryland asset, offset by a legal settlement (see below).

Rental income for the three- and nine-month periods ended September 30, 2003 were $16.5 million and $49.4 million, respectively, an increase of $0 and $1.8 million from the same periods in 2002. The $1.8 million increase for the nine-month period is due to $1.7 million relating to contractual increases in rents that became effective in the second half of 2002 and in 2003 and $0.4 million in net new leases (new lease revenue offset by the loss of lease revenue due to operator foreclosures, bankruptcies and restructurings), offset by $0.3 million due to deferral for non-payment.

Mortgage interest income for the three- and nine-month periods ended September 30, 2003 totaled $3.5 million and $11.3 million, respectively, a decrease of $1.8 million and $4.6 million from the same periods in 2002. The

$1.8 million three-month decrease is primarily the result of operator bankruptcies and restructurings of $1.5 million and mortgage payoffs and normal amortization of $0.3 million. The $4.6 million nine-month decrease versus 2002 is primarily the result of operator bankruptcies and restructurings of $3.5 million and mortgage payoffs and normal amortization of $1.1 million.

Other investment income for the three- and nine-month periods ended September 30, 2003 totaled $0.7 million and $2.4 million, respectively, a decrease of $1.4 million and $1.8 million from the same periods in 2002. The decrease in both the three- and nine-month periods is primarily due to the second quarter 2003 sale of a Baltimore, Maryland asset, leased by the United States Postal Service.

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 nine-month periods ended September 30, 2003 totaled $17.3 million and $51.2 million, respectively, a decrease of $23.6 million and $60.6 million from the same periods in 2002. When excluding nursing home expenses of owned and operated assets, expenses were $17.3 million and $49.8 million, respectively, for the three- and nine-month periods ended September 30, 2003 versus $21.2 million and $55.0 million for the same periods in 2002. The $3.9 million decrease for the three-month period ended September 30, 2003 primarily resulted from a $4.3 million provision for impairment recorded during the third quarter of 2003 compared to a provision for impairment of $2.4 million and a provision for uncollectible mortgages, notes and accounts receivable of $5.2 million, both taken in the third quarter of 2002. In addition, interest expense decreased approximately $0.9 million from $6.4 million for the third quarter of 2002 to $5.5 million for the three-month period ended September 30, 2003. The $5.2 million decrease for the nine-month period ended September 30, 2003 is primarily due to $3.8 million of interest savings, $1.0 million favorable reduction in general and administrative and legal expenses, $8.9 million favorable reduction in provision for uncollectible mortgages, notes and accounts receivable, off set by an increase of $7.2 million in provision for impairment and $1.0 million in adjustments of derivatives to fair value. We believe that the presentation of our revenues and expenses, excluding nursing home owned and operated assets, provides a useful measure of the operating performance of our core portfolio as a REIT in view of the disposition of all but one of our owned and operated assets.

Nursing home expenses, net of nursing home revenues, for owned and operated assets for the three- and nine-month periods ended September 30, 2003 were $19 thousand and $1.5 million, respectively, a decrease of $12.9 million and $14.6 million from the same periods in 2002. The decrease was a result of the decrease in the number of owned and operated facilities from eight at September 30, 2002 to one at September 30, 2003.

Interest expense for the three- and nine-month periods ended September 30, 2003 was $5.5 million and $18.0 million, respectively, compared to $6.4 million and $21.8 million for the same periods in 2002. The decrease for the three- and nine-month periods is primarily due to a $22.0 million reduction of total outstanding debt versus the same periods in 2002.

General and administrative and legal expenses for the three- and nine-month periods ended September 30, 2003, totaled $2.0 million and $6.3 million, respectively, compared with $2.2 million and $7.3 million for the same periods in 2002. The $0.2 million decrease for the three-month period ended September 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 $1.0 million decrease for the nine-month period ended September 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 $4.3 million and $8.9 million was recorded for the three- and nine-month periods ended September 30, 2003. The $4.3 million provision reduced the carrying value of a facility in the process of being closed to its estimated fair value less estimated costs to dispose. A provision for impairment of $4.6 million, taken in the first quarter of 2003, reduced the carrying value of a closed building to its estimated fair value less estimated costs to dispose. The buildings are being actively marketed for sale; however, there can be no assurance if, or when, such sales will be completed or whether such sales will be completed on terms that allow us to realize the carrying value of the assets. A provision for impairment of $2.4 million and $1.7 million was recorded for the three- and nine-month periods ended September 30, 2002, respectively. The $2.4 million provision was to reduce the carrying value of one owned and operated building and three core buildings that were closed during the third quarter of 2003 to their estimated fair value less estimated costs to

dispose. The $1.7 million provision was to reduce the value of three closed owned and operated buildings and three closed core buildings to their estimated fair value less estimated costs to dispose. (See Note B - Properties; Owned and Operated Assets and Closed Facilities).

There were no charges recognized for provision for uncollectible mortgages, notes and accounts receivable during the three- and nine-month period ended September 30, 2003. Charges of $5.2 million and $8.9 million for provision for uncollectible mortgages, notes and accounts receivable were recognized during the three- and nine-month period ended September 30, 2002, respectively. The $5.2 million charge was primarily related to the write-down of one loan to a bankrupt operator during the third quarter of 2002. The $8.9 million consists primarily of the write-down of the aforementioned loan during the quarter as well as the restructuring and reduction of debt owed by Madison, as part of the compromise and settlement of a lawsuit with Madison. (See Note G - Litigation).

During the three-month period ended September 30, 2003, we sold four closed facilities. We sold one facility located in Texas, realizing proceeds of $1.0 million, net of closing costs, resulting in a gain of approximately $0.6 million. We sold one facility located in Connecticut, realizing proceeds of approximately $1.2 million, net of closing costs, resulting in a gain of approximately $0.8 million. One facility located in Massachusetts was sold, realizing proceeds of $0.9 million, net of closing costs, resulting in a gain of approximately $0.3 million. Finally, one facility located in Florida was sold, realizing proceeds of $0.6 million, net of closing costs, resulting in a loss of approximately $0.3 million. We also sold two closed assets held for sale buildings in Indiana, realizing proceeds of $0.3 million, net of closing costs, resulting in a gain of approximately $0.1 million. (See Note B - Properties; Closed Facilities and Assets Held for Sale). During the three-month period ended September 30, 2002, we sold our investments in Omega Worldwide, Inc. and Principal Healthcare Finance Limited, realizing proceeds of $10.2 million, resulting in a gain of $2.2 million.

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 second quarter of 2003, 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.

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 nine-month periods ended September 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 nine-month periods ended September 30, 2002. Since nursing home revenues are not included in reported revenues for the three- and nine-month periods ended September 30, 2003, no adjustment is necessary to exclude nursing home revenues.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
	(IN THOUSANDS)		(IN THOUSANDS)	
Total revenues	$20,926	$30,882	$66,279	$109,210
Nursing home revenues of owned and operated assets	-	6,798	-	40,756
REVENUES EXCLUDING NURSING HOME REVENUES OF OWNED AND OPERATED ASSETS	$20,926	$24,084	$66,279	$ 68,454
Total expenses	$17,333	$40,900	$51,210	$111,840
Nursing home expenses of owned and operated assets	-	19,677	-	56,862
Nursing home revenues and expenses of owned and operated assets - net	19	-	1,457	-
EXPENSES EXCLUDING NURSING HOME EXPENSES OF OWNED AND OPERATED ASSETS	$17,314	$21,223	$49,753	$ 54,978

PORTFOLIO DEVELOPMENTS

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. On November 1, 2003, we re-leased one ALF formerly leased by Alterra, located in Washington and representing 52 beds, to a new operator under a Lease, which has a ten-year term and has an initial annual lease rate of $0.2 million. We are in the process of negotiating terms and conditions for the re-lease of the remaining two properties. In the interim, Alterra will continue to operate the two facilities. (See Note J - Subsequent Events). The Amended Master Lease was approved by the U.S. Bankruptcy Court in the District of Delaware.

Claremont Healthcare Holdings, Inc. Effective November 7, 2003, we re-leased two SNFs formerly leased by Claremont, located in Ohio and representing 279 beds, to a new operator under a Master Lease, which has a ten-year term and has an initial annual lease rate of $1.2 million.

Claremont failed to pay base rent due on November 1, 2003 in the amount of $0.5 million. On November 10, 2003, we applied a security deposit in the amount of $0.5 million to pay Claremont's November rent payment and we demanded that Claremont restore the $0.5 million security deposit. As of the date of this filing, we have no additional security deposits with Claremont. We continue to recognize revenue from Claremont on a cash-basis as it is received. (See Note J - - Subsequent Events).

Sun Healthcare Group, Inc. 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.

On October 1, 2003, we re-leased three SNFs formerly leased by Sun, located in California and representing 271 beds, to a new operator under a Master Lease, which has a 15-year term and has an initial annual lease rate of $1.24 million.

As a result of the transitions mentioned above, Sun's contractual monthly rent, starting in October, was reduced approximately $0.15 million from approximately $2.00 million to approximately $1.85 million. For the month of November, Sun remitted approximately $1.51 million in lease payments (or $18.1 million annually) similar to what was paid on a monthly basis during the third quarter of 2003. Revenue from Sun continues to be recognized on a cash-basis as it is received. Rent received in November from the ten former Sun facilities mentioned above totaled approximately $0.35 million or $4.22 million annually.

On November 1, 2003, we re-leased two SNFs formerly leased by Sun, located in California and representing 185 beds, to a new operator under a Master Lease, which has a ten-year term and has an initial annual lease rate of $0.6 million. (See Note J - Subsequent Events).

Separately, we continue our ongoing restructuring discussions with Sun and have entered into letters of intent with respect to many of the Sun properties. 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).

Other Assets. On November 4, 2003, we sold one closed facility located in Iowa for its approximate net book value. October 31, 2003, we sold one closed facility located in Florida, realizing proceeds of $2.6 million, net of closing costs, resulting in a gain of $1.5 million. These two facilities are part of the nine closed facilities at September 30, 2003 and are included in "Land and buildings at cost" in our Consolidated Balance Sheet. (See Note B - Properties; Closed Facilities and Note J - Subsequent Events). In addition, on October 31, 2003, we sold our remaining held for sale facility located in Texas, realizing proceeds of $1.5 million, net of closing costs, resulting in a loss of $0.8 million. (See Note B - Properties; Assets Held for Sale and Note J - Subsequent Events).

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2003, we had total assets of $746.9 million, stockholders equity of $430.4 million and debt of $297.5 million, representing approximately 40.9% of total capitalization.

BANK CREDIT AGREEMENTS

In June 2003, we completed a new $225 million Senior Secured 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 were permitted to be used to pay cumulative unpaid preferred dividends, and are permitted to be used for general corporate purposes.

The new Credit Facility includes a $125 million term loan and a $100 million revolving line of credit 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 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 September 30, 2003, we had $190.5 million of Credit Facility borrowings outstanding and $12.1 million of letters of credit outstanding, leaving availability of $22.0 million. The $190.5 million of outstanding borrowings had an interest rate of 6.00% at September 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. 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 $21.9 million, which is comprised of $7.3 million associated with our REIT and $14.6 million associated with our taxable REIT subsidiary, are available to help offset taxable income.

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, our 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. As a result, for the nine months ended September 30, 2003, preferred cash dividend payments totaling $54.9 million were paid; however, no preferred cash dividends were paid during the twelve months ended December 31, 2002 and 2001.

Series A and Series B preferred stockholders of record on August 5, 2003 were 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 were 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 were approximately $54.9 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. In aggregate, preferred dividends continue to accumulate at approximately $5.0 million per quarter.

No common cash dividends were paid during the nine months ended September 30, 2003 or the twelve months ended December 31, 2002 and 2001. However, in September 2003, our Board of Directors declared the reinstatement of its common

dividend to be paid November 17, 2003 to common shareholders of record on October 31, 2003 in the amount of $0.15 per share. In addition, our Board declared its regular quarterly dividends for all classes of preferred stock to be paid November 17, 2003 to preferred stockholders of record on October 31, 2003. (See Note D - Dividends).

Series A and Series B preferred stockholders of record on October 31, 2003 will be paid dividends in the amount of approximately $0.578 and $0.539 per preferred share, respectively, on November 17, 2003. Our Series C preferred stockholder will be paid dividends of $2.50 per Series C preferred share on November 17, 2003. The liquidation preference for our Series A, B and C preferred stock is $25.00, $25.00 and $100.00 per share, respectively. Regular quarterly dividends represent dividends for the period August 1, 2003 through October 31, 2003. Total dividend payments for all classes of preferred stock are approximately $5.0 million. (See Note D - Dividends).

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 reasonable 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.

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. 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.

On August 4, 2003, CMS published the payment rates for SNFs for federal fiscal year 2004 (effective on October 1, 2003). CMS announced that the SNF update would be a 3.0% increase in Medicare payments for federal fiscal year 2004. In addition, 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.

Also in the August 4, 2003 announcement, CMS confirmed its intention to 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 has increased the national payment rate by an additional 3.26% above the 3.0% increase for federal fiscal year 2004.

Due to the temporary nature of the 20% and 6.7% payment increases established under the Balanced Budget Relief Act and Benefits Improvement and Protection Act, 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 reimbursement rates, including rates paid to SNF providers, or reductions in Medicaid enrollee benefits, including long-term care benefits. We cannot predict the extent to which Medicaid rate freezes or cuts or benefit reductions 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 or benefit reductions 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 could 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, as amended, ("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 45.9% of our real estate investments are operated by four public companies: Sun (22.8%), Advocat (12.6%), Mariner (7.2%), and Alterra (3.3%). The three largest private operators represent 9.9%, 6.6% 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 (8.0%).

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 September 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 September 30, 2003 was $287.0 million. A one-percent increase in interest rates would result in a decrease in the fair value of long-term borrowings by approximately $2.7 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 September 30, 2003, the derivative instrument was reported at its fair value of $5.3 million as compared to its fair value at December 31, 2002 of $7.3 million. An adjustment of $1.2 million (gain) and $1.9 million (loss) to Other Comprehensive Income was made for the change in fair value of this cap during the three- and nine-month periods ended September 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. The amortization for the three- and nine-month periods ended September 30, 2003 was $37,000 and $44,000, respectively, as compared to $0 for the same periods in 2002.

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

None this period.

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

None this period.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

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

Exhibit	Description
10.1	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 September 30, 2003:

On July 25, 2003, Omega Healthcare Investors, Inc. furnished a Current

Report on Form 8-K pursuant to Item 9 announcing its results of operations and financial condition as of and for the quarter ended June 30, 2003 and the reinstatement of preferred dividends.

SIGNATURES

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

OMEGA HEALTHCARE INVESTORS, INC.
Registrant

Date: November 10, 2003 By: /s/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

Date: November 10, 2003 By: /s/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer

OMEGA HEALTHCARE INVESTORS, INC.
2000 STOCK INCENTIVE PLAN

(AMENDED AS OF JANUARY 1, 2001)

OMEGA HEALTHCARE INVESTORS, INC.

2000 STOCK INCENTIVE PLAN

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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. Notwithstanding any other provision hereof, and except for adjustments to the Exercise Price as contemplated by Section 5.2 hereof, in no event will the Exercise Price per share of Stock purchaseable under any Option be reduced after the date of grant of the Option and no Option may be canceled or surrendered in exchange for an Option with a lower Exercise Price. [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 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: November 10, 2003

By: /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 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: November 10, 2003

By: /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 September 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: November 10, 2003

/s/ C. TAYLOR PICKETT
- --------------------------
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 September 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: November 10, 2003

/s/ ROBERT O. STEPHENSON
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Robert O. Stephenson
Chief Financial Officer