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

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996.

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

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 OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
905 W. EISENHOWER CIRCLE, SUITE 110 ANN ARBOR, MICHIGAN	48103
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 313-747-9790

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED
COMMON STOCK, $.10 PAR VALUE	NEW YORK STOCK EXCHANGE
8.5% CONVERTIBLE DEBENTURES, DUE 2001	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

NONE

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 AND 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 IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [X]

THE AGGREGATE MARKET VALUE OF THE VOTING STOCK OF THE REGISTRANT HELD BY NON-AFFILIATES WAS $581,000,000 BASED ON THE $31.375 CLOSING PRICE PER SHARE FOR SUCH STOCK ON THE NEW YORK STOCK EXCHANGE ON FEBRUARY 28, 1997.

AS OF FEBRUARY 28, 1997, THERE WERE 18,784,560 SHARES OUTSTANDING.

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF THE REGISTRANT'S ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 1996, ARE INCORPORATED BY REFERENCE IN PART II OF THIS FORM 10-K.

THE REGISTRANT'S DEFINITIVE PROXY STATEMENT, WHICH WAS FILED WITH THE COMMISSION ON MARCH 6, 1997, IS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K.

PART I

ITEM 1 -- BUSINESS OF THE COMPANY

Omega Healthcare Investors, Inc. (the "Company") was incorporated in the state of Maryland on March 31, 1992. It is a self-administered real estate investment trust ("REIT") which invests in income-producing healthcare facilities, principally long-term care facilities located in the United States. The Company anticipates providing lease or mortgage financing for healthcare facilities to qualified operators and acquiring additional healthcare facility types, including assisted living and acute care facilities. Financing for such future investments may be provided by borrowings under the Company's bank line of credit, private placements or public offerings of debt or equity, the assumption of secured indebtedness, or a combination of these methods. The Company also may finance acquisitions through the exchange of properties or the issuance of shares of its capital stock, if such transactions otherwise satisfy the Company's investment criteria.

Effective September 30, 1994, the Company acquired all the outstanding common stock of Health Equity Properties Incorporated ("HEP"), a healthcare real estate investment trust. The total purchase consideration for HEP approximated $180 million, comprising common stock of $143 million represented by 5,826,000 shares, long-term debt assumed of $26 million, and other obligations, professional fees and costs incurred in the transaction.

During 1995, the Company became a primary sponsor of Principal Healthcare Finance Limited ("Principal"), an Isle of Jersey (United Kingdom) company established to provide capital and medium-term financing on a stable, continuing basis to the private-sector healthcare industry in the United Kingdom. The nursing home industry in the United Kingdom, like that in the United States, is consolidating and capital demand exists. At December 31, Principal owned 42 properties for which it has invested L69.7 million (approximately $116 million). The Company also provides services for the administration, marketing, identification and evaluation of potential investments and the monitoring of the performance of the healthcare operators financed by Principal.

As of December 31, 1996, the Company's portfolio of domestic investments consisted of 214 long-term care facilities and 3 medical office buildings. The Company owns and leases 132 long-term facilities and 3 medical office buildings, and provides mortgages, including participating and convertible participating mortgages on 82 long-term healthcare facilities. The facilities are located in 24 states and operated by 34 unaffiliated operators. The Company's gross investments at December 31, 1996 totaled $643,261,000. During 1996, new investments approximated $96 million as a result of entering into sale/leaseback transactions and making mortgage loans and other investments.

At March 1, 1997, the Company employed 21 full-time employees. The executive offices of the Company are located at 905 West Eisenhower Circle, Suite 110, Ann Arbor, Michigan, 48103. Its telephone number is (313) 747-9790.

INVESTMENT OBJECTIVES

The investment objectives of the Company are to pay regular cash dividends to shareholders; to provide the opportunity for increased dividends from annual increases in rental and interest income from revenue participations and from portfolio growth; to preserve and protect shareholders' capital; and to provide the opportunity to realize capital growth.

INVESTMENT STRATEGIES AND POLICIES

The Company maintains a diversified portfolio of income-producing healthcare facilities or mortgages thereon, with a primary focus on long-term care facilities located in the United States. In evaluating potential investments, the Company considers such factors as: (i) the quality and experience of management and the credit worthiness of the operator of the facility; (ii) the facility's historical, current and forecasted cash flow and its adequacy to meet operational needs, capital expenditures and lease or debt service obligations, while providing a competitive return on investment to the Company; (iii) the construction quality, condition and

design of the facility; (iv) the geographic area and type of facility; (v) the tax, growth, regulatory and reimbursement environment of the community in which the facility is located; (vi) the occupancy and demand for similar healthcare facilities in the same or nearby communities; and (vii) the payor mix of private, Medicare and Medicaid patients.

In making investments, the Company generally seeks and intends to focus on established, creditworthy, "middle-market" healthcare operators which meet the Company's standards for quality and experience of management. Although the Company has emphasized long-term care investments, it will diversify prudently into other types of healthcare facilities or other properties. The Company actively seeks to diversify its investments in terms of geographic locations, operators and facility types.

A fundamental strategy of the Company is to obtain contractual rent escalations under long-term, non-cancelable, "triple-net" leases and revenue participation through participating mortgage loans, and to obtain substantial liquidity deposits. Additional security is typically provided by covenants regarding minimum working capital and net worth, liens on accounts receivable and other operating assets, and various provisions for cross-default, cross-collateralization and corporate/personal guarantees, when appropriate.

The Company prefers to invest in equity ownership of properties. Due to regulatory, tax or other considerations, the Company sometimes pursues alternative investment structures, including convertible participating and participating mortgages, that achieve returns comparable to equity investments. The following summarizes the four primary structures currently used by the Company:

Purchase/Leaseback. The Company's owned properties are generally leased under provisions of leases for terms ranging from 5 to 17 years, plus renewal options. The leases originated by the Company generally provide for minimum annual rentals which are subject to annual formula increases (i.e., based upon such factors as increases in the Consumer Price Index ("CPI") or increases in the revenues of the underlying properties), with certain fixed minimum and maximum levels. Generally, the operator holds an option to repurchase at set dates at formula prices. The average annualized yield from leases was 11.85% at January 1, 1997.

Convertible Participating Mortgage. Convertible Participating Mortgages are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor. Interest rates are usually subject to annual increases based upon increases in the CPI or increases in revenues of the underlying long-term care facilities, with certain maximum limits. Convertible Participating Mortgages afford the Company an option to convert its mortgage into direct ownership of the property, generally at a point six to nine years from inception; they are then subject to a leaseback to the operator for the balance of the original agreed term and for the original agreed participations in revenues or CPI adjustments. This allows the Company to capture a portion of the potential appreciation in value of the real estate. The operator has the right to buy out the Company's option at formula prices. The average annualized yield on these mortgages was approximately 12.67% at January 1, 1997.

Participating Mortgage. Participating Mortgages of the Company are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor. Interest rates are usually subject to annual increases based upon increases in the CPI or increases in revenues of the underlying long-term care facilities, with certain maximum limits. The average annualized yield on these investments was approximately 13.33% at January 1, 1997.

Fixed-Rate Mortgage. These Mortgages of the Company, with a fixed interest rate for the mortgage term, are also secured by first mortgage liens on the underlying real estate and personal property of the mortgagor. The average annualized yield on these investments was 11.27% at January 1, 1997.

The table set forth in Item 2 -- Properties, herein, contains information regarding the Company's real estate properties, their locations, and the types of investment structures as of December 31, 1996.

BORROWING POLICIES

The Company may incur additional long-term indebtedness, and anticipates attaining and then maintaining a long-term debt-to-capitalization ratio of approximately 40%. The Company intends to review periodically its policy with respect to its debt-to-equity ratio and to adapt such policy as its management deems prudent in light of prevailing market conditions. The Company's strategy generally has been to match the maturity of its indebtedness with the maturity of its assets, and to employ long-term, fixed-rate debt to the extent practicable.

The Company will use the proceeds of any additional indebtedness to provide permanent financing for investments in additional healthcare facilities. The Company may obtain either secured or unsecured indebtedness, which may be convertible into capital stock or accompanied by warrants to purchase capital stock. Where debt financing is present on terms deemed favorable, the Company generally may invest in properties subject to existing loans, secured by mortgages, deeds of trust or similar liens on properties.

The Company has an unsecured acquisition line of credit which permits borrowings of up to $150,000,000 of which $86 million is available at February 28, 1997. This credit facility provides temporary funds for new investments in healthcare facilities. The Company expects periodically to replace funds drawn on the acquisition line through long-term, fixed-rate borrowings, the issuance of equity linked borrowings, or the issuance of additional shares of capital stock.

COMPETITION

The Company competes for additional healthcare facility investments with other healthcare investors, including other real estate investment trusts. The operators of the facilities compete with other regional or local nursing care facilities for the support of the medical community, including physicians and acute care hospitals, as well as the general public. Some significant competitive factors for the placing of patients in skilled and intermediate care nursing facilities include quality of care, reputation, physical appearance of the facilities, services offered, family preferences, physician services and price.

GOVERNMENT HEALTHCARE REGULATION AND REIMBURSEMENTS

Healthcare is an area of extensive government regulation and dynamic regulatory change. The Company's lessees and mortgagors are and will continue to be subject to extensive federal, state and local regulation, including facility inspections, reimbursement policies, and control over certain expenditures. Changes in laws or regulations, or new interpretations of existing laws or regulations, can have a dramatic effect on methods of doing business, costs of doing business and amounts of reimbursement by government and private third-party payors.

A significant portion of the revenues of the Company's lessees and mortgagors are and will be dependent upon reimbursement from third-party payors, including the Medicaid and Medicare programs, post-retirement benefit plans, private insurance companies and health maintenance organizations. Operators also are subject to extensive federal, state and local regulations relating to their operations, and the Company's facilities are subject to periodic inspection by government and other authorities to assure continual compliance with mandated procedures, licensure requirements under state law and certification standards under the Medicare and Medicaid programs.

The levels of revenues and profitability of the Company's lessees and mortgagors will continue to be affected by the ongoing efforts of third-party payors to contain or reduce the costs of healthcare. In addition, in an attempt to reduce the United States' federal budget deficit, there have been, and the Company expects that there will continue to be, proposals to limit Medicaid and Medicare reimbursement for healthcare services. Proposals have also been made to limit Medicaid reimbursement for healthcare services in many of the states in which the Company's facilities are located. The Company cannot at this time predict whether any of these proposals will be adopted at the federal or state level or, if adopted and implemented, what effect, if any, such proposals will have on the lessees or mortgagors of the Company, and, indirectly, the Company. A significant change in coverage, reduction in payment rates by third-party payors, or the decline in availability of funding

could have a material adverse effect on the business and financial condition of the Company's lessees and mortgagors, and, indirectly, the Company's financial condition.

There can be no assurance that the Medicaid reimbursement programs in each of the states where the lessees' and mortgagors' facilities are located will reimburse rent or interest costs of the lessees and mortgagors at increased levels recognizing the initial sales to or borrowings from the Company. Failure by these state Medicaid programs to provide reimbursement at current or increased levels could have an adverse effect upon the cash flow of the facilities and, hence, on the ability of the Company's lessees and mortgagors to meet their respective payment obligations to the Company.

Other changes in the healthcare industry include continuing trends toward shorter lengths of hospital stay, increased use of outpatient services, increased federal, state and third party oversight of healthcare company operations and business practices, and increased demand for capitated healthcare services (delivery of services at a fixed price per capita basis to a defined group of covered parties). The entrance of insurance companies into managed care programs is also accelerating the introduction of managed care in new localities, and states and insurance companies continue to negotiate actively the amounts they will pay for services. Moreover, the percentage of healthcare services that are reimbursed under Medicare and Medicaid programs continues to increase as the population ages and as states expand their Medicaid programs. Continued eligibility to participate in these programs is crucial to a provider's financial strength. As a result of the foregoing, the revenues and margins of the operators of the Company's facilities may decrease, resulting in a reduction of the Company's rent/interest coverage from investments.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

At all times, the Company intends to make and manage its investments (including the sale or disposition of property or other investments) and to operate in such a manner as to be consistent with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") (or regulations thereunder) to qualify as a REIT, unless, because of changes in circumstances or changes in the Code (or regulations thereunder), the Board of Directors determines that it is no longer in the best interests of the Company to qualify as a REIT. As such, it generally will not pay federal income taxes on the portion of its income which is distributed to shareholders.

EXECUTIVE OFFICERS OF THE COMPANY

At the date of this report, the executive officers of the Company are:

Essel W. Bailey, Jr. (52) has been President, Chief Executive Officer and Secretary of the Company since March 1992, and was a Managing Director of Omega Capital from 1986 to 1992. He was previously a partner in a major Michigan law firm. Mr. Bailey is also a director of Principal Healthcare Finance Limited and of Excellence Manufacturing, Inc., a supplier to the auto industry.

David A. Stover (51) joined the Company as Vice President and Chief Financial Officer in September 1994. Mr. Stover is a Certified Public Accountant and has 23 years' experience with the international accounting firm of Ernst & Young LLP and its predecessor firms. From 1981 through 1990, he was an audit, tax and consulting partner, spending the last of those years as area partner-in-charge of services for the firm's healthcare clients in Western Michigan. From 1992 to 1994, Mr. Stover was principal of his own consulting firm and, from 1990 to 1992, he was Chief Financial Officer of International Research and Development Corporation.

F. Scott Kellman (40) joined the Company as Senior Vice President-Acquisitions in August 1993, and was appointed Executive Vice President in August 1994. From 1986 to 1989, he was Vice President of Meritor Savings Bank, the last two years as director of the healthcare lending unit. From 1989 to 1991, he served as Vice President of Van Kampen Merritt, Inc., an investment banking subsidiary of Xerox. From September 1991 to December 1992, he was employed by Philadelphia First Group (Investment Bank), and from January 1993 through August of 1993 he was the Chief Operating Officer of Medical REIT.

James P. Flaherty (49) joined the Company in 1996 and was appointed Vice President-International and Managing Director of Omega U.K. Limited in January 1997. Before he joined the Company, he was Chairman of Black Rock Capital Corporation, a leasing and merchant banking firm he founded in 1994. From April 1991 until December of 1993 Mr. Flaherty was Managing Partner of Pareto Partners, a London based investment management firm. Prior to 1991, he was employed by American Express Bank Ltd. in a number of senior management capacities and by State National Bank of Connecticut and its successor, The Connecticut Bank & Trust Co..

OTHER KEY PERSONNEL

Todd Robinson (31), Assistant Vice President; Director of Acquisitions, is a Certified Public Accountant who joined Omega in June 1995, after five years with the real estate group at Interstate/Johnson Lane, where he was responsible for the healthcare portfolio. Prior to Interstate, Mr. Robinson was a tax consultant with Arthur Andersen & Company, LLP.

Joseph Emanuele (62) joined the Company in 1996 as Director of Management Operations. His responsibilities encompass internal operations, customer relations, evaluation, assessment and monitoring client operations. Mr. Emanuele has over 25 years in the nursing home industry, holding positions of administrator and Vice President of Operations. For more than 5 years prior to joining the Company, he was president of a management consulting firm specializing in computerized systems for healthcare operations.

Carol Albaugh (34) joined the Company in December 1996 as Controller after completing her MBA at the University of Michigan. Prior to joining the Company, she held various progressively responsible positions at Borders Group Incorporated, most recently serving as Manager of Financial Planning and Analysis through March 1996.

ITEM 2 -- PROPERTIES

At December 31, 1996, the Company's real estate investments are in long-term care facilities and medical office buildings. The investments are either in the form of purchased facilities, which are leased to operators, or mortgages on facilities which are operated by the mortgagors or their affiliates. The facilities are located in 24 states and are operated by 34 unaffiliated operators. Basic information regarding investments as of December 31, 1996 is as follows:

<TABLE>
<CAPTION>

INVESTMENT STRUCTURE/OPERATOR	NO. OF TOTAL BEDS	NO. OF FACILITIES	OCCUPANCY %
<S>	<C>	<C>	<C>
PURCHASE/LEASEBACK PROPERTIES			
Advocat, Inc..	3,119	29	83
Unison Healthcare Corp....................................	1,664	17	74
Emerald Healthcare Inc....................................	1,336	31	73
ExtendaCare, Inc..	880	22	72
Regency Health Services ,Inc..............................	872	6	96

Alden Management Services, Inc.	870	4	91
Res-Care, Inc.	596	8	N/A
Sun Healthcare Group, Inc.	517	4	87
First Health Care Associates	360	1	69
Hunter Management Group, Inc.	300	1	90
Senior Care Properties, Inc.	280	1	76
Complete Care, Inc.	278	2	85
Meadowbrook Healthcare of N.C.	192	2	79
Kansas & Missouri, Inc.	173	1	59
Integrated Health Services, Inc.	160	1	69
Liberty Assisted Living Centers, LP.	120	1	93
Tutera Evergreen, LLC.	56	1	100
The Graduate Hospital	0	3	N/A
	11,773	135	81

</TABLE>

<TABLE>
<CAPTION>

INVESTMENT STRUCTURE/OPERATOR	NO. OF TOTAL BEDS	NO. OF FACILITIES	OCCUPANCY %
<S>	<C>	<C>	<C>
CONVERTIBLE PARTICIPATING MORTGAGES			
Regency Health Services, Inc.	546	4	95
Unison Healthcare Corp.	347	3	73
Premiere HCP III Hillsborough, Inc.	180	1	60
Senior Care Properties, Inc.	150	2	91
	1,223	10	84
PARTICIPATING MORTGAGES			
GranCare, Inc.	1,863	13	88
North Country Healthcare Associates	652	12	87
ExtendaCare, Inc.	203	3	46
Advocat, Inc.	317	3	90
	3,035	31	86
FIXED-RATE MORTGAGES			
Horizon/CMS Healthcare Corp.	1,179	11	N/A
American Healthcare Centers, Inc.	735	7	91
Advocat, Inc.	423	4	92
Tiffany Care Centers	330	5	79
Emerald Healthcare, Inc.	300	2	96
Integrated Health Services, Inc.	95	1	69
Senior Care Properties, Inc.	76	1	81
Quality Care, Inc.	75	1	76
Other Mortgages	991	9	N/A
	4,204	41	89
Totals	20,235	217	83

</TABLE>

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N/A -- Data are not reported or not applicable.

The distribution of real estate investments by investment type and state is as follows:

<TABLE>
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INVESTMENT STRUCTURE/STATE	NUMBER OF FACILITIES	TOTAL BEDS	TOTAL INVESTMENT ($1,000)	INVESTMENT YIELD
<S>	<C>	<C>	<C>	<C>
PURCHASE/LEASEBACK PROPERTIES				
Indiana	68	3,327	$101,581	12.21%
Arkansas	12	1,273	37,888	12.90
Texas	10	1,485	27,125	11.45
Kentucky	10	1,103	35,141	11.03
Illinois	7	1,074	37,661	11.13
No. Carolina	6	805	27,419	10.16
Tennessee	5	606	17,447	11.22
Alabama	4	521	11,639	12.75
Pennsylvania	3	0	30,031	13.54
Florida	2	420	14,146	12.10
West Virginia	2	182	5,573	11.85
Missouri	1	360	9,000	12.28
Kansas	1	173	2,500	8.75
Washington	1	160	10,000	10.75
Ohio	1	151	5,640	11.85
Iowa	1	77	2,636	10.50

Colorado	1	56	750	12.80
Total Purchase/Leasebacks	135	11,773	376,177	11.85

</TABLE>

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<CAPTION>

INVESTMENT STRUCTURE/STATE	NUMBER OF FACILITIES	TOTAL BEDS	TOTAL INVESTMENT ($1,000)	INVESTMENT YIELD
<S>	<C>	<C>	<C>	<C>
CONVERTIBLE PARTICIPATING MORTGAGES				
Tennessee	4	546	18,232	13.65
Texas	3	347	10,200	11.87
Florida	3	330	10,941	11.79
Total Convertible Participating	10	1,223	39,373	12.67
PARTICIPATING MORTGAGES MICHIGAN				
Michigan	13	1,863	58,800	14.56
Maine	11	619	24,317	11.36
Florida	3	317	7,031	13.20
Kentucky	3	203	4,423	11.63
Massachusetts	1	33	2,108	11.36
Total Participating Mortgages	31	3,035	96,679	13.33
FIXED RATE MORTGAGES				
Texas	10	1,146	10,519	10.75
Ohio	7	735	19,481	11.26
Florida	6	723	25,964	11.68
California	6	571	7,739	11.04
Missouri	5	330	5,421	11.83
Iowa	2	250	3,310	10.75
New Mexico	2	156	1,415	10.75
Tennessee	1	120	2,939	10.75
Utah	1	100	1,671	10.75
Nevada	1	73	521	10.75
Other, primarily construction			2,442	11.00
Total Fixed Rate Mortgages	41	4,204	81,422	11.27
Total Real Estate Investments	217	20,235	$593,651	12.07%

</TABLE>

ITEM 3 -- LEGAL PROCEEDINGS

There were no legal proceedings pending as of December 31, 1996, or as of the date of this report, to which the Company is a party or to which the properties are subject, which were likely to have a material adverse effect on the operations of the Company or on its financial condition.

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

No matters were submitted to shareholders during the fourth quarter of the year covered by this report.

PART II

ITEM 5 -- MARKET FOR REGISTRANTS' COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's shares of common stock are traded on the New York Stock Exchange under the symbol OHI. The following table sets forth, for the periods shown, the high and low prices as reported on the New York Stock Exchange Composite and dividends per share:

<TABLE>
<CAPTION>

1996					1995			
QUARTER	HIGH	LOW	DIVIDENDS PER SHARE		QUARTER	HIGH	LOW	DIVIDENDS PER SHARE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
First	$29.750	$26.375	$0.62		First	$24.250	$23.500	$0.59
Second	$29.125	$27.125	$0.62		Second	$26.625	$23.625	$0.59
Third	$30.125	$27.750	$0.62		Third	$27.125	$25.375	$0.59
Fourth	$33.500	$29.125	$0.62		Fourth	$27.125	$23.500	$0.59
			$2.48					$2.36

</TABLE>

The closing price on February 28, 1997 was $31.375 per share. As of February 28, 1997, there were 18,784,560 shares of common stock outstanding with approximately 3,200 registered holders and approximately 30,000 beneficial owners.

ITEM 6 -- SELECTED FINANCIAL DATA

The following selected financial data with respect to the Company should be read in conjunction with the Company's Consolidated Financial Statements which are incorporated herein by reference to the Company's 1996 Annual Report to Shareholders, which is included herein as Exhibit 13.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				PERIOD FROM DATE OF INCORPORATION TO DECEMBER 31,
	1996	1995	1994(2)	1993	1992(1)
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA					
Revenues....................................	$73,127	$61,430	$37,747	$20,750	$5,968
Net Earnings before Extraordinary Charge from Prepayment of Debt................	34,590	29,490	17,777	11,573	4,424
Net Earnings................................	34,590	23,011	17,777	11,573	4,424
Per Share Amounts:					
Net Earnings before Extraordinary Charge...............................	$ 2.01	$ 1.83	$ 1.70	$ 1.78	$ 0.68
Net Earnings...........................	2.01	1.43	1.70	1.78	0.68
Dividends (3)..........................	2.48	2.36	2.20	2.04	0.26
Weighted Average Shares Outstanding.........	17,196	16,071	10,451	6,513	6,464

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA					
Cost of Investments.......................	$643,261	$547,923	$475,961	$231,751	$142,970
Total Assets..............................	634,836	551,188	500,731	243,587	144,752
Acquisition Line of Credit................	6,000	74,690	20,000	14,500	14,083
Long-Term Borrowings......................	135,659	120,453	133,602	103,573	6,246
Subordinated Convertible Debentures.......	94,810				
Shareholders' Equity......................	383,007	347,129	338,543	122,714	122,510

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(1) As described in Note 1 to the Consolidated Financial Statements, operations commenced on August 14, 1992.

(2) As described in Note 13 to the Consolidated Financial Statements, the Company acquired Health Equity Properties Incorporated on September 30, 1994.

(3) Dividends per share are those declared and paid during such period.

ITEM 7 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is incorporated herein by reference to the caption "Management's Discussion and Analysis" on Pages 10 through 12 of the Company's Annual Report to Shareholders, included herein as Exhibit 13.

ITEM 8 -- FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated herein by reference to the Consolidated Financial Statements included in Pages 13 through 23 of the Company's Annual Report to Shareholders, included herein as Exhibit 13.

ITEM 9 -- CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10 -- DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is contained in Item 1 herein or incorporated herein by reference to the Company's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 15, 1997, which was filed with the Securities and Exchange Commission pursuant to Regulation 14A on March 6, 1997.

ITEM 11 -- EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 15, 1997, which was filed on March 6, 1997 with the Securities and Exchange Commission pursuant to Regulation 14A.

ITEM 12 -- SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 15, 1997, which was filed on March 6, 1997 with the Securities and Exchange Commission pursuant to Regulation 14A.

ITEM 13 -- CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 15, 1997, which was filed on March 6, 1997 with the Securities and Exchange Commission pursuant to Regulation 14A.

PART IV

ITEM 14 -- EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) Listing of Consolidated Financial Statements -- See Index to Financial Information on Page 4 of Exhibit 13 of this report.

(a)(2) Listing of Financial Statement Schedules -- See Index to Financial Information on Page 4 of Exhibit 13 of this report.

(a)(3) Listing of Exhibits -- See Index to Exhibits beginning on Page 14 of this report.

(b) Reports on Form 8-K. There were no reports on Form 8-K filed during the fourth quarter of 1996.

(c) Exhibits -- See Index to Exhibits beginning on Page 14 of this report.

(d) Financial Statement Schedules -- The following consolidated financial statement schedules are included herein:

Schedule III Real Estate and Accumulated Depreciation

Schedule IV Mortgage Loan on Real Estate

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION
OMEGA HEALTHCARE INVESTORS, INC.
DECEMBER 31, 1996

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D		COLUMN E(5)	COLUMN F
		INITIAL COST TO COMPANY	COST CAPITALIZED SUBSEQUENT TO ACQUISITION		GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD	
		BUILDINGS AND LAND		CARRYING	BUILDINGS AND LAND IMPROVEMENTS	ACCUMULATED
DESCRIPTION(1)	ENCUMBRANCES	IMPROVEMENTS	IMPROVEMENTS	COSTS	TOTAL	DEPRECIATION(6)

<S> <C> <C> <C> <C> <C> <C>

Advocat, Inc.:						
Alabama (LTC).................		$11,638,797	$ 0	$0	$11,638,797	$1,527,726
Arkansas (LTC)................		37,887,832	0	0	37,887,832	5,094,068
Tennessee (LTC)...............	(2)	9,542,121	0	0	9,542,121	1,282,407
Kentucky (LTC)................	(3)	16,149,775	884,589	0	17,034,364	937,091
Ohio (LTC)....................		5,854,186		0	5,854,186	390,272
West Virginia (LTC)...........		5,283,525	153,695	0	5,437,220	289,320
		86,356,237	1,038,284	0	87,394,520	9,520,884
Unison Healthcare Corp.: (formerly BritWill Healthcare Company):						
Indiana (LTC).................		19,760,000	624,000	0	20,384,000	2,481,741
Texas (LTC)...................		13,810,000	138,515	0	13,948,515	964,396
		33,570,000	762,515	0	34,332,515	3,446,137
The Graduate Hospital:						
Pennsylvania (MOB)............		30,031,250	0	0	30,031,250	3,465,325
Liberty Assisted Living Centers LTD Partnership:						
Florida (LTC).................		5,994,730	760	0	5,995,490	512,638
Regency Health Services, Inc.:						
North Carolina (LTC)..........		8,818,000	0	0	8,818,000	860,633
North Carolina (LTC)..........		11,100,131	0	0	11,100,131	529,376
Tennessee (LTC)...............	(2)	7,905,139	0	0	7,905,139	608,406
		27,823,270	0		27,823,270	1,998,415
Alden Management Services, Inc:						
Illinois (LTC)................		31,000,000	0	0	31,000,000	2,324,883
Emerald Healthcare, Inc.:						
Illinois (LTC)................		2,963,578	0	0	2,963,578	309,667
Indiana (LTC).................		33,782,788	0	0	33,782,788	2,965,580
		36,746,366			36,746,366	3,275,247
ExtendaCare, Inc.:						
Indiana (LTC).................		23,553,634	0	0	23,553,634	2,076,018
Res-Care Health Services, Inc.:						
Indiana (LTC).................		20,470,968	0	0	20,470,968	1,614,977
Kentucky (LTC)................		8,029,032	0	0	8,029,032	592,965
		28,500,000	0	0	28,500,000	2,207,942

<CAPTION>

COLUMN A	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION(1)	DATE OF RENOVATION	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENTS IS COMPUTED

<S> <C> <C> <C>

Advocat, Inc.:	1948-1995		
Alabama (LTC).................		August 14, 1992	31.5 years
Arkansas (LTC)................		August 14, 1992	31.5 years
Tennessee (LTC)...............		August 14, 1992	31.5 years
Kentucky (LTC)................		July 1, 1994	33 years
Ohio (LTC)....................		July 1, 1994	33 years
West Virginia (LTC)...........		July 1, 1994	33 years
Unison Healthcare Corp.: (formerly BritWill Healthcare Company):	1963-1993		
Indiana (LTC).................		December 23, 1992	31.5 years
Texas (LTC)...................		December 1, 1993	39 years
The Graduate Hospital:	1929-1984		
Pennsylvania (MOB)............		October 28, 1993	27.5 years
Liberty Assisted Living Centers LTD Partnership:	1989		
Florida (LTC).................		September 30, 1994	27 years
Regency Health Services, Inc.:	1974-1986		
North Carolina (LTC)..........		June 30, 1994	39 years
North Carolina (LTC)..........		September 30, 1994	29 years
Tennessee (LTC)...............		September 30, 1994	30 years
Alden Management Services, Inc:	1958-1981		
Illinois (LTC)................		September 30, 1994	30 years
Emerald Healthcare, Inc.:	1960-1975		
Illinois (LTC)................		April 1, 1996	25 years
Indiana (LTC).................		April 1, 1996	25 years
ExtendaCare, Inc.:	1967-1974		
Indiana (LTC).................		January 16, 1996	25 years
Res-Care Health Services, Inc.:	1962-1972		
Indiana (LTC).................		September 30, 1994	25-30 years
Kentucky (LTC)................		September 30, 1994	30 years

</TABLE>

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D		COLUMN E(5)	COLUMN F
		INITIAL COST TO COMPANY	COST CAPITALIZED SUBSEQUENT TO ACQUISITION		GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD	
DESCRIPTION(1)	ENCUMBRANCES	BUILDINGS AND LAND IMPROVEMENTS	IMPROVEMENTS	CARRYING COSTS	BUILDINGS AND LAND IMPROVEMENTS TOTAL	ACCUMULATED DEPRECIATION(6)
Integrated Health Services, Inc.:						
Washington (LTC)..............		$ 10,000,000	$ 0	$0	$ 10,000,000	$ 595,833
Sun Healthcare Group, Inc.:						
Iowa (LTC)....................		2,700,000	0	0	2,700,000	12,237
Illinois (LTC)................		4,900,000	0	0	4,900,000	67,446
Indiana (LTC).................		3,000,000	0	0	3,000,000	11,024
Texas (LTC)...................		7,100,000	0	0	7,100,000	96,125
		17,700,000	0	0	17,700,000	186,832
Hunter Management Group Inc.:						
Florida (LTC).................		8,150,000	0	0	8,150,000	577,277
Meadowbrook Healthcare of North Carolina:						
North Carolina (LTC)..........		7,500,000	0	0	7,500,000	546,158
Senior Care Properties, Inc.:						
Texas (LTC)...................		5,200,000	0	0	5,200,000	291,375
First HealthCare Associates:						
Missouri (LTC)................		9,000,000	0	0	9,000,000	880,103

Miscellaneous Investments:	(4)	13,250,000	0	0	13,250,000	979,037
		------------	----------	-	------------	-----------
		$374,375,487	$1,801,559	$0	$376,177,045	$32,884,104
		============	==========		============	===========

<CAPTION>

COLUMN A	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION(1)	DATE OF RENOVATION	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENTS IS COMPUTED
<S>	<C>	<C>	<C>
Integrated Health Services, Inc.:	1965-1967		
Washington (LTC)...............		September 1, 1996	20 year
Sun Healthcare Group, Inc.:	1965-1975		
Iowa (LTC).....................		August 30, 1996	30 years
Illinois (LTC).................		August 30, 1996	30 years
Indiana (LTC)..................		August 30, 1996	30 years
Texas (LTC)....................		August 30, 1996	30 years
Hunter Management Group Inc.:	1977-1978		
Florida (LTC)..................		September 13, 1993	39 years
Meadowbrook Healthcare of North Carolina:	1984-1985		
North Carolina (LTC)...........		September 30, 1994	31.5 years
Senior Care Properties, Inc.:	1929-1975		
Texas (LTC)....................		January 1, 1995	31.5 years
First HealthCare Associates:	1978-1986		
Missouri (LTC).................		August 14, 1992	31.5 years
Miscellaneous Investments:	1956-1985	Various	20-39 years

</TABLE>

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(1) All of the real estate included in this schedule are being used in either the operation of long-term care facilities (LTC) or medical office buildings (MOB) located in the states indicated.

(2) Certain of the real estate indicated are security for Industrial Development Revenue Bonds totaling $9,150,000 at December 31, 1996.

(3) Certain of the real estate indicated are security for notes payable totaling $8,159,467 at December 31, 1996

(4) Certain of the real estate indicated are security for HUD loans totaling $6,964,967 at December 31, 1996

<TABLE>
<CAPTION>

COLUMN E	1994	1995	1996
<S>	<C>	<C>	<C>
(5) Balance at beginning of period........................	$127,110,000	$334,600,764	$357,556,246
Additions during period:			
Acquisitions..	207,018,000	22,747,486	17,700,000
Improvements and other..............................	472,764	207,996	920,799
	------------	------------	------------
Balance at close of period............................	$334,600,764	$357,556,246	$376,177,045
	============	============	============

</TABLE>

Additions for 1994 include $165,000,000 stemming from the merger with Health Equity Properties Incorporated and $4,560,000 from a conversion of a mortgage to purchase/lease back.

<TABLE>
<CAPTION>

COLUMN F	1994	1995	1996
<S>	<C>	<C>	<C>
(6) Balance at beginning of period........................	$3,357,328	$ 9,552,587	20,836,153
Additions during period:			
Provisions for depreciation.........................	6,195,259	11,283,566	12,047,951
	----------	-----------	-----------
Balance at close of period............................	$9,552,587	$20,836,153	$32,884,104
	==========	===========	===========

</TABLE>

SCHEDULE IV MORTGAGE LOANS ON REAL ESTATE
OMEGA HEALTHCARE INVESTORS, INC.
DECEMBER 31, 1996

<TABLE>
<CAPTION>

COLUMN A DESCRIPTION(1)	COLUMN B INTEREST RATE	COLUMN C FINAL MATURITY DATE	COLUMN D PERIODIC PAYMENT TERMS	COLUMN E PRIOR LIENS
Michigan (13 LTC facilities)...	14.56%	August 13, 2007	- Interest payable at 13.56% payable monthly - Deferred interest at 1% accrues monthly and is payable at maturity of the note - Quarterly amortization of $1,470,000 commencing in the year 2002	None
Florida (3 LTC facilities).....	13.20%	August 4, 2012	- Interest payable monthly - Quarterly amortization of $50,000 commencing in the year 2002	None
Florida (4 LTC facilities).....	11.50%	February 28, 2010	- Interest plus principal of $124,826 payable monthly	None
Florida (2 LTC facilities).....	11.50%	June 4, 2006	- Interest plus principal of $107,382 payable monthly	None
Maine (11 LTC facilities) Massachusetts (1 LTC facility).....................	11.36%	September 30, 2000	- Interest payable monthly - Quarterly payment of $37,500 commencing in 1996	None
Texas (6 LTC facilities).......	11.87%	December 31, 2003	- Interest payable monthly - Annual amortization of $60,000 commencing in years 1997-1999 and $120,000 commencing in year 2000	None
Texas (8 LTC facilities).......	10.75%	Various	- Interest plus principal of $105,000 payable monthly	None
Tennessee (2 LTC facilities)...	13.58%	April 30, 2001	- Interest payable monthly	None
Tennessee (2 LTC facilities)...	12.44%	August 1, 2016	- Interest payable monthly	None
Ohio (7 LTC facilities)........	11.00%	January 1, 2015	- Interest plus principal of $207,570 payable monthly	None
Other Mortgage Notes: Various........................	11% to 13.5%	1998 to 2005	- Interest payable monthly	None

<CAPTION>

COLUMN A DESCRIPTION(1)	COLUMN F FACE AMOUNT OF MORTGAGES	COLUMN G CARRYING AMOUNT OF MORTGAGES(2)(3)	COLUMN H PRINCIPAL AMOUNT OF LOANS SUBJECT TO DELINQUENT PRINCIPAL OR INTEREST
Michigan (13 LTC facilities)...	$ 58,800,000	$ 58,800,000	None
Florida (3 LTC facilities).....	$ 7,031,250	$ 7,031,250	None
Florida (4 LTC facilities).....	$ 12,691,500	$ 12,879,505	None
Florida (2 LTC facilities).....	$ 11,090,000	$ 11,084,377	None
Maine (11 LTC facilities) Massachusetts (1 LTC			

facility)....................	$ 26,500,000	$ 26,425,000	None
Texas (6 LTC facilities).......	$ 10,200,000	$ 10,200,000	None
Texas (8 LTC facilities).......	$ 8,597,966	$ 8,597,966	None
Tennessee (2 LTC facilities)...	$ 8,932,000	$ 8,932,000	None
Tennessee (2 LTC facilities)...	$ 9,300,000	$ 9,300,000	
Ohio (7 LTC facilities)........	$ 20,031,888	$ 19,481,229	None
Other Mortgage Notes:			
Various........................	$ 50,552,905	$ 44,742,745	None
	$223,727,509	$217,474,072	

</TABLE>

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(1) The mortgage loans included in this schedule represent first mortgages on facilities used in the delivery of long-term healthcare, such facilities are located in the state indicated and are being operated by the indicated operator.

(2) The aggregate cost for federal income tax purposes is equal to the carrying amount.

<TABLE>
<CAPTION>

	COLUMN G RECONCILIATION	1994	1995	1996
<S>	<C>	<C>	<C>	<C>
(3)	Balance at beginning of period..................	$104,641,250	$141,359,387	$158,289,097
	Additions during period -- Placements...........	41,334,218	21,131,000	66,222,620
	Deductions during period:			
	Collections of principal........................	(56,081)	(850,959)	(956,646)
	Conversion to purchase/leaseback................	(4,560,000)	(3,350,331)	(6,080,999)
	Balance at close of period......................	$141,359,387	$158,289,097	$217,474,072

</TABLE>

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGES
<C>	<S>	<C>
3.1	Articles of Incorporation, as amended, of the Registrant, filed as Exhibit 3.1 to the Registrant's Form 10-Q for the quarter ended March 31, 1995 and incorporated herein by this reference.	
3.2	Amended and Restated Bylaws of the Registrant, as amended August 17, 1993 (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 (#33-70612) dated October 21, 1993)..................................	
4.1	Form of Convertible Debenture (Incorporated by reference to Exhibit 4.2 to the Company's Form S-3 dated February 3, 1997)...	
4.2	Form of Indenture (Incorporated by reference to Exhibit 4.2 to the Company's Form S-3 dated February 3, 1997)..........	
4.3	Indenture dated December 27, 1993 (Incorporated by reference to Exhibit 4.2 to the Company's Form S-3 dated December 29, 1993)	
4.4	First Supplemental Indenture dated January 23, 1996 (Incorporated by reference to Exhibit 4 to the Company's Form 8-K dated January 19, 1996)...........................	
4.5	1993 Stock Option and Restricted Stock Plan, as amended (Incorporated by reference to Exhibit 10.11 to the Company's Form 10-Q for the quarterly period ended March 31, 1995)....	
8	Opinion of Counsel to the Registrant regarding tax consequences.*..	
10.1	Agreement of Acquisition and Lease by and between the	

	Registrant and Diversicare Corporation of America dated June 1992 (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement (#33-48268) on Form S-11 effective August 7, 1992)..................................
10.2	Form of Master Lease with Diversicare (Incorporated by reference to Exhibit 10.5 to the Company's Registration Statement (#33-48268) on Form S-11 effective August 7, 1992)..
10.3	Loan Agreement by and between the Registrant, First Property Management, Inc., Professional Health Care Management, Inc., and certain affiliates dated June 1992, Form of Mortgage Note for Michigan facilities, and Form of First Amendment to Michigan Loan Agreement (Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement (#33-48268) on Form S-11 effective August 7, 1992)..........
10.4	Form of Participating Mortgage for Michigan facilities (Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement (#33-48268) on Form S-11 effective August 7, 1992)..
10.5	First Amendment to Michigan Loan Agreement by and between the Registrant and Professional Health Care Management, Inc., dated August 14, 1992 (Incorporated by reference to Exhibit 10.3 in the Company's Registration Statement on Form S-11 (#33-51922) effective October 1, 1992).................
10.6	Support Agreement dated August 14, 1992, whereby the Parent of Diversicare agrees to support the financial obligations of Diversicare under the Amended and Restated Agreement of Acquisition (Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement (#33-51922) on Form S-11 effective October 1, 1992)............................

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGES
<C>	<S>	<C>
10.7	Master Lease, as amended by Amendment Agreement dated December 22, 1992 (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated December 24, 1992)..........	
10.8	Second Amendment to Master Lease, as amended by Amendment Agreement dated December 24, 1992 (Incorporated by reference to Exhibit 10.13 to the Company's Form 10-K for the year ended December 31, 1992)..................................	
10.9	1993 Retirement Plan for Directors, effective March 2, 1993 (Incorporated by reference to Exhibit 10.15 to the Company's Form 10-K for the year ended December 31, 1992)............	
10.10	1993 Deferred Compensation Plan, effective March 2, 1993 (Incorporated by reference to Exhibit 10.16 to the Company's Form 10-K for the year ended December 31, 1992)............	
10.11	Form of Note Exchange Agreement -- 10% Senior Notes due July 15, 2000 (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended September 30, 1995)..	
10.12	Form of Note Exchange Agreement -- 7.4% Senior Notes due July 15, 2000 (Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarterly period ended September 30, 1995)..	
10.13	Form of Note Purchase Agreement -- 7.4% Senior Notes due July 15, 2000 (Incorporated by reference to Exhibit 10.25 to the Company's Form 10-K for the year ended December 31, 1995)..	
10.14	Amended and Restated Loan Agreement with Fleet Bank, N.A., et al. (Incorporated by reference to the Company's Form 10-Q for the quarterly period ended June 30, 1996)	
11	Statement re: computation of per share earnings*...........	
13	Excerpts from Omega Healthcare Investors, Inc. Annual Report to Shareholders for the period ended December 31, 1996, to	

	the extent referred to in Part II of this Form 10-K*........	
21	Subsidiaries of the Registrant*............................	
23	Consent of Independent Auditors*...........................	

</TABLE>

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* Exhibits which are filed herewith on the indicated sequentially numbered page.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) 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.

By: /s/ DAVID A. STOVER

David A. Stover
Chief Financial Officer

Dated: March 28, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities on the date indicated .

<TABLE>
<CAPTION>

SIGNATURES	TITLE	DATE
PRINCIPAL EXECUTIVE OFFICER		
/s/ ESSEL W. BAILEY, JR. Essel W. Bailey, Jr.	Chairman, President, Chief Executive Officer, Secretary and Director	March 28, 1997
PRINCIPAL FINANCIAL OFFICER and PRINCIPAL ACCOUNTING OFFICER		
/s/ DAVID A. STOVER David A. Stover	Vice President, Chief Financial Officer and Chief Accounting Officer	March 28, 1997
DIRECTORS		
/s/ JAMES A. EDEN James A. Eden	Director	March 28, 1997
/s/ THOMAS F. FRANKE Thomas F. Franke	Director	March 28, 1997
/s/ HAROLD J. KLOOSTERMAN Harold J. Kloosterman	Director	March 28, 1997
/s/ BERNARD J. KORMAN Bernard J. Korman	Director	March 28, 1997
/s/ EDWARD LOWENTHAL Edward Lowenthal	Director	March 28, 1997
/s/ ROBERT L. PARKER Robert L. Parker	Director	March 28, 1997

</TABLE>

EXHIBIT 8

March 20, 1997

Omega Healthcare Investors, Inc.
905 West Eisenhower Circle, Suite 110
Ann Arbor, Michigan 48103

RE: $150,000,000 AGGREGATE OFFERING PRICE OF SECURITIES OF OMEGA HEALTHCARE INVESTORS, INC.

Gentlemen:

In connection with the registration statement on Form S-3, File No. 333-20967 (the "Registration Statement") filed by Omega Healthcare Investors, Inc. with the Securities and Exchange Commission on February 3, 1997, regarding the registration of the Securities under the Securities Act of 1933, as amended, you have requested our opinion concerning whether the Company has been organized in conformity with the requirements for qualification as a real estate investment trust, and whether its proposed method of operation will enable it to meet the requirements for qualification and taxation as a real estate investment trust under the Internal Revenue Code of 1986, as amended (the "Code").

The opinion is based on various facts and assumptions. We have also been furnished with, and have relied upon , representations made by the Company with respect to certain factual matters through a certificate of an officer of the Company.

Based on such facts, assumptions and representations, it is our opinion that the Company has been organized in conformity with the requirements for qualification as a real estate investment trust under the Code, and its proposed method of operation will enable it to meet the requirements for qualification and taxation as a real estate investment trust under the Code. No opinion is expressed as to any matter not expressly addressed herein.

This opinion is based on various statutory provisions, regulations promulgated thereunder and interpretations thereof by the Internal Revenue Service and courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Also, any variation or difference in the facts from those set forth in the officer's certificate furnished to us may affect the conclusions stated herein. Moreover, the Company's qualification and taxation as a real estate investment trust depends upon the Company's ability to meet, through actual annual operating results, distribution levels and diversity of stock ownership, the various qualification tests imposed under the Code, the results of which have not and will not be reviewed by Argue Pearson Harbison & Myers, LLP. Accordingly, no assurance can be given that the actual results of the Company's operation for any one taxable year will satisfy such requirements.

This opinion is furnished to you solely for your use in connection with the Registration Statement. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Registration Statement.

Very truly yours,

ARGUE PEARSON HARBISON & MYERS, LLP.

EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER-SHARE EARNINGS

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	(IN THOUSANDS EXCEPT PER-SHARE DATA)		
Primary:			
Average shares outstanding	17,196	16,071	10,451
Net effect of dilutive stock options based on the treasury stock method	*	*	*
Total	17,196	16,071	10,451
Net earnings before extraordinary charge from prepayment of debt	34,590	29,490	17,777
Net earnings	34,590	23,011	17,777
Per-share amounts:			
Net earnings	$2.01	$1.43	$1.70
Net earnings before extraordinary charge	$2.01	$1.83	$1.70
Fully Diluted:			
Average shares outstanding	17,196		
Assumed conversion of debentures	3,095		
Stock option incremental shares	72		
Total	20,363		
Net earnings	34,590		
Add interest expense associated with Convertible Debentures	7,778		
Total	42,368		
Per-share amount	$2.08		

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* The aggregate number of stock options outstanding during each period is less than 3% of the weighted average shares outstanding, and are not materially dilutive based on the treasury stock method using the average market price for the year. For 1995 and 1994, incremental shares from stock options on a fully-diluted basis using the year-end market price if higher than the average market price are not materially dilutive.

EXHIBIT 13

RESPONSE TO ITEM 14(a)(1) AND (2) AND 14(d)

INFORMATION INCORPORATED BY REFERENCE FROM
ANNUAL REPORT TO SHAREHOLDERS

LISTING OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

INDEX TO FINANCIAL INFORMATION

YEAR ENDED DECEMBER 31, 1996

OMEGA HEALTHCARE INVESTORS, INC.

ANN ARBOR, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

OMEGA HEALTHCARE INVESTORS, INC.

"Safe Harbor" Statement Under the United States Private Securities Litigation Reform Act of 1995 Statements that are not historical facts contained in Management's Discussion and Analysis are forward-looking statements that involve risks and uncertainties that could cause actual results to differ from projected results. Some of the factors that could cause actual results to differ materially include: the financial strength of the operators of the Company's facilities as it affects their continuing ability to meet their obligations to the Company under the terms of the Company's agreements with such operators; changes in operators or ownership of operators; government policy relating to the healthcare industry, including changes in the reimbursement levels under the Medicare and Medicaid programs; operators' continued eligibility to participate in the Medicare and Medicaid programs; changes in reimbursement by other third party payors; occupancy levels at the Company's facilities; the availability and cost of capital; the strength and financial resources of the Company's competitors; the Company's ability to make additional real estate investments at attractive yields and changes in tax laws and regulations affecting real estate investment trusts.

Following is a discussion of the consolidated financial condition and results of operations of the Company which should be read in conjunction with the consolidated financial statements and accompanying notes.

RESULTS OF OPERATIONS

Year Ended December 31, 1996 compared to Year Ended December 31, 1995

Revenues for the year ended December 31, 1996 totaled $73,127,000, increasing $11.7 million over 1995 revenues. The 1996 revenue growth stems primarily from additional investments during 1995 and 1996. A partial year of revenues from 1996 investments provided revenue increases of approximately $6.1 million, while a full year of revenues from 1995 investments added $3.8 million to revenues. Additionally, approximately $1.4 million of the revenue growth stems from participating incremental revenues which became effective during 1996.

Total investments of $643 million as of December 31, 1996 will provide 1997 annualized operating revenues of $77.8 million. Revenues will continue at this level until additional 1997 investments are made and additional escalation provisions commence in 1997. Annualized revenues for 1997 represent an $12.7 million increase over the 1996 annualized revenues of $65.1 million based on investments of $548 million as of January 1, 1996.

Expenses for the year ended December 31, 1996 totaled $38,537,000, increasing $6.6 million over expenses of $31.9 million for 1995. The 1996 provision for depreciation and amortization of real estate totaled $13,693,000, increasing $698,000 over 1995. This increase stems from additional investments funded in 1995 and 1996.

Interest expense for the year ended December 31, 1996 was approximately $20,836,000, compared with $15.3 million for 1995. The increase in interest expense is due to higher average borrowings of approximately $88 million, offset by lower interest rates and reduced amortization of debt issue costs.

General and administrative expenses for 1996 totaled $4,008,000 or approximately 5.5% of revenues as compared to 5.9% for 1995. The 1996 percentage decrease relates to economies of scale stemming from additional investments made in 1996 and 1995.

No provision for Federal income taxes has been made since the Company intends to continue to qualify as a real estate investment trust under the provisions of Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. Accordingly, the Company will not be subject to Federal income taxes on amounts distributed to shareholders provided it distributes at least 95% of its real estate investment trust taxable income and meets certain other conditions

Funds from operations available for distribution for 1996 was $48,989,000, an increase of $5.5 million from the $43.5 million for 1995. Funds from operations for the year ended December 31, 1996 totaled

$49,008,000, an increase of $6.0 million over the $43.0 million for 1995. The 1996 growth in cash flow is primarily due to the additional investments in 1996 and 1995 and the related increase in operating earnings before provisions for depreciation and amortization.

Year Ended December 31, 1995 compared to Year Ended December 31, 1994

Revenues for the year ended December 31, 1995 totaled $61,430,000, increasing $23.7 million over 1994 revenues. The 1995 revenue growth stems primarily from additional investments during 1994 and 1995. A partial year of revenues from 1995 investments provided revenue increases of approximately $3.3 million, while a full year of revenues from 1994 investments added $19.4 million to revenues, including $14.3 million from the September 30, 1994 acquisition of Health Equity Properties Incorporated ("HEP") as described in Note 13 to the consolidated financial statements. Additionally, approximately $1.1 million of the revenue growth stems from participating incremental revenues which became effective during 1995.

Total investments of $548 million as of December 31, 1995 will provide 1996 annualized operating revenues of $65.1 million. Revenues will continue at this level until additional 1996 investments are made and additional escalation provisions commence in 1996. Annualized revenues for 1996 represent an $8.5 million increase over the 1995 annualized revenues of $56.6 million based on investments of $476 million as of January 1, 1995.

Expenses for the year ended December 31, 1995 totaled $31,940,000, increasing approximately $12.0 million over expenses of $20 million for 1994. The 1995 provision for depreciation and amortization of real estate totaled $12,995,000, increasing $6.3 million over 1994. This increase stems from a full year provision for 1994 investments ($6 million, including $5.5 million from the acquisition of HEP), plus a partial year of provision for 1995 investments.

Interest expense for the year ended December 31, 1995 was approximately $15,325,000, compared with $10.5 million for 1994. The increase in interest expense is primarily due to an increase in average outstanding borrowings on the acquisition line of credit, partially offset by lower rates, plus interest on debt assumed or incurred through the HEP acquisition in 1994.

General and administrative expenses for 1995 totaled $3.6 million or approximately 5.9% of revenues as compared to 7.2% for 1994. The 1995 percentage decrease is due to economies of scale resulting from the HEP acquisition and the additional investments made in 1995.

Funds from operations available for distribution for 1995 was $43,537,000, an increase of $18.2 million from the $25.3 million for 1994. Funds from operations for the year ended December 31, 1995 totaled $43.0 million, an increase of $18.2 million over the $24.8 million for 1994. The 1995 growth in cash flow is primarily due to the additional investments in 1995 and 1994 and the increase in operating earnings before provisions for depreciation and amortization.

LIQUIDITY AND CAPITAL RESOURCES

The Company continually seeks new investments in healthcare properties, primarily long-term care facilities, with the objective of profitable growth and further diversification of the investment portfolio. Permanent financing for future investments is expected to be provided through a combination of private and public offerings of debt and equity securities. Management believes the Company's liquidity and various sources of available capital are adequate to finance operations, fund future investments in additional facilities, and meet debt service requirements.

At December 31, 1996, the Company has a strong financial position with total assets of $634.8 million, shareholders' equity of $383.0 million, and long-term debt of $230.5 million, representing approximately 36% of total capitalization. (Long-term debt excludes the revolving credit facility to the extent that it is not term debt.) From January 1, 1997 through February 12, 1997, $16.2 million of subordinated debentures were converted for 565,062 shares of common stock, reducing the long-term debt-to-total capitalization to approximately 34%. The Company anticipates maintaining a long-term debt-to-capitalization ratio of approximately 40%. At year end the Company also has total liquidity of $125 million, represented primarily by permitted borrowings of up to $119 million under its revolving credit line.

In February 1997, the Company filed two shelf registration statements with the Securities and Exchange Commission permitting the issuance of up to $250,000,000 of securities. The Company registered up to $150,000,000 related to common stock, unspecified debt, preferred stock, and convertible securities which may be issued from time to time in connection with a Registration Statement on Form S-3. Additionally, the Company registered on Form S-4 common stock totaling $100,000,000 to be issued in connection with future property acquisitions. These Registration Statements, together with availability under the revolving credit line, provide up to $369 million of capital availability to the Company.

The Company has demonstrated a strong capacity to access the capital markets by raising more than $900 million in capital since it was organized in 1992. The Company has raised more than $400 million in equity, including $130 from the initial public offering in 1992, $165 million from the HEP acquisition in 1994 and two additional offerings, the latest completed in November 1996. Additionally, nearly $500 million of debt capital has been raised, some of which has been used to retire secured borrowing debt with higher interest rates. In 1996, the Company completed a placement of $95 million of 8.5% Convertible Subordinated Debentures due 2001, and executed an agreement to increase its current bank line of credit facility by $50 million and to extend the term of the revolving credit agreement to July 1999. The increase in the credit facility allows for an additional $25 million on the revolving credit facility, increasing it to $125 million, plus the equivalent of $25 million in a pounds sterling denominated term loan due in October 2000, for total permitted borrowings of up to $150 million.

The Company distributes a large portion of the funds from operations available for distribution. Cash dividends paid totaled $2.48 per share compared with $2.36 per share for the year ended December 31, 1995. The dividend pay-out ratio, that is the ratio of per share amounts for dividends paid to funds from operations was 87% for 1996, compared with 88% for 1995, and 93% for 1994. The Company believes that cash provided from quarterly operating activities at current levels will continue to be sufficient to fund normal working capital requirements and pay 1997 dividends at a quarterly rate of $0.645 per share as declared at the January 22, 1997 Board of Directors meeting. Cash flow from operations which is retained by the Company by continuing to gradually reduce the dividend payout ratio will help to fund additional investments.

New investments generally are funded from temporary borrowings on the acquisition credit line agreement. The purpose of the acquisition line is to provide temporary funds for investments in healthcare facilities. Interest cost incurred by the Company on borrowings under the acquisition line will vary depending upon fluctuations in prime and/or LIBOR rates, and upon changes in the Company's ratings by national agencies. Borrowings bear interest at LIBOR plus 1.25% or, at the Company's option at the prime rate. The Company expects to periodically replace funds drawn on the acquisition line through fixed-rate long-term borrowings, the placement of convertible debentures, or the issuance of additional shares of capital stock. Historically, the Company's strategy has been to match the maturity of its indebtedness with the maturity of its assets and to employ fixed-rate long-term debt to the extent practicable.

INDEX TO FINANCIAL INFORMATION

The following consolidated financial statements of Omega Healthcare Investors, Inc. and subsidiaries, included on pages 13 through 22 of the Annual Report of the registrant to its shareholders for the year ended December 31, 1996, are incorporated by reference in Item 8:

Consolidated Balance Sheets -- December 31, 1996 and 1995.

Consolidated Statements of Operations -- Years ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Shareholders' Equity -- Years ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Cash Flows -- Years ended December 31, 1996, 1995 and 1994.

Notes to Consolidated Financial Statements -- December 31, 1996.

The following consolidated financial statement schedules of Omega Healthcare Investors, Inc. and subsidiaries are included in Item 14(d):

Schedule III Real Estate and Accumulated Depreciation

Schedule IV Mortgage Loan on Real Estate

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are are not required under the related instructions or are inapplicable and therefore have been omitted.

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Omega Healthcare Investors, Inc.

We have audited the accompanying consolidated balance sheets of Omega Healthcare Investors, Inc. and subsidiaries as of December 31, 1996, and 1995 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Omega Healthcare Investors, Inc. and subsidiaries at December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Ernst & Young, LLP

January 21, 1997 (Except for
Note 17 as to which the date
is February 12, 1997)

Detroit, Michigan

CONSOLIDATED BALANCE SHEETS

OMEGA HEALTHCARE INVESTORS, INC.

<TABLE>
<CAPTION>

	DECEMBER 31 1996	DECEMBER 31 1995
	(IN THOUSANDS)	
<S>	<C>	<C>
ASSETS		
Investments in real estate:		
Real estate properties -- net	$ 343,293	$336,720
Mortgage notes receivable	217,474	158,290
	560,767	495,010
Investment in Principal Healthcare Finance Limited	29,970	32,078
Other investments	19,640	521
	610,377	527,609
Cash and short-term investments	6,244	6,426
Non-compete agreements and goodwill -- net	7,605	9,228
Other assets	10,610	7,925
Total assets	$ 634,836	$551,188
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Acquisition line of credit	$ 6,000	$ 74,690
Bank term loan	25,000	
Senior notes	81,384	81,384
Other long-term borrowings	29,275	39,069
Subordinated convertible debentures	94,810	
Accrued expenses and other liabilities	15,360	8,916
Total liabilities	251,829	204,059
Shareholders' equity:		

	1996	1995
Preferred stock $1.00 par value:		
Authorized -- 10,000 shares -- none outstanding		
Common stock $.10 par value:		
Authorized -- 50,000 shares		
Issued and outstanding -- 18,175 shares in 1996 and 19,662 shares in 1995	1,817	1,666
Additional paid-in capital	404,310	360,802
Cumulative net earnings	91,375	56,785
Cumulative dividends paid	(114,393)	(72,071)
Unamortized restricted stock awards	(102)	(53)
Total shareholders' equity	383,007	347,129
Total liabilities and shareholders' equity	$ 634,836	$551,188

</TABLE>

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

OMEGA HEALTHCARE INVESTORS, INC.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31		
	1996	1995	1994
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
<S>	<C>	<C>	<C>
Revenue:			
Rental income	$42,688	$40,335	$22,142
Mortgage interest income	24,692	18,621	14,578
Other investment income	5,213	2,158	786
Miscellaneous	534	316	241
	73,127	61,430	37,747
Expenses:			
Depreciation and amortization	13,693	12,995	6,684
Interest	20,836	15,325	10,549
General and administrative	4,008	3,620	2,737
	38,537	31,940	19,970
Net earnings before extraordinary charge	34,590	29,490	17,777
Extraordinary charge from prepayment of debt		6,479	
Net earnings	$34,590	$23,011	$17,777
Per share:			
Net earnings before extraordinary charge	$ 2.01	$ 1.83	$ 1.70
Net earnings	$ 2.01	$ 1.43	$ 1.70
Weighted average number of shares outstanding	17,196	16,071	10,451

</TABLE>

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

OMEGA HEALTHCARE INVESTORS, INC.

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL			UNAMORTIZED
	NUMBER OF SHARES	PAR VALUE AMOUNT	PAID-IN CAPITAL	CUMULATIVE NET EARNINGS	CUMULATIVE DIVIDENDS	RESTRICTED STOCK
			(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1994	6,575	$ 657	$120,484	$15,997	$ (14,424)	
Issuance of common stock:						
Proceeds from March 1994 equity						

offering, less offering costs of $4,858	3,000	300	67,592			
Acquisition of Health Equity Properties Incorporated	5,826	583	142,735			
Acquisition of real estate	230	23	5,441			
Dividend Reinvestment Plan	104	11	2,344			
Grant of restricted stock (14,000 shares at $25.75 per share), net of provisions charged to operations	14	1	354			$ (78)
Conversion of debentures, net of issue costs	45	5	945			
Redemption of common stock	(97)	(10)	(2,372)			
Net earnings for 1994				17,777		
Dividends paid during 1994 ($2.20 per share)					(19,822)	
Balance at December 31, 1994	15,697	1,570	337,523	33,774	(34,246)	(78)
Issuance of common stock:						
Grant of restricted stock (7,699 shares at $24.25 per share), net of provisions charged to operations	7	1	187			25
Dividend Reinvestment Plan	964	96	23,183			
Stock options exercised	8	1	163			
Redemption of common stock and other	(14)	(2)	(254)			
Net earnings for 1995				23,011		
Dividends paid during 1995 ($2.36 per share)					(37,825)	
Balance at December 31, 1995	16,662	1,666	360,802	56,785	(72,071)	(53)
Issuance of common stock:						
Grant of restricted stock (7,995 shares at $26.625 per share), net of provisions charged to operations	8	1	212			(49)
Proceeds from November 1996 equity offering, less offering costs of $325	1,000	100	30,075			
Dividend Reinvestment Plan	482	48	12,755			
Conversion of debentures, net of issue costs	7	1	181			
Stock options exercised	9	1	223			
Other	7	0	62			
Net earnings for 1996				34,590		
Dividends paid during 1996 ($2.48 per share)					(42,322)	
Balance at December 31, 1996	18,175	$1,817	$404,310	$91,375	$(114,393)	$(102)

</TABLE>

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

OMEGA HEALTHCARE INVESTORS, INC.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31		
	1996	1995	1994
	(IN THOUSANDS)		
Operating activities			
Net earnings	$ 34,590	$ 23,011	$ 17,777
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation and amortization	13,693	12,995	6,684
Extraordinary charge from prepayment of debt		6,479	
Other non-cash charges	706	1,052	874
	48,989	43,537	25,335
Net change in operating assets and liabilities	5,897	1,298	2,364

Net cash provided by operating activities	54,886	44,835	27,699
Cash flows from financing activities			
Proceeds from issuance of common stock	30,500		72,750
Proceeds from issuance of Subordinated Convertible Debentures	95,000		
Proceeds from bank term loan	25,000		
(Payments) proceeds from acquisition line of credit	(68,690)	54,690	5,500
Proceeds from other bonds, mortgages and notes payable			9,000
Prepayment of Senior Mortgage Notes		(88,504)	
Proceeds from Senior Unsecured Notes		81,384	
Payments of long-term borrowings	(9,794)	(9,202)	(11,603)
Cost of raising capital	(3,048)	(800)	(6,240)
Transaction deposits received (refunded)		(2,310)	2,310
Common stock redeemed			(2,382)
Receipts from Dividend Reinvestment Plan	12,803	23,279	2,355
Dividends paid	(42,322)	(37,825)	(19,822)
Other	327	(51)	1,848
Net cash provided by financing activities	39,776	20,661	53,716
Cash flows from investing activities			
Acquisition of real estate	(18,621)	(22,955)	(33,366)
Placement of mortgage loans	(66,222)	(21,131)	(33,368)
Funding of other investments	(13,037)	3,350	(3,350)
Investment in Principal Healthcare Finance Limited	2,108	(32,078)	
Collection of mortgage principal	957	851	55
Acquisition of Health Equity Properties Incorporated less cash acquired (Note 13)			(2,717)
Payment of acquisition-related liabilities			(4,243)
Other	(29)	(58)	(98)
Net cash used in investing activities	(94,844)	(72,021)	(77,087)
Increase (decrease) in cash and short-term investments	(182)	(6,525)	4,328
Cash and short-term investments at beginning of year	6,426	12,951	8,623
Cash and short-term investments at end of year	$ 6,244	$ 6,426	$ 12,951

</TABLE>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OMEGA HEALTHCARE INVESTORS, INC.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Omega Healthcare Investors, Inc. (the "Company") was incorporated on March 31, 1992, in the State of Maryland to (a) own and lease, and (b) provide mortgage financing secured by income-producing healthcare facilities, with a principal focus on diversified investments in long-term care facilities located primarily in the United States.

The Company's operations commenced on August 14, 1992, the date of the closing of the Company's initial public offering and the substantially simultaneous purchase of its initial facilities. It has elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. The Company intends to continue to qualify as such and, therefore, will distribute at least 95% of its real estate investment trust taxable income to its shareholders.

Effective September 30, 1994, the Company acquired all of the common stock of Health Equity Properties Incorporated. (See Note 13.) Beginning in 1994, the consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of all material intercompany accounts and transactions.

In 1995, the Company began to provide advisory services to Principal Healthcare Finance Limited, a Company which owns and leases nursing homes in the United Kingdom. (See Note 4.)

Real Estate Investments

As of December 31, 1996, the Company's real estate investments include interests in 3 medical office buildings and 214 long-term care facilities, operated by 34 independent operators.

Investments in real estate properties and mortgage notes are recorded at cost and original mortgage amount, respectively. The cost of the properties acquired is allocated between land and buildings based generally upon independent appraisals. Depreciation for buildings is recorded on the straight-line basis, using estimated useful lives ranging from 20 to 39 years. The Company considers the need to provide for reserves for potential losses on its investments based on management's periodic review of its portfolio. On the basis of this review, a provision for losses on investments is not deemed necessary.

Cash and Short-Term Investments

Short-term investments consist of highly liquid investments with a maturity date of three months or less when purchased. These investments are stated at cost which approximates fair value.

Non-Compete Agreements and Goodwill

Non-compete agreements and the excess of the purchase price over the value of tangible net assets acquired (i.e., goodwill) from the Company's purchase of Health Equity Properties Incorporated (see Note 13) is amortized on a straight-line basis over periods ranging from five to ten years. Accumulated amortization was $3,653,000 and $2,029,000 at December 31, 1996 and 1995, respectively.

Deferred Financing Costs

Deferred financing costs are amortized on a straight-line basis over the terms of the related borrowings. Amortization of financing costs totaling $524,000, $1,072,000 and $1,028,000 in 1996, 1995, and 1994, respectively, is classified as interest expense in the Consolidated Statements of Operations. Unamortized deferred financing costs applicable to debt which is converted to common stock are charged to paid-in capital at the date of conversion.

Revenue Recognition

Rental income and mortgage interest income is 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 as defined in the master leases and mortgage loan agreements. Certain mortgage agreements include provisions for deferred interest which is not payable by the borrower until maturity of the related note. The portion of deferred interest recognized as earned approximates $608,000, $602,000 and $596,000 in 1996, 1995, and 1994, respectively.

Federal and State Income Taxes

As a qualified real estate investment trust, the Company will not be subject to Federal income taxes on its income, and no provisions for Federal income taxes have been made. The reported amounts of the Company's assets and liabilities as of December 31, 1996 exceeds the tax basis of assets by approximately $70 million.

Earnings Per Share

Net earnings per share is computed based on the weighted average number of common shares outstanding during the respective periods. The inclusion of options using the treasury stock method and the assumed conversion of debentures is not materially dilutive.

Stock Based Compensation

The Company grants stock options to employees and directors with an exercise price equal to the fair value of the shares at the date of the grant. In accordance with the provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, compensation expense is not recognized for these stock option grants.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

2. REAL ESTATE PROPERTIES

The Company's real estate properties, represented by 132 long-term care facilities and 3 medical office buildings at December 31, 1996, are leased under provisions of master leases with initial terms ranging from 5 to 17 years, plus renewal options. Substantially all of the master leases provide for minimum annual rentals which are subject to annual increases based upon increases in the Consumer Price Index or increases in revenues of the underlying properties, with certain maximum limits. Under the terms of the leases, the lessee is responsible for all maintenance, repairs, taxes and insurance on the leased properties.

A summary of the Company's investment in real estate properties is as follows:

	DECEMBER 31 1996	DECEMBER 31 1995
	(IN THOUSANDS)	
Buildings	$363,404	$345,632
Land	12,773	11,924
	376,177	357,556
Less accumulated depreciation	(32,884)	(20,836)
Total	$343,293	$336,720

The following table summarizes the changes in real estate properties and accumulated depreciation during 1996 and 1995:

	REAL ESTATE PROPERTIES	ACCUMULATED DEPRECIATION
	(IN THOUSANDS)	
Balance at January 1, 1994	$127,110	$ 3,357
Additions for 1994	207,491	6,196
Balance at December 31, 1994	334,601	9,553
Additions for 1995	22,955	11,283
Balance at December 31, 1995	357,556	20,836
Additions for 1996	18,621	12,048
Balance at December 31, 1996	$376,177	$32,884

Additions for 1994 include $165 million stemming from the acquisition of HEP. (See Note 13.)

The future minimum rentals expected to be received for the remainder of the initial terms of the leases are as follows:

	(IN THOUSANDS)
1997	$ 43,440
1998	43,855
1999	43,690
2000	42,656
2001	41,878
Thereafter	148,373
	$363,892

3. MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable relate to 82 long-term care facilities. The mortgage notes are secured by first mortgage liens on the borrowers' underlying real estate and personal property. Through December 31, 1996, principal payments have been made pursuant to the terms of the underlying mortgage agreements. Based on management's review, no provision for loss is considered necessary. The following table summarizes the changes in mortgage notes during 1996 and 1995:

	1996	1995
	(IN THOUSANDS)	
Balance at January 1	$158,290	$141,360
New mortgage notes	66,222	21,131
Conversion/reclassification	(6,081)	(3,350)
Collection of principal	(957)	(851)
Balance at December 31	$217,474	$158,290

The face amount of mortgage notes receivable follow:

	DECEMBER 31	
	1996	1995
	(IN THOUSANDS)	
Participating mortgage note due 2007; interest at 13.56% payable monthly, plus amortization of $1,470,000 per quarter commencing in 2002	$ 58,800	$ 58,800
Participating mortgage note due 2012; interest at 13.2% payable monthly, plus amortization of $50,000 per quarter commencing in 2002	7,031	7,031
Participating mortgage note due 2000; interest at 11.36% payable monthly	26,425	26,500
Convertible participating mortgage note due 2003; interest at 11.87% payable monthly, plus annual amortization of $60,000 for 1997 to 1999, and $120,000 commencing in 2000	10,200	10,200
Convertible participating mortgage note due 2001; monthly interest payments at 13.5% with principal due at maturity	8,932	8,932
Mortgage notes due 2015; monthly payments of $208,000, including interest at 11.0%	19,481	19,779
Mortgage notes due 2000 and 2016, monthly interest payments at 12.44%	9,300	9,300
Mortgage note due 2010; monthly payment of $124,826, including interest at 11.5%	12,880	
Mortgage note due 2006; monthly payment of $107,382, including interest at 11.5%	11,084	
Other mortgage notes	37,977	11,748
Other participating mortgage notes	10,423	6,000
Other convertible participating mortgage notes	4,941	
	$217,474	$158,290

The stated interest rates indicated above for Participating Mortgages and Convertible Participating Mortgages are subject to annual increases based upon increases in the Consumer Price Index or increases in revenues of the underlying long-term care facilities, with certain maximum limits. Certain of the mortgage notes, designated as "Convertible Participating" also permit the Company to convert the note into ownership of the related real and personal property. Conversions would generally result in purchase/leaseback transactions with annual economic benefit to the Company substantially the same as under the mortgage notes.

The estimated fair value of the Company's mortgage loans at December 31, 1996 is approximately $245,700,000. Fair value is based on the estimates of management and on rates currently prevailing for comparable loans.

On the basis of contractual provisions of the various agreements, the principal balances of mortgage notes receivable as of December 31, 1996, are expected to mature or to be converted to purchase/leaseback transactions approximately as follows: $2,347,000 in 1997, $2,057,000 in 1998, $1,166,000 in 1999, $28,357,000 in 2000, $13,152,000 in 2001 and $170,395,000 thereafter.

4. INVESTMENT IN PRINCIPAL HEALTHCARE FINANCE LIMITED

In July, 1995, the Company formed and provided the initial funding for Principal Healthcare Finance Limited ("Principal"), an Island of Jersey based company organized to purchase and lease back nursing homes in the United Kingdom. The Company also manages and provides advisory services to Principal under a renewable contract. Principal owns and leases 42 nursing homes acquired at a cost of $116 million as of December 31, 1996.

The Company's initial funding for Principal included approximately $24,000,000 in the form of a sterling denominated subordinated loan due December 31, 2000. Through October 31, 1996 the Company also provided temporary advances to Principal, including approximately $8,000,000 under a related subordinated loan agreement. In October 1996, Principal completed a private placement of equity to unaffiliated investors. Following the completion of the private placement, the Company owns directly or indirectly non-voting ordinary shares of Principal, with total equity investment approximating $7,000,000. The Company's non-voting ownership interest is stated on the basis of cost.

5. CONCENTRATION OF RISK

As of December 31, 1996, 96% of the Company's real estate investments related to long-term care facilities. The Company's facilities are located in 24 states and are operated by 34 independent healthcare operating companies. Approximately 55% of the Company's real estate investments are operated by 8 public companies: Advocat, Inc. (18.7%), GranCare, Inc. (9.9%), Regency Health Services, Inc. (7.8%), Unison Healthcare Corp. (7.5%), Res-Care, Inc. (4.8%), Sun Healthcare Group, Inc. (3.0%), Integrated Health Services, Inc. (1.9%) and Horizon/CMS Healthcare Corp. (1.8%). Of the remaining 26 independent operators, none operate investments in facilities representing more than 8.1% of the total real estate investments.

6. LIQUIDITY DEPOSITS AND ADDITIONAL SECURITY

Liquidity deposits and letters of credit received from certain operators pursuant to leases and mortgages total $21,512,000. These generally represent the initial monthly rental and mortgage interest income for a period of six months with respect to certain of the investments. The deposits consist of $11,065,000 held by the Company, $5,047,000 held by escrow agents, and $5,400,000 in the form of letters of credit.

Additional security for rental and mortgage interest revenue from operators is provided by covenants regarding minimum working capital and net worth, liens on accounts receivable and other operating assets of the operators, provisions for cross default, provisions for cross collateralization and by corporate/personal guarantees.

7. BORROWING ARRANGEMENTS

On July 17, 1995, the Company consummated a $100,000,000 unsecured revolving line of credit facility, which replaced a $60,000,000 secured line of credit. The 1995 agreement was amended and restated on June 6, 1996, increasing the facility to $150,000,000. The amended facility provides a pounds sterling

denominated 40-month term loan for the equivalent of $25,000,000, which was fully drawn at December 31, 1996. At the Company's option, the interest rate on the term loan can be fixed for the entire term of the loan. The amended facility also permits additional pounds sterling denominated borrowings for the equivalent of approximately $25,000,000. Borrowings bear interest at LIBOR plus 1.25% or, at the Company's option at the prime rate. The underlying revolving credit agreement contains various covenants and expires on July 1, 1999. Total borrowings available under the agreement ($119,000,000 at December 31, 1996) are based upon levels of eligible real estate investments.

Borrowings of $6,000,000 at December 31, 1996 bear interest at a rate of 7.43% and borrowings of $74,690,000 at December 31, 1995 bear interest at 7.45%.

The following is a summary of long-term borrowings:

<TABLE>
<CAPTION>

	DECEMBER 31

	1996	1995
	(IN THOUSANDS)	
Unsecured borrowings:		
Bank term loan due October 2000	$ 25,000	$
Senior Unsecured Notes due July 2000	81,384	81,384
7% Unsecured Note	5,000	5,000
Subordinated Convertible Debentures	94,810	
	206,194	86,384
Secured borrowings:		
Industrial Development Revenue Bonds	9,150	8,920
HUD loans	6,965	15,901
Mortgage notes payable to bank	8,160	9,248
	24,275	34,069
Total long-term borrowings	$230,469	$120,453

In 1995, the Company exchanged 9.88% Senior Subordinated Collateralized Mortgage Accrual Notes for 10% Unsecured Senior Notes due July 15, 2000. The Company also exchanged the entire outstanding balance of 7.11% Senior Mortgage Collateralized Notes for approximately $37,065,000 of 7.40% Unsecured Notes due July 15, 2000, plus cash of approximately $6 million. The effective interest rate for the new unsecured notes is 8.8%, with interest-only payments due semi-annually through July 2000.

On January 24, 1996, the Company issued $95 million of 8.5% Convertible Subordinated Debentures (the Debentures) due 2001. The Debentures are convertible at any time into shares of Common Stock at a conversion price of $28.625 per share. The Debentures are unsecured obligations of the Company and are subordinate in right and payment to the Company's senior unsecured indebtedness. As of December 31, 1996 there were 3,312,139 shares reserved for issuance under the Debentures. (See Note 17.)

Real estate investments with an original cost of approximately $32,600,000 are secured by outstanding secured borrowings totaling $24,275,000 at December 31, 1996. The Industrial Development Revenue Bonds are payable in monthly installments of approximately $88,000, including interest at approximately 9.6%. HUD loans are payable in monthly installments of approximately $66,000, including interest at approximately 8.3%. Mortgage notes are payable in monthly installments of approximately $90,000, including interest at approximately 9.7%.

Assuming none of the Company's borrowing arrangements are refinanced, converted or prepaid prior to maturity, required principal payments for each of the five years following December 31, 1996 and the aggregate due thereafter are set forth below:

1997	$ 386,000
1998	423,000
1999	461,000
2000	114,183,000
2001	95,096,000
Thereafter	19,920,000
	$230,469,000

The estimated fair values of the Company's long-term borrowings at December 31, 1996 is approximately $236,128,000. Fair values are based on the estimates of management and on rates currently prevailing for comparable loans.

8. FINANCIAL INSTRUMENTS

At December 31, 1996 and 1995, the carrying amounts and fair values of the Company's financial instruments are as follows:

	1996		1995	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE

	--------	-----	--------	-----
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Assets:				
Cash and short-term investments............	$ 6,244	$ 6,244	$ 6,426	$ 6,426
Mortgage notes receivable..................	217,474	245,700	158,290	173,000
Other investments..........................	49,610	52,691	32,599	32,599
Liabilities:				
Acquisition line of credit.................	6,000	6,465	74,690	74,690
Bank term loan.............................	25,000	26,935		
Senior Unsecured Notes.....................	81,384	86,194	81,384	87,000
Subordinated Convertible Debentures........	94,810	94,810		
Other long-term borrowings.................	29,275	28,189	39,069	40,171

</TABLE>

Fair value estimates are subjective in nature and are dependent on a number of important assumptions, including estimates of future cash flows, risks, discount rates and relevant comparable market information associated with each financial instrument. The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented above are not necessarily indicative of the amounts the Company would realize in a current market exchange.

9. RETIREMENT ARRANGEMENTS

The Company has a 401(k) Profit Sharing Plan covering all eligible employees. Under the Plan, employees are eligible to make contributions, and the Company, at its discretion, may match contributions and make a profit sharing contribution.

In 1993, the Company adopted the 1993 Retirement Plan for Directors, an unfunded plan covering all members of the Board of Directors upon completion of not less than five years service on the Board. The benefits payable upon retirement from the Board are based on years of service and the director fees in effect as of the date the director ceases to be a member of the Board.

In 1993, the Company also adopted the 1993 Deferred Compensation Plan which covers all eligible employees and members of the Board. Under this unfunded plan, the Company may award units which result in participation in the dividends and future growth in the value of Company's common stock. The total number of units permitted by the plan is 200,000. Units awarded to eligible participants (63,500 units at December 31, 1996) vest over a period of five years based on the participant's initial service date.

Provisions charged to operations with respect to these retirement arrangements totaled $654,000 in 1996, $366,000 in 1995 and $283,000 in 1994.

10. SHAREHOLDERS' EQUITY AND STOCK OPTIONS

Under the terms of the 1993 Stock Option and Restricted Stock Plan as amended in 1995, the Company reserved 750,000 shares of common stock for grants to be issued during a period of up to 10 years. Directors, officers, and key employees are eligible to participate in the Plan. Options for 295,165 shares have been granted to eligible participants. Additionally, 28,244 shares of restricted stock have been granted under the provisions of the Plan. The market value of the restricted shares on the date of the award has been recorded as unearned compensation-restricted stock, with the unamortized balance shown as a separate component of shareholders' equity. Unearned compensation is amortized to expense over the vesting period, with charges to operations of $240,000, $253,000 and $157,000 in 1996, 1995 and 1994, respectively.

The following is a summary of activity under the plan.

<TABLE>
<CAPTION>

	STOCK OPTIONS		
	NUMBER OF SHARES	EXERCISE PRICE	WEIGHTED AVERAGE PRICE
<S>	<C>	<C>	<C>
Outstanding at January 1, 1994..........	97,500	$21.125-$25.000	$21.54
Granted during 1994.....................	102,250	24.625- 25.750	25.63
	-------	---------------	------
Outstanding at December 31, 1994........	199,750	21.125- 25.750	23.63
Granted during 1995.....................	48,000	24.250- 26.625	24.79
Exercised...............................	(7,666)	21.125- 25.750	21.64
Canceled................................	(9,084)	21.125- 25.750	23.40

Outstanding at December 31, 1995........	231,000	21.125- 26.625	23.95
Granted during 1996.....................	83,500	26.625- 30.000	26.84
Exercised...............................	(9,499)	21.500- 25.750	23.67
Canceled................................	(27,001)	24.250- 26.625	25.81
Outstanding at December 31, 1996........	278,000	$21.125-$30.000	$24.64

</TABLE>

At December 31, 1996, options currently exercisable (155,162) have a weighted average exercise price of $23.42. Shares available for future grants as of December 31, 1996 and December 31, 1995 were 426,591 and 506,385 respectively.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." This new standard prescribes a fair value based method of accounting for employee stock options or similar equity instruments and requires certain pro forma disclosures. For purposes of the pro forma disclosures required under Statement 123, the estimated fair value of the options is amortized to expense over the option's vesting period. Based on the Company's option activity, net earnings and net earnings per share on a pro forma basis does not differ significantly from that determined under APB 25. In determining the estimated fair value of the Company's stock options as of the date of grant, a Black-Scholes option pricing model was used with the following weighted-average assumptions: risk-free interest rates of 6.5%; a dividend yield of 7.25%; volatility factors of

the expected market price of the Company's common stock at 15%; and a weighted-average expected life of the options of 8 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

11. DIVIDENDS

In order to qualify as a real estate investment trust, the Company must, among other requirements, distribute at least 95% of its real estate investment trust taxable income to its shareholders. Per share dividend payments by the Company were characterized in the following manner for income tax purposes:

<TABLE>
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Ordinary income.................................	$2.232	$2.124	$2.156
Capital gain income.............................			
Return of capital...............................	.248	.236	.044
Total dividends paid............................	$ 2.48	$ 2.36	$ 2.20

</TABLE>

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Following are details of changes in operating assets and liabilities (excluding the effects of noncash expenses), and other noncash transactions:

<TABLE>
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	FOR THE YEAR ENDED DECEMBER 31		
	1996	1995	1994
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
Increase (decrease) in cash from changes in operating assets and liabilities:			
Operating assets...........................	$ (211)	$ (97)	$(1,016)
Operating liabilities including interest			

accrued of $6,307 in 1996	6,108	1,395	3,380
	$ 5,897	$ 1,298	$ 2,364
Other noncash investing and financing transactions:			
Acquisition of real estate:			
Value of real estate acquired			$ 9,125
Real estate mortgages assumed			(3,661)
Common stock issued			(5,464)
Common stock issued for conversion of debentures	950		950
Interest paid during the period	$13,939	$13,171	$ 6,784

</TABLE>

The following are detailed cash flows for the acquisition of Health Equity Properties Incorporated for the year ended December 31, 1994.

<TABLE>
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<S>	(IN THOUSANDS) <C>
Fair market value of real estate investments acquired	$(165,000)
Other assets acquired, excluding cash	(15,591)
Common stock issued	143,318
Long-term borrowings assumed	26,186
Acquisition-related obligations	7,491
Other obligations	879
Net cash used	$ (2,717)

</TABLE>

13. ACQUISITION OF HEALTH EQUITY PROPERTIES INCORPORATED

On September 30, 1994, the Company acquired all the outstanding stock of Health Equity Properties Incorporated ("HEP"), a healthcare real estate investment trust. The total purchase consideration for HEP approximated $180 million, comprising common stock of $143 million represented by 5,826,000 shares, long-term debt assumed ($26 million) and other obligations, professional fees and costs incurred in the transaction.

The acquisition was accounted for as a purchase, with the acquired assets and liabilities recorded at their estimated fair values at the date of the acquisition. Presented below are unaudited pro forma condensed consolidated results of operations for the year ended December 31, 1994, as if the purchase occurred as of January 1, 1994. The pro forma results of operations give effect to depreciation associated with the increase in the estimated fair values of the facility investments based on useful lives ranging from 25 to 30 years. Effect is also given to the amortization of non-compete agreements and goodwill from the acquisition, based on useful lives ranging from 5 to 10 years, and for the anticipated cost savings due to personnel reductions and other efficiencies of scale. The following pro forma results of operations are presented for comparative purposes only, and they are not necessarily indicative either of results that would have occurred had the transaction been effected as of January 1, 1994, or of future results of operations of the consolidated companies.

<TABLE>
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<S>	YEAR ENDED DECEMBER 31, 1994 (IN THOUSANDS, EXCEPT PER SHARE DATA) <C>
Revenues:	
Rental	$36,206
Mortgage interest	14,578
Other	1,465
	52,249
Expenses:	
Depreciation and amortization	12,810
Interest	12,518
General and administrative	3,202
	28,530
Net earnings before gain on sale	23,719

Gain on property sale	2,590
Net earnings	$26,309
Net earnings per share:	
Before gain on sale	$1.61
Net earnings	1.78
Weighted average number of shares outstanding	14,770

</TABLE>

14. EXTRAORDINARY CHARGE FOR PREPAYMENT OF DEBT

During 1995, the Company entered into three transactions to prepay various secured borrowings. The Company consummated a $100,000,000 unsecured line of credit to replace a $60,000,000 secured line of credit. Also, as discussed in Note 7, the Company redeemed its outstanding senior mortgage notes through the issuance of unsecured notes. The prepayment of these borrowings resulted in an extraordinary charge of $6,479,000, representing the write-off of unamortized deferred financing costs and fees and costs associated with the prepayment.

15. LITIGATION

The Company is subject to certain legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not materially affect the consolidated financial position of the company.

16. COMMITMENTS

The Company has commitments, subject to certain conditions, to provide additional financing totaling $29 million as of December 31, 1996.

17. SUBSEQUENT EVENTS

A quarterly dividend of $.645 per share was declared by the Board of Directors on January 22, 1997, payable on February 14, 1997 to shareholders of record on February 3, 1997.

Through February 12, 1997, $16,175,000 of subordinated convertible debentures were converted for 565,062 shares of common stock.

EXHIBIT 21

LIST OF SUBSIDIARIES

OMEGA HEALTHCARE INVESTORS, INC.

<TABLE>
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NAMES	JURISDICTION OF INCORPORATION
<S>	<C>
Bayside Street, Inc.	Maryland
OHI (Kansas), Inc.	Kansas
OHI (Illinois), Inc.	Illinois
OHI (Florida), Inc.	Florida
OHI (Clemmons), Inc.	North Carolina
OHI (Greensboro), Inc.	North Carolina
Sterling Acquisition Corp.	Kentucky
Sterling Acquisition Corp. II	Kentucky
OS Leasing	Kentucky
Omega (UK) Limited	London, England

</TABLE>

EXHIBIT 23

CONSENT AND REPORT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in (1) the Registration Statement No. 33-67084 dated August 6, 1993 related to the 1993 Stock Option and Restricted Stock Plan, (2) the Registration Statement No. 33-308415 on Form S-3 dated July 19, 1996 related to the Dividend Reinvestment and Common Stock Purchase Plan, (3) Shelf Registration Statement No. 33-320967 on Form S-3 dated February 3, 1997, and (4) Shelf Registration Statement No. 33-32119 on Form S-4 dated February 4, 1997, of our report dated January 21, 1997 (except for Note 17 as to which the date is February 12, 1997) with respect to the consolidated financial statements and schedules of Omega Health Care Investors, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 1996.

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Omega Healthcare Investors, Inc. of our report dated January 21, 1997 (except for Note 17, as to which the date is February 12, 1997), included in the 1996 Annual Report to Shareholders of Omega Healthcare Investors, Inc.

Our audit also included the financial statement schedules of Omega Healthcare Investors, Inc. listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG
ERNST & YOUNG

March 28, 1997
Detroit, Michigan

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FILED AS PART OF THE ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH INFORMATION IN FORM 10-K.
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</FN>

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