

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1997  
-----

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-11316

OMEGA HEALTHCARE  
INVESTORS, INC.

(Exact name of Registrant as specified in its charter)

Maryland 38-3041398  
(State of Incorporation) (I.R.S. Employer Identification No.)

905 W. Eisenhower Circle, Suite 110, Ann Arbor, MI 48103  
(Address of principal executive offices)

(313) 747-9790  
(Telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports) and (2) has been subject to such  
filing requirements for the past 90 days.

Yes X No  
-----

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock as of March 31, 1997

|                               |                    |
|-------------------------------|--------------------|
| Common Stock, \$.10 par value | 18,975,384         |
| -----                         | -----              |
| (Class)                       | (Number of shares) |

OMEGA HEALTHCARE INVESTORS, INC.

FORM 10-Q

MARCH 31, 1997

INDEX

<TABLE>

<CAPTION>

PART I Financial Information

Page No.

<S>

<C>

Item 1. Condensed Consolidated Financial Statements:

Balance Sheets -

March 31, 1997 (unaudited)  
and December 31, 1996 3

Statements of Operations (unaudited) -

Three-month periods ended:  
March 31, 1997  
March 31, 1996 4

Statements of Cash Flows (unaudited) -

Three-month periods ended:  
March 31, 1997  
March 31, 1996 5

Notes to Condensed Financial Statements  
(unaudited) 6

|   |   |
|---|---|
| Item 2. Management's Discussion and Analysis of<br>Financial Condition and Results of<br>Operations | 7 |
|---|---|

PART II Other Information  
-----

|  |    |
|--|----|
| Item 4. Submission of Matters to a Vote of<br>Security Holders | 10 |
|--|----|

|  |    |
|--|----|
| Item 6. Exhibits and Reports on Form 8-K<br></TABLE> | 11 |
|--|----|

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OMEGA HEALTHCARE INVESTORS, INC

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

<TABLE>  
<CAPTION>

|  | March 31,<br>1997<br>-----<br>(Unaudited) | December 31,<br>1996<br>-----<br>(See Note) |
|--|---|---|
| ASSETS   |   |   |
| <S>  | <C>                                       | <C>   |
| Investments in real estate:                      |   |   |
| Real estate properties - net                     | \$418,338                                 | \$343,293                                   |
| Mortgage notes receivable                        | 216,586                                   | 217,474                                     |
|  | -----                                     | -----                                       |
|  | 634,924                                   | 560,767                                     |
| Investments in Principal Healthcare Finance Ltd. | 35,395                                    | 29,970                                      |
| Other investments                                | 31,450                                    | 19,640                                      |
|  | -----                                     | -----                                       |
|  | 701,769                                   | 610,377                                     |
| Cash and short-term investments                  | 5,618                                     | 6,244                                       |
| Goodwill and non-compete agreements - net        | 7,199                                     | 7,605                                       |
| Other assets                                     | 10,954                                    | 10,610                                      |
|  | -----                                     | -----                                       |
| TOTAL ASSETS                                     | \$725,540                                 | \$634,836                                   |
|  | =====                                     | =====                                       |
| LIABILITIES AND SHAREHOLDERS' EQUITY             |   |   |
| Acquisition line of credit                       | \$98,425                                  | \$6,000                                     |
| Bank term loan                                   | 25,000                                    | 25,000                                      |
| Unsecured borrowings                             | 86,381                                    | 86,384                                      |
| Secured borrowings                               | 27,765                                    | 24,275                                      |
| Subordinated convertible debentures              | 73,225                                    | 94,810                                      |
| Accrued expenses and other liabilities           | 11,453                                    | 15,360                                      |
|  | -----                                     | -----                                       |
| TOTAL LIABILITIES                                | 322,249                                   | 251,829                                     |
| Common stock and additional<br>paid-in capital   | 428,603                                   | 406,127                                     |
| Cumulative net earnings                          | 101,363                                   | 91,375                                      |
| Cumulative dividends paid                        | (126,130)                                 | (114,393)                                   |
| Unamortized restricted stock awards              | (545)                                     | (102)                                       |
|  | -----                                     | -----                                       |
| TOTAL SHAREHOLDERS' EQUITY                       | 403,291                                   | 383,007                                     |
|  | -----                                     | -----                                       |
|  | \$725,540                                 | \$634,836                                   |
|  | =====                                     | =====                                       |

</TABLE>

Note - The balance sheet at December 31, 1996, has been derived from audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to condensed consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited  
(In Thousands, Except Per Share Amounts)

|  | Three months ended |
|--|--------------------|
| March 31,  | 1997               |
| 1996   | -----              |
| -----  |                    |
| <S>  | <C>                |
| <C>  |                    |
| REVENUES   |                    |
| Rental income                                    | \$11,420           |
| \$10,467   |                    |
| Mortgage interest income                         | 6,999              |
| 5,375  |                    |
| Other investment income                          | 1,333              |
| 1,127  |                    |
| Miscellaneous                                    | 260                |
| 205  |                    |
| -----  | -----              |
|  | 20,012             |
| 17,174   |                    |
| EXPENSES   |                    |
| Depreciation and amortization                    | 3,569              |
| 3,375  |                    |
| Interest   | 5,320              |
| 4,632  |                    |
| General and administrative                       | 1,134              |
| 976  |                    |
| -----  | -----              |
|  | 10,023             |
| 8,983  |                    |
| -----  |                    |
| NET EARNINGS                                     | \$9,989            |
| \$8,191  |                    |
| =====  | =====              |
| Net earnings per share                           | \$0.53             |
| \$0.49   |                    |
| =====  | =====              |
| Dividends paid per share                         | \$0.645            |
| \$0.62   |                    |
| =====  | =====              |
| Weighted average number of<br>shares outstanding | 18,708             |
| 16,855   |                    |
| =====  | =====              |

See notes to condensed consolidated financial statements.

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

|                      | Three Months |
|----------------------|--------------|
| Ended March 31,      | 1997         |
| 1996                 | -----        |
| -----                |              |
| <S>                  | <C>          |
| <C>                  |              |
| OPERATING ACTIVITIES |              |

|  |          |
|--|----------|
| Net earnings   | \$9,989  |
| \$8,191  |          |
| Adjustment to reconcile net earnings to cash provided by operating activities: |          |
| Depreciation and amortization  | 3,569    |
| 3,375  |          |
| Other non-cash charges   | 267      |
| 159  |          |
| -----  |          |
|  | 13,825   |
| 11,725   |          |
| Net change in operating assets and liabilities                                 | (4,909)  |
| 1,534  |          |
| -----  |          |
| Net cash provided by operating activities                                      | 8,916    |
| 13,259   |          |
| CASH FLOWS FROM FINANCING ACTIVITIES   |          |
| Proceeds from subordinated convertible debentures, less issue costs            |          |
| 92,813   |          |
| Proceeds (payments) on acquisition line of credit                              | 92,425   |
| (70,190)   |          |
| Proceeds (payments) of long-term borrowings                                    | 3,487    |
| (9,686)  |          |
| Proceeds from Dividend Reinvestment Plan                                       | 867      |
| 12,018   |          |
| Dividends paid   | (11,737) |
| (10,420)   |          |
| Other  | (35)     |
| -----  |          |
| Net cash provided by financing activities                                      | 85,007   |
| 14,535   |          |
| CASH FLOW FROM INVESTING ACTIVITIES  |          |
| Acquisition of real estate   | (78,202) |
| (375)  |          |
| Placement of mortgage loans  | (573)    |
| (23,095)   |          |
| Fundings of other investments  | (10,811) |
| (7,874)  |          |
| Advances to Principal Healthcare Finance Limited                               | (5,425)  |
| Collection of mortgage principal   | 462      |
| 107  |          |
| -----  |          |
| Net cash used in investing activities  | (94,549) |
| (31,237)   |          |
| -----  |          |
| Increase (decrease) in cash and short-term investments                         | (\$626)  |
| (\$3,443)  |          |
| =====  |          |

</TABLE>

Note - During the three-month period ended March 31, 1997, subordinated convertible debentures totaling \$21,585,000 were converted at a price of \$28.625 per share.

See notes to condensed consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

March 31, 1997

Note A - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles

for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1997, are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1996.

#### Note B - First Quarter Real Estate Investments

During the quarter the Company consummated purchase and leaseback agreements under which four skilled nursing facilities containing 454 beds, located in Florida, Washington Massachusetts and Idaho were acquired and leased to Sun Healthcare Group, Inc. (Sun). The total purchase price was \$25.5 million. The initial term of the lease is fourteen years, with two options to extend for an additional ten years each. The lease provides initial monthly rents of approximately \$223,000, and certain annual increases tied to the Consumer Price Index.

On March 31, 1997, the Company entered into a purchase/leaseback agreement by which it acquired 11 nursing homes with 1,439 beds located in Alabama, Florida, Illinois, Louisiana and Texas. The total purchase consideration was \$61 million. The initial lease of these assets with Atrium Healthcare, the operator at the date of the purchase, provides for monthly rents of \$670,000.

#### Note C - Asset Concentrations

As of March 31, 1997, 95.5% of the Company's real estate investments related to long-term care facilities. The Company's facilities are located in 26 states and are operated by 35 independent healthcare operating companies. Approximately 51% of the Company's real estate investments are operated by 8 public companies: Advocat, Inc. (16.6%), GranCare, Inc. (8.8%), Unison Healthcare Corp (6.6%), Sun Healthcare Group, Inc. (6.4%), Regency Health Services, Inc. (5.5%), Res-Care, Inc. (4.2%), Integrated Health Services, Inc. (1.6%) and Horizon/CMS Healthcare Corp. (1.6%). Of the remaining 26 independent operators, none operate investments in facilities representing more than 8% of the total real estate

investments.

#### Note D - Conversion of Subordinated Debentures

During the three-month period ended March 31, 1997 approximately \$21.6 million of subordinated convertible debentures were converted at a conversion price of \$28.625 per share. At March 31, 1997, 2,558,000 shares are reserved for issuance upon conversion of the remaining debentures.

#### Note E - Net 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.

The Financial Accounting Standards Board recently issued statement No. 128, "Earnings per Share". This new standard is not expected to have a material effect on reported per share amounts, primarily because stock options are not materially dilutive and the assumed conversion of debentures presently is anti-dilutive.

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

"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.

Revenues for the quarter ended March 31, 1997 totaled \$20.0 million, an increase of \$2.8 million over the period ending March 31, 1996. The 1997 revenue growth stems primarily from additional investments of approximately \$158 during the twelve-month period ended March 31, 1997. Real estate investments of \$671 million as of March 31, 1997 have an average yield of 12.1%.

Expenses for the quarter ended March 31, 1997 totaled \$10,023,000 an increase of \$1,040,000 over expenses of \$8,983,000 for 1996. The provision for depreciation and amortization for the three-month period ending March 31, 1997 totaled \$3.6 million increasing by \$194,000 over the 1996 period as a result of additional investments.

Interest expense for the quarter ended March 31, 1997 was \$5.3 million, compared with \$4.6 million for 1996. The increase in 1997 is primarily due to higher average outstanding borrowings during the 1997 period.

General and administrative expenses for the quarters ending March 31, 1997 and 1996 totaled \$1,134,000 and \$976,000, respectively, and represented approximately 5.7% of revenues for each period.

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 (or regulations thereunder) to qualify as a REIT, unless, because of changes in circumstance 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.

Net earnings were approximately \$9,989,000 for the 1997 period, an increase of approximately \$1.8 million (22%) over the 1996 period as a result of the various factors mentioned above. The weighted average outstanding shares increased to 18.7 million shares from 16.9 million shares, as a result of conversions of Convertible Debentures and the issuance of 1,000,000 shares in a private placement completed in November 1996.

Funds available for distribution (FAD) for the period ending March 31, 1997 was \$13,825,000, an increase of \$2.1 million (18%) over the 1996 three-month period. FAD is net earnings, excluding any gains or losses from debt restructuring and sales of property, plus depreciation and amortization associated with real estate investments, amortization of deferred financing cost and the net effect of all other non-cash items included in net earnings. Funds From Operations (FFO) totaled \$13,754,000 (\$.74 per share) for the 1997 quarter, increasing \$2.0 million (17%) as compared to \$11,737,000 (\$0.70 per share) for the three months ended March 31, 1996. FFO is net earnings, excluding any gains or losses from debt restructuring and sales of property, plus depreciation and amortization associated with real estate investments and charges to earnings for non-cash common stock based compensation. While there generally is very little difference between FAD and FFO for healthcare REITS, both of these measures of cash flow are used by analysts and investors as benchmarks for measuring profitability and capacity to sustain dividend payments.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company continually seeks new investments in healthcare real estate 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 both private placement and public offerings of debt and/or 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.

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 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, 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.

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 million to be issued in connection with future property acquisitions.

As of March 31, 1997, the Company has total assets of \$726 million, shareholders' equity of \$403 million, and long-term borrowings of \$212 million representing approximately 30% of the total capitalization. The Company anticipates eventually attaining and then maintaining a long-term debt-to-capitalization ratio of approximately 40%. The Company has available permitted additional borrowings of \$26.6 million under its line of credit arrangement.

The Company distributes a large portion of the cash available from operations. Cash dividends paid totaled \$0.645 per share for the quarter ended March 31, 1997, compared with \$0.62 per share for 1996. Additionally, on April 15, 1997, a \$0.645 per share dividend was declared, payable on May 15, 1997 to shareholders of record on May 2, 1997. The current \$0.645 per quarter rate represents an annualized rate of \$2.58 per share.

#### PART II - OTHER INFORMATION

##### Item 4. Submission of matters to a Vote of Security Holders

- (a) The Company's Annual Meeting of Shareholders was held on April 15, 1997.
- (b) The following directors were re-elected at the meeting for a three-year term:

James E. Eden  
Thomas F. Franke  
Bernard J. Korman

The following directors were not elected at the meeting but their term of office continued after the meeting:

Essel W. Bailey Jr.  
Harold J. Kloosterman  
Edward Lowenthal  
Robert L. Parker

- (c) The results of the vote were as follows:

| Name              | For        | Withheld |
|-------------------|------------|----------|
| ----              | --         | -----    |
| James E. Eden     | 16,877,186 | 106,124  |
| Thomas F. Franke  | 16,873,031 | 110,279  |
| Bernard J. Korman | 16,872,493 | 110,817  |

- (d) Not applicable

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (A) EXHIBITS - THE FOLLOWING EXHIBITS ARE FILED HERewith:

| EXHIBIT<br>----- | DESCRIPTION<br>-----   |
|------------------|--|
| 4.1              | Form of Articles Supplementary for Series A Preferred Stock  |
| 4.2              | Form of Series A Preferred Stock Certificate                 |
| 5                | Opinion of Counsel to the Registrant regarding legality      |
| 23               | Consent of Counsel to the Registrant (included in Exhibit 5) |
| 27               | Financial Data Schedule                                      |

(B) REPORTS ON FORM 8-K.

None

SIGNATURES

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

OMEGA HEALTHCARE INVESTORS, INC.  
Registrant

Date: April 22, 1997                      By: ESSEL W. BAILEY, JR.  
-----  
  Essel W. Bailey, Jr.  
  President

Date: April 22, 1997                      By: DAVID A. STOVER  
-----  
  David A. Stover  
  Chief Financial Officer  
  Exhibit Index

| Exhibit<br>----- | Description<br>-----   |
|------------------|--|
| 4.1              | Form of Article Supplementary for Series A Preferred Stock   |
| 4.2              | Form of Series A Preferred Stock Certificate                 |
| 5                | Opinion of Counsel to the Registrant regarding legality      |
| 23               | Consent of Counsel to the Registrant (included in Exhibit 5) |
| 27               | Financial Data Schedule                                      |



OMEGA HEALTHCARE INVESTORS, INC.  
ARTICLES SUPPLEMENTARY

Omega Healthcare Investors, Inc., a Maryland corporation ("Company"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Pursuant to authority contained in the Charter, \_\_\_\_\_ (\_\_\_\_\_) shares of authorized but unissued shares of the Company's Preferred Stock have been duly classified by the Board of Directors of the Company as authorized but unissued shares of the Company's \_\_\_\_\_% Series A Cumulative Preferred Stock .

SECOND: A description of the \_\_\_\_\_% Series A Cumulative Preferred Stock is as follows:

1. Designation and Number. A series of Preferred Stock, designated the "\_\_\_\_\_% Series A Cumulative Preferred Stock" (the "Series A Preferred Stock"), is hereby established. The number of shares of the Series A Preferred Stock shall be \_\_\_\_\_ (\_\_\_\_\_).

2. Maturity. The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption.

3. Rank. The Series A Preferred Stock will, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company, rank (i) senior to all classes or series of Common Stock of the Company, and to all equity securities ranking junior to the Series A Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company; (ii) on a parity with all equity securities issued by the Company the terms of which specifically provide that such equity

1 securities rank on a parity with the Series A Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company; and (iii) junior to all existing and future indebtedness of the Company. The term "equity securities" does not include convertible debt securities, which will rank senior to the Series A Preferred Stock prior to conversion.

4. Dividends

(a) Holders of shares of the Series A Preferred Stock are entitled to receive, when and as declared by the Board of Directors (or a duly authorized committee thereof), out of funds legally available for the payment of dividends, preferential cumulative cash dividends at the rate of \_\_\_\_\_% per annum of the Liquidation Preference (as defined below) per share (equivalent to a fixed annual amount of \$\_\_\_\_\_ per share). Dividends on the Series A Preferred Stock shall be cumulative from the date of original issue and shall be payable quarterly in arrears for each quarterly dividend period ended April 30, July 31, October 31 and January 31, on or before the 15th day of May, August, November and February, respectively, of each year or, if not a business day, the next succeeding business day (each, a "Dividend Payment Date"). The first dividend will be paid on August 15, 1997, with respect to the period commencing on the date of issue and ending on July 31, 1997. Any dividend payable on the Series A Preferred Stock for any partial period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Company at the close of business on the applicable record date, which shall be the last day of the preceding calendar month prior to the applicable Dividend Payment Date or on such other date designated by the Board of Directors of the Company that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date").

(b) No dividends on shares of Series A Preferred Stock shall be declared by the Board of Directors or paid or set apart for payment by the Company at such time as the terms and provisions of any agreement of the Company, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Notwithstanding the foregoing, dividends on the Series A Preferred Stock will accrue whether or not the Company has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Series A Preferred Stock will not bear interest and holders of the Series A Preferred Stock will not be entitled to

any distributions in excess of full cumulative distributions described above. Except as set forth in the next sentence, no dividends will be declared or paid or set apart for payment on any capital stock of the Company or any other series of Preferred Stock ranking, as to dividends, on a parity with or junior to the Series A Preferred Stock (other than a dividend in shares of the Company's Common Stock or in shares of any other class of stock ranking junior to the Series A Preferred Stock as to dividends and upon liquidation) for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series A Preferred Stock for all past dividend periods and the then current dividend period. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Stock and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Series A Preferred Stock, all dividends declared upon the Series A Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with the Series A Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series A Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Series A Preferred Stock and such other series of Preferred Stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Stock does not have a cumulative dividend) bear to each other.

(d) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods and the then current dividend period, no dividends (other than in shares of Common Stock or other shares of capital stock ranking junior to the Series A Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon the Common Stock, or any other capital stock of the Company ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation, nor shall any shares of Common Stock, or any other shares of capital stock of the Company ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Company (except by conversion into or exchange for other capital stock of the Company ranking junior to the Series A Preferred Stock as to dividends and upon liquidation or redemptions for the purpose of preserving the

Company's qualification as a real estate investment trust under the Internal Revenue Code of 1986, as amended). Holders of shares of the Series A Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on the Series A Preferred Stock as provided above. Any dividend payment made on shares of the Series A Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

5. Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of shares of Series A Preferred Stock are entitled to be paid out of the assets of the Company legally available for distribution to its shareholders a liquidation preference of \$25 per share (the "Liquidation Preference"), plus an amount equal to any accrued and unpaid dividends to the date of payment, but without interest, before any distribution of assets is made to holders of Common Stock or any other class or series of capital stock of the Company that ranks junior to the Series A Preferred Stock as to liquidation rights. The Company will promptly provide to the holders of Series A Preferred Stock written notice of any event triggering the right to receive such Liquidation Preference. After payment of the full amount of the Liquidation Preference, plus any accrued and unpaid dividends to which they are entitled, the holders of Series A Preferred Stock will have no right or claim to any of the remaining assets of the Company. The consolidation or merger of the Company with or into any other corporation, trust or entity or of any other corporation with or into the Company, or the sale, lease or conveyance of all or substantially all of the property or business of the Company, shall not be deemed to constitute a liquidation, dissolution or winding up of the Company.

In determining whether a distribution (other than upon voluntary or involuntary liquidation) by dividend, redemption or other acquisition of shares of stock of the Company or otherwise is permitted under the Maryland General Corporation Law (the "MGCL"), no effect shall be given to amounts that would be needed if the Company would be dissolved at the time of the distribution, to satisfy the preferential rights upon distribution of holders of shares of stock of the Corporation whose preferential rights upon distribution are superior to those receiving the distribution.

(a) The Series A Preferred Stock is not redeemable prior to July 1, 2002 subject, however, to the provisions in paragraph (9) of this Article Second. On and after July 1, 2002, the Company, at its option, upon not less than 30 nor more than 60 days' written notice, may redeem shares of the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25 per share, plus

4

all accrued and unpaid dividends thereon to the date fixed for redemption (except with respect to Excess Shares (as defined below)) without interest. Holders of Series A Preferred Stock to be redeemed shall surrender such Series A Preferred Stock at the place designated in such notice and shall be entitled to the redemption price and any accrued and unpaid dividends payable upon such redemption following such surrender. If notice of redemption of any shares of Series A Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Company in trust for the benefit of the holders of any shares of Series A Preferred Stock so called for redemption, then from and after the redemption date dividends will cease to accrue on such shares of Series A Preferred Stock, such shares of Series A Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price. If less than all of the outstanding Series A Preferred Stock is to be redeemed, the Series A Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by any other equitable method determined by the Company.

(b) Unless full cumulative dividends on all shares of Series A Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, no shares of Series A Preferred Stock shall be redeemed unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed and the Company shall not purchase or otherwise acquire directly or indirectly any shares of Series A Preferred Stock (except by exchange for capital stock of the Company ranking junior to the Series A Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase by the Company of Excess Shares in order to ensure that the Company continues to meet the requirements for qualification as a REIT, or the purchase or acquisition of shares of Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series A Preferred Stock. So long as no dividends are in arrears, the Company shall be entitled at any time and from time to time to repurchase shares of Series A Preferred Stock in open-market transactions duly authorized by the Board of Directors and effected in compliance with applicable laws.

(c) Notice of redemption will be mailed by the Company, postage prepaid, not

5

less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series A Preferred Stock to be redeemed at their respective addresses as they appear on the stock transfer records of the Company. No failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series A Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the redemption date; (ii) the redemption price; (iii) the number of shares of Series A Preferred Stock to be redeemed; (iv) the place or places where the Series A Preferred Stock is to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date. If less than all of the Series A Preferred Stock held by any holder is to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series A Preferred Stock held by such holder to be redeemed.

(d) Immediately prior to any redemption of Series A Preferred Stock, the Company shall pay, in cash, any accumulated and unpaid dividends through the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series A Preferred Stock at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date.

e) Excess Shares may be redeemed, in whole or in part, at any time when outstanding shares of Series A Preferred Stock are being redeemed, for cash at a redemption price of \$25 per share, but excluding accrued and unpaid dividends on such Excess Shares, without interest. Such Excess Shares shall be redeemed in such proportion and in accordance with such procedures as shares of Series A Preferred Stock are being redeemed.

## 7. Voting Rights.

(a) Holders of the Series A Preferred Stock will not have any voting rights, except as set forth below.

(b) Whenever dividends on any shares of Series A Preferred Stock shall be in arrears for eighteen or more months (a "Preferred Dividend Default"), the number of directors then constituting the Board of Directors shall be increased by two (if not already increased by reason of a similar arrearage respect to any Parity Preferred (as hereinafter defined)). The holders of such shares of Series A Preferred Stock (voting separately as a class with all other series of Preferred Stock ranking on a parity with the Series A Preferred Stock as to dividends or upon liquidation ("Parity Preferred") upon which like

6

voting rights have been conferred and are exercisable) will be entitled to vote separately as a class, in order to fill the vacancies thereby created, for the election of a total of two additional directors of the Company (the "Preferred Stock Directors") at a special meeting called by the holders of record of at least 20% of the Series A Preferred Stock or the holders of record of at least 20% of any series of Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders) or at the next annual meeting of shareholders, and at each subsequent annual meeting until all dividends accumulated on such shares of Series A Preferred Stock and Parity Preferred for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In the event the directors of the Company are divided into classes, each such vacancy shall be apportioned among the classes of directors to prevent stacking in any one class and to insure that the number of directors in each of the classes of directors, are as equal as possible. Each Preferred Stock Director, as a qualification for election as such (and regardless of how elected) shall submit to the Board of Directors of the Company a duly executed, valid, binding and enforceable letter of resignation from the Board of Directors, to be effective upon the date upon which all dividends accumulated on such shares of Series A Preferred Stock and Parity Preferred for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment, whereupon the terms of office of all persons elected as Preferred Stock Directors by the holders of the Series A Preferred Stock and any Parity Preferred shall, upon the effectiveness of their respective letters of resignation, forthwith terminate, and the number of directors then constituting the Board of Directors shall be reduced accordingly. A quorum for any such meeting shall exist if at least a majority of the outstanding shares of Series A Preferred Stock and shares of Parity Preferred upon which like voting rights have been conferred and are exercisable are represented in person or by proxy at such meeting. Such Preferred Stock Directors shall be elected upon the affirmative vote of a plurality of the shares of Series A Preferred Stock and such Parity Preferred present and voting in person or by proxy at a duly called and held meeting at which a quorum is present. If and when all accumulated dividends and the dividend for the then current dividend period on the Series A Preferred Stock shall have been paid in full or declared and set aside for payment in full, the holders thereof shall be divested of the foregoing voting rights (subject to vesting in the event of each and every Preferred Dividend Default) and, if all accumulated dividends and the dividend for the then current dividend period have been paid in full or set aside for payment in full on all series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term

7

of office of each Preferred Stock Director so elected shall terminate. Any Preferred Stock Director may be removed at any time with or without cause by, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of the Series A Preferred Stock when they have the voting rights described above (voting separately as a class with all series of Parity Preferred upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Stock Director may be filled by written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series A Preferred Stock when they have the voting rights described above (voting separately as a class with all series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

(c) So long as any shares of Series A Preferred Stock remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series A Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting

(voting separately as a class), amend, alter or repeal the provisions of the Charter or the Articles Supplementary, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock or the holders thereof; including without limitation, the creation of any series of Preferred Stock ranking senior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up; provided, however, that with respect to the occurrence of any Event set forth above, so long as the Series A Preferred Stock (or any equivalent class or series of stock issued by the surviving corporation in any merger or consolidation to which the Company became a party) remains outstanding with the terms thereof materially unchanged, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of the Series A Preferred Stock and provided, further that (i) any increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock, or (ii) any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(d) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

8

(e) Except as expressly stated in these Articles Supplementary, the Series A Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers and the consent of the holders thereof shall not be required for the taking of any corporate action, including but not limited to, any merger or consolidation involving the Corporation or a sale of all or substantially all of the assets of the Corporation, irrespective of the effect that such merger, consolidation or sale may have upon the rights, preferences or voting power of the holders of the Series A Preferred Stock.

8. Conversion. The Series A Preferred Stock is not convertible into or exchangeable for any other property or securities of the Company.

9. Restrictions on Ownership and Transfer. Once there is a completed public offering of the Series A Preferred Stock, if the Board of Directors shall, at any time and in good faith, be of the opinion that actual or constructive ownership of at least 9.9% or more of the value of the outstanding capital stock of the Company has or may become concentrated in the hands of one owner, the Board of Directors shall have the power (i) by means deemed equitable by the Board of Directors, and pursuant to written notice, to call for the purchase from any shareholder of the corporation a number of shares of Series A Preferred Stock sufficient, in the opinion of the Board of Directors, to maintain or bring the actual or constructive ownership of such owner to no more than 9.9% of the value of the outstanding capital stock of the corporation, and (ii) to refuse to transfer or issue shares of Series A Preferred Stock to any person whose acquisition of such Series A Preferred stock would, in the opinion of the Board of Directors, result in the actual or constructive ownership by that person of more than 9.9% of the value of the outstanding capital stock of the Company. The purchase price for any shares of Series A Preferred Stock shall be equal to the fair market value of the shares reflected in the closing sales price for the shares, if then listed on a national securities exchange, or if the shares are not then listed on a national securities exchange, the purchase price shall be equal to the redemption price of such shares of Series A Preferred Stock. Payment of the purchase price shall be made within thirty days following the date set forth in the notice of call for purchase, and shall be made in such manner as may be determined by the Board of Directors of the Company. From and after the date fixed for purchase by the Board of Directors, as set forth in the notice, the holder of any shares so called for purchase shall cease to be entitled to distributions, and other benefits with respect to such shares, excepting only the right to payment of the purchase price fixed as aforesaid. Any transfer of Series A Preferred Stock that would create an actual or constructive owner of more

9

EXHIBIT 4.1

than 9.9% of the value of the outstanding shares of capital stock of this Company shall be deemed void ab initio and the intended transferee shall be deemed never to have had an interest therein. If the foregoing provision is determined to be void or invalid by virtue of any legal decision, statute, rule

or regulation, then the transferee of such Series A Preferred Stock shall be deemed, at the option of the Company, to have acted as agent on behalf of the Company in acquiring such shares and to hold such shares on behalf of the Company.

Notwithstanding anything herein to the contrary, the Company and its transfer agent may refuse to transfer any shares of Series A Preferred Stock, passing either by voluntary transfer, by operation of law, or under the last will and testament of any shareholder if such transfer would or might, in the opinion of the Board of Directors or counsel to the Company, disqualify the Company as a Real Estate Investment Trust under the Internal Revenue Code. Nothing herein contained shall limit the ability of the corporation to impose or to seek judicial or other imposition of additional restrictions if deemed necessary or advisable to preserve the Company's tax status as a qualified Real Estate Investment Trust. Nothing herein contained shall preclude settlement of any transaction entered into through the facilities of the New York Stock Exchange.

THIRD: The classification of authorized but unissued shares as set forth in these Articles Supplementary does not increase the authorized capital of the Company or the aggregate par value thereof.

FOURTH: These Articles Supplementary have been approved by the Board of Directors in the manner and by the vote required by law.

FIFTH: The undersigned President of the Company acknowledges these Articles Supplementary to be the corporate act of the Company and, as to all matters or facts required to be verified under oath, the undersigned President of the Company acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Company has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its President and attested to by its Secretary on this \_\_\_\_ day of \_\_\_\_\_, 1997.

ATTEST

OMEGA HEALTHCARE INVESTORS, INC.

\_\_\_\_\_  
Title: Secretary

By: \_\_\_\_\_  
Title: President

<TABLE>  
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Temporary Certificate--Exchangeable for Definitive Certificate When Ready for Delivery

PREFERRED STOCK  
STOCK

PREFERRED

[NUMBER]  
[SHARES]

[OMEGA LOGO]

INCORPORATED UNDER THE LAWS  
EVIDENCED HEREBY ARE  
OF THE STATE OF MARYLAND  
RESTRICTIONS ON OWNERSHIP  
FULLY DESCRIBED  
SIDE HEREOF.

THE SHARES  
SUBJECT TO  
AND TRANSFER AS MORE  
ON THE REVERSE

OMEGA HEALTHCARE INVESTORS, INC.

This certifies that

is the owner of

FULLY PAID AND NONASSESSABLE SHARES OF THE \_\_%, SERIES A CUMULATIVE PREFERRED STOCK, LIQUIDATION PREFERENCE \$\_\_\_  
PER SHARE OF

OMEGA HEALTHCARE INVESTORS, INC.

(the "Corporation"), transferable only on the books of the Corporation by the holder hereof in person or by duly  
authorized attorney  
upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued  
and shall be  
held subject to all of the provisions of the Amended and Restated Articles of Incorporation and Articles Supplementary  
(the "Charter"), and its Bylaws, to all of which the holder, by acceptance hereof, assents. This Certificate is not  
valid unless  
countersigned and registered by the Transfer Agent and Registrar.

In witness whereof, the said Corporation has caused this Certificate to be signed by its duly authorized  
officers.

Dated:

[SIG]  
PRESIDENT AND SECRETARY  
OFFICER

[SIG]  
VICE PRESIDENT AND CHIEF FINANCIAL

REGISTERED:  
COMPANY

COUNTERSIGNED AND  
FIRST CHICAGO TRUST  
OF NEW YORK  
TRANSFER

AGENT AND REGISTRAR,

BY: [SIG]

AUTHORIZED SIGNATURE  
</TABLE>  
<TABLE>  
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OMEGA HEALTHCARE INVESTORS, INC.

The Corporation has the authority to issue Preferred Stock. The Corporation will furnish to any stockholder  
on request and  
without charge a full statement of the preferences, conversion and other rights, voting powers, limitations as to  
dividends,  
qualifications, terms and conditions of redemption of the stock of each Class the Corporation is authorized to issue.  
The Preferred  
Stock is subject to redemption by the Corporation on and after May 1, 2002.

The transfer of these shares to any person who would thereby hold beneficial interest of more than 9.9% of  
the value of the

outstanding capital stock of the Corporation may be prohibited or void or subject to other transfer restrictions or redemption rights as set forth in the Charter. The Corporation will furnish information concerning such restrictions to any stockholder on request and without charge.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, OR DESTROYED THE CORPORATION WILL REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

|  |  |
|--|--|
| TEN COM - as tenants in common<br>.....Custodian.....                                  | UNIF GIFT MIN ACT -<br><br>(Cust)                                |
| TEN ENT - as tenants by the entireties<br>(Minor)                                      | under Uniform Gifts to Minors                                    |
| JT TEN - as joint tenants with right of<br>survivorship and not as tenants<br>Act..... | (State)  |
| in common  |  |
| age.....)  | UNIF TAF MIN ACT - .....Custodian (until<br>(Cust)<br>.....under |
| Uniform Transfers  | (Minor)<br>to Minors   |
| Act.....   | (State)  |

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_  
| \_\_\_\_\_ |  
| \_\_\_\_\_ |  
| \_\_\_\_\_ |

\_\_\_\_\_  
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Shares  
of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

\_\_\_\_\_  
Attorney  
to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated \_\_\_\_\_

X

X

CORRESPOND WITH  
CERTIFICATE IN  
Signature(s) Guaranteed  
ENLARGEMENT OR ANY

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST  
THE NAME(S) AS WRITTEN UPON THE FACE OF THE  
EVERY PARTICULAR, WITHOUT ALTERATION OR  
CHANGE WHATEVER.



By \_\_\_\_\_  
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR  
INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND  
CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE  
MEDALLION PROGRAM). PURSUANT TO S.E.C. RULE 17Ad-15.  
</TABLE>

VENABLE, BAETJER AND HOWARD, LLP  
Including professional corporations  
1800 Mercantile Bank & Trust Building  
Two Hopkins Plaza  
Baltimore, Maryland 21201-2978  
(410) 244-7400, Fax (410) 244-7742

April 22, 1997

Omega Healthcare Investors, Inc.  
905 West Eisenhower Circle, Suite 101  
Ann Arbor, MI 48103

Re: Registration Statement on Form S-3  
(Reg. No. 33-20967)  
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Ladies and Gentlemen:

We have acted as Maryland counsel to Omega Healthcare Investors, Inc., a Maryland corporation (the "Company"), in connection with its proposed public offering of up to 3,000,000 shares of its \_\_\_\_\_% Series A Cumulative Preferred Stock, \$1.00 par value ("Series A Preferred Stock") pursuant to a Registration Statement filed on Form S-3 (Registration No. 33-20967) ("Registration Statement").

In that connection, we have examined originals or copies of such documents, corporate records and other instruments as we have deemed necessary or appropriate for purposes of this opinion including the Underwriting Agreement, the Articles of Incorporation, as amended, By-laws of the Company and the proposed Articles Supplementary establishing the Series A Preferred Stock. We have assumed without independent verification the

Omega Healthcare Investors  
April 22, 1997  
Page 2

genuineness of signatures, the authenticity of documents, and the conformity with originals of copies.

Based on the foregoing, we are of the opinion that the shares of Series A Preferred Stock being sold by the Company, when issued and sold in accordance with the terms of the resolutions to be adopted by the Pricing Committee established by the Board of Directors of the Company and the Underwriting Agreement in substantially the same form provided to us and upon filing with, and acceptance by, the State Department of Assessments and Taxation of Maryland of the duly executed Articles Supplementary establishing the Series A Preferred Stock, will be validly issued, fully paid and non-assessable.

This letter expresses our opinion with respect to the Maryland General Corporation Law and it does not extend to the securities or "blue sky" laws of Maryland, to federal securities laws or to other laws.

We hereby consent to the use of this opinion as an exhibit to the Form 10-Q, the incorporation by reference of this opinion into the Registration Statement and the reference to our firm under "Legal Matters" in the Prospectus Supplement comprising a part of the Registration Statement.

By giving the foregoing consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

Very truly yours,

VENABLE, BAETJER AND HOWARD, LLP

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED BALANCE SHEET AND STATEMENT OF OPERATIONS FILED AS PART OF THE QUARTERLY REPORT ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH QUARTERLY REPORT ON FORM 10-Q.

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