

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1998

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.)

900 VICTORS WAY, SUITE 350, ANN ARBOR, MI 48108  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(734) 887-0200  
(TELEPHONE NUMBER, INCLUDING AREA CODE)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS  
REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF  
1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE  
REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS) AND (2) HAS BEEN SUBJECT TO SUCH  
FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO  
--- ---

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S  
CLASSES OF COMMON STOCK AS OF SEPTEMBER 30, 1998

COMMON STOCK, \$.10 PAR VALUE 20,197,747  
(CLASS) (NUMBER OF SHARES)

OMEGA HEALTHCARE INVESTORS, INC

FORM 10-Q

SEPTEMBER 30, 1998

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ITEM 1. FINANCIAL STATEMENTS

OMEGA HEALTHCARE INVESTORS, INC  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

<TABLE>  
<CAPTION>

	September 30, 1998	December 31, 1997
	----- (Unaudited)	----- (See Note)
ASSETS		
<S>	<C>	<C>
Real estate properties		
Land and buildings at cost .....	\$ 604,747	\$ 561,054
Less accumulated depreciation .....	(51,206)	(48,147)
	-----	-----
Real estate properties - net .....	553,541	512,907
Mortgage notes receivable .....	228,494	218,353
	-----	-----
	782,035	731,260
Investment in Omega Worldwide, Inc. ....	8,561	
Investments in Principal Healthcare Finance Ltd. ....	1,629	30,730
Other investments .....	29,584	29,790
Assets held for sale .....	80,376	
	-----	-----
Total Investments (cost of \$953,391 at September 30, 1998 and \$839,927 at December 31, 1997) .....	902,185	791,780
Cash and short-term investments .....	477	500
Goodwill and non-compete agreements - net .....	4,837	5,981
Other assets .....	22,237	17,847
	-----	-----
TOTAL ASSETS .....	\$ 929,736	\$ 816,108
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Acquisition line of credit .....	\$ 14,300	\$ 58,300
Unsecured borrowings .....	311,705	186,705
Secured borrowings .....	22,044	22,261
Subordinated convertible debentures .....	48,405	62,485
Accrued expenses and other liabilities .....	13,292	18,136
	-----	-----
TOTAL LIABILITIES .....	409,746	347,887
Preferred Stock .....	107,500	57,500
Common stock and additional paid-in capital .....	458,483	441,161
Cumulative net earnings .....	204,494	136,225
Cumulative dividends paid .....	(250,113)	(165,824)
Stock option loans .....	(2,895)	
Unrealized gain on Omega Worldwide, Inc. ....	3,096	
Unamortized restricted stock awards .....	(575)	(841)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY .....	519,990	468,221
	-----	-----
	\$ 929,736	\$ 816,108
	=====	=====

</TABLE>

Note - The balance sheet at December 31, 1997, 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.

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OMEGA HEALTHCARE INVESTORS, INC  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited  
(In Thousands, Except Per Share Amounts)

<TABLE>  
<CAPTION>

	Three months ended September 30,		Nine months ended September	
	1998	1997	1998	
	-----	-----	-----	-----
REVENUES				
<S>	<C>	<C>	<C>	<C>

Rental income .....	\$ 19,602	\$ 13,318	\$ 55,602	\$
38,451				
Mortgage interest income .....	6,905	7,406	21,658	
21,395				
Other investment income .....	1,758	2,553	4,920	
5,533				
Miscellaneous .....	169	287	448	
712				
-----				-----
----				
66,091	28,434	23,564	82,628	
EXPENSES				
Depreciation and amortization .....	5,758	4,322	16,730	
12,225				
Interest .....	8,108	6,262	23,787	
17,678				
General and administrative .....	1,410	1,176	4,082	
3,478				
-----				-----
----				
33,381	15,276	11,760	44,599	
-----				-----
NET EARNINGS BEFORE GAIN ON DISTRIBUTION OF OMEGA WORLDWIDE, INC. AND PREFERRED STOCK DIVIDENDS .....	13,158	11,804	38,029	
32,710				
GAIN ON DISTRIBUTION OF OMEGA WORLDWIDE, INC .....			30,240	
PREFERRED STOCK DIVIDENDS .....	(2,408)	(1,330)	(5,786)	
(2,216)				
-----				-----
----				
NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS .....	\$ 10,750	\$ 10,474	\$ 62,483	\$
30,494				
Net Earnings per common share:				
Basic net earnings before gain on distribution .....	\$ 0.53	\$ 0.55	\$ 1.61	\$
1.61				
=====				
Diluted net earnings before gain on distribution .....	\$ 0.53	\$ 0.54	\$ 1.61	\$
1.60				
=====				
Basic net earnings after gain on distribution .....	\$ 0.53	\$ 0.55	\$ 3.13	\$
1.61				
=====				
Diluted net earnings after gain on distribution .....	\$ 0.53	\$ 0.54	\$ 3.13	\$
1.60				
=====				
Dividends paid per common share .....	\$ 0.67	\$ 0.645	\$ 2.01	\$
1.935				
=====				
Average Shares Outstanding, Basic .....	20,173	19,141	19,979	
18,969				
=====				
Average Shares Outstanding, Diluted .....	20,178	19,227	19,983	
19,056				
=====				
Other comprehensive income, net of taxes:				
Unrealized Gain (Loss) on Omega Worldwide, Inc.....	\$ (2,835)	--	\$ 3,096	
--				
=====				

</TABLE>

See notes to condensed consolidated financial statements.

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

<TABLE>  
<CAPTION>

Nine Months Ended  
September 30,  
1998                      1997

OPERATING ACTIVITIES	<C>	<C>
<S>		
Net earnings	\$ 68,269	\$ 32,710
Adjustment to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	16,730	12,225
Gain on distribution of Omega Worldwide	(30,240)	
Other non-cash charges	946	926
	-----	-----
Funds from operations available for distribution and investment	55,705	45,861
Net change in operating assets and liabilities	(16,418)	(6,904)
	-----	-----
Net cash provided by operating activities	39,287	38,957
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from unsecured note offering	125,000	100,000
Proceeds from preferred stock offering	50,000	57,500
Proceeds (payments) of acquisition line of credit	(44,000)	500
Payments of long-term borrowings	(217)	(1,798)
Receipts from Dividend Reinvestment Plan	1,331	1,274
Dividends paid	(45,227)	(37,697)
Costs of raising capital	(3,390)	(4,072)
Other	1,204	(375)
	-----	-----
Net cash provided by financing activities	84,701	115,332
 CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of real estate	(118,345)	(86,046)
Placement of mortgage loans	(12,000)	(10,990)
Fundings of other investments - net	(10,241)	(45,928)
Temporary advances to Principal Healthcare Finance Limited		(12,695)
Net proceeds from sale of Omega Worldwide shares	16,938	
Collection of mortgage principal	2,250	1,338
Other	(2,613)	
	-----	-----
Net cash used in investing activities	(124,011)	(154,321)
	-----	-----
Decrease in cash and short-term investments	(\$23)	(\$32)
	=====	=====

</TABLE>

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OMEGA HEALTHCARE INVESTORS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

SEPTEMBER 30, 1998

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements for Omega Healthcare Investors, Inc. (the Company), 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 and nine-month periods ended September 30, 1998, are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. 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, 1997.

NOTE B - PRINCIPAL HEALTHCARE FINANCE LIMITED AND OMEGA WORLDWIDE, INC.

In 1995 the Company sponsored the organization of Principal Healthcare Finance Limited (Principal), an Isle of Jersey company, whose purpose is to invest in nursing homes and long-term care facilities in the United Kingdom. The Company had invested \$30.7 million in Principal at December 31, 1997 of which \$23.7 million was represented by a (pound)15 million subordinated note due June 30, 2000 and \$7 million was represented by equity investment. The Company also provided investment advisory and management services to Principal and had advanced temporary loans to Principal from time to time.

In November, 1997, the Company formed a separate company, Omega Worldwide, Inc. (Worldwide) and on April 2 it contributed substantially all of its Principal assets to Worldwide in exchange for approximately 8.5 million shares of Worldwide common stock and 260,000 shares of Series B preferred stock. The Company retained 990,000 ordinary shares of Principal. Of the 8,500,000 shares of Worldwide received by the Company, approximately 5,200,000 were distributed on April 2, 1998 to the shareholders of the Company on the basis of one Worldwide share for every 3.77 common shares of the Company held by shareholders of the Company on the record date of February 1, 1998. Of the remaining 3,300,000 shares of Worldwide received by the Company, approximately 1,000,000 shares of Worldwide are held by the Company, and the other 2,300,000 shares were sold by the Company on April 3, 1998 for net proceeds of approximately \$16,250,000 in a Secondary offering pursuant to a registration

statement of Worldwide. The market value of the distribution to shareholders approximates \$39 million or \$1.99 per share. A non-recurring gain of \$30.2 million was recorded on the distribution and secondary offerings of Worldwide common shares during the second quarter of 1998.

NOTE C - ASSET CONCENTRATIONS

As of September 30, 1998, 89.6% of the cost of the Company's total investments are related to long-term care facilities, 2.5% related to rehabilitation hospitals, 3.1% to medical office facilities and 4.8% to other investments. The Company's healthcare facilities are located in 28 states and are operated by 30 independent healthcare operating companies. Approximately 65.1% of the Company's investments are operated by six public companies, including Sun Healthcare Group, Inc. (26.9%), Integrated Health Services, Inc. (12.5%), Advocat Inc. (11.8%), Mariner Post-Acute Network (6.2%), and two other public companies (7.7%). Of the remaining operators, none operate investments in facilities representing more than 5.1% of the total investments. The three largest states in which investments are located are Florida (12.4%), Indiana (10.6%) and California (7.2%).

NOTE D - OTHER PORTFOLIO MATTERS

In the ordinary course of its business activities, the Company periodically evaluates investment opportunities and extends credit to customers. It also is regularly engaged in lease and loan extensions and modifications and believes its management has the experience and expertise to deal with such issues as may arise from time to time.

UNISON HEALTHCARE CORPORATION

Unison Healthcare Corporation ("Unison"), through two subsidiaries and an affiliated partnership, leases from the Company and operates fourteen nursing homes representing approximately 1,250 licensed nursing beds with a total Company investment of \$34.5 million, representing approximately 3.7 percent of total assets at September 30, 1998. The fourteen nursing homes are located in Indiana and Texas. In addition, a subsidiary of Unison leases six nursing homes located in Texas from UNHC Real Estate Holdings, Ltd. ("UNHC"). These six nursing homes are mortgaged by UNHC to the Company to secure a mortgage loan of approximately \$10.2 million. At December 31, 1997, Unison was in default in its lease obligations to the Company and to UNHC, and UNHC was in default in its mortgage payments to the Company, including for both of them nonpayment of rents and interest totaling \$1.5 million. Pursuant to due notice, the Company as of January 2, 1998 terminated the leases with respect to the fourteen nursing homes and accelerated the mortgage indebtedness with respect to the six properties. In January, 1998, the Unison subsidiaries which lease all twenty nursing homes filed for protection under the Bankruptcy Code in the United States Bankruptcy Court for the District of Arizona ("Bankruptcy Court"). In May, Unison Healthcare Corporation (the parent company) also filed for protection under the Bankruptcy Code in the Bankruptcy Court.

In October, 1998, Unison filed a First Amended Joint Plan of Reorganization ("Amended Plan") with the Bankruptcy Court. The Bankruptcy Court has approved a Disclosure Statement in Support of the Amended Plan and the Disclosure Statement has been mailed to all creditors of Unison to vote on the Amended Plan. Under the Amended Plan (i) approximately \$100 million of existing unsecured indebtedness and certain other indebtedness of Unison will be converted into equity shares of reorganized Unison, (ii) the Company's leases with respect to eight of the fourteen nursing homes leased directly to subsidiaries of Unison will be reinstated, (iii) the Company's lease with respect to six of the nursing homes located in Indiana and leased directly to a subsidiary of Unison will be terminated in exchange for cash and a secured note from Unison, (iv) the Company will purchase seven nursing homes owned by Unison in Colorado and Arizona for approximately \$38 million, and will lease those nursing homes to Unison, and (v) the Company will acquire the interest of UNHC in the six nursing homes mortgaged by UNHC to the Company; three of these nursing homes will be conveyed to Unison for \$1 million, and the remaining three will be leased to Unison. Whether the Amended Plan will be confirmed is not known. In the meantime, all lease payments with respect to the fourteen facilities are being made to the Company, and the monthly mortgage payments owing by UNHC are being deposited into escrow, pending resolution of certain disputes between the Company and UNHC. Based on advice of counsel, the Company is confident that it will ultimately receive the mortgage payments now being paid into escrow.

GRADUATE HOSPITAL AND GRADUATE HEALTH SYSTEM

On July 21, 1998, Allegheny Health, Education and Research Foundation ("AHERF") and related entities including Allegheny Hospitals, Centennial ("Centennial") filed voluntary Chapter 11 bankruptcy petitions in the United States Bankruptcy Court for the Western District of Pennsylvania. On September 22, 1998, the Bankruptcy Court entered an order pursuant to which Centennial, successor to The Graduate Hospital and Graduate Health Systems, Inc. under leases (the "Operating Leases") of three medical office buildings and a parking structure adjoining the Graduate Hospital in Philadelphia, Pennsylvania, has paid to Omega, as of November 1, 1998, all past due base rent under the leases, except for base rent due for the period June 1, 1998 through July 20, 1998. On October 30, 1998, the Bankruptcy Court approved the sale to Tenet Healthcare Corporation of certain assets of

Centennial, including Centennial's interest under the Operating Leases. At the closing of the sale to Tenet, Centennial is obligated under the Bankruptcy Court's September 22, 1998 order to cure all remaining monetary defaults under the Operating Leases.

#### ASSETS HELD FOR SALE

At the Company's Board of Directors meeting on July 15, 1998, management was authorized to initiate a plan to dispose of certain properties judged to have limited potential and to redeploy the proceeds.

As of September 30, 1998, the carrying value of assets held under plan for disposition total \$80.4 million. These assets had a cost of \$92.4 million and annualized revenues approximate \$11.4 million. The Company anticipates that completion of the targeted disposals will occur primarily in

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the fourth quarter of 1998.

On October 30, 1998, one of the facilities held for sale generated sale proceeds of \$10.3 million. These proceeds were used to repay funds drawn under the Company's credit facility. While management believes there is no impairment of the carrying value of the assets to be sold, it expects redeployment of the proceeds in new investments will result in near-term reductions in funds from operations from lower investment yields on redeployment.

#### NOTE E - PREFERRED STOCK

On April 28, 1998, the Company received gross proceeds of \$50 million resulting from the issuance of 2 million shares of 8.625% Series B Cumulative Preferred Stock ("Preferred Stock") at \$25 per share. Dividends on the Preferred Stock are cumulative from the date of original issue and are payable quarterly commencing on August 15, 1998. On April 7, 1997, the Company received gross proceeds of \$57.5 million from the issuance of 2.3 million shares of 9.25% Series A Cumulative Preferred Stock ("Preferred Stock") at \$25 per share. Dividends on the Series A Preferred Stock are cumulative from the date of original issue and are payable quarterly.

#### NOTE F - NET EARNINGS PER SHARE

Net earnings per share is computed based on the weighted average number of common shares outstanding during the respective periods. Per share amounts for prior periods have been restated as required by the Financial Accounting Standards Board Statement No. 128. Among the changes stemming from the new pronouncement is a requirement to present both basic and diluted per share amounts. Diluted earnings per share amounts reflect the dilutive effect of stock options (4,531 shares and 86,296 shares for 1998 and 1997, respectively). The assumed conversion of convertible debentures is antidilutive.

#### NOTE G - CONVERSION OF DEBENTURES

During the nine-month period ended September 30, 1998, approximately \$14,080,000 of subordinated convertible debentures were converted to 522,207 shares at a conversion price of \$26.962 per share.

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

"Safe Harbor" Statements Under the United States Private Securities Litigation Reform Act of 1995. Statements contained in this document that are not based on historical fact are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding the Company's future development activities, the future condition and expansion of the Company's markets, the Company's ability to meet its liquidity requirements and the Company's growth strategies, as well as other statements which may be identified by the use of forward-looking terminology such as "may," "will," "expect," "estimate," "anticipate," or similar terms, variations of those terms or the negative of those terms. 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 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

Revenues for the three-month and nine-month periods ending September 30, 1998 totaled \$28.4 million and \$82.6 million, respectively, an increase of \$4.9 million and \$16.5 million, respectively, over the periods ending September 30, 1997. The 1998 revenue growth stems primarily from additional real estate investments of approximately \$219.4 million during the twelve-month period ending September 30, 1998 offset by decrease in investments in Principal Healthcare Finance Limited and other investments of \$58.3 million. Additionally, revenue growth of approximately \$1.7 million stems from participating incremental net revenues which became effective in 1998. Total investments of \$953 million as of September 30, 1998 have an average annualized yield of approximately 11.59%.

Expenses for the three-month and nine-month periods ended September 30, 1998 totaled \$15.3 million and \$44.6 million, respectively, an increase of \$3.5 million and \$11.2 million, respectively, over expenses for 1997. The provision for depreciation and amortization for the three-month and nine-month periods ended September 30, 1998 totaled \$5.8 million and \$16.7 million, respectively, increasing \$1.4 million and \$4.5 million, respectively, over the same periods in 1997 as a result of additional real estate investments.

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Interest expense for the three-month and nine-month periods ended September 30, 1998 was \$8.1 million and \$23.8 million, respectively, compared with \$6.3 million and \$17.7 million, respectively, for the same periods in 1997. The increase in 1998 is primarily due to higher average outstanding borrowings during the 1998 periods, offset partially by interest rate savings from conversions of subordinated debentures and reduced spreads on line of credit borrowings.

General and administrative expenses for the three-month and nine-month periods ended September 30, 1998 totaled approximately \$1.4 million and \$4.1 million, respectively. These expenses for the three-month and nine-month periods were approximately 5.0% and 4.9% of revenues, respectively, as compared to 5.0% and 5.3% of revenues, respectively, for the 1997 three-month and nine-month periods.

Net earnings available to common shareholders excluding the non-recurring gain were \$10,750,000 and \$32,243,000, respectively, for the three-month and nine-month periods, increasing approximately \$276,000 and \$1,749,000, respectively, over the 1997 periods. The increase stems from the various factors mentioned above, offset partially by provision for additional preferred dividends on the new Series B preferred shares. Net earnings per diluted common share excluding the non-recurring gain decreased from \$.54 to \$.53 and increased from \$1.60 to \$1.61 for the three-month and nine-month periods, respectively.

Funds from Operations ("FFO") totaled \$16,621,000 and \$49,311,000 for the three-month and nine-month periods ending September 30, 1998, representing an increase of approximately \$1,739,000 and \$6,145,000 over the same periods in 1997. FFO is net earnings available to common shareholders, excluding any gains or losses from debt restructuring and sales of assets, plus depreciation and amortization associated with real estate investments and charges to earnings for non-cash common stock based compensation.

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.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company has raised capital of approximately \$190 million during the nine-month period ended September 30, 1998. In April 1998, the Company received approximately \$17 million gross proceeds from the sale of shares of Worldwide (see Note B to the financial statements). It also raised approximately \$48 million net proceeds from the issuance of Series B Preferred Stock (see Note E to the financial statements) and approximately \$124 million from the issuance of

unsecured notes.

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

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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 capital markets timely and has raised more than \$1.2 billion in capital since it was organized in 1992. The Company raised more than \$500 million in equity, including \$130 million from the initial public offering in 1992, \$73 million from a follow-on common stock offering in 1994, \$165 million from the Health Equity Properties acquisition in 1994 and three additional offerings, the latest represented by the offering of Series B preferred stock completed in April 1998. Additionally, over \$700 million of debt capital has been raised, some of which has been used to retire secured borrowings 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. In 1997, the Company issued \$57.5 million of Series A Preferred Stock with a yield of 9.25% and completed a \$100 million 10-year senior note offering priced to yield 6.99%. In September 1997, the Company completed the second amended and restated loan agreement. The new agreement provides for total permitted borrowings of up to \$200 million, reduces interest rates on borrowings, and extends the term of the agreement to September 2000. In April 1998, the Company issued \$50 million of Series B Preferred Stock with a yield of 8.625%. In June 1998, the Company completed a \$125 million 4-year senior note offering priced to yield 7.04%.

As of September 30, 1998, the Company has total assets of \$930 million, shareholders' equity of \$520 million, and long-term borrowings of \$382 million, representing approximately 41% of the total capitalization. The Company expects to generally maintain a long-term debt-to-capitalization ratio of approximately 40%. At September 30, 1998, the Company had available borrowings of up to \$181 million under its revolving line of credit arrangement.

In February 1997, the Company filed a Form S-4 shelf registration statement with the Securities and Exchange Commission registering common stock totaling \$100 million to be issued in connection with future property acquisitions. Additionally, on August 29, 1997 the Company filed a Form S-3 registration statement with the Securities and Exchange Commission permitting the issuance of up to \$200 million related to common stock, unspecified debt, preferred stock and convertible securities. During the second quarter of 1998, \$175 million of debt and preferred stock were issued pursuant to the Form S-3.

The Company distributes a large portion of the cash available from operations. Cash dividends paid totaled \$.67 and \$2.01 per share for the three-month and nine-month periods ending September 30, 1998 compared with \$.645 and \$1.935 per share for the same periods in 1997. The current \$.67 per quarter rate represents an annualized rate of \$2.68 per share. Omega's Board of Directors declared a regular quarterly dividend of \$.67 per share to be paid November 13, 1998 to common shareholders of record on October 30, 1998. Additionally, regular quarterly preferred stock dividends of \$.578 per share and \$.539 per share, were declared payable on November 13, 1998 to Series A (9.25%), and Series B (8.625%) Cumulative Preferred shareholders of record on October 30, 1998, respectively.

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#### YEAR 2000 COMPLIANCE

The Year 2000 compliance issue concerns the inability of certain systems and devices to properly use or store dates beyond December 31, 1999. This could result in system failures, malfunctions, or miscalculations that disrupt normal operations. This issue affects most companies and organizations to large and small degrees, at least to the extent that potential exposures must be evaluated.

The Company is reviewing risks with regard to the ability of the Company's own internal operations, the impact of outside vendors' ability to operate, and the impact of tenants' ability to operate. The Company initially focused this review on mission-critical operations, recognizing that other potential effects are expected to be less material. The Company believes its own internal operations, its technology infrastructure, information systems, and software applications are likely to be compliant or will be compliant by mid-1999 based upon certification statements by the applicable vendors. In those cases where there are compliance issues, these are considered to be minor in nature and remedies are already identified. Expenditures for such remedies will not be material.

With respect to the Company's material outside vendors, such as its



banks, payroll processor, and telecommunications providers, the Company's assessment will cover the compliance efforts of significant vendors, the effects of potential non-compliance, and remedies that may mitigate or obviate such effects as to the Company's business and operations. The Company plans to complete its assessment of compliance by important vendors by mid-1999.

With respect to the Company's tenants and properties, the Company's assessment will cover the tenants' compliance efforts, the possibility of any interface difficulties or electromechanical problems relating to compliance by material vendors, the effects of potential non-compliance, and remedies that may mitigate or obviate such effects. The Company plans to process information from tenant surveys beginning in 1999 and complete its assessment by mid-1999.

Because the Company's evaluation of these issues has been conducted by its own personnel or by selected inquiries of its vendors and tenants in connection with their routine servicing operations, the Company believes that its expenditures for assessing Year 2000 issues, though difficult to quantify, have not been material. In addition, the Company is not aware of any issues that will require material expenditures by the Company in the future.

Based upon current information, the Company believes that the risk posed by foreseeable Year 2000 related problems with its internal systems (including both information and non-information systems) is minimal. Year 2000 related problems with the Company's software applications and internal operational programs are unlikely to cause more than minor disruptions in the Company's operations. Year 2000 related problems at certain of its third-party service providers, such as its banks, payroll processor, and telecommunications provider is marginally greater, though, based upon current information, the Company does not believe any such problems would have a material effect on its operations. For example, Year 2000 related problems at such third-party service providers could delay the processing of financial transactions and the Company's payroll and could disrupt the Company's internal and external communications.

The Company believes that the risk posed by Year 2000 related problems at its properties or

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with its tenants is marginally greater, though, based upon current information, the Company does not believe any such problems would have a material effect on its operations. Year 2000 related problems at certain governmental agencies and third-party payers could delay the processing of tenant financial transactions, though, based upon current information, the Company does not believe any such problems would have a material long-term effect on its operations. Year 2000 related problems with the electromechanical systems at its properties are unlikely to cause more than minor disruptions in the Company's operations.

The Company intends to complete outstanding assessments, to implement identified remedies, to continue to monitor Year 2000 issues, and will develop contingency plans if, and to the extent deemed, necessary. However, based upon current information and barring developments, the Company does not anticipate developing any substantive contingency plans with respect to Year 2000 issues. In addition, the Company has no plans to seek independent verification or review of its assessments.

While the Company believes that it will be Year 2000 compliant by December 31, 1999, there can be no assurance that the Company will be successful in identifying and assessing all compliance issues, or that the Company's efforts to remedy all Year 2000 compliance issues will be effective such that they will not have a material adverse effect on the Company's business or results of operations.

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PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS - THE FOLLOWING EXHIBITS ARE FILED HEREWITH:

EXHIBIT -----	DESCRIPTION -----
3	Amended and Restated Bylaws, as amended July 7, 1998
27	Financial Data Schedule

(b) REPORTS ON FORM 8-K - None were filed.

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

OMEGA HEALTHCARE INVESTORS, INC.  
Registrant

Date: November 9, 1998                      By: /s/ESSEL W. BAILEY, JR.  
-----  
    Essel W. Bailey, Jr.  
    President

Date: November 9, 1998                      By: /s/DAVID A. STOVER  
-----  
    David A. Stover  
    Chief Financial Officer

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INDEX TO EXHIBITS

EXHIBIT -----	DESCRIPTION -----
3	Amended and Restated Bylaws, as amended July 7, 1998
27	Financial Data Schedule

BYLAWS  
OF  
OMEGA HEALTHCARE INVESTORS, INC.  
AS AMENDED AND RESTATED  
JULY 7, 1998

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the corporation shall be established and maintained at the office of THE CORPORATION TRUST INCORPORATED, 32 South Street, Baltimore, Maryland 21202, and said THE CORPORATION TRUST INCORPORATED be the registered agent of this corporation in charge thereof.

Section 2. Other Offices. The corporation may establish such other offices, within or without the State of Maryland, at such place or places as the Board of Directors from time to time may designate, or which the business of the corporation may require.

ARTICLE II

STOCKHOLDERS

Section 1. Annual Meetings. Annual meetings of stockholders for the election of Directors and for such other business as may be stated in the notice of the meeting, shall be held on a date and at a time designated by the Board of Directors at such place, within or without the State of Maryland, as the Board of Directors by resolution shall determine, and as set forth in the notice of the meeting.

If the date of the annual meeting shall fall on a legal holiday of the state in which the meeting is to be held, the meeting shall be held on the next succeeding business day.

Section 2. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may be called by the Chairman, the Chief Executive Officer, the President, or by a majority of the Board of Directors and shall be called by an officer upon written request of stockholders holding in the aggregate not less than 10% of the outstanding shares entitled to vote on the business proposed to be transacted thereat. Such meetings may be held at such time and place, within or without the State of Maryland, as shall be stated in the notice of the meeting. The call of a special meeting shall state the nature of the business to be transacted and no other business shall be

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considered at the meeting. A special meeting may be called for the purpose of removing a Director.

Section 3. Notice of Meetings. Written or printed notice, stating the place, date and time of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered to each stockholder entitled to vote thereat at his address as it appears on the records of the corporation, by United States mail, postage prepaid, not less than twenty (20) nor more than sixty (60) days before the date of the meeting. No business other than that stated in the notice shall be transacted at any meeting without the unanimous consent of all stockholders entitled to vote thereat.

Section 4. Voting. At each annual meeting the stockholders entitled to vote shall elect a Board of Directors, and they may transact such other corporate business as shall be stated in the notice of the meeting. The vote for Directors, and, upon the demand of any stockholder, the vote upon any question before the meeting, shall be by ballot. Unless otherwise provided by the Articles of Incorporation or by the laws of the State of Maryland, all elections of Directors shall be by a plurality of the votes cast, and all substantive questions shall be decided by a majority vote; all procedural questions shall be decided by the Chairman or Parliamentarian of the meeting.

The Directors may fix a day not more than sixty (60) days prior to the holding of any such meeting as the date as of which stockholders entitled to notice of and to vote at such meeting shall be determined; and only stockholders of record on such day shall be entitled to notice of or to vote at any such meeting.

Each stockholder entitled to vote, in accordance with the terms of the Articles of Incorporation and the provisions of these Bylaws, shall be entitled to one vote, in person or by proxy, for each share of stock entitled to vote held by such stockholder, but no proxy shall be voted after eleven (11)

months from its date unless such proxy provides for a longer period. In no case shall any proxy be given for a period in excess of ten (10) years from the date of its execution.

Section 5. Quorum. Any number of stockholders together holding a majority of the stock issued and outstanding and entitled to vote thereat, who shall be present in person or represented by proxy at any meeting duly called, shall constitute a quorum for the transaction of business. If, at any meeting, less than a quorum shall be present or represented, those present, either in person or by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock shall be present, at which time any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 6. Action Without Meeting. Except for the election of Directors, any action to be taken by the stockholders may be taken without a meeting, if, prior to such action, all stockholders entitled to vote thereon shall consent in writing to such action being taken, and such consent shall be treated for all purposes as vote at a meeting.

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### ARTICLE III

#### DIRECTORS

Section 1. Number and Term. The number of Directors shall be not less than five (5) nor more than nine (9) until changed by amendment of these Bylaws. The exact number of Directors shall be nine (9) until changed, within the limits specified, by a Bylaw amending this Section duly adopted by the Board of Directors or stockholders. The Directors shall be elected at the annual meeting of stockholders, and each Director shall be elected to serve until his successor shall be elected and shall have qualified. In no case shall the number of Directors be less than five (5), unless changed by an amendment to the Articles of Incorporation.

The Board of Directors of this corporation shall be classified into three groups. Each such group of Directors shall be elected for successive terms ending at the annual meeting of stockholders the third year after election.

Directors need not be stockholders.

Section 2. Quorum. A majority of the Directors shall constitute a quorum for the transaction of business. If, at any meeting of the Board, there shall be less than a quorum present, a majority of those present may adjourn the meeting, from time to time, until a quorum is obtained, and no further notice thereof need be given other than by announcement at said meeting which shall be so adjourned.

Section 3. First Meeting. The newly elected Directors may hold their first meeting for the purpose of organization and the transaction of business, if a quorum is present, immediately after the annual meeting of stockholders or the time and place of such meeting may be fixed by written consent of the entire Board.

Section 4. Election of Officers. At the first meeting, or at any subsequent meeting called for that purpose, the Directors shall elect the officers of the corporation, as more specifically set forth in ARTICLE V of these Bylaws. Such officers shall hold office until the next annual election of officers, or until their successors are elected and shall have qualified.

Section 5. Regular Meetings. Regular meetings of the Board of Directors shall be held, without notice, at such places and times as shall be determined, from time to time, by resolution of the Board of Directors.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman, the Chief Executive Officer, the President, or by the Secretary on four (4) days' notice to each Director. In case such notice is delivered personally, or by telephone, facsimile or telegram, it shall be delivered at least twenty-four (24) hours prior

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to the time of the holding of the meeting.

Section 7. Place of Meetings. The Directors may hold their meetings, and have one or more offices, and keep the books of the corporation outside the State of Maryland at any office or offices of the corporation, or at any other place as they from time to time by resolution may determine.

Section 8. Dispensing With Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting need not be given to any Director who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director.

Section 9. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors, or any committee thereof, may be taken without a meeting if, prior to such action, a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board of Directors or committee.

Section 10. Telephonic Meetings. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 11. General Powers of Directors. The Board of Directors shall have the management of the business of the corporation, and, subject to the restrictions imposed by law exercise all the powers of the corporation. Each Director shall be entitled to rely upon the books and records of the corporation, and upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by officers or employees of the corporation believed to be reliable and competent in the matters presented, or by counsel, independent accountants, or other persons as to matters which the Board of Directors believes to be within such person's professional or expert competence.

Section 12. Specific Powers of Directors. Without prejudice to such general powers, it hereby is expressly declared that the Directors shall have the following powers:

(1) To make and change regulations, not inconsistent with these Bylaws,

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for the management of the business and affairs of the corporation.

(2) To purchase or otherwise acquire for the corporation any property, rights or privileges which the corporation is authorized to acquire.

(3) To pay for any property purchased for the corporation, either wholly or partly in money, stock, bonds, debentures or other securities of the corporation.

(4) To borrow money and make and issue notes, bonds and other negotiable and transferable instruments, mortgages, deeds of trust and trust agreements, and to do every act and thing necessary to effectuate the same.

(5) To remove any officer for cause, or any officer summarily, without cause, and, in their discretion, from time to time to devolve the powers and duties of any officer upon any other person for the time being.

(6) To appoint and remove or suspend subordinate officers or agents as they may deem necessary, and to determine their duties, and to fix and from time to time to change their salaries or remuneration, and to require security as and when they think fit.

(7) To confer upon any officer of the corporation the power to appoint, remove and suspend subordinate officers and agents.

(8) To determine who shall be authorized, on behalf of the corporation, to make and sign bills, notes, acceptances, endorsements, contracts and other instruments.

(9) To determine who shall be entitled, in the name and on behalf of the corporation, to vote upon or to assign and transfer any shares of stock, bonds or other securities of other corporations held

by this corporation.

(10) To delegate any of the powers of the Board, in relation to the ordinary business of the corporation, to any standing or special committee, or to any officer or agent (with power to sub-delegate), upon such terms as they deem fit.

(11) To call special meetings of the stockholders for any purpose or purposes.

(12) To appoint the accountants and attorneys for the corporation.

Section 13. Compensation. Directors shall receive a stated salary for their services as Directors and, by resolution of the Board, a fixed fee and expenses of attendance for attendance at each meeting. Directors may participate in retirement plans,

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stock option and restricted stock plans and other employee benefit plans of the Company which specifically permit participation by directors.

Nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity as an officer, agent, or otherwise.

#### ARTICLE IV

##### COMMITTEES

Section 1. Appointments and Powers. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees. The Board of Directors may designate one or more Directors as alternate members of a committee who may replace any absent or disqualified member at any meeting of the committee. Such alternate members shall, for purposes of determining a quorum, be counted in the place of the absent or disqualified member. The committee, to the extent provided in said resolution or resolutions or in these Bylaws, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation. Such committee or committees shall have such name or names as may be stated in these Bylaws or as may be determined from time to time by resolution adopted by the Board of Directors.

Section 2. Minutes. Committees shall keep regular minutes of their proceedings, and report the same to the Board of Directors when required.

Section 3. Audit Committee. The Audit Committee shall select and engage in behalf of the corporation, and fix the compensation of, a firm of certified public accountants whose duty it shall be to audit the books and accounts of the corporation and its subsidiaries for the fiscal year in which they are appointed, and who shall report to such Committee. The Audit Committee shall confer with the auditors and shall determine, and from time to time shall report to the Board of Directors upon the scope of the auditing of the books and accounts of the corporation and its subsidiaries. The Audit Committee shall also be responsible for determining that the business practices and conduct of employees and other representatives of the corporation and its subsidiaries comply with the policies and procedures of the corporation. None of the members of the Audit Committee shall be officers or employees of the corporation.

#### ARTICLE V

##### OFFICERS

Section 1. Officers. The officers shall be elected at the first meeting of the Board

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of Directors after each annual meeting of stockholders. The Directors shall elect a Chairman, a Chief Executive Officer, a President, a Secretary and a Treasurer and one or more Vice Presidents as they may deem proper. Any person may hold two or more offices.

The Board of Directors may appoint such other officers and agents as it may deem advisable, who shall hold office for such terms and shall exercise such powers and perform such duties as shall from time to time be determined by the Board of Directors.

Section 2. Chairman. The Chairman, if one be elected, shall preside at all meetings of the Board of Directors and stockholders, and he shall have and

perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 3. Chief Executive Officer. The Chief Executive Officer shall have the general powers and duties of supervision and management usually vested in the office of Chief Executive Officer of a corporation. He shall have general supervision, direction and control of the business of the corporation. Except as the Board of Directors shall authorize the execution thereof in some other manner, he shall execute bonds, mortgages and other contracts on behalf of the corporation.

Section 4. President. The President shall have the general powers and duties of supervision and management usually vested in the office of President of a corporation. He shall have general supervision, direction and control of the business of the corporation. Except as the Board of Directors shall authorize the execution thereof in some other manner, he shall execute bonds, mortgages and other contracts on behalf of the corporation.

Section 5. Vice Presidents. Each Vice President shall have such powers and shall perform such duties as are usually vested in the office of Vice President of a corporation. Except as the Board of Directors shall authorize the execution thereof in some other manner, he shall execute bonds, mortgages and other contracts on behalf of the corporation.

Section 6. Secretary. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and Directors, and all other notices required by law or by these Bylaws, and, in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the Chairman, the Chief Executive Officer, the President, the Board of Directors, or the stockholders, upon whose requisition the meeting is called as provided in these Bylaws. He shall record all proceedings of meetings of the stockholders and of the Board of Directors in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Directors or the President.

Section 7. Treasurer. The Treasurer shall have the custody of the corporate funds and securities, and shall keep full and accurate accounts of receipts and disbursements

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in books belonging to the corporation. He shall deposit all monies and other valuables in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors.

The Treasurer shall disburse the funds of the corporation as may be ordered by the Board of Directors or the President, taking proper vouchers for such disbursements. He shall render to the President and the Board of Directors, at the regular meetings of the Board, or whenever they may request it, an accounting of all his transactions as Treasurer, and of the financial condition of the corporation.

If required by the Board of Directors, he shall give the corporation a bond for the faithful discharge of his duties, in such amount and with such surety as the Board shall prescribe.

Section 8. Assistant Secretaries and Assistant Treasurers. Assistant Secretaries and Assistant Treasurers, if any, shall be appointed by the Board of Directors or by the Chief Executive Officer, the President or Vice President and shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the Secretary and by the Treasurer.

Section 9. General Powers. In addition to the rights and duties set forth in this Article V, the Chief Executive Officer, President, Secretary or any other officer of the corporation shall be authorized and empowered to take such actions and to execute such documents on behalf of the corporation as may, from time to time, be required.

## ARTICLE VI

### RESIGNATIONS; FILLING OF VACANCIES; INCREASE IN NUMBER OF DIRECTORS; REMOVAL FROM OFFICE

Section 1. Resignations. Any Director, member of a committee, or other officer may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and, if no time be specified, at the time of its receipt by the Board of Directors, the President or the Secretary. The acceptance of a resignation shall not be necessary to make it effective.

Section 2. Filling of Vacancies. If the office of any officer, Director or member of a committee becomes vacant, the remaining Directors in office,

although less than a quorum, may appoint, by a majority vote, any qualified person to fill such vacancy, who shall hold office for the unexpired term of his predecessor, or until his successor is elected and shall have qualified.

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Any vacancy occurring by reason of an increase in the number of Directors may be filled by action of a majority of the entire Board, for a term of office continuing only until the next election by the stockholders of Directors within the Group to which the new Director is appointed, or may be filled by the affirmative vote of the holders of a majority of the shares then entitled to vote at an election of Directors.

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Section 3. Removal From Office. At a meeting of stockholders expressly called for such purpose, any or all members of the Board of Directors may be removed, with or without cause, by a vote of the holders of not less than two-thirds (2/3) of the issued and outstanding capital stock entitled to vote thereon and said stockholders may elect a successor or successors to fill any resulting vacancies, for the unexpired terms of the removed Directors.

Any officer or agent, or member of a committee elected or appointed by the Board of Directors, may be removed by said Board whenever, in its judgment, the best interests of the corporation shall be served thereby.

#### ARTICLE VII

##### CAPITAL STOCK

Section 1. Certificates of Stock. Certificates of stock, numbered, and signed by a member of the Board of Directors, the Chief Executive Officer, the President or a Vice President, and the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, shall be issued to each stockholder, certifying to the number of shares owned by him in the corporation. Whenever any certificate is countersigned, or otherwise authenticated by a transfer agent or registrar, the signatures of such Chairman, Chief Executive Officer, President, Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer may be facsimiles.

In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of its issue.

Section 2. Lost Certificates. A new certificate of stock may be issued in place of any certificate theretofore issued by the corporation and alleged to have been lost or destroyed, and the Directors may, at their discretion, request the owner of the lost or destroyed certificate, or his legal representative, to give the corporation a bond, in such sum as they may direct, but not exceeding double the value of the stock, to indemnify the corporation against any claim that may be made against it on account of the alleged loss of any such certificate.

Section 3. Transfer of Shares. Subject to the restrictions that may be contained in the Articles of Incorporation, the shares of stock of the corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized representatives.

Section 4. Dividends. Subject to the provisions of the Articles of Incorporation and

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the laws of the State of Maryland, the Board of Directors may, at any regular or special meeting, declare dividends upon the capital stock of the corporation, as and when they may deem expedient.

#### ARTICLE VIII

##### MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The fiscal year of the corporation shall end on the 31st day of December of each calendar year.

Section 2. Checks, Drafts, Notes. All checks, drafts, or other orders



for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation, and in such manner as from time to time shall be determined by resolution of the Board of Directors.

Section 3. Corporate Records. The corporation shall keep correct and complete books of account and minutes of the proceedings of its stockholders and Directors.

The corporation shall keep and maintain at its principal offices a certified copy of its Articles of Incorporation and all amendments thereto, a certified copy of its Bylaws and all amendments thereto, a stock ledger or duplicate stock ledger, revised annually, containing the names, alphabetically arranged, of all stockholders, their residence addresses, and the number of shares held by them, respectively. In lieu of the stock ledger or duplicate stock ledger, a statement may be filed in the principal office stating the name of the custodian of the stock ledger or duplicate stock ledger, and the present and complete post office address (including street and number, if any) where such stock ledger or duplicate stock ledger is kept.

The Directors shall take all reasonable steps to assure that a full and correct annual statement of the affairs of the corporation is prepared annually, including a balance sheet and a financial statement of operations for the preceding fiscal year which shall be certified by independent certified public accountants, and distributed to stockholders within 120 days after the close of the corporation's fiscal year and a reasonable period of time prior to the annual meeting of stockholders. The Directors shall also be responsible for scheduling the annual meeting of stockholders.

Section 4. Notice and Waiver of Notice. Whenever, pursuant to the laws of the State of Maryland or these Bylaws, any notice is required to be given, personal notice is not meant unless expressly so stated, and any notice so required shall be deemed to be sufficient if given by depositing the same in the United States mail, postage prepaid, addressed to the person entitled thereto at his address as it appears on the records of the corporation, and such notice shall be deemed to have been given on the day of such

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mailing. Stockholders not entitled to vote shall not be entitled to receive notice of any meetings except as otherwise provided by statute.

Any notice required to be given may be waived, in writing, by the person or persons entitled thereto, whether before or after the time stated therein.

Section 5. Inspectors. The Board of Directors may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If the inspectors shall not be so appointed or if any of them shall fail to appear or act, the chairman of the meeting may, and on the request of any stockholder entitled to vote thereat shall, appoint inspectors. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No Director or candidate for the office of Director shall act as inspector of an election of Directors. Inspectors need not be stockholders.

Section 6. Transactions with Officers and Directors. The corporation shall not engage in any purchase, sale or lease of property or other business transaction in which an officer or director of the corporation has a direct or indirect material interest without the approval by resolution of a majority of those directors who do not have an interest in such transaction.

## ARTICLE IX

### AMENDMENTS TO BYLAWS

Section 1. Amendment by Shareholders. New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote, provided, however, that any provision of these Bylaws requiring a vote of greater than a majority may be amended, repealed or modified only by a vote satisfying such

higher voting requirements.

Section 2. Amendment by Directors. Subject to the right of the shareholders as provided in Section 1 of this Article IX to adopt, amend, or repeal Bylaws, Bylaws may be adopted, amended, or repealed by the Board of Directors; provided, however, that the

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Board of Directors may adopt an amendment of a Bylaw changing the authorized number of directors only within the limits specified in the Articles of Incorporation or in Section 1 of Article III of these Bylaws.

ARTICLE X

INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Indemnification. The corporation shall indemnify and hold harmless, and shall pay expenses incurred by or satisfy a judgment or fine levied against, each officer, director and other person, in the manner and to the full extent permitted by the General Corporation Law of the State of Maryland.

Section 2. Provisions Not Exclusive. This Article shall not be construed as a limitation upon the power of the corporation to enter into contracts or undertakings of indemnity with a director, officer, employee or agent of the corporation, nor shall it be construed as a limitation upon any other rights to which a person seeking indemnification may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to actions in his official capacity and as to action in another capacity while holding office.

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CERTIFICATE OF SECRETARY

I, Susan Allene Kovach, Secretary of Omega Healthcare Investors, Inc., hereby certify that the attached Bylaws consisting of 12 pages, constitute the Bylaws of this corporation, and the same are in full force and effect as of the 7th day of July, 1998.

IN WITNESS WHEREOF, I have executed this certificate as of the 7th day of July, 1998.

/S/ SUSAN ALLENE KOVACH.  
-----  
SUSAN ALLENE KOVACH, Secretary

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