As filed with the Securities and Exchange Commission on February 24, 2006

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

Omega Healthcare Investors, Inc.

and the guarantors identified in footnote * on the following pages
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**6798**	**38-3041398**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

9690 Deereco Road, Suite 100
Timonium, Maryland 21093
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

C. Taylor Pickett
Chief Executive Officer
Omega Healthcare Investors, Inc.
9690 Deereco Road, Suite 100
Timonium, Maryland 21093
(410) 427-1700
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies To:

Richard H. Miller, Esq.
Michael J. Delaney, Esq.
Powell Goldstein LLP
One Atlantic Center
Fourteenth Floor
1201 West Peachtree Street
Atlanta, Georgia 30309
(404) 572-6600

Approximate date of commencement of proposed sale to the public: as soon as practicable after this registration statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE(2)
7% Senior Notes due 2016	$175,000,000	100%	$175,000,000	$18,725
Guarantees of the 7% Senior Notes due 2016		(3)	(3)	(3)

(1) The registration fee has been calculated in accordance with Rule 457(f)(2) under the Securities Act. The proposed maximum offering price is estimated solely for the purpose of calculating the registration fee.

(2) Calculated based upon the book value of the securities to be received in the exchange in accordance with Rule 457(f)(2).

(3) Pursuant to Rule 457(n) of the Securities Act, no additional registration fee is being paid for the guarantees. The guarantees are not traded separately.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

* The following subsidiaries of Omega Healthcare Investors, Inc. are guarantors of the exchange notes and are co-registrants:

Exact Name of Registrant as Specified in Its Charter; Address, Including Zip Code, and Telephone Number, Including Area Code of Registrant's Principal Executive Offices(1)	State or Other Jurisdiction of Incorporation or Organization	Primary Standard Industrial Classification Code	I.R.S. Employer Identification No.
Arizona Lessor—Infinia, Inc.	Maryland	6798	32-0008074
Baldwin Health Center, Inc.	Pennsylvania	6798	25-1495708
Bayside Alabama Healthcare Second, Inc.	Alabama	6798	38-3517839
Bayside Arizona Healthcare Associates, Inc.	Arizona	6798	38-3518309
Bayside Arizona Healthcare Second, Inc.	Arizona	6798	38-3520329
Bayside Colorado Healthcare Associates, Inc.	Colorado	6798	38-3517837
Bayside Colorado Healthcare Second, Inc.	Colorado	6798	38-3520325
Bayside Indiana Healthcare Associates, Inc.	Indiana	6798	38-3517842
Bayside Street II, Inc.	Delaware	6798	38-3519969
Bayside Street, Inc.	Maryland	6798	38-3160026
Canton Health Care Land, Inc.	Ohio	6798	20-1914579
Center Healthcare Associates, Inc.	Texas	6798	38-3517844
Cherry Street—Skilled Nursing, Inc.	Texas	6798	38-3592148
Colonial Gardens, LLC	Ohio	6798	26-0110549
Colorado Lessor—Conifer, Inc.	Maryland	6798	32-0008069
Copley Health Center, Inc.	Ohio	6798	34-1473010
Dallas Skilled Nursing, Inc.	Texas	6798	38-3592151
Delta Investors, I, LLC	Maryland	6798	54-2112455
Delta Investors II, LLC	Maryland	6798	54-2112456
Dixon Health Care Center, Inc.	Ohio	6798	34-1509772
Florida Lessor—Crystal Springs, Inc.	Maryland	6798	75-3116533
Florida Lessor—Emerald, Inc.	Maryland	6798	22-3872569
Florida Lessor—Lakeland, Inc.	Maryland	6798	22-3872564
Florida Lessor—Meadowview, Inc.	Maryland	6798	56-2398721
Florida Lessor—West Palm Beach and Southpoint, Inc.	Maryland	6798	33-1067711
Georgia Lessor—Bonterra/Parkview, Inc.	Maryland	6798	16-1650494
Hanover House, Inc.	Ohio	6798	34-1125264
Heritage Texarkana Healthcare Associates, Inc.	Texas	6798	38-3517861
House of Hanover, Ltd.	Ohio	6798	34-6691713
Hutton I Land, Inc.	Ohio	6798	20-1914403
Hutton II Land, Inc.	Ohio	6798	20-1914470
Hutton III Land, Inc.	Ohio	6798	20-1914529
Indiana Lessor—Jeffersonville, Inc.	Maryland	6798	22-3872575
Indiana Lessor—Wellington Manor, Inc.	Maryland	6798	32-0008064
Jefferson Clark, Inc.	Maryland	6798	38-3433390
Lake Park Skilled Nursing, Inc.	Texas	6798	38-3592152
Leatherman 90-1, Inc.	Ohio	6798	20-1914625
Leatherman Partnership 89-1, Inc.	Ohio	6798	34-1656489
Leatherman Partnership 89-2, Inc.	Ohio	6798	34-1656491
Long Term Care—Michigan, Inc.	Michigan	6798	04-3833330
Long Term Care—North Carolina, Inc.	North Carolina	6798	04-3833335
Long Term Care Associates—Illinois, Inc.	Illinois	6798	38-3592159
Long Term Care Associates—Indiana, Inc.	Indiana	6798	38-3592160
Long Term Care Associates—Texas, Inc.	Texas	6798	38-3592142
Meridian Arms Land, Inc.	Ohio	6798	20-1914864
NRS Ventures, LLC	Kentucky	6798	38-4236118

OHI (Connecticut), Inc.	**Connecticut**	**6798**	**06-1552120**
OHI (Florida), Inc.	**Florida**	**6798**	**65-0523484**
OHI (Illinois), Inc.	**Illinois**	**6798**	**37-1332375**
OHI (Indiana), Inc.	**Indiana**	**6798**	**38-3568359**
OHI (Iowa), Inc.	**Iowa**	**6798**	**38-3377918**
OHI (Kansas), Inc.	**Kansas**	**6798**	**48-1156047**
OHI Asset (CA), LLC	**Delaware**	**6798**	**04-3759925**
OHI Asset (CT) Lender, LLC	**Delaware**	**6798**	**75-3205111**
OHI Asset (FL), LLC	**Delaware**	**6798**	**13-4225158**
OHI Asset (ID), LLC	**Delaware**	**6798**	**04-3759931**
OHI Asset (IN), LLC	**Delaware**	**6798**	**04-3759933**
OHI Asset (LA), LLC	**Delaware**	**6798**	**04-3759935**
OHI Asset (MI/NC), LLC	**Delaware**	**6798**	**04-3759928**
OHI Asset (MO), LLC	**Delaware**	**6798**	**04-3759939**
OHI Asset (OH) Lender, LLC	**Delaware**	**6798**	**51-0529744**
OHI Asset (OH) New Philadelphia, LLC	**Delaware**	**6798**	**51-0529741**
OHI Asset (OH), LLC	**Delaware**	**6798**	**04-3759938**
OHI Asset (PA), LLC	**Delaware**	**6798**	**90-0137715**
OHI Asset (PA) Trust	**Maryland**	**6798**	**54-6643405**
OHI Asset (TX), LLC	**Delaware**	**6798**	**04-3759927**
OHI Asset II (CA), LLC	**Delaware**	**6798**	**20-1000879**
OHI Asset II (OH), LLC	**Delaware**	**6798**	**75-3205112**
OHI Asset II (PA) Trust	**Maryland**	**6798**	**84-6390330**
OHI Asset II (TX), LLC	**Delaware**	**6798**	**83-0398543**
OHI Asset III (PA) Trust	**Maryland**	**6798**	**84-6390331**
OHI Asset, LLC	**Delaware**	**6798**	**32-0079270**
OHI of Kentucky, Inc.	**Maryland**	**6798**	**38-3509157**
OHI of Texas, Inc.	**Maryland**	**6798**	**38-3506136**
OHI Sunshine, Inc.	**Florida**	**6798**	**82-0558471**
OHIMA, Inc.	**Massachusetts**	**6798**	**06-1552118**
Omega (Kansas), Inc.	**Kansas**	**6798**	**32-0142534**
Omega Acquisition Facility I, LLC	**Delaware**	**6798**	**83-0379722**
Omega TRS I, Inc.	**Maryland**	**6798**	**38-3587540**
Orange Village Care Center, Inc.	**Ohio**	**6798**	**34-1321728**
OS Leasing Company	**Kentucky**	**6798**	**38-3221641**
Parkview—Skilled Nursing, Inc.	**Texas**	**6798**	**38-3592157**
Pavillion North, LLP	**Pennsylvania**	**6798**	**75-3202956**
Pavillion North Partners, Inc.	**Pennsylvania**	**6798**	**20-2597892**
Pavillion Nursing Center North, Inc.	**Pennsylvania**	**6798**	**25-1222652**
Pine Texarkana Healthcare Associates, Inc.	**Texas**	**6798**	**38-3517864**
Reunion Texarkana Healthcare Associates, Inc.	**Texas**	**6798**	**38-3517865**
San Augustine Healthcare Associates, Inc.	**Texas**	**6798**	**38-3517866**
Skilled Nursing—Gaston, Inc.	**Indiana**	**6798**	**38-3592171**
Skilled Nursing—Herrin, Inc.	**Illinois**	**6798**	**38-3592162**
Skilled Nursing—Hicksville, Inc.	**Ohio**	**6798**	**38-3592172**
Skilled Nursing—Paris, Inc.	**Illinois**	**6798**	**38-3592165**
South Athens Healthcare Associates, Inc.	**Texas**	**6798**	**38-3517880**
St. Mary's Properties, Inc.	**Ohio**	**6798**	**20-1914905**
Sterling Acquisition Corp.	**Kentucky**	**6798**	**38-3207992**
Sterling Acquisition Corp. II	**Kentucky**	**6798**	**38-3207991**
The Suburban Pavilion, Inc.	**Ohio**	**6798**	**34-1035431**

Texas Lessor—Stonegate GP, Inc.	**Maryland**	**6798**	**32-0008071**
Texas Lessor—Stonegate Limited, Inc.	**Maryland**	**6798**	**32-0008072**
Texas Lessor—Stonegate, L.P.	**Maryland**	**6798**	**32-0008073**
Texas Lessor—Treemont, Inc.	**Maryland**	**6798**	**16-1650495**
Washington Lessor—Silverdale, Inc.	**Maryland**	**6798**	**56-2386887**
Waxahachie Healthcare Associates, Inc.	**Texas**	**6798**	**38-3517884**
West Athens Healthcare Associates, Inc.	**Texas**	**6798**	**38-3517886**
Wilcare, LLC	**Ohio**	**6798**	**26-0110550**

(1) The address for each of the above registrants' principal executive offices is c/o Omega Healthcare Investors, Inc., 9690 Deereco Road, Suite 100, Timonium, Maryland 21093 and the telephone number is (410) 427-1700.

The information in this prospectus is not complete and may be changed. We may not exchange these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to exchange these securities and is not soliciting an offer to exchange these securities in any state where the offer or exchange is not permitted.

Subject to completion, dated February 24, 2006

PROSPECTUS

OMEGA HEALTHCARE INVESTORS, INC.

Exchange Offer

$175,000,000 aggregate principal amount of our 7% Senior Notes due 2016 (CUSIP 681936AS9) which have been registered under the Securities Act of 1933 for our outstanding $175,000,000 7% Senior Notes due 2016 (CUSIP 681936AR1)

We are offering to exchange up to $175,000,000 in aggregate principal amount of our registered 7% senior notes due 2016, which we refer to in this prospectus as the exchange notes, for all of our outstanding unregistered 7% senior notes due 2016, which we refer to in this prospectus as the initial notes. The initial notes and the exchange notes are collectively referred to in this prospectus as the notes. The initial notes and the exchange notes will be guaranteed by certain of our present and future domestic restricted subsidiaries with unconditional guarantees of payment that will rank equally with existing and future senior unsecured debt of such subsidiaries and senior to existing and future subordinated debt of such subsidiaries. The initial notes were issued on December 30, 2005. The terms of the exchange notes are identical to the terms of the initial notes except that the exchange notes are registered under the Securities Act of 1933, as amended, or the Securities Act, and, therefore, are freely transferable, subject to certain conditions. The exchange notes evidence the same indebtedness as the initial notes.

You should consider the following:

- **Investing in the notes involves risks. See "Risk Factors" beginning on page 12 of this prospectus.**
- Our exchange offer will be open until 5:00 p.m., New York City time, on , 2006, unless we extend the exchange offer.
- If you fail to tender your initial notes, you will continue to hold unregistered securities and your ability to transfer them could be adversely affected.
- No public market currently exists for the exchange notes. We do not intend to apply for listing of the exchange notes on any securities exchange or for inclusion of the exchange notes on any automated quotation system.
- If the holder of the notes is a broker-dealer that will receive exchange notes for its own account in exchange for initial notes that were acquired as a result of market-making activities or other trading activities, the holder will be required to acknowledge that it will deliver this prospectus, as it may be amended or supplemented, in connection with any resale of such exchange notes.

The exchange notes bear interest at the rate of 7% per year. We will pay interest on the exchange notes on January 15 and July 15 of each year. The first such payment will be made on July 15, 2006. The exchange notes will mature on January 15, 2016. We have the option to redeem all or a portion of the exchange notes at any time on or after January 15, 2011 at the redemption prices set forth in this prospectus. The exchange notes will be issued only in registered book-entry form, in denominations of $1,000 and integral multiples of $1,000.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR SIMILAR AUTHORITY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2006.

You should rely only on the information and representations contained in this prospectus. We have not authorized anyone to provide you with different information or representations. If given or made, any such other information and representations should not be relied upon as having been authorized by us. You should assume that the information and representations contained in this prospectus are accurate only as of the date hereof or as of the date which is specified in those documents, respectively. This prospectus is not an offer to sell or a solicitation of an offer to buy any securities other than the securities to which it relates. In addition, this prospectus is not an offer to sell or the solicitation of an offer to buy those securities in any jurisdiction in which the offer or solicitation is not authorized, or in which the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make an offer or solicitation. The delivery of this prospectus and any exchange made under this prospectus do not, under any circumstances, mean that there has not been any change in our affairs since the date of this prospectus or that information contained in this prospectus is correct as of any time subsequent to its date.

Each broker-dealer that receives exchange notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those exchange notes. The letter of transmittal that accompanies this prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933, as amended. A participating broker-dealer may use this prospectus, as it may be amended or supplemented, from time to time, in connection with resales of exchange notes where those original notes were acquired by the broker-dealer as a result of market-making or other trading activities. The issuers and certain of the guarantors have agreed, if requested by such a participating broker-dealer, to use their respective commercially reasonable efforts to keep the registration statement of which this prospectus is a part continuously effective for a period not to exceed 90 business days after the date on which the exchange offer is consummated, or such longer period if extended under certain circumstances, for use in connection with any resale of this kind. See "Plan of Distribution."

TABLE OF CONTENTS

FINANCIAL PRESENTATION

This prospectus includes funds from operations, or FFO, which is a non-GAAP financial measure. For purposes of Regulation G promulgated by the Securities and Exchange Commission, or the SEC, under the Securities Act, a non-GAAP financial measure is a numerical measure of a company's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable financial measure calculated and presented in accordance with GAAP in the statement of operations, balance sheet or statement of cash flows (or equivalent statements) of the company; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable financial measure so calculated and presented. As used in this prospectus, GAAP refers to general accepted accounting principles in the United States of America. Pursuant to the requirements of Regulation G, we have provided reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

We calculate and report FFO in accordance with the definition and interpretive guidelines issued by the National Association of Real Estate Investment Trusts, or NAREIT, and consequently, FFO is defined as net income available to common stockholders, adjusted for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization. FFO available to common stockholders is the lower of funds from operations and funds from operations adjusted for the assumed conversion of Series C cumulative preferred stock, or the Series C preferred stock, for periods in which the Series C preferred stock was outstanding. We believe that FFO is an important supplemental measure of our operating performance. Because the historical cost accounting convention used for real estate assets requires depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time, while real estate values instead have historically risen or fallen with market conditions. The term FFO was designed by the real estate industry to address this issue. FFO herein is not necessarily comparable to FFO of other real estate investment trusts, or REITs, that do not use the same definition or implementation guidelines or interpret the standards differently from us.

We use FFO as one of several criteria to measure operating performance of our business. We further believe that by excluding the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO can facilitate comparisons of operating performance between periods and between other REITs. We offer this measure to assist the users of our financial performance under GAAP and it should not be considered a measure of liquidity, an alternative to net income or an indicator of any other performance measure determined in accordance with GAAP. Investors and potential investors in our securities should not rely on this measure as a substitute for any GAAP measure, including net income.

In February 2004, NAREIT informed its member companies that it was adopting the position of the SEC with respect to asset impairment charges and would no longer recommend that impairment write-downs be excluded from FFO. In the tables included in this prospectus, we have applied this interpretation and have not excluded asset impairment charges in calculating our FFO. As a result, our FFO and FFO available to Common Stockholders may not be comparable to similar measures reported in previous disclosures. According to NAREIT, there is inconsistency among NAREIT member companies as to the adoption of this interpretation of FFO. Therefore, a comparison of our FFO results to another company's FFO results may not be meaningful.

MARKET INFORMATION

This offering memorandum includes market share, industry data and forecasts that we obtained from the United States Census Bureau and the Centers for Medicare and Medicaid Services, or CMS. In this offering memorandum, we refer to additional information regarding market data obtained from internal sources, market research, publicly available information and industry publications. Although we believe the information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

PROSPECTUS SUMMARY

This summary highlights the key information contained in this prospectus. Because it is only a summary, it does not contain all of the information you should consider before making an investment decision. You should read carefully this entire prospectus. In particular, you should read the section entitled "Risk Factors," and our financial statements and the notes relating thereto included in this prospectus. All references to "we," "our," "us," and similar terms in this prospectus refer to Omega Healthcare Investors, Inc. together with its subsidiaries through which it operates. Unless otherwise indicated, the non-financial information presented herein is as of the date of this prospectus.

Our Company

We are a self-administered real estate investment trust, or REIT, investing in income-producing healthcare facilities, principally long-term care facilities located in the United States. We provide lease or mortgage financing to qualified operators of skilled nursing facilities and, to a lesser extent, assisted living and acute care facilities. We have historically financed investments through borrowings under our revolving credit facilities, private placements or public offerings of debt and equity securities, the assumption of secured indebtedness or a combination of these methods.

Our portfolio of investments at December 31, 2005 consisted of 227 healthcare facilities, located in 27 states and operated by 35 third-party operators. This portfolio is made up of:

- 193 long-term healthcare facilities and two rehabilitation hospitals owned and leased to third parties; and
- fixed rate mortgages on 32 long-term healthcare facilities.

As of December 31, 2005, our gross investments in healthcare facilities, net of impairments, totaled $1,102 million. In addition, we also held miscellaneous investments of approximately $23 million, consisting primarily of secured loans to third-party operators of our facilities.

Our Property Investments

At December 31, 2005, our real estate investments included long-term care facilities and rehabilitation hospital investments, either in the form of purchased facilities which are leased to operators, mortgages on facilities which are operated by the mortgagors or their affiliates and facilities subject to leasehold interests. The facilities are located in 27 states and are operated by 35 unaffiliated operators. The following table summarizes our property investments as of December 31, 2005:

Investment Structure/Operator	Number of Beds	Number of Facilities	Occupancy Percentage(1)	Gross Investment
				(in thousands)
Purchase/Leaseback(2)				
CommuniCare Health Services	2,781	18	86	$ 185,528
Sun Healthcare Group, Inc	3,556	32	88	160,701
Advocat, Inc	2,997	29	76	92,260
Guardian LTC Management, Inc	1,243	16	84	80,129
Essex Health Care Corp	1,421	13	76	79,354
Haven Healthcare	909	8	93	55,480
Seacrest Healthcare	720	6	93	44,223
HQM of Floyd County, Inc	643	6	88	38,215
Senior Management	1,413	8	78	35,243
Mark Ide Limited Liability Company	832	8	78	24,566
Harborside Healthcare Corporation	465	4	89	23,393
StoneGate SNF Properties, LP	664	6	89	21,781

Infinia Properties of Arizona, LLC	378	4	61	19,119
Nexion Management	531	4	92	17,354
USA Healthcare, Inc	489	5	73	15,035
Rest Haven Nursing Center, Inc	200	1	91	14,400
Conifer Care Communities, Inc.	198	3	90	14,367
Washington N&R, LLC	286	2	74	12,152
Triad Health Management of Georgia II, LLC	304	2	98	10,000
The Ensign Group, Inc	271	3	93	9,656
Lakeland Investors, LLC	300	1	68	8,522
Hickory Creek Healthcare Foundation, Inc.	138	2	86	7,250
Liberty Assisted Living Centers, LP	120	1	91	5,995
Emeritus Corporation	52	1	72	5,674
Longwood Management Corporation	185	2	88	5,425
Generations Healthcare, Inc.	60	1	82	3,007
Skilled Healthcare	59	1	89	2,012
American Senior Communities, LLC	78	2	89	2,000
Healthcare Management Services	98	1	58	1,486
Carter Care Centers, Inc.	58	1	77	1,300
Saber Healthcare Group	40	1	28	500
	21,489	192	83	996,127
Assets Held for Sale				
Closed Facilities	167	2	0	493
Sun Healthcare Group, Inc.	59	1	73	750
	226	3	73	1,243
Fixed Rate Mortgages(3)				
Haven Healthcare	878	7	84	61,750
Advocat, Inc	423	4	83	12,634
Parthenon Healthcare, Inc.	300	2	71	10,732
Hickory Creek Healthcare Foundation, Inc	619	15	84	9,991
CommuniCare Health Services	150	1	88	6,496
Texas Health Enterprises/HEA Mgmt. Group, Inc	147	1	68	1,476
Evergreen Healthcare	100	1	67	1,179
Paris Nursing Home, Inc	144	1	70	264
	2,761	32	77	104,522
Reserve for uncollectible loans	—	—	—	—
Total	24,476	227	82	$ 1,101,892

(1) Represents the most recent data provided by our operators.

(2) Certain of our lease agreements contain purchase options that permit the lessees to purchase the underlying properties from us.

(3) In general, many of our mortgages contain prepayment provisions that permit prepayment of the outstanding principal amounts thereunder.

The following table presents the concentration of our facilities by state as of December 31, 2005:

	Number of Facilities	Number of Beds	Gross Investment	% of Total Investment
			(in thousands)	
Ohio	38	4,647	$ 278,036	25.2
Florida	18	2,302	111,598	10.1
Pennsylvania	16	1,532	101,038	9.2
Texas	19	2,768	71,516	6.5
California	17	1,394	62,715	5.7
Arkansas	12	1,253	40,008	3.6
Massachusetts	6	682	38,884	3.5
Rhode Island	4	639	38,740	3.5
West Virginia	8	860	38,275	3.5
Alabama	9	1,152	35,942	3.3
Connecticut	5	562	35,453	3.2
Kentucky	9	757	27,437	2.5
Indiana	22	1,126	26,567	2.4
North Carolina	5	707	22,709	2.1
New Hampshire	3	225	21,619	1.9
Arizona	4	378	19,119	1.7
Tennessee	5	602	17,484	1.6
Washington	2	194	17,190	1.5
Iowa	5	489	15,035	1.4
Illinois	6	645	14,899	1.4
Colorado	3	198	14,367	1.3
Vermont	2	279	14,227	1.3
Missouri	2	286	12,152	1.1
Idaho	3	264	11,100	1.0
Georgia	2	304	10,000	1.0
Louisiana	1	131	4,603	0.4
Utah	1	100	1,179	0.1
	227	24,476	$ 1,101,892	100.0
Reserve for uncollectible loans	—	—	—	—
Total	227	24,476	$ 1,101,892	100.0

Geographically Diverse Property Portfolio. Our portfolio of properties is broadly diversified by geographic location. We have healthcare facilities located in 27 states. Only one state comprised more than 10% of our rental and mortgage income in 2005. In addition, the majority of our 2005 rental and mortgage income was derived from facilities in states that require state approval for development and expansion of healthcare facilities. We believe that such state approvals may limit competition for our operators and enhance the value of our properties.

Large Number of Tenants. Our facilities are operated by 35 different public and private healthcare providers. Except for Sun, CommuniCare and Haven, which together hold approximately 43% of our portfolio (by investment), no single tenant holds greater than 10% of our portfolio (by investment).

Significant Number of Long-term Leases and Mortgage Loans. A large portion of our core portfolio consists of long-term lease and mortgage agreements. At December 31, 2005, approximately 95% of our leases and mortgages had primary terms that expire in 2010 or later. Our leased real estate

properties are leased under provisions of single facility leases or master leases with initial terms typically ranging from 5 to 15 years, plus renewal options. Substantially all of the leases and master leases provide for minimum annual rentals that are subject to annual increases based upon increases in the CPI or increases in revenues of the underlying properties, with certain limits. Under the terms of the leases, the lessee is responsible for all maintenance, repairs, taxes and insurance on the leased properties.

Corporate Information

We are a Maryland corporation. Our principal executive office is located at 9690 Deereco Road, Suite 100, Timonium, Maryland 21093, and our telephone number is (410) 427-1700. Our web address is www.omegahealthcare.com. Information contained on our website does not constitute part of this prospectus.

The Exchange Offer

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section contains a more detailed description of the terms and conditions of the notes.

Securities to be Exchanged	On December 30, 2005, we issued $175,000,000 in aggregate principal amount of the initial notes to the initial purchasers in a transaction exempt from the registration requirements of the Securities Act. The terms of the exchange notes and the initial notes are substantially identical in all material respects, except that the exchange notes will be freely transferable by the holders thereof except as otherwise provided in this prospectus. See the section entitled "Description of Notes." The exchange notes are being issued pursuant to an indenture, dated as of December 30, 2005, between us and U.S. Bank National Association, as trustee.
The Exchange Offer	For each initial note surrendered to us pursuant to the exchange offer, the holder of such initial note will receive an exchange note having a principal amount equal to that of the surrendered initial note. Exchange notes will only be issued in denominations of $1,000 and integral multiples of $1,000. The form and terms of the exchange notes will be substantially the same as the form and terms of the surrendered initial notes. The exchange notes will evidence the same indebtedness as the initial notes, and will replace the initial notes tendered in exchange therefor and will be issued pursuant to, and entitled to the benefits of, the indenture governing the initial notes. As of the date of this prospectus, initial notes representing $175,000,000 aggregate principal amount are outstanding. Under existing SEC interpretations, the exchange notes would in general be freely transferable after the exchange offer without further registration under the Securities Act; provided that, in the case of broker-dealers, a prospectus meeting the requirements of the Securities Act is delivered as required. Each holder of the initial notes that wishes to exchange such initial notes for the exchange notes in the exchange offer will be required to make certain representations, including representations: • that any exchange notes to be received by it will be acquired in the ordinary course of its business; • it has no arrangement with any person to participate in the distribution of the exchange notes; and • it is not an "affiliate," as defined in the Securities Act, of ours or any of our subsidiaries, or if it is an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

	In addition, if the holder is not a broker-dealer, it will be required to represent that it is not engaged in, and does not intend to engage in, the distribution of the exchange notes. If the holder is a broker-dealer that will receive exchange notes for its own account in exchange for notes that were acquired as a result of market-making activities or other trading activities, it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes.
Registration Rights Agreement	We sold the initial notes on December 30, 2005, in a private offering in reliance on Section 4(2) of the Securities Act. The initial notes were immediately resold by the initial purchasers in reliance on Rule 144A under the Securities Act. In connection with the sale, we entered into the registration rights agreement with the initial purchasers requiring us to make this exchange offer. For a more detailed discussion of the registration rights agreement please see the section entitled "The Exchange Offer—Purpose and Effect; Registration Rights."
Expiration Date	This exchange offer will expire at 5:00 p.m., New York City time, on , 2006, which is referred to in this prospectus as the expiration date, or a later date and time if we extend it.
Withdrawal	You may withdraw your tender of initial notes at any time before the exchange offer expires. Any initial notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer. The initial notes will be credited to an account maintained with DTC for the initial notes.
Interest on the Exchange Notes and the Initial Notes	We will pay interest on the exchange notes twice a year, on each January 15 and July 15, beginning July 15, 2006. No additional interest will be paid on the initial notes tendered and accepted for exchange.
Procedures for Tendering Initial Notes	A holder who wishes to tender the initial notes in the exchange offer must transmit to the exchange agent an agent's message, which agent's message must be received by the exchange agent prior to 5:00 p.m., New York City time, on the expiration date. In addition, the exchange agent must receive a timely confirmation of book-entry transfer of the initial notes into the exchange agent's account at DTC under the procedure for book-entry transfers described in the section entitled "The Exchange Offer—Procedures for Tendering Initial Notes."
Exchange Agent	U.S. Bank National Association is serving as exchange agent in connection with this exchange offer.
U.S. Federal Income Tax Considerations	Generally, a holder of the initial notes will not recognize taxable gain or loss on the exchange of the initial notes for the exchange notes pursuant to the exchange offer. See the section entitled "Certain United States Federal Income Tax Consequences."

Accounting Treatment	We will not recognize any gain or loss for accounting purposes in connection with the exchange offer. See the section entitled "The Exchange Offer—Accounting Treatment."
Effect of Not Tendering	Initial notes that are not tendered or that are tendered but not accepted will, following the completion of this exchange offer, continue to be subject to the existing restrictions upon transfer. Under certain circumstances, holders of the initial notes may request that we file a shelf registration statement registering such notes under the Securities Act. For a more detailed description of our obligation to file a shelf registration statement, see the section entitled "The Exchange Offer—Consequences of Failure to Exchange Initial Notes."

DESCRIPTION OF EXCHANGE NOTES

The following summarizes the terms of the exchange notes. You should read the discussion under the heading "Description of Notes" for further information regarding the exchange notes.

Issuer	Omega Healthcare Investors, Inc.
Securities Offered	$175,000,000 aggregate principal amount of 7% Senior Notes due 2016. The notes offered hereby are being issued pursuant to an indenture, dated as of December 30, 2005, between us and U.S. Bank National Association, as trustee.
Maturity	January 15, 2016.
Interest Rate	7% per year (calculated using a 360-day year).
Interest Payment Dates	January 15 and July 15, beginning on July 15, 2006. Interest will accrue from December 30, 2005.
Ranking	The notes will represent our unsecured senior obligations and will rank equally with our existing and future senior unsecured debt and senior to all of our existing and future subordinated debt. The guarantees by our subsidiaries will rank equally with existing and future senior unsecured debt of such subsidiaries and senior to existing and future subordinated debt of such subsidiaries. The notes and the related guarantees will be effectively subordinated to all of our secured indebtedness and that of the guarantors. As of December 31, 2005, taking into account the notes offering, borrowings under our senior credit facility and the application of the net proceeds therefrom, we and our subsidiaries had $566 million of senior debt, of which $58 million was secured. On the same date, we had approximately $138 million of availability under our senior credit facility. In February of 2006, we repaid approximately $3 million of borrowings under our senior credit facility. As of the date of this prospectus, $142 million was available for borrowing under our senior credit facility.
Guarantees	The notes will be unconditionally guaranteed by our existing or future subsidiaries that guarantee our senior credit facility or any of our other indebtedness.
Optional Redemption	We cannot redeem the notes until January 15, 2011. Thereafter, we may redeem some or all of the notes at the redemption prices listed in the "Description of the Notes" section under the heading "Optional Redemption," plus accrued and unpaid interest to the date of redemption.

Optional Redemption After Public Equity Offerings

At any time (which may be more than once) on or before January 15, 2009, we can choose to redeem up to 35% of the outstanding notes with money that we raise in one or more equity offerings, as long as:

- we pay 107% of the face amount of the notes, plus interest;
- we redeem the notes within 90 days of completing the equity offering; and
- at least 65% of the aggregate principal amount of notes issued remains following the equity offering.

Change of Control Offer

If a change of control occurs, we must give holders of the notes the opportunity to sell us their notes at 101% of their face amount, plus accrued and unpaid interest to the date of repurchase. We might not be able to pay you the required price for notes you present to us at the time of a change of control because:

- we might not have enough funds at that time; or
- the terms of our other senior debt may prevent us from paying.

Asset Sale Proceeds

If we or our subsidiaries engage in asset sales, we generally must either invest the net cash proceeds from such sales in our business within a period of time, permanently repay debt under our new senior credit facility or make an offer to repurchase a principal amount of the notes equal to the excess net cash proceeds. The purchase price of the notes will be 100% of their principal amount, plus accrued and unpaid interest to the date of repurchase.

Certain Indenture Provisions

The indenture governing the notes will contain covenants limiting our (and all of our subsidiaries') ability to:

- incur additional debt;
- pay dividends or distributions on our capital stock or repurchase our capital stock or repay our indebtedness;
- make certain investments;
- create liens on our assets to secure debt;
- enter into transactions with affiliates;
- merge or consolidate with another company; and
- transfer and sell assets.

In addition, the indenture governing the notes will require us to maintain a minimum ratio of unencumbered assets to unsecured indebtedness.

These covenants are subject to a number of important limitations and exceptions.

Suspension of Covenants	Under the indenture governing the notes, in the event, and only for as long as, the notes are rated investment grade and no default or event of default has occurred or is continuing, many of the covenants above will not apply to us.
No Public Market	There is no public market for the exchange notes. Although the initial purchasers have informed us that they intend to create a market in the exchange notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the exchange notes will develop or be maintained.
Required Approvals	Other than the registration of the exchange notes under the Securities Act, and compliance with federal securities laws, we are not aware of any state or federal regulatory requirements that must be complied with in connection with the exchange offer.
Dissenter and Appraisal Rights	No dissenters' rights or rights of appraisal exist in connection with the exchange offer.

Risk Factors

Before making an investment decision, you should carefully consider all the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under the section "Risk Factors."

Forward-Looking Statements

Certain statements in this prospectus or in the documents we have filed with the Securities and Exchange Commission may constitute "forward-looking" statements as defined in Section 27A of the Securities Act, Section 21E of the Exchange Act, the Private Securities Litigation Reform Act of 1995, or the PSLRA, or in releases issued by the SEC, all as may be amended from time to time. Any such forward-looking statements reflect our beliefs and assumptions and are based on information currently available to us. Forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the "safe harbor" provisions of such laws. We caution investors that any forward-looking statements we make are not guarantees or indicative of our future performance. For additional information regarding factors that may cause our results of operations to differ materially from those presented herein, please see the section entitled "Risk Factors" contained in this prospectus.

You can identify forward-looking statements as those that are not historical in nature, particularly those that use terminology such as "may," "will," "should," "expect," "anticipate," "contemplate," "estimate," "believe," "plan," "project," "predict," "potential" or "continue," or the negative of these, or similar terms. These forward-looking statements may include, but are not limited to:

- statements contained in the section entitled "Risk Factors";
- statements contained in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to our consolidated financial statements included in this prospectus, such as our ability to meet our liquidity needs, scheduled debt and

interest payments and expected future capital expenditure requirements; the expected changes in and effects of government regulation on our operators and our business; the expected costs and certain expenses in fiscal 2006 and 2007 and the foreseeable future; and estimates in our critical accounting policies;

- statements contained in the section entitled "Business" included this prospectus, such as those concerning our business strategy, competitive strengths, environmental matters and legal proceedings; and

- statements throughout this prospectus concerning our senior credit facility and the notes offered hereby.

In evaluating these forward-looking statements, you should consider the following factors, as well as others contained in our public filings from time to time, which may cause our actual results to differ materially from any forward-looking statement:

- those items discussed in the section entitled "Risk Factors";

- uncertainties relating to the business operations of the operators of our assets, including those relating to reimbursement by third-party payors, regulatory matters and occupancy levels;

- the ability of any operators in bankruptcy to reject unexpired lease obligations, modify the terms of our mortgages and impede our ability to collect unpaid rent or interest during the process of a bankruptcy proceeding and retain security deposits for the debtors' obligations;

- our ability to sell closed assets on a timely basis and at terms that allow us to realize the carrying value of these assets;

- our ability to negotiate appropriate modifications to the terms of our senior credit facility;

- our ability to manage, re-lease or sell any owned and operated facilities;

- our ability to successfully engage in strategic acquisitions and investments;

- the availability and cost of capital;

- competition in the financing of healthcare facilities;

- regulatory and other changes in the healthcare sector;

- the effect of economic and market conditions generally and in the healthcare industry particularly;

- changes in interest rates;

- the amount and yield of any additional investments;

- changes in tax laws and regulations affecting REITs; and

- changes in the ratings of our debt and preferred securities.

Any subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth or referred to above, as well as the risk factors contained in this prospectus. Except as required by law, we disclaim any obligation to update such statements or to publicly announce the result of any revisions to any of the forward-looking statements contained in this prospectus to reflect future events or developments.

RISK FACTORS

You should carefully consider the risk factors set forth below, as well as the other information contained in this prospectus, before exchanging the notes offered pursuant to this prospectus. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case you may lose all or part of your original investment.

Risks Relating to the Exchange Offer

Our substantial level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes.

We have, and will continue to have after this exchange offer, a substantial amount of debt requiring significant interest payments.

On December 31, 2005, we had a total debt of approximately $566.2 million, of which $58.0 million consisted of borrowings under our credit facility. We also had our previously issued $310 million aggregate principal amount of our 7% Senior Notes due 2014, our previously issued $175 million aggregate principal amount of our 7% Senior Notes due 2016 and $20.7 million of our previously issued $100 million aggregate principal amount of our 6.95% Notes due 2007. We had stockholders' equity of approximately $429.7 million at December 31, 2005. As of December 31, 2005, our capitalization and ratio of total debt to total capitalization were as follows (in thousands):

Senior credit facility	$ 58,000
7% senior notes due 2014	310,000
7% senior notes due 2016	175,000
6.95% notes due 2007	20,682
Premium on 7% Notes due April 2014	1,306
Discount on 7% Notes due January 2016	(1,559)
Other long term borrowings	2,800
Total debt	566,229
Total stockholders' equity	429,681
Total capitalization	$ 995,910
Total debt to total capitalization	56.9%

Our substantial indebtedness could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the notes;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements, or to carry out other aspects of our business plan;
- require us to dedicate a substantial portion of our cash flow from operations to payments on indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures and other general corporate requirements, or to carry out other aspects of our business plan;
- require us to pledge as collateral substantially all of our assets;

- require us to maintain certain debt coverage and financial ratios at specified levels, thereby reducing our financial flexibility;
- limit our ability to make material acquisitions or take advantage of business opportunities that may arise;
- expose us to fluctuations in interest rates, to the extent our borrowings bear variable rates of interests;
- limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

In addition, the indenture governing the notes and our senior credit facility contain financial and other restrictive covenants limiting our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of all of our debts. See the sections entitled "Description of other Indebtedness—Senior Credit Facility" and "Description of the Notes."

Your right to receive payment on the notes will be effectively subordinated to our obligations under the senior secured credit facility and certain other secured indebtedness.

These notes will not be secured. Our obligations and the obligations of the subsidiary guarantors under our senior credit facility will be secured by a first priority security interest on substantially all of our and the subsidiary guarantors' assets. Any borrowings by us or the subsidiary guarantors under the senior credit facility would be senior in payment rights to these notes. In the event of our liquidation or insolvency, or if any of our secured indebtedness is accelerated, the assets securing such indebtedness will first be applied to repay our obligations under our secured indebtedness in full and then to repay our obligations under our unsecured indebtedness, including under the notes. As a result, the notes are effectively subordinated to our senior credit facility and our other secured indebtedness to the extent of the value of the assets securing that indebtedness. The holders of the notes would, in all likelihood, recover ratably less than the lenders of our secured indebtedness in the event of our bankruptcy or insolvency. As of December 31, 2005, we and our subsidiaries had $566 million of senior debt, of which $58 million was secured. On the same date, we had approximately $4 million in letters of credit outstanding and approximately $138 million of availability under our senior credit facility.

Our subsidiaries hold most of our assets and conduct most of our operations and, unless they are subsidiaries that guarantee the notes, they are not obligated to make payments on the notes.

Most of our operations are conducted through our subsidiaries. Therefore, we depend on the cash flow of our subsidiaries to meet our obligations under the notes. Our subsidiaries are separate and distinct legal entities and, except for the existing and future domestic subsidiaries that will be subsidiary guarantors of the notes, they will have no obligation, contingent or otherwise, to pay amounts due under the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payments. If there are any non-guarantor subsidiaries, the creditors of those non-guarantor subsidiaries will have direct claims on those subsidiaries and their assets, and the claims of holders of the notes would be "structurally subordinated" to any liabilities of our future non-guarantor subsidiaries. This means that the creditors of the non-guarantor subsidiaries have priority in their claims on the assets of our subsidiaries over our creditors. Our operating subsidiaries' ability to make loans, distributions or other payments to us will depend on their earnings, business, tax considerations and legal and contractual restrictions, which may adversely impact our ability to pay interest and principal due on the notes.

Federal and state fraudulent transfer and conveyance laws may permit a court to void the notes and the guarantees, and, if that occurs, you may not receive any payments on the notes.

The issuance of the notes and the guarantees may be subject to review under federal and state fraudulent transfer and conveyance statutes. While the relevant laws may vary from state to state, under such laws the payment of consideration will be a fraudulent transfer or conveyance if (1) we paid the consideration with the intent of hindering, delaying or defrauding creditors or (2) we or any of the guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for issuing either the notes or a guarantee, and, in the case of (2) only, one of the following is also true:

- we or any of the guarantors were or was insolvent or rendered insolvent by reason of the incurrence of the indebtedness;
- payment of the consideration left us or any of the guarantors with an unreasonably small amount of capital to carry on our or such guarantor's business; or
- we or any of the guarantors intended to, or believed that we or it would, incur debts beyond our or its ability to pay as they mature.

If a court were to find that the issuance of the notes or a guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or such guarantee or further subordinate the notes or such guarantee to presently existing and future indebtedness of ours or such guarantor, or require the holders of the notes to repay any amounts received with respect to the notes or such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes. Further, the voidance of the notes could result in an event of default with respect to our other debt and that of our subsidiaries that could result in acceleration of such debt.

Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, were greater than the fair salable value of all its assets; or
- the present fair salable value of its assets were less than the amount that would be required to pay its probable liability on its existing debts and liabilities, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot be certain as to the standards a court would use to determine whether or not we or the guarantors were solvent at the relevant time, or regardless of the standard that a court uses, that the issuance of the notes and the guarantees would not be subordinated to our or any guarantor's other debt. If any other subsidiary of ours guarantees the notes in the future, such guarantee will become subject to the same risks described above.

If any of the guarantees were legally challenged, such challenged guarantee could also be subject to the claim that, since the guarantee was incurred for our benefit, and only indirectly for the benefit of the guarantor, the obligations of the applicable guarantor were incurred for less than fair consideration. A court could thus void the obligations under the guarantees, subordinate them to the applicable guarantor's other debt or take other action detrimental to the holders of the notes.

The indenture for our 7% senior notes due 2014, the indenture for our 7% senior notes due 2016 and our senior credit facility impose significant operating and financial restrictions on us, which may prevent us from capitalizing on business opportunities and taking some corporate actions.

The indenture for our 7% senior notes due 2014, the indenture for our 7% senior notes due 2016 and our senior credit facility impose, and the terms of any future debt may impose, significant operating and financial restrictions on us. These restrictions will, among other things, limit our ability and that of our subsidiaries to:

- incur or guarantee additional indebtedness;
- issue preferred stock;
- pay dividends or make other distributions to our shareholders;
- repurchase our stock;
- make other restricted payments and investments;
- create liens;
- incur restrictions on the ability of our or their subsidiaries to pay dividends or other payments to us or them;
- sell or otherwise dispose of certain assets;
- consolidate, merge or sell all of our assets;
- prepay, redeem or repurchase subordinated debt;
- enter into transactions with affiliates;
- engage in certain business activities; and
- incur indebtedness that is subordinated to any senior debt and senior in right of payment to the notes.

In addition, our senior credit facility requires us to maintain specified financial ratios and satisfy other financial conditions tests. We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities or limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans. A breach of any of these covenants or our inability to maintain the required financial ratios could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness.

We may not have the ability to raise the funds necessary to finance any change of control offer required by the indenture governing the notes.

Upon the occurrence of certain specific kind of change of control events, we will be required to offer to repurchase all outstanding notes at 101% of their principal amount plus accrued and unpaid interest and additional interest, if any, to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of the change of control to make any required repurchases of notes or that restrictions in our existing or future senior credit facilities will not allow such repurchases. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a "Change of Control" under the indenture.

Risks Related to the Operators of Our Facilities

Our financial position could be weakened and our ability to fulfill our obligations under our indebtedness could be limited if any of our major operators were unable to meet their obligations to us or failed to renew or extend their relationship with us as their lease terms expire, or if we were unable to lease or re-lease our facilities or make mortgage loans on economically favorable terms. These adverse developments could arise due to a number of factors, including those listed below.

Our recent efforts to restructure and stabilize our portfolio may not prove to be successful.

In large part as a result of the 1997 changes in Medicare reimbursement of services provided by SNFs and reimbursement cuts imposed under state Medicaid programs, a number of operators of our properties have encountered significant financial difficulties during the last several years. In 1999, our investment portfolio consisted of 216 properties and our largest public operators (by investment) were Sun Healthcare Group, Inc. ("Sun"), Integrated Health Services ("IHS"), Advocat, Inc. ("Advocat"), and Mariner Health Care, Inc. ("Mariner"). Some of these operators, including Sun, IHS and Mariner, subsequently filed for bankruptcy protection. Other of our operators were required to undertake significant restructuring efforts. We have restructured our arrangements with many of our operators whereby we have renegotiated lease and mortgage terms, re-leased properties to new operators and have closed and/or disposed of properties. At December 31, 2005, our investment portfolio consisted of 227 properties and our largest public operators (by investment) were Sun (15%) and Advocat (10%). Our largest private company operators (by investment) were CommuniCare Health Services ("CommuniCare") (17%), Haven Eldercare, LLC ("Haven") (11%), Guardian LTC Management, Inc. ("Guardian") (7%), and Essex Healthcare Corporation ("Essex") (7%). We cannot assure you that our recent efforts to restructure and stabilize our property portfolio will be successful.

The bankruptcy, insolvency or financial deterioration of our operators could delay our ability to collect unpaid rents or require us to find new operators for rejected facilities.

We are exposed to the risk that our operators may not be able to meet their obligations, which may result in their bankruptcy or insolvency. Although our leases and loans provide us the right to terminate an investment, evict an operator, demand immediate repayment and other remedies, title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended and supplemented, (the "Bankruptcy Code"), affords certain protections to a party that has filed for bankruptcy that would probably render certain of these remedies unenforceable, or, at the very least, delay our ability to pursue such remedies. In addition, an operator in bankruptcy may be able to restrict our ability to collect unpaid rent or mortgage payments during the bankruptcy case.

Furthermore, the receipt of liquidation proceeds or the replacement of an operator that has defaulted on its lease or loan could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the property or the replacement of the operator licensed to manage the facility. In addition, some significant expenditures associated with real estate investment, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment. In order to protect our investments, we may take possession of a property or even become licensed as an operator, which might expose us to successor liability under government programs (or otherwise) or require us to indemnify subsequent operators to whom we might transfer the operating rights and licenses. Third-party payors may also suspend payments to us following foreclosure until we receive the required licenses to operate the facilities. Should such events occur, our income and cash flow from operations would be adversely affected.

A debtor may have the right to assume or reject a lease with us under bankruptcy law and his or her decision could delay or limit our ability to collect rents thereunder.

If one or more of our lessees files bankruptcy relief, the Bankruptcy Code provides that a debtor has the option to assume or reject the unexpired lease within a certain period of time. However, our lease arrangements with operators that operate more than one of our facilities are generally made pursuant to a single master lease covering all of that operator's facilities leased from us, and consequently, it is possible that in bankruptcy the debtor-lessee may be required to assume or reject the master lease as a whole, rather than making the decision on a facility by facility basis, thereby preventing the debtor-lessee from assuming only the better performing facilities and terminating the leasing arrangement with respect to the poorer performing facilities. The Bankruptcy Code generally requires that a debtor must assume or reject a contract in its entirety. Thus, a debtor cannot choose to keep the beneficial provisions of a contract while rejecting the burdensome ones; the contract must be assumed or rejected as a whole. However, where under applicable law a contract (even though it is contained in a single document) is determined to be divisible or severable into different agreements, or similarly where a collection of documents are determined to constitute separate agreements instead of a single, integrated contract, then in those circumstances a debtor/trustee may be allowed to assume some of the divisible or separate agreements while rejecting the others. Whether a master lease agreement would be determined to be a single contract or a divisible agreement, and hence whether a bankruptcy court would require a master lease agreement to be assumed or rejected as a whole, would depend on a number of factors some of which may include, but may not necessarily be limited to, the following:

- applicable state law;
- the parties' intent;
- whether the master lease agreement and related documents were executed contemporaneously;
- the nature and purpose of the relevant documents;
- whether the obligations in various documents are independent;
- whether the leases are coterminous;
- whether a single check is paid for all properties;
- whether rent is apportioned among the leases;
- whether termination of one lease constitutes termination of all;
- whether the leases may be separately assigned or sublet;
- whether separate consideration exists for each lease; and
- whether there are cross-default provisions.

The Bankruptcy Code provides that a debtor has the power and the option to assume, assume and assign to a third party, or reject the unexpired lease. In the event that the unexpired lease is assumed on behalf of the debtor-lessee, obligations under the lease generally would be entitled to administrative priority over other unsecured pre-bankruptcy claims. If the debtor chooses to assume the lease (or assume and assign the lease), then the debtor is required to cure all monetary defaults, or provide adequate assurance that it will promptly cure such defaults. However, the debtor-lessee may not have to cure historical non-monetary defaults under the lease to the extent that they have not resulted in an actual pecuniary loss, but the debtor-lessee must cure non-monetary defaults under the lease from the time of assumption going forward. A debtor must generally pay all rent payments coming due under the lease after the bankruptcy filing but before the assumption or rejection of the lease. The Bankruptcy Code provides that the debtor-lessee must make the decision regarding assumption,

assignment or rejection within a certain period of time. For cases filed on or after October 17, 2005, the time period to make the decision is 120 days, subject to one extension "for cause." A bankruptcy court may only further extend this period for 90 days unless the lessor consents in writing.

If a tenant rejects a lease under the Bankruptcy Code, it is deemed to be a pre-petition breach of the lease, and the lessor's claim arising therefrom may be limited to any unpaid rent already due plus an amount equal to the rent reserved under the lease, without acceleration, for the greater of one year, and 15%, not to exceed three years, of the remaining term of such lease, following the earlier of the petition date and repossession or surrender of the leased property. If the debtor rejects the lease, the facility would be returned to us. In that event, if we were unable to re-lease the facility to a new operator on favorable terms or only after a significant delay, we could lose some or all of the associated revenue from that facility for an extended period of time.

With respect to our mortgage loans, the imposition of an automatic stay under bankruptcy law could negatively impact our ability to foreclose or seek other remedies against a mortgagor.

Generally, with respect to our mortgage loans, the imposition of an automatic stay under the Bankruptcy Code precludes us from exercising foreclosure or other remedies against the debtor without first obtaining stay relief from the bankruptcy court. Pre-petition creditors generally do not have rights to the cash flows from the properties underlying the mortgages unless their security interest in the property includes such cash flows. Mortgagees may, however, receive periodic payments from the debtor/mortgagors. Such payments are referred to as adequate protection payments. The timing of adequate protection payments and whether the mortgagees are entitled to such payments depends on negotiating an acceptable settlement with the mortgagor (subject to approval of the bankruptcy court) or on the order of the bankruptcy court in the event a negotiated settlement cannot be achieved.

A mortgagee also is treated differently from a landlord in three key respects. First, the mortgage loan is not subject to assumption, assumption and assignment, or rejection. Second, the mortgagee's loan may be divided into a secured claim for the portion of the mortgage debt that does not exceed the value of the property securing the debt and a general unsecured claim for the portion of the mortgage debt that exceeds the value of the property. A secured creditor such as our company is entitled to the recovery of interest and reasonable fees, costs and charges provided for under the agreement under which such claim arose only if, and to the extent that, the value of the collateral exceeds the amount owed. If the value of the collateral exceeds the amount of the debt, interest as well as reasonable fees, costs, and charges may not be paid during the bankruptcy case, but will accrue until confirmation of a plan of reorganization/liquidation or such other time as the court orders unless the debtor voluntarily makes a payment. If the value of the collateral held by a secured creditor is less than the secured debt (including such creditor's secured debt and the secured debt of any creditor with a more senior security interest in the collateral), interest on the loan for the time period between the filing of the case and confirmation may be disallowed. Finally, while a lease generally would either be assumed, assumed and assigned, or rejected with all of its benefits and burdens intact, the terms of a mortgage, including the rate of interest and the timing of principal payments, may be modified under certain circumstances if the debtor is able to effect a "cram down" under the Bankruptcy Code. Before such a "cram down" is allowed, the Bankruptcy Court must conclude that the treatment of the secured creditor's claim is "fair and equitable."

If an operator files bankruptcy, our leases with the debtor could be recharacterized as a financing agreement, which could negatively impact our rights under the lease.

Another risk regarding our leases is that in an operator's bankruptcy the leases could be re-characterized as a financing agreement. In making such a determination, a bankruptcy court may consider certain factors, which may include, but are not necessarily limited to, the following:

- whether rent is calculated to provide a return on investment rather than to compensate the lessor for loss, use and possession of the property;
- whether the property is purchased specifically for the lessee's use or whether the lessee selected, inspected, contracted for, and received the property;
- whether the transaction is structured solely to obtain tax advantages;
- whether the lessee is entitled to obtain ownership of the property at the expiration of the lease, and whether any option purchase price is unrelated to the value of the land; and
- whether the lessee assumed many of the obligations associated with outright ownership of the property, including responsibility for property taxes and insurance.

If an operator defaults under one of our mortgage loans, we may have to foreclose on the mortgage or protect our interest by acquiring title to the property and thereafter making substantial improvements or repairs in order to maximize the facility's investment potential. Operators may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against our exercise of enforcement or other remedies and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If an operator seeks bankruptcy protection, the automatic stay provisions of the Bankruptcy Code would preclude us from enforcing foreclosure or other remedies against the operator unless relief is first obtained from the court having jurisdiction over the bankruptcy case. High "loan to value" ratios or declines in the value of the facility may prevent us from realizing an amount equal to our mortgage loan upon foreclosure.

Operators that fail to comply with the requirements of governmental reimbursement programs such as Medicare or Medicaid, licensing and certification requirements, fraud and abuse regulations or new legislative developments may be unable to meet their obligations to us.

Our operators are subject to numerous federal, state and local laws and regulations that are subject to frequent and substantial changes (sometimes applied retroactively) resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. The ultimate timing or effect of these changes cannot be predicted. These changes may have a dramatic effect on our operators' costs of doing business and on the amount of reimbursement by both government and other third-party payors. The failure of any of our operators to comply with these laws, requirements and regulations could adversely affect their ability to meet their obligations to us. In particular:

- *Medicare and Medicaid.* A significant portion of our skilled nursing facility, or SNF, operators' revenue is derived from governmentally-funded reimbursement programs, primarily Medicare and Medicaid, and failure to maintain certification and accreditation in these programs would result in a loss of funding from such programs. Loss of certification or accreditation could cause the revenues of our operators to decline, potentially jeopardizing their ability to meet their obligations to us. In that event, our revenues from those facilities could be reduced, which could in turn cause the value of our affected properties to decline. State licensing and Medicare and Medicaid laws also require operators of nursing homes and assisted living facilities to comply with extensive standards governing operations. Federal and state agencies administering those laws regularly inspect such facilities and investigate complaints. Our operators and their managers receive notices of potential sanctions and remedies from time to time, and such

sanctions have been imposed from time to time on facilities operated by them. If they are unable to cure deficiencies which have been identified or which are identified in the future, such sanctions may be imposed and if imposed may adversely affect our operators' revenues, potentially jeopardizing their ability to meet their obligations to us.

- *Licensing and Certification.* Our operators and facilities are subject to regulatory and licensing requirements of federal, state and local authorities and are periodically audited by them to confirm compliance. Failure to obtain licensure or loss or suspension of licensure would prevent a facility from operating or result in a suspension of reimbursement payments until all licensure issues have been resolved and the necessary licenses obtained or reinstated. Our SNFs require governmental approval, in the form of a certificate of need that generally varies by state and is subject to change, prior to the addition or construction of new beds, the addition of services or certain capital expenditures. Some of our facilities may be unable to satisfy current and future certificate of need requirements and may for this reason be unable to continue operating in the future. In such event, our revenues from those facilities could be reduced or eliminated for an extended period of time or permanently.

- *Fraud and Abuse Laws and Regulations.* There are various extremely complex and largely uninterpreted federal and state laws governing a wide array of referrals, relationships and arrangements and prohibiting fraud by healthcare providers, including criminal provisions that prohibit filing false claims or making false statements to receive payment or certification under Medicare and Medicaid, or failing to refund overpayments or improper payments. Governments are devoting increasing attention and resources to anti-fraud initiatives against healthcare providers. The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act expanded the penalties for healthcare fraud, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs. Furthermore, the Office of Inspector General of the U.S. Department of Health and Human Services in cooperation with other federal and state agencies, continues to focus on the activities of SNFs in certain states in which we have properties. In addition, the federal False Claims Act allows a private individual with knowledge of fraud to bring a claim on behalf of the federal government and earn a percentage of the federal government's recovery. Because of these incentives, these so-called "whistleblower" suits have become more frequent. The violation of any of these laws or regulations by an operator may result in the imposition of fines or other penalties that could jeopardize that operator's ability to make lease or mortgage payments to us or to continue operating its facility.

- *Legislative and Regulatory Developments.* Each year, legislative proposals are introduced or proposed in Congress and in some state legislatures that would affect major changes in the healthcare system, either nationally or at the state level. The Medicare Prescription Drug, Improvement and Modernization Act of 2003, or Medicare Modernization Act, which is one example of such legislation, was enacted in late 2003. The Medicare reimbursement changes for the long term care industry under this Act are limited to a temporary increase in the per diem amount paid to SNFs for residents who have AIDS. The significant expansion of other benefits for Medicare beneficiaries under this Act, such as the expanded prescription drug benefit, could result in financial pressures on the Medicare program that might result in future legislative and regulatory changes with impacts for our operators. Other proposals under consideration include efforts by individual states to control costs by decreasing state Medicaid reimbursements, a federal "Patient Protection Act" to protect consumers in managed care plans, efforts to improve quality of care and reduce medical errors throughout the health care industry and cost-containment initiatives by public and private payors. We cannot accurately predict whether any proposals will be adopted or, if adopted, what effect, if any, these proposals would have on operators and, thus, our business.

Regulatory proposals and rules are released on an ongoing basis that may have major impacts on the healthcare system generally and the skilled nursing and long-term care industries in particular.

Our operators depend on reimbursement from governmental and other third-party payors and reimbursement rates from such payors may be reduced.

Changes in the reimbursement rate or methods of payment from third-party payors, including the Medicare and Medicaid programs, or the implementation of other measures to reduce reimbursements for services provided by our operators has in the past, and could in the future, result in a substantial reduction in our operators' revenues and operating margins. Additionally, net revenue realizable under third-party payor agreements can change after examination and retroactive adjustment by payors during the claims settlement processes or as a result of post-payment audits. Payors may disallow requests for reimbursement based on determinations that certain costs are not reimbursable or reasonable or because additional documentation is necessary or because certain services were not covered or were not medically necessary. There also continue to be new legislative and regulatory proposals that could impose further limitations on government and private payments to healthcare providers. In some cases, states have enacted or are considering enacting measures designed to reduce their Medicaid expenditures and to make changes to private healthcare insurance. We cannot assure you that adequate reimbursement levels will continue to be available for the services provided by our operators, which are currently being reimbursed by Medicare, Medicaid or private third-party payors. Further limits on the scope of services reimbursed and on reimbursement rates could have a material adverse effect on our operators' liquidity, financial condition and results of operations, which could cause the revenues of our operators to decline and potentially jeopardize their ability to meet their obligations to us.

Our operators may be subject to significant legal actions that could subject them to increased operating costs and substantial uninsured liabilities, which may affect their ability to pay their lease and mortgage payments to us.

As is typical in the healthcare industry, our operators are often subject to claims that their services have resulted in resident injury or other adverse effects. Many of these operators have experienced an increasing trend in the frequency and severity of professional liability and general liability insurance claims and litigation asserted against them. The insurance coverage maintained by our operators may not cover all claims made against them nor continue to be available at a reasonable cost, if at all. In some states, insurance coverage for the risk of punitive damages arising from professional liability and general liability claims and/or litigation may not, in certain cases, be available to operators due to state law prohibitions or limitations of availability. As a result, our operators operating in these states may be liable for punitive damage awards that are either not covered or are in excess of their insurance policy limits. We also believe that there has been, and will continue to be, an increase in governmental investigations of long-term care providers, particularly in the area of Medicare/Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Insurance is not available to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, whether currently asserted or arising in the future, could have a material adverse effect on an operator's financial condition. If an operator is unable to obtain or maintain insurance coverage, if judgments are obtained in excess of the insurance coverage, if an operator is required to pay uninsured punitive damages, or if an operator is subject to an uninsurable government enforcement action, the operator could be exposed to substantial additional liabilities.

Increased competition as well as increased operating costs have resulted in lower revenues for some of our operators and may affect the ability of our tenants to meet their payment obligations to us.

The healthcare industry is highly competitive and we expect that it may become more competitive in the future. Our operators are competing with numerous other companies providing similar

healthcare services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers. We cannot be certain the operators of all of our facilities will be able to achieve occupancy and rate levels that will enable them to meet all of their obligations to us. Our operators may encounter increased competition in the future that could limit their ability to attract residents or expand their businesses and therefore affect their ability to pay their lease or mortgage payments.

The market for qualified nurses, healthcare professionals and other key personnel is highly competitive and our operators may experience difficulties in attracting and retaining qualified personnel. Increases in labor costs due to higher wages and greater benefits required to attract and retain qualified healthcare personnel incurred by our operators could affect their ability to pay their lease or mortgage payments. This situation could be particularly acute in certain states that have enacted legislation establishing minimum staffing requirements.

Risks Related to Us and Our Operations

In addition to the operator related risks discussed above, there are a number of risks directly associated with us and our operations.

We rely on external sources of capital to fund future capital needs, and if we encounter difficulty in obtaining such capital, we may not be able to make future investments necessary to grow our business or meet maturing commitments.

In order to qualify as a REIT under the Internal Revenue Code, we are required, among other things, to distribute each year to our stockholders at least 90% of our REIT taxable income. Because of this distribution requirement, we may not be able to fund, from cash retained from operations, all future capital needs, including capital needs to make investments and to satisfy or refinance maturing commitments. As a result, we rely on external sources of capital, including debt and equity financing. If we are unable to obtain needed capital at all or only on unfavorable terms from these sources, we might not be able to make the investments needed to grow our business, or to meet our obligations and commitments as they mature, which could negatively affect the ratings of our debt and even, in extreme circumstances, affect our ability to continue operations. Our access to capital depends upon a number of factors over which we have little or no control, including general market conditions and the market's perception of our growth potential and our current and potential future earnings and cash distributions and the market price of the shares of our capital stock. Generally speaking, difficult capital market conditions in our industry during the past several years and our need to stabilize our portfolio have limited our access to capital.

Our ability to raise capital through sales of equity is dependent, in part, on the market price of our common stock, and our failure to meet market expectations with respect to our business could negatively impact the market price of our common stock and limit our ability to sell equity.

As with other publicly-traded companies, the availability of equity capital will depend, in part, on the market price of our common stock which, in turn, will depend upon various market conditions and other factors that may change from time to time including:

- the extent of investor interest;
- the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our financial performance and that of our operators;
- the contents of analyst reports about us and the REIT industry;

- general stock and bond market conditions, including changes in interest rates on fixed income securities, which may lead prospective purchasers of our common stock to demand a higher annual yield from future distributions;

- our failure to maintain or increase our dividend, which is dependent, to a large part, on growth of funds from operations which in turn depends upon increased revenues from additional investments and rental increases; and

- other factors such as governmental regulatory action and changes in REIT tax laws.

The market value of the equity securities of a REIT is generally based upon the market's perception of the REIT's growth potential and its current and potential future earnings and cash distributions. Our failure to meet the market's expectation with regard to future earnings and cash distributions would likely adversely affect the market price of our common stock.

We are subject to risks associated with debt financing, which could negatively impact our business, limit our ability to make distributions to our stockholders and to repay maturing debt.

Financing for future investments and our maturing commitments may be provided by borrowings under our revolving senior secured credit facility ("Credit Facility"), private or public offerings of debt, the assumption of secured indebtedness, mortgage financing on a portion of our owned portfolio or through joint ventures. We are subject to risks normally associated with debt financing, including the risks that our cash flow will be insufficient to make timely payments of interest, that we will be unable to refinance existing indebtedness and that the terms of refinancing will not be as favorable as the terms of existing indebtedness. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds from other capital transactions, our cash flow may not be sufficient in all years to pay distributions to our stockholders and to repay all maturing debt. Furthermore, if prevailing interest rates, changes in our debt ratings or other factors at the time of refinancing result in higher interest rates upon refinancing, the interest expense relating to that refinanced indebtedness would increase, which could reduce our profitability and the amount of dividends we are able to pay. Moreover, additional debt financing increases the amount of our leverage.

Certain of our operators account for a significant percentage of our revenues.

Based on existing contractual rent and lease payments regarding the restructuring of certain existing investments, as of December 31, 2005, Advocat and Sun each account for over 10% of our current contractual monthly revenues, with Sun accounting for approximately 21% of our current contractual monthly revenues. Additionally, as of December 31, 2005, our top seven operators account for approximately 62% of our current contractual monthly revenues. The failure or inability of any of these operators to pay their obligations to us could materially reduce our revenues and net income, which could in turn reduce the amount of dividends we pay and cause our stock price to decline.

Unforeseen costs associated with the acquisition of new properties could reduce our profitability.

Our business strategy contemplates future acquisitions that may not prove to be successful. For example, we might encounter unanticipated difficulties and expenditures relating to any acquired properties, including contingent liabilities, or newly acquired properties might require significant management attention that would otherwise be devoted to our ongoing business. If we agree to provide funding to enable healthcare operators to build, expand or renovate facilities on our properties and the project is not completed, we could be forced to become involved in the development to ensure completion or we could lose the property. These costs may negatively affect our results of operations.

Our assets may be subject to impairment charges.

We periodically, but not less than annually, evaluate our real estate investments and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based on factors such as market conditions, operator performance and legal structure. If we determine that a significant impairment has occurred, we would be required to make an adjustment to the net carrying value of the asset, which could have a material adverse affect on our results of operations and funds from operations in the period in which the write-off occurs. During the year ended December 31, 2005, a $9.6 million provision for impairment charge was recorded to reduce the carrying value on six facilities to their estimated fair value.

We may not be able to sell certain closed facilities for their book value.

From time to time, we close facilities and actively market such facilities for sale. To the extent we are unable to sell these properties for our book value; we may be required to take a non-cash impairment charge or loss on the sale, either of which would reduce our net income.

Our substantial indebtedness could adversely affect our financial condition.

We have substantial indebtedness and we may increase our indebtedness in the future. As of December 31, 2005, we had total debt of approximately $566 million, of which $58 million consisted of borrowings under our Credit Facility, $21 million of which consisted of our 6.95% notes due 2007 that were fully redeemed on January 18, 2006, $310 million of which consisted of our 7% senior notes due 2014 and $175 million of which consisted of our 7% senior notes due 2016. Our level of indebtedness could have important consequences to our stockholders. For example, it could:

- limit our ability to satisfy our obligations with respect to holders of our capital stock;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements, or to carry out other aspects of our business plan;
- require us to dedicate a substantial portion of our cash flow from operations to payments on indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures and other general corporate requirements, or to carry out other aspects of our business plan;
- require us to pledge as collateral substantially all of our assets;
- require us to maintain certain debt coverage and financial ratios at specified levels, thereby reducing our financial flexibility;
- limit our ability to make material acquisitions or take advantage of business opportunities that may arise;
- expose us to fluctuations in interest rates, to the extent our borrowings bear variable rates of interests;
- limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

Our real estate investments are relatively illiquid.

Real estate investments are relatively illiquid and, therefore, tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. All of our properties are

"special purpose" properties that could not be readily converted to general residential, retail or office use. Healthcare facilities that participate in Medicare or Medicaid must meet extensive program requirements, including physical plant and operational requirements, which are revised from time to time. Such requirements may include a duty to admit Medicare and Medicaid patients, limiting the ability of the facility to increase its private pay census beyond certain limits. Medicare and Medicaid facilities are regularly inspected to determine compliance and may be excluded from the programs—in some cases without a prior hearing—for failure to meet program requirements. Transfers of operations of nursing homes and other healthcare-related facilities are subject to regulatory approvals not required for transfers of other types of commercial operations and other types of real estate. Thus, if the operation of any of our properties becomes unprofitable due to competition, age of improvements or other factors such that our lessee or mortgagor becomes unable to meet its obligations on the lease or mortgage loan, the liquidation value of the property may be substantially less, particularly relative to the amount owing on any related mortgage loan, than would be the case if the property were readily adaptable to other uses. The receipt of liquidation proceeds or the replacement of an operator that has defaulted on its lease or loan could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the property or the replacement of the operator with a new operator licensed to manage the facility. In addition, certain significant expenditures associated with real estate investment, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment. Should such events occur, our income and cash flows from operations would be adversely affected.

As an owner or lender with respect to real property, we may be exposed to possible environmental liabilities.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real property or a secured lender, such as us, may be liable in certain circumstances for the costs of investigation, removal or remediation of, or related releases of, certain hazardous or toxic substances at, under or disposed of in connection with such property, as well as certain other potential costs relating to hazardous or toxic substances, including government fines and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances and liability may be imposed on the owner in connection with the activities of an operator of the property. The cost of any required investigation, remediation, removal, fines or personal or property damages and the owner's liability therefore could exceed the value of the property and/or the assets of the owner. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect our operators' ability to attract additional residents, the owner's ability to sell or rent such property or to borrow using such property as collateral which, in turn, would reduce the owner's revenues.

Although our leases and mortgage loans require the lessee and the mortgagor to indemnify us for certain environmental liabilities, the scope of such obligations may be limited. For instance, most of our leases do not require the lessee to indemnify us for environmental liabilities arising before the lessee took possession of the premises. Further, we cannot assure you that any such mortgagor or lessee would be able to fulfill its indemnification obligations.

The industry in which we operate is highly competitive. This competition may prevent us from raising prices at the same pace as our costs increase.

We compete for additional healthcare facility investments with other healthcare investors, including other REITs. The operators of the facilities compete with other regional or local nursing care facilities for the support of the medical community, including physicians and acute care hospitals, as well as the general public. Some significant competitive factors for the placing of patients in skilled and intermediate care nursing facilities include quality of care, reputation, physical appearance of the

facilities, services offered, family preferences, physician services and price. If our cost of capital should increase relative to the cost of capital of our competitors, the spread that we realize on our investments may decline if competitive pressures limit or prevent us from charging higher lease or mortgage rates.

We are named as defendants in litigation arising out of professional liability and general liability claims relating to our previously owned and operated facilities that if decided against us, could adversely affect our financial condition.

We and several of our wholly-owned subsidiaries have been named as defendants in professional liability and general liability claims related to our owned and operated facilities. Other third-party managers responsible for the day-to-day operations of these facilities have also been named as defendants in these claims. In these suits, patients of certain previously owned and operated facilities have alleged significant damages, including punitive damages, against the defendants. The lawsuits are in various stages of discovery and we are unable to predict the likely outcome at this time. We continue to vigorously defend these claims and pursue all rights we may have against the managers of the facilities, under the terms of the management agreements. We have insured these matters, subject to self-insured retentions of various amounts. There can be no assurance that we will be successful in our defense of these matters or in asserting our claims against various managers of the subject facilities or that the amount of any settlement or judgment will be substantially covered by insurance or that any punitive damages will be covered by insurance.

We are subject to significant anti-takeover provisions.

Our articles of incorporation and bylaws contain various procedural and other requirements which could make it difficult for stockholders to effect certain corporate actions. Our Board of Directors is divided into three classes and our Board members are elected for terms that are staggered. Our Board of Directors also has the authority to issue additional shares of preferred stock and to fix the preferences, rights and limitations of the preferred stock without stockholder approval. We have also adopted a stockholders rights plan which provides for share purchase rights to become exercisable at a discount if a person or group acquires more than 9.9% of our common stock or announces a tender or exchange offer for more than 9.9% of our common stock. These provisions could discourage unsolicited acquisition proposals or make it more difficult for a third party to gain control of us, which could adversely affect the market price of our securities.

We may change our investment strategies and policies and capital structure.

Our Board of Directors, without the approval of our stockholders, may alter our investment strategies and policies if it determines in the future that a change is in our stockholders' best interests. The methods of implementing our investment strategies and policies may vary as new investments and financing techniques are developed.

If we fail to maintain our REIT status, we will be subject to federal income tax on our taxable income at regular corporate rates.

We were organized to qualify for taxation as a REIT under Sections 856 through 860 of the Internal Revenue Code. We believe we have conducted, and we intend to continue to conduct, our operations so as to qualify as a REIT. Qualification as a REIT involves the satisfaction of numerous requirements, some on an annual and some on a quarterly basis, established under highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial and administrative interpretations and involve the determination of various factual matters and circumstances not entirely within our control. We cannot assure you that we will at all times satisfy these rules and tests.

If we were to fail to qualify as a REIT in any taxable year, as a result of a determination that we failed to meet the annual distribution requirement or otherwise, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates with respect to each such taxable year for which the statute of limitations remains open. Moreover, unless entitled to relief under certain statutory provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. This treatment would significantly reduce our net earnings and cash flow because of our additional tax liability for the years involved, which could significantly impact our financial condition.

To maintain our REIT status, we must distribute at least 90% of our taxable income each year.

We generally must distribute annually at least 90% of our taxable income to our stockholders to maintain our REIT status. To the extent that we do not distribute all of our net capital gain or do distribute at least 90%, but less than 100% of our "REIT taxable income," as adjusted, we will be subject to tax thereon at regular ordinary and capital gain corporate tax rates.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. Any of these taxes would decrease cash available for the payment of our debt obligations. In addition, we may derive income through Taxable REIT Subsidiaries ("TRSs"), which will then be subject to corporate level income tax at regular rates.

Complying with REIT requirements may affect our profitability.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. Thus we may be required to liquidate otherwise attractive investments from our portfolio in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We may also be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution (e.g., if we have assets which generate mismatches between taxable income and available cash). Then, having to comply with the distribution requirement could cause us to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms or (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. As a result, satisfying the REIT requirements could have an adverse effect on our business results and profitability.

We depend upon our key employees and may be unable to attract or retain sufficient numbers of qualified personnel.

Our future performance depends to a significant degree upon the continued contributions of our executive management team and other key employees. Accordingly, our future success depends on our ability to attract, hire, train and retain highly skilled management and other qualified personnel. Competition for qualified employees is intense, and we compete for qualified employees with companies that may have greater financial resources than we have. Our employment agreements with our executive officers provide that their employment may be terminated by either party at any time. Consequently, we may not be successful in attracting, hiring, and training and retaining the people we need, which would seriously impede our ability to implement our business strategy.

In the event we are unable to satisfy regulatory requirements relating to internal controls, or if these internal controls over financial reporting are not effective, our business could suffer.

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to do a comprehensive evaluation of their internal controls. As a result, we continue to evaluate our internal controls over financial reporting so that our management can certify as to the effectiveness of our internal controls and our auditor can publicly attest to this certification. Our efforts to comply with Section 404 and related regulations regarding our management's required assessment of internal control over financial reporting and our independent auditors' attestation of that assessment has required, and continues to require, the commitment of significant financial and managerial resources. If for any period our management is unable to certify the effectiveness of our internal controls or if our auditors cannot attest to management's certification, we could be subject to regulatory scrutiny and a loss of public confidence, which could have an adverse effect on our business.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges on a reported basis for the periods indicated. Earnings consist of income (loss) from continuing operations plus fixed charges. Fixed charges consist of interest expense and amortization of deferred financing costs. We have calculated the ratio of earnings to fixed charges by adding net income (loss) from continuing operations to fixed charges and dividing that sum by such fixed charges.

Ratio of Earnings to Fixed Charges

	Year Ended December 31,				
	2001	2002	2003	2004	2005
(Loss) income from continuing operations	$ (22,253)	$ (4,335)	$ 27,396	$ 10,069	$ 30,151
Interest expense	33,204	34,381	23,388	44,008	34,771
Income before fixed charges	$ 10,951	$ 30,046	$ 50,784	$ 54,077	$ 64,922
Interest expense	$ 33,204	$ 34,381	$ 23,388	$ 44,008	$ 34,771
Total fixed charges	$ 33,204	$ 34,381	$ 23,388	$ 44,008	$ 34,771
Earnings / fixed charge coverage ratio	*	*	**2.2x**	**1.2x**	**1.9x**

* Our earnings were insufficient to cover fixed charges by $22,253 and $4,335 in 2001 and 2002, respectively. In addition, our ratio of earnings to fixed charges has been revised to reflect the impact of the implementation of the Statement of Accounting Standard No. 144, *Accounting for the Impairment and Disposal of Long-Lived Assets*.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our ratio of earnings to combined fixed charges and preferred stock dividends on a reported basis for the periods indicated. Earnings consist of income (loss) from continuing operations plus fixed charges. Fixed charges consist of interest expense and amortization of deferred financing costs. We have calculated the ratio of earnings to combined fixed charges and preferred stock dividends by adding net income (loss) from continuing operations to fixed charges and dividing that sum by such fixed charges plus preferred dividends, irrespective of whether or not such dividends were actually paid.

Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

	Year Ended December 31,				
	2001	2002	2003	2004	2005
(Loss) income from continuing operations	$ (22,253)	$ (4,335)	$ 27,396	$ 10,069	$ 30,151
Interest expense	33,204	34,381	23,388	44,008	34,771
Income before fixed charges	$ 10,951	$ 30,046	$ 50,784	$ 54,077	$ 64,922
Interest expense	$ 33,204	$ 34,381	$ 23,388	$ 44,008	$ 34,771
Preferred stock dividends	19,994	20,115	20,115	15,807	11,385
Total fixed charges and preferred dividends	$ 53,198	$ 54,496	$ 43,503	$ 59,815	$ 46,156
Earnings / combined fixed charges and preferred dividends coverage ratio	*	*	**1.2x**	*	**1.4x**

* Our earnings were insufficient to cover combined fixed charges and preferred stock dividends by $42,247, $24,450 and $5,738 in 2001, 2002 and 2004, respectively. In addition, our ratio of earnings to combined fixed charges and preferred dividends has been revised to reflect the impact of the implementation of the Statement of Accounting Standard No. 144, *Accounting for the Impairment and Disposal of Long-Lived Assets* .

USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. The net proceeds to us from the sale of the initial notes in the December 30, 2005 offering were approximately $173 million, after deducting the initial purchasers' discount and expenses of the offering. We used the net proceeds of the offering to repurchase our $100 million aggregate principal amount 6.95% notes due 2007, including the payment of accrued and unpaid interest and applicable premium and related consent fees, to repay indebtedness under our revolving senior credit facility, for working capital and general corporate purposes, and to pay related fees and expenses.

SELECTED FINANCIAL DATA

The following table sets forth our selected financial data and operating data for our company on a historical basis. The following data should be read in conjunction with our audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein. Our historical operating results may not be comparable to our future operating results.

	Year ended December 31,				
	2005	2004	2003	2002	2001
	(in thousands, except per share amounts)				
Operating Data					
Revenues from core operations	$ 105,812	$ 84,754	$ 76,280	$ 79,169	$ 78,716
Revenues from nursing home operations	—	—	4,395	42,203	160,580
Total revenues	$ 105,812	$ 84,754	$ 80,675	$ 121,372	$ 239,296
Income (loss) from continuing operations	$ 30,151	$ 10,069	$ 27,396	$ (4,335)	$ (22,253)
Net income (loss) available to common	23,290	(40,123)	2,915	(34,761)	(36,651)
Per share amounts:					
Income (loss) from continuing operations:					
Basic	$ 0.32	$ (1.03)	$ 0.20	$ (0.70)	$ (2.11)
Diluted	0.32	(1.03)	0.19	(0.70)	(2.11)
Net income (loss) available to common:					
Basic	$ 0.45	$ (0.88)	$ 0.08	$ (1.00)	$ (1.83)
Diluted	0.45	(0.88)	0.08	(1.00)	(1.83)
Dividends, Common Stock(1)	0.85	0.72	0.15	—	—
Dividends, Series A Preferred(1)	—	1.16	6.94	—	—
Dividends, Series B Preferred(1)	1.09	2.16	6.47	—	—
Dividends, Series C Preferred(2)	—	—	29.81	—	—
Dividends, Series D Preferred(1)	2.09	1.52	—	—	—
Weighted-average common shares outstanding, basic	51,738	45,472	37,189	34,739	20,038
Weighted-average common shares outstanding, diluted	52,059	45,472	38,154	34,739	20,038

	December 31,				
	2005	2004	2003	2002	2001
	(in thousands)				
Balance Sheet Data					
Gross investments	$ 1,125,382	$ 956,331	$ 841,416	$ 881,220	$ 938,229
Total assets	1,015,729	833,563	729,013	804,148	892,414
Revolving lines of credit	58,000	15,000	177,074	177,000	193,689
Other long-term borrowings	508,229	364,508	103,520	129,462	219,483
Stockholders equity	429,681	432,480	436,235	479,701	450,690

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

(2) Dividends per share are those declared during such period, based on the number of shares of common stock issuable upon conversion of the outstanding Series C preferred stock.

Summary of Quarterly Results (Unaudited)

The following summarizes quarterly results of operations for the years ended December 31, 2005 and 2004.

	March 31	June 30	September 30	December 31
	(in thousands, except per share amounts)			
2005				
Revenues	$ 27,198	$ 25,318	$ 25,994	$ 27,302
Income from continuing operations	12,141	5,499	3,866	8,645
Income (loss) from discontinued operations	(2,836)	(3,242)	1,253	11,362
Net income	9,305	2,257	5,119	20,007
Net income (loss) available to common	5,746	(2,620)	2,638	17,526
Income from continuing operations per share:				
Basic income from continuing operations	$ 0.17	$ 0.01	$ 0.03	$ 0.11
Diluted income from continuing operations	$ 0.17	$ 0.01	$ 0.03	$ 0.11
Net income (loss) available to common per share:				
Basic net income (loss)	$ 0.11	$ (0.05)	$ 0.05	$ 0.33
Diluted net income (loss)	$ 0.11	$ (0.05)	$ 0.05	$ 0.32
Cash dividends paid on common stock	$ 0.20	$ 0.21	$ 0.22	$ 0.22
2004				
Revenues	$ 19,833	$ 20,967	$ 21,218	$ 22,736
Income (loss) from continuing operations	(10,787)	5,281	7,838	7,737
Income from discontinued operations	489	656	804	4,720
Net (loss) income	(10,298)	5,937	8,642	12,457
Net (loss) income available to common	(53,728)	(376)	5,083	8,898
(Loss) income from continuing operations per share:				
Basic (loss) income from continuing operations	$ (1.31)	$ (0.02)	$ 0.09	$ 0.09
Diluted (loss) income from continuing operations	$ (1.31)	$ (0.02)	$ 0.09	$ 0.09
Net (loss) income available to common per share:				
Basic net (loss) income	$ (1.30)	$ (0.01)	$ 0.11	$ 0.19
Diluted net (loss) income	$ (1.30)	$ (0.01)	$ 0.11	$ 0.19
Cash dividends paid on common stock	$ 0.17	$ 0.18	$ 0.18	$ 0.19

Note:

2005—During the three-month period ended March 31, 2005, we recognized a $0.3 million expense associated with restricted stock awards issued during this period, and a $3.7 million provision for impairment charge was recorded to reduce the carrying value on two facilities to their estimated fair value. During the three-month period ended June 30, 2005, we redeemed all of the outstanding 2.0 million shares of our $50 million 8.625% Series B Cumulative Preferred Stock ("Series B Preferred Stock"). As a result, the repurchase of the Series B Preferred Stock resulted in a non-cash charge to net income available to common stockholders of approximately $2.0 million. In addition, we recognized a $0.3 million expense associated with restricted stock awards issued during this period, an $0.8 million lease expiration accrual relating to disputed capital improvement requirements associated with a lease that expired June 30, 2005 and a $3.4 million provision for impairment to write-down our 760,000 share investment in Sun Healthcare Group, Inc. common stock to its current fair market value. During the three-month period ended September 30, 2005, we recognized a $0.3 million expense associated with restricted stock awards issued during this period. In addition, we recorded a $5.5 million provision for impairment charge to reduce the carrying value of three facilities to their estimated fair value. During the three-month period ended December 31, 2005, we recognized a $0.5 million non-cash provision for impairment and $0.3 million of restricted stock amortization. In addition, we recorded a $1.6 million of

net cash proceeds associated with a settlement of a lawsuit of the Company filed against a former tenant.

2004—During the three-month period ended March 31, 2004, we completed a repurchase and conversion of our $100 million Series C Cumulative Convertible Preferred Stock which resulted in a non-cash charge to net income available to common stockholders of approximately $38.7 million. In addition, we recognized $19.1 million of refinancing-related charges. We sold our $200 million interest rate cap in the first quarter, realizing net proceeds of approximately $3.5 million, resulting in an accounting loss of $6.5 million. During the three-month period ended June 30, 2004, we redeemed all of the outstanding 2.3 million shares of our $57.5 million 9.25% Series A Cumulative Preferred Stock ("Series A Preferred Stock"). As a result, the repurchase of the Series A Preferred Stock resulted in a non-cash charge to net income available to common stockholders of approximately $2.3 million. In addition, we recognized a $3.0 million charge associated with professional liability claims made against our former owned and operated facilities. During the three-month period ended September 30, 2004, we recognized a $0.3 million expense associated with restricted stock awards issued during this period. During the three-month period ended December 31, 2004, we recognized a $1.1 million expense associated with restricted stock awards, and we sold our remaining three closed facilities, realizing proceeds of approximately $5.5 million, net of closing costs and other expenses, resulting in a gain of approximately $3.8 million.

Overview

Our portfolio of investments at December 31, 2005, consisted of 227 healthcare facilities, located in 27 states and operated by 35 third-party operators. Our gross investment in these facilities totaled approximately $1,102 million at December 31, 2005, with 98% of our real estate investments related to long-term healthcare facilities. This portfolio is made up of 193 long-term healthcare facilities and two rehabilitation hospitals owned and leased to third parties and fixed rate mortgages on 32 long-term healthcare facilities. At December 31, 2005, we also held other investments of approximately $23 million, consisting primarily of secured loans to third-party operators of our facilities.

Medicare Reimbursement

All of our properties are used as healthcare facilities; therefore, we are directly affected by the risk associated with the healthcare industry. Our lessees and mortgagors, as well as any facilities that may be owned and operated for our own account from time to time, derive a substantial portion of their net operating revenues from third-party payors, including the Medicare and Medicaid programs. These programs are highly regulated by federal, state and local laws, rules and regulations, and subject to frequent and substantial change.

In 1997, the Balanced Budget Act significantly reduced spending levels for the Medicare and Medicaid programs, in part because the legislation modified the payment methodology for skilled nursing facilities ("SNFs") by shifting payments for services provided to Medicare beneficiaries from a reasonable cost basis to a prospective payment system. Under the prospective payment system, SNFs are paid on a per diem prospective case-mix adjusted basis for all covered services. Implementation of the prospective payment system has affected each long-term care facility to a different degree, depending upon the amount of revenue such facility derives from Medicare patients.

Legislation adopted in 1999 and 2000 provided for a few temporary increases to Medicare payment rates, but these temporary increases have since expired. Specifically, in 1999 the Balanced Budget Refinement Act included a 4% across-the-board increase of the adjusted federal per diem payment rates for all patient acuity categories (known as "Resource Utilization Groups" or "RUGs") that were in effect from April 2000 through September 30, 2002. In 2000, the Benefits Improvement and Protection Act included a 16.7% increase in the nursing component of the case-mix adjusted federal periodic payment rate, which was implemented in April 2000 and also expired October 1, 2002. The October 1, 2002 expiration of these temporary increases has had an adverse impact on the revenues of the operators of SNFs and has negatively impacted some operators' ability to satisfy their monthly lease or debt payments to us.

The Balanced Budget Refinement Act and the Benefits Improvement and Protection Act also established temporary increases, beginning in April 2001, to Medicare payment rates to SNFs that were designated to remain in place until the Centers for Medicare and Medicaid Services ("CMS") implemented refinements to the existing RUG case-mix classification system to more accurately estimate the cost of non-therapy ancillary services. The Balanced Budget Refinement Act provided for a 20% increase for 15 RUG categories until CMS modified the RUG case-mix classification system. The Benefits Improvement and Protection Act modified this payment increase by reducing the 20% increase for three of the 15 RUGs to a 6.7% increase and instituting an additional 6.7% increase for eleven other RUGs.

On August 4, 2005, CMS published a final rule, effective October 1, 2005, establishing Medicare payments for SNFs under the prospective payment system for federal fiscal year 2006 (October 1, 2005 to September 30, 2006). The final rule modified the RUG case-mix classification system and added

nine new categories to the system, expanding the number of RUGs from 44 to 53. The implementation of the RUG refinements triggered the expiration of the temporary payment increases of 20% and 6.7% established by the Balanced Budget Refinement Act and the Benefits Improvement and Protection Act, respectively. Additionally, CMS announced updates in the final rule to reimbursement rates for SNFs in federal fiscal year 2006 based on an increase in the "full market-basket" of 3.1%.

In the August 4, 2005 notice, CMS estimated that the increases in Medicare reimbursements to SNFs arising from the refinements to the prospective payment system and the market basket update under the final rule will offset the reductions stemming from the elimination of the temporary increases during federal fiscal year 2006. CMS estimated that there will be an overall increase in Medicare payments to SNFs totaling $20 million in fiscal year 2006 compared to 2005.

Nonetheless, we cannot accurately predict what effect, if any, these changes will have on our lessees and mortgagors in 2006 and beyond. These changes to the Medicare prospective payment system for SNFs, including the elimination of temporary increases, could adversely impact the revenues of the operators of nursing facilities and could negatively impact the ability of some of our lessees and mortgagors to satisfy their monthly lease or debt payments to us.

A 128% temporary increase in the per diem amount paid to SNFs for residents who have AIDS took effect on October 1, 2004. This temporary payment increase arises from the Medicare Prescription Drug Improvement and Modernization Act of 2003 ("Medicare Modernization Act"). The August 2005 notice announcing the final rule for the SNF prospective payment system for fiscal year 2006 clarified that the increase will remain in effect for fiscal year 2006, although CMS also noted that the AIDS add-on was not intended to be permanent.

A significant change enacted under the Medicare Modernization Act is the creation of a new prescription drug benefit, Medicare Part D, which went into effect January 1, 2006. The significant expansion of benefits for Medicare beneficiaries arising under the expanded prescription drug benefit could result in financial pressures on the Medicare program that might result in future legislative and regulatory changes with impacts for our operators. As part of this new program, the prescription drug benefits for patients who are dually eligible for both Medicare and Medicaid are being transitioned from Medicaid to Medicare, and many of these patients reside in long-term care facilities. The Medicare program has experienced significant operational difficulties in transitioning prescription drug coverage for this population since the benefit went into effect on January 1, 2006, although it is unclear whether or how issues involving Medicare Part D might have any direct financial impacts on our operators.

On February 8, 2006, the President signed into law a $39.7 billion budget reconciliation package called the Deficit Reduction Act of 2005 ("Deficit Reduction Act") to lower the federal budget deficit. The Deficit Reduction Act includes net savings of $8.3 billion from the Medicare program over 5 years.

The Deficit Reduction Act contains a provision reducing payments to SNFs for allowable bad debts. Currently, Medicare reimburses SNFs for 100% of beneficiary bad debt arising from unpaid deductibles and coinsurance amounts. In 2003, CMS released a proposed rule seeking to reduce bad debt reimbursement rates for certain providers, including SNFs, by 30% over a three-year period. CMS never finalized its 2003 proposal. The Deficit Reduction Act reduces payments to SNFs for allowable bad debts by 30% effective October 1, 2005 for those individuals not dually eligible for Medicare and Medicaid. Bad debt payments for the dually eligible population will remain at 100%. These reductions in Medicare payments for bad debt could have a material adverse effect on our operators' financial condition and operations, which could adversely affect their ability to meet their payment obligations to us.

The Deficit Reduction Act also contains a provision governing the therapy caps that went into place under Medicare on January 1, 2006. The therapy caps limit the physical therapy, speech-language

therapy and occupation therapy services that a Medicare beneficiary can receive during a calendar year. The therapy caps were in effect for calendar year 1999 and then suspended by Congress for three years. An inflation-adjusted therapy limit ($1,590 per year) was implemented in September of 2002, but then once again suspended in December of 2003 by the Medicare Modernization Act. Under the Medicare Modernization Act, Congress placed a two-year moratorium on implementation of the caps, which expired at the end of 2005.

The inflation-adjusted therapy caps are set at $1,740 for 2006. These caps do not apply to therapy services covered under Medicare Part A in a SNF, although the caps apply in most other instances involving patients in SNFs or long-term care facilities who receive therapy services covered under Medicare Part B. The Deficit Reduction Act permits exceptions in 2006 for therapy services to exceed the caps when the therapy services are deemed medically necessary by the Medicare program. The therapy caps could have a material adverse effect on our operators' financial condition and operations, which could adversely affect their ability to meet their payment obligations to us.

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

Medicaid and Other Third-Party Reimbursement

Each state has its own Medicaid program that is funded jointly by the state and federal government. Federal law governs how each state manages its Medicaid program, but there is wide latitude for states to customize Medicaid programs to fit the needs and resources of their citizens. Currently, Medicaid is the single largest source of financing for long-term care in the United States. Rising Medicaid costs and decreasing state revenues caused by recent economic conditions have prompted an increasing number of states to cut or consider reductions in Medicaid funding as a means of balancing their respective state budgets. Existing and future initiatives affecting Medicaid reimbursement may reduce utilization of (and reimbursement for) services offered by the operators of our properties.

In recent years, many states have announced actual or potential budget shortfalls, and many budget forecasts in 2006 could be similar. As a result of these budget shortfalls, many states have announced that they are implementing or considering implementing "freezes" or cuts in Medicaid reimbursement rates, including rates paid to SNF and long-term care providers, or reductions in Medicaid enrollee benefits, including long-term care benefits. We cannot predict the extent to which Medicaid rate freezes, cuts or benefit reductions ultimately will be adopted, the number of states that will adopt them or the impact of such adoption on our operators. However, extensive Medicaid rate cuts, freezes or benefit reductions could have a material adverse effect on our operators' liquidity, financial condition and results of operations, which could adversely affect their ability to make lease or mortgage payments to us.

The Deficit Reduction Act includes $4.7 billion in savings from Medicaid and the State Children's Health Insurance Program over 5 years. The Deficit Reduction Act gives states the option to increase Medicaid cost-sharing and reduce Medicaid benefits, accounting for an estimated $3.2 billion in federal savings over five years. The remainder of the Medicaid savings under the Deficit Reduction Act comes primarily from changes to prescription drug reimbursement ($3.9 billion in savings over five years) and tightened policies governing asset transfers ($2.4 billion in savings over five years).

Asset transfer policies, which determine Medicaid eligibility based on whether a Medicaid applicant has transferred assets for less than fair value, are more restrictive under the Deficit

Reduction Act, which extends the look-back period to 5 years, moves the start of the penalty period and makes individuals with more than $500,000 in home equity ineligible for nursing home benefits (previously, the home was excluded as a countable asset for purposes of Medicaid eligibility). These changes could have a material adverse effect on our operators' financial condition and operations, which could adversely affect their ability to meet their payment obligations to us.

Additional reductions in federal funding are expected for some state Medicaid programs as a result of changes in the percentage rates used for determining federal assistance on a state-by-state basis. Legislation has been introduced in Congress that would partially mitigate the reductions for some states that would experience significant reductions in federal funding, although whether Congress will enact this or other legislation remains uncertain.

Finally, private payors, including managed care payors, increasingly are demanding discounted fee structures and the assumption by healthcare providers of all or a portion of the financial risk of operating a healthcare facility. Efforts to impose greater discounts and more stringent cost controls are expected to continue. Any changes in reimbursement policies that reduce reimbursement levels could adversely affect the revenues of our lessees and mortgagors, thereby adversely affecting those lessees' and mortgagors' abilities to make their monthly lease or debt payments to us.

Fraud and Abuse Laws and Regulations

There are various extremely complex and largely uninterpreted federal and state laws governing a wide array of referrals, relationships and arrangements and prohibiting fraud by healthcare providers, including criminal provisions that prohibit filing false claims or making false statements to receive payment or certification under Medicare and Medicaid, or failing to refund overpayments or improper payments. The federal and state governments are devoting increasing attention and resources to anti-fraud initiatives against healthcare providers. Penalties for healthcare fraud have been increased and expanded over recent years, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs, and the Office of the Inspector General for the U.S. Department of Health and Human Services, in cooperation with other federal and state agencies, continues to focus on the activities of SNFs in certain states in which we have properties.

In addition, the federal False Claims Act allows a private individual with knowledge of fraud to bring a claim on behalf of the federal government and earn a percentage of the federal government's recovery. Because of these incentives, these so-called "whistleblower" suits have become more frequent. Some states currently have statutes that are analogous to the federal False Claims Act. The Deficit Reduction Act encourages additional states to enact such legislation and encourages increased enforcement activity by permitting states to retain 10% of any recovery for that state's Medicaid program. The violation of any of these laws or regulations by an operator may result in the imposition of fines or other penalties that could jeopardize that operator's ability to make lease or mortgage payments to us or to continue operating its facility.

Legislative and Regulatory Developments

Each year, legislative and regulatory proposals are introduced or proposed in Congress, state legislatures as well as by federal and state agencies that, if implemented, could result in major changes in the healthcare system, either nationally or at the state level. In addition, regulatory proposals and rules are released on an ongoing basis that may have major impacts on the healthcare system generally and the industries in which our operators do business. Legislative and regulatory developments can be expected to occur on an ongoing basis at the local, state and federal levels that have direct or indirect impacts on the policies governing the reimbursement levels paid to our facilities by public and private third-party payors, the costs of doing business and the threshold requirements that must be met for facilities to continue operation or to expand.

The Medicare Modernization Act, which is one example of such legislation, was enacted in December 2003. The significant expansion of other benefits for Medicare beneficiaries under this Act, such as the prescription drug benefit, could result in financial pressures on the Medicare program that might result in future legislative and regulatory changes with impacts on our operators. Although the creation of a prescription drug benefit for Medicare beneficiaries was expected to generate fiscal relief for state Medicaid programs, the structure of the benefit and costs associated with its implementation may mitigate the relief for states that was anticipated.

The Deficit Reduction Act is another example of such legislation. The provisions in the legislation designed to create cost savings from both Medicare and Medicaid could diminish reimbursement for our operators under both Medicare and Medicaid.

CMS also launched the Nursing Home Quality Initiative program in 2002, which requires nursing homes participating in Medicare to provide consumers with comparative information about the quality of care at the facility. In the event any of our operators do not maintain the same or superior levels of quality care as their competitors, patients could choose alternate facilities, which could adversely impact our operators' revenues. In addition, the reporting of such information could lead in the future to reimbursement policies that reward or penalize facilities on the basis of the reported quality of care parameters. In late 2005, CMS began soliciting public comments regarding a demonstration to examine pay-for-performance approaches in the nursing home setting that would offer financial incentives for facilities to deliver high quality care. The proposed three-year demonstration could begin as early as late 2006. Other proposals under consideration include efforts by individual states to control costs by decreasing state Medicaid reimbursements in the current or future fiscal years and federal legislation addressing various issues, such as improving quality of care and reducing medical errors throughout the health care industry. We cannot accurately predict whether specific proposals will be adopted or, if adopted, what effect, if any, these proposals would have on operators and, thus, our business.

Significant Highlights

The following significant highlights occurred during the twelve-month period ended December 31, 2005.

Financing

- In May 2005, we fully redeemed our 8.625% Series B cumulative preferred stock.
- In November 2005, we issued 5.175 million shares of our common stock.
- In December 2005, we completed a primary offering of $50 million, 7% unsecured notes due 2014.
- In December 2005, we completed a primary offering of $175 million, 7% unsecured notes due 2016.
- In December 2005, we tendered for and purchased 79.3% of our $100 million aggregate principal amount of 6.95% notes due 2007.
- In December 2005, we authorized the redemption of 20.7% of all outstanding $100 million aggregate principal amount of 6.95% notes due 2007 that were not otherwise tendered.

Dividends

- In 2005, we paid common stock dividends of $0.20, $0.21, $0.22 and $0.22 per share, for stockholders of record on January 31, 2005, May 2, 2005, July 29, 2005 and October 31, 2005, respectively.

New Investments

- In January 2005, we acquired approximately $58 million of net new investments and leased to an existing third-party operator.
- In June 2005, we purchased two SNFs for approximately $10 million and leased them to an existing third-party operator.
- In June 2005, we purchased five SNFs for approximately $50 million and leased them to an existing third-party operator.
- In November 2005, we purchased three SNFs for approximately $13 million and leased them to an existing third-party operator.
- In December 2005, we closed on a first mortgage loan to an existing operator for approximately $62 million associated with six SNFs and one ALF.
- In December 2005, we purchased ten SNFs and one ALF for approximately $115 million and leased them to an existing third-party operator.

Re-leasing, Asset Sales and Other

- In January 2005, we re-leased one SNF to an affiliate of an existing operator.
- In February 2005, Mariner prepaid in full its approximately $60 million mortgage.
- In December 2005, AHC Properties, Inc. exercised its purchase option and purchased six ALFs from us for approximately $20 million.
- Throughout 2005, in various transactions, we sold eight SNFs and 50.4 acres of undeveloped land for cash proceeds of approximately $33 million.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our significant accounting policies are described in Note 2 to our audited consolidated financial statements. These policies were followed in preparing the consolidated financial statements for all periods presented. Actual results could differ from those estimates.

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

Revenue Recognition

With the exception of certain master leases, rental income and mortgage interest income are recognized as earned over the terms of the related master leases and mortgage notes, respectively. Such income generally includes periodic increases based on pre-determined formulas (i.e., such as increases in the CPI) as defined in the master leases and mortgage loan agreements. Reserves are taken against earned revenues from leases and mortgages when collection becomes questionable or when negotiations for restructurings of troubled operators result in significant uncertainty regarding ultimate collection.

The amount of the reserve is estimated based on what management believes will likely be collected. When collection is uncertain, lease revenues are recorded when received, after taking into account application of security deposits. Interest income on impaired mortgage loans is recognized when received after taking into account application of principal repayments and security deposits.

We recognize the minimum base rental revenue under master leases with fixed increases on a straight-line basis over the term of the related lease. Accrued straight-line rents represent the rental revenue recognized in excess of rents due under the lease agreements at the balance sheet date.

Gains on sales of real estate assets are recognized pursuant to the provisions of SFAS No. 66, *Accounting for Sales of Real Estate*. The specific timing of the recognition of the sale and the related gain is measured against the various criteria in SFAS No. 66 related to the terms of the transactions and any continuing involvement associated with the assets sold. To the extent the sales criteria are not met, we defer gain recognition until the sales criteria are met.

Depreciation and Asset Impairment

Under GAAP, real estate assets are stated at the lower of depreciated cost or fair value, if deemed impaired. Depreciation is computed on a straight-line basis over the estimated useful lives of 25 to 40 years for buildings and improvements and 3 to 10 years for furniture, fixtures and equipment. Management periodically, but not less than annually, evaluates our real estate investments for impairment indicators, including the evaluation of our assets' useful lives. The judgment regarding the existence of impairment indicators is based on factors such as, but not limited to, market conditions, operator performance and legal structure. If indicators of impairment are present, management evaluates the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying facilities. Provisions for impairment losses related to long-lived assets are recognized when expected future undiscounted cash flows are determined to be permanently less than the carrying values of the assets. An adjustment is made to the net carrying value of the leased properties and other long-lived assets for the excess of historical cost over fair value. The fair value of the real estate investment is determined by market research, which includes valuing the property as a nursing home as well as other alternative uses. All impairments are taken as a period cost at that time, and depreciation is adjusted going forward to reflect the new value assigned to the asset.

If we decide to sell rental properties or land holdings, we evaluate the recoverability of the carrying amounts of the assets. If the evaluation indicates that the carrying value is not recoverable from estimated net sales proceeds, the property is written down to estimated fair value less costs to sell. Our estimates of cash flows and fair values of the properties are based on current market conditions and consider matters such as rental rates and occupancies for comparable properties, recent sales data for comparable properties, and, where applicable, contracts or the results of negotiations with purchasers or prospective purchasers.

For the years ended December 31, 2005, 2004, and 2003, we recognized impairment losses of $9.6 million, $0.0 million and $8.9 million, respectively, including amounts classified within discontinued operations.

Loan Impairment

Management, periodically but not less than annually, evaluates our outstanding loans and notes receivable. When management identifies potential loan impairment indicators, such as non-payment under the loan documents, impairment of the underlying collateral, financial difficulty of the operator or other circumstances that may impair full execution of the loan documents, and management believes these indicators are permanent, then the loan is written down to the present value of the expected future cash flows. In cases where expected future cash flows cannot be estimated, the loan is written down to the fair value of the collateral. The fair value of the loan is determined by market research,

which includes valuing the property as a nursing home as well as other alternative uses. We recorded loan impairments of $0.1 million, $0.0 million and $0.0 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Assets Held for Sale and Discontinued Operations

Pursuant to the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* , the operating results of specified real estate assets that have been sold, or otherwise qualify as held for disposition (as defined by SFAS No. 144), are reflected as discontinued operations in the consolidated statements of operations for all periods presented. We had three assets held for sale as of December 31, 2005 with a combined net book value of $1.2 million. We held no assets that qualified as held for sale as of December 31, 2004.

Results of Operations

The following is our discussion of the consolidated results of operations, financial position and liquidity and capital resources, which should be read in conjunction with our audited consolidated financial statements and accompanying notes.

Year Ended December 31, 2005 compared to Year Ended December 31, 2004

Operating Revenues

Our operating revenues for the year ended December 31, 2005 totaled $105.8 million, an increase of $21.1 million, over the same period in 2004. The $21.1 million increase was primarily a result of new investments made throughout 2004 and 2005, contractual interest revenue associated with the payoff of a mortgage note, re-leasing and restructuring activities completed throughout 2004 and 2005, as well as scheduled contractual increases in rents. The increase in operating revenues from new investments was partially offset by a reduction in mortgage interest income.

Detailed changes in operating revenues for the year ended December 31, 2005 are as follows:

- Rental income was $92.4 million, an increase of $24.0 million over the same period in 2004. The increase was due to new leases entered into throughout 2004 and 2005, re-leasing and restructuring activities and scheduled contractual increases in rents.

- Mortgage interest income totaled $6.5 million, a decrease of $6.7 million over the same period in 2004. The decrease is primarily the result of normal amortization and a $60 million loan payoff that occurred in the first quarter of 2005.

- Miscellaneous revenue was $4.5 million, an increase of $3.6 million over the same period in 2004. The increase was due to contractual revenue owed to us as a result of a mortgage note prepayment.

Operating Expenses

Operating expenses for the year ended December 31, 2005 totaled $39.3 million, an increase of approximately $11.3 million over the same period in 2004. The increase was primarily due to $5.5 million non-cash provision for impairment charges recorded throughout 2005, a $1.1 million lease expiration accrual recorded in 2005 and $5.0 million of increased depreciation expense.

Detailed changes in our operating expenses for the year ended December 31, 2005 are as follows:

- Our depreciation and amortization expense was $24.2 million, compared to $19.2 million for the same period in 2004. The increase is due to new investments placed throughout 2004 and 2005.

- Our general and administrative expense, when excluding restricted stock amortization expense, was $7.4 million, compared to $7.7 million for the same period in 2004.

- A $5.5 million provision for impairment charge was recorded to reduce the carrying value on three facilities to their estimated fair value during the twelve months ended December 31, 2005.

- A $0.1 million provision for uncollectible notes receivable.

- A $1.1 million lease expiration accrual relating to disputed capital improvement requirements associated with a lease that expired June 30, 2005.

Other Income (Expense)

For the year ended December 31, 2005, our total other net expenses were $36.3 million as compared to $46.6 million for the same period in 2004. The significant changes are as follows:

- Our interest expense, excluding amortization of deferred costs and refinancing related interest expenses, for the year ended December 31, 2005 was $29.9 million, compared to $23.1 million for the same period 2004. The increase of $6.8 million was primarily due to higher debt on our balance sheet versus the same period in 2004.

- For the year ended December 31, 2005, we recorded a $2.8 million non-cash charge associated with the tender and purchase of 79.3% of our $100 million aggregate principal amount of 6.95% unsecured notes due 2007.

- For the year ended December 31, 2005, we recorded a $3.4 million provision for impairment on an equity security. In accordance with FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities* , we recorded the provision for impairment to write-down our 760,000 share investment in Sun common stock to its then current fair market value of $4.9 million.

- For the year ended December 31, 2004, we recorded $19.1 million of refinancing-related charges associated with refinancing our capital structure. The $19.1 million consists of a $6.4 million exit fee paid to our old bank syndication and a $6.3 million non-cash deferred financing cost write-off associated with the termination of our $225 million credit facility and our $50 million acquisition facility, and a loss of approximately $6.5 million associated with the sale of an interest rate cap.

- For the year ended December 31, 2005, we recorded a $1.6 million in net cash proceeds resulting from settlement of a lawsuit filed suit filed by us against a former tenant.

- For the year ended December 31, 2004, we recorded a $3.0 million charge associated with professional liability claims made against our former owned and operated facilities.

2005 Income from Discontinued Operations

Discontinued operations relate to properties we disposed of in 2005 or are currently held-for-sale and are accounted for as discontinued operations under SFAS No. 144. For the year ended December 31, 2005, we sold eight SNFs, six ALFs and 50.4 acres of undeveloped land for combined cash proceeds of approximately $53 million, net of closing costs and other expenses, resulting in a combined accounting gain of approximately $8.0 million.

We had three assets held for sale as of December 31, 2005 with a combined net book value of $1.2 million. During the three months ended March 31, 2005, a $3.7 million provision for impairment charge was recorded to reduce the carrying value on two facilities, which were subsequently closed, to their estimated fair value. During the three months ended December 31, 2005, a $0.5 million

impairment charge was recorded to reduce the carrying value of one facility, currently under contract to be sold in the first quarter of 2006, to its sales price.

In accordance with SFAS No. 144, the $8.0 million realized net gain as well as the combined $4.2 million impairment charge is reflected in our consolidated statements of operations as discontinued operations.

Funds From Operations

Our funds from operations available to common stockholders ("FFO"), for the year ended December 31, 2005, was $40.6 million, compared to a deficit of $21.9 million, for the same period in 2004.

We calculate and report FFO in accordance with the definition and interpretive guidelines issued by the National Association of Real Estate Investment Trusts ("NAREIT"), and, consequently, FFO is defined as net income available to common stockholders, adjusted for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization. We believe that FFO is an important supplemental measure of our operating performance. Because the historical cost accounting convention used for real estate assets requires depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time, while real estate values instead have historically risen or fallen with market conditions. The term FFO was designed by the real estate industry to address this issue. FFO herein is not necessarily comparable to FFO of other real estate investment trusts ("REITs") that do not use the same definition or implementation guidelines or interpret the standards differently from us.

We use FFO as one of several criteria to measure operating performance of our business. We further believe that by excluding the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO can facilitate comparisons of operating performance between periods and between other REITs. We offer this measure to assist the users of our financial statements in evaluating our financial performance under GAAP, and FFO should not be considered a measure of liquidity, an alternative to net income or an indicator of any other performance measure determined in accordance with GAAP. Investors and potential investors in our securities should not rely on this measure as a substitute for any GAAP measure, including net income.

In February 2004, NAREIT informed its member companies that it was adopting the position of the Securities and Exchange Commission ("SEC") with respect to asset impairment charges and would no longer recommend that impairment write-downs be excluded from FFO. In the tables included in this disclosure, we have applied this interpretation and have not excluded asset impairment charges in calculating our FFO. As a result, our FFO may not be comparable to similar measures reported in previous disclosures. According to NAREIT, there is inconsistency among NAREIT member companies as to the adoption of this interpretation of FFO. Therefore, a comparison of our FFO results to another company's FFO results may not be meaningful.

The following table presents our FFO results reflecting the impact of asset impairment charges (the SECs interpretation) for the years ended December 31, 2005 and 2004:

	Year Ended December 31,	
	2005	2004
Net income (loss) available to common	$ 23,290	$ (40,123)
Deduct gain from real estate dispositions(1)	(7,969)	(3,310)
	15,321	(43,433)
Elimination of non-cash items included in net income (loss):		
Depreciation and amortization(2)	25,277	21,551
Funds from operations available to common stockholders	$ 40,598	$ (21,882)

(1) The deduction of the gain from real estate dispositions includes the facilities classified as discontinued operations in our consolidated financial statements. The gain deducted includes $8.0 million gain and $3.3 million gain related to facilities classified as discontinued operations for the year ended December 31, 2005 and 2004, respectively.

(2) The add back of depreciation and amortization includes the facilities classified as discontinued operations in our consolidated financial statements. FFO for 2005 and 2004 includes depreciation and amortization of $1.1 million and $2.3 million, respectively, related to facilities classified as discontinued operations.

Taxes

No provision for federal income taxes has been made since we qualify as a REIT under the provisions of Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. For tax year 2005, preferred and common dividend payments of approximately $56 million made throughout 2005 satisfy the 2005 REIT requirements (which states we must distribute at least 90% of our REIT taxable income for the taxable year and meet certain other conditions). We are permitted to own up to 100% of a "taxable REIT subsidiary" ("TRS"). Currently we have two TRSs that are taxable as corporations and that pay federal, state and local income tax on their net income at the applicable corporate rates. These TRSs had net operating loss carry-forwards as of December 31, 2005 of $14.4 million. These loss carry-forwards were fully reserved with a valuation allowance due to uncertainties regarding realization.

Year Ended December 31, 2004 compared to Year Ended December 31, 2003

Operating Revenues

Our operating revenues for the year ended December 31, 2004 totaled $84.8 million, an increase of $4.1 million from the same period in 2003. When excluding nursing home revenues of owned and operated assets, revenues increased $8.5 million. The $8.5 million increase was primarily a result of new investments made in the second and fourth quarters of 2004, re-leasing and restructuring activities completed throughout 2003 and during the first quarter of 2004, as well as scheduled contractual increases in rents.

Detailed changes in operating revenues for the year ended December 31, 2004 are as follows:

- Rental income was $68.3 million, an increase of $10.7 million over the same period in 2003. The increase was due to new leases entered into in April, November and December of 2004, re-leasing and restructuring activities and scheduled contractual increases in rents.

- Mortgage interest income totaled $13.3 million, a decrease of $1.4 million over the same period in 2003. The decrease is primarily the result of mortgage payoffs during 2004, the restructuring of two mortgages during 2003 and normal amortization and was partially offset by a new mortgage placed in November 2004.

- Other investment income totaled $2.3 million, a decrease of $0.6 million over the same period in 2003. The primary reason for the decrease was due to the impact of the sale of our investment in a Baltimore, Maryland asset leased by the United States Postal Service ("USPS") in 2003.

Operating Expenses

Operating expenses for the year ended December 31, 2004 totaled $28.1 million, a decrease of approximately $4.9 million over the same period in 2003. When excluding nursing home expenses of owned and operated assets in 2003, operating expenses increased $0.6 million, primarily due to restricted stock amortization expense resulting from issuance of restricted stock grants in 2004. This increase was partially offset by reductions in general and administrative and legal costs.

Detailed changes in our operating expenses for the year ended December 31, 2004 are as follows:

- Our general and administrative expense, excluding legal expenses and restricted stock expense, was $6.2 million, compared to $6.6 million for the same period in 2003.

- Our legal expenses were $1.5 million, compared to $2.3 million for the same period in 2003. The decrease is largely attributable to a reduction of legal costs associated with our owned and operated facilities due to the releasing efforts, sales and/or closures of 33 owned and operated assets since December 31, 2001.

- Our restricted stock expense was $1.1 million, compared to $0 for the same period in 2003. The increase is due to the expense associated with restricted stock awards granted during 2004.

- As of December 31, 2004, we no longer owned any facilities that were previously recovered from customers. As a result, our nursing home expenses for owned and operated assets decreased to $0 from $5.5 million in 2003.

We believe that the presentation of our revenues and expenses, excluding nursing home owned and operated assets, provides a useful measure of the operating performance of our core portfolio as a REIT in view of the disposition of all of our owned and operated assets as of January 1, 2004.

Other Income (Expense)

For the year ended December 31, 2004, our total other net expenses were $46.6 million as compared to $21.0 million for the same period in 2003. The significant changes are as follows:

- Our interest expense, excluding amortization of deferred costs, for the year ended December 31, 2004 was $23.1 million, compared to $18.5 million for the same period in 2003. The increase of $4.6 million was primarily due to higher debt on our balance sheet versus the same period in 2003.

- For the year ended December 31, 2004, we recorded $19.1 million of refinancing-related charges associated with refinancing our capital structure. The $19.1 million consists of a $6.4 million exit fee paid to our old bank syndication and a $6.3 million non-cash deferred financing cost write-off associated with the termination of our $225 million credit facility and our $50 million acquisition facility, and a loss of approximately $6.5 million associated with the sale of an interest rate cap.

- For the year ended December 31, 2003, we recorded a $2.6 million one-time, non-cash charge associated with the termination of two credit facilities syndicated by Fleet and Provident Bank during 2003.

- For the year ended December 31, 2004, we recorded a $3.0 million charge associated with professional liability claims made against our former owned and operated facilities.

- For the year ended December 31, 2003, we recorded a legal settlement receipt of $2.2 million. In 2000, we filed suit against a title company (later adding a law firm as a defendant), seeking damages based on claims of breach of contract and negligence, among other things, as a result of the alleged failure to file certain Uniform Commercial Code financing statements on our behalf.

2004 Income (Loss) from Discontinued Operations

Discontinued operations relate to properties we disposed of in 2004 and are accounted for as discontinued operations under SFAS No. 144. For the year ended December 31, 2004, we sold six closed facilities, realizing proceeds of approximately $5.7 million, net of closing costs and other expenses, resulting in a net gain of approximately $3.3 million. In accordance with SFAS No. 144, the $3.3 million realized net gain is reflected in our consolidated statements of operations as discontinued operations.

Funds From Operations

Our funds from operations available to all equity holders, for the year ended December 31, 2004, was a deficit of $21.9 million, a decrease of $46.4 million as compared to $24.5 million for the same period in 2003. Our FFO for the year ended December 31, 2004, was a deficit of $21.9 million, a decrease of $56.9 million as compared to $35.0 million for the same period in 2003.

The following table presents our FFO results reflecting the impact of asset impairment charges (the SECs interpretation) for the years ended December 31, 2004 and 2003:

	Year Ended December 31,	
	2004	2003
Net (loss) income available to common	$ (40,123)	$ 2,915
Add back loss (deduct gain) from real estate dispositions(1)	(3,310)	149
	(43,433)	3,064
Elimination of non-cash items included in net (loss) income:		
Depreciation and amortization(2)	21,551	21,426
Funds from operations available to all equity holders	(21,882)	24,490
Series C Preferred Dividends	—	10,484
Funds from operations available to common stockholders	$ (21,882)	$ 34,974

(1) The add back of loss/deduction of gain from real estate dispositions includes the facilities classified as discontinued operations in our consolidated financial statements. The loss (deduct gain) add back includes $3.3 million gain and $0.8 million loss related to facilities classified as discontinued operations for the year ended December 31, 2004 and 2003, respectively.

(2) The add back of depreciation and amortization includes the facilities classified as discontinued operations in our consolidated financial statements. FFO for 2004 and 2003 includes depreciation and amortization of $2.3 million and $2.9 million, respectively, related to facilities classified as discontinued operations.

Portfolio Developments, New Investments and Recent Developments

The partial expiration of certain Medicare rate increases has had an adverse impact on the revenues of the operators of nursing home facilities and has negatively impacted some operators' ability to satisfy their monthly lease or debt payment to us. In several instances, we hold security deposits that can be applied in the event of lease and loan defaults, subject to applicable limitations under bankruptcy law with respect to operators seeking protection under title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended and supplemented, (the "Bankruptcy Code").

Below is a brief description, by third-party operator, of new investments or operator related transactions that occurred during the year ended December 31, 2005.

New Investments and Re-leasing Activities

CommuniCare Health Services, Inc.

- On December 16, 2005, we purchased ten SNFs and one ALF located in Ohio totaling 1,610 beds for a total investment of $115.3 million. The facilities were consolidated into a new ten year master lease and leased to affiliates of an existing operator, CommuniCare Health Services, Inc. ("CommuniCare"), with annualized rent increasing by approximately $11.6 million, subject to annual escalators, and two ten year renewal options.

- On June 28, 2005, we purchased five SNFs located in Ohio (3) and Pennsylvania (2), totaling 911 beds for a total investment, excluding working capital, of approximately $50 million. The SNFs were purchased from an unrelated third party and are now operated by affiliates of CommuniCare, with the five facilities being consolidated into an existing master lease.

Haven Eldercare, LLC

- On November 9, 2005, we entered into a first mortgage loan in the amount of $61.75 million on six SNFs and one ALF, totaling 878 beds. Four of the facilities are located in Rhode Island, two in New Hampshire and one in Massachusetts. The mortgagor of the facilities is an affiliate of Haven Eldercare, LLC ("Haven"), an existing operator of ours. The term of the mortgage is seven years. The interest rate is 10%, with annual escalators. At the end of the mortgage term, we will have the option to purchase the facilities for $61.75 million less the outstanding mortgage principal balance.

Nexion Health, Inc.

- On November 1, 2005, we purchased three SNFs in two separate transactions for a total investment of approximately $12.75 million. All three facilities, totaling 400 beds, are located in Texas. The facilities were consolidated into a master lease with a subsidiary of an existing operator, Nexion Health, Inc. The term of the existing master lease was extended to ten years and runs through October 31, 2015, followed by four renewal options of five years each.

Senior Management Services, Inc.

- Effective June 1, 2005, we purchased two SNFs for a total investment of approximately $9.5 million. Both facilities, totaling 440 beds, are located in Texas. The facilities were consolidated into a master lease with subsidiaries of an existing operator, Senior Management Services, Inc., with annualized rent increasing by approximately $1.1 million, with annual escalators. The term of the existing master lease was extended to ten years and runs through May 31, 2015, followed by two renewal options of ten years each.

Essex Healthcare Corporation

- On January 13, 2005, we closed on approximately $58 million of net new investments as a result of the exercise by American Health Care Centers ("American") of a put agreement with us for the purchase of 13 SNFs. The gross purchase price of approximately $79 million was offset by a purchase option of approximately $7 million and approximately $14 million in mortgage loans the Company had outstanding with American and its affiliates. The 13 properties, all located in Ohio, will continue to be leased by Essex Healthcare Corporation. The master lease and related agreements run through October 31, 2010.

Claremont Health Care Holdings, Inc.

- Effective January 1, 2005, we re-leased one SNF formerly leased to Claremont Health Care Holdings, Inc., located in New Hampshire and representing 68 beds to affiliates of an existing operator, Haven. This facility was added to an existing master lease, which expires on December 31, 2013, followed by two 10-year renewal options.

Assets Held-for-Sale

- During the three months ended December 31, 2005, a $0.5 million provision for impairment charge was recorded to reduce the carrying value of one facility, currently under contract to be sold in the first quarter of 2006, to its sales price.

- During the three months ended March 31, 2005, a $3.7 million provision for impairment charge was recorded to reduce the carrying value on two facilities, which were subsequently closed, to their estimated fair value.

Asset Dispositions and Mortgage Payoffs in 2005

Mariner Health Care, Inc.

- On February 1, 2005, Mariner Health Care, Inc. ("Mariner") exercised its right to prepay in full the $59.7 million aggregate principal amount owed to us under a promissory note secured by a mortgage with an interest rate of 11.57%, together with the required prepayment premium of 3% of the outstanding principal balance, an amendment fee and all accrued and unpaid interest.

Alterra Healthcare Corporation

- On December 1, 2005, AHC Properties, Inc., a subsidiary of Alterra Healthcare Corporation exercised its option to purchase six ALFs. We received cash proceeds of approximately $20.5 million, resulting in a gain of approximately $5.6 million.

Alden Management Services, Inc.

- On June 30, 2005, we sold four SNFs to subsidiaries of Alden Management Services, Inc., who previously leased the facilities from us. All four facilities are located in Illinois. The sales price totaled approximately $17 million. We received net cash proceeds of approximately $12 million plus a secured promissory note of approximately $5.4 million. The sale resulted in a non-cash accounting loss of approximately $4.2 million.

Other Asset Sales

- On November 3, 2005, we sold a SNF in Florida for net cash proceeds of approximately $14.1 million, resulting in a gain of approximately $5.8 million.

- On August 1, 2005, we sold 50.4 acres of undeveloped land, located in Ohio, for net cash proceeds of approximately $1 million. The sale resulted in a gain of approximately $0.7 million.

- During the three months ended March 31, 2005, we sold three facilities, located in Florida and California, for their approximate net book value realizing cash proceeds of approximately $6 million, net of closing costs and other expenses.

In accordance with SFAS No. 144, all related revenues and expenses as well as the $8.0 million realized net gain from the above mentioned facility sales are included within discontinued operations in our consolidated statements of operations for their respective time periods.

Liquidity and Capital Resources

At December 31, 2005, we had total assets of $1,015.7 million, stockholders equity of $429.7 million and debt of $566.2 million, representing approximately 56.9% of total capitalization.

The following table shows the amounts due in connection with the contractual obligations described below as of December 31, 2005.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Long-term debt(1)	$ 566,482	$ 21,072	$ 58,850	$ 960	$ 485,600
Other long-term liabilities	732	231	462	39	—
Total	$ 567,214	$ 21,303	$ 59,312	$ 999	$ 485,600

(1) The $566.5 million includes $20.7 million of the $100 million aggregate principal amount of 6.95% Senior Notes due 2007 that were authorized for redemption on December 30, 2005 and redeemed in full on January 18, 2006, $58.0 million borrowings under the $200 million credit facility borrowing that matures in March 2008, $310 million aggregate principal amount of 7.0% Senior Notes due 2014 and $175 million aggregate principal amount of 7% Senior Notes due 2016.

Financing Activities and Borrowing Arrangements

Bank Credit Agreements

We have a $200 million revolving senior secured credit facility ("Credit Facility"). At December 31, 2005, $58.0 million was outstanding under the Credit Facility and $3.9 million was utilized for the issuance of letters of credit, leaving availability of $138.1 million. On April 26, 2005, we amended our Credit Facility to reduce both LIBOR and Base Rate interest spreads (as defined in the Credit Facility) by 50 basis points for borrowings outstanding. The $58.0 million of outstanding borrowings had a blended interest rate of 7.12% at December 31, 2005.

Our long-term borrowings require us to meet certain property level financial covenants and corporate financial covenants, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. As of December 31, 2005, we were in compliance with all property level and corporate financial covenants.

$100 Million Aggregate Principal Amount of 6.95% Unsecured Notes Tender and Redemption

On December 16, 2005, we initiated a tender offer and consent solicitation for all of our outstanding $100 million aggregate principal amount 6.95% notes due 2007 (the "2007 Notes"). On December 30, 2005, we accepted for purchase 79.3% of the aggregate principal amount of the 2007 Notes outstanding that were tendered. On December 30, 2005, our Board of Directors also authorized

the redemption of all outstanding 2007 Notes that were not otherwise tendered. On December 30, 2005, upon our irrevocable funding of the full redemption price for the 2007 Notes and certain other acts required by the Indenture governing the 2007 Notes, the Trustee of the 2007 Notes certified in writing to us (the "Certificate of Satisfaction and Discharge") that the Indenture was satisfied and discharged as of December 30, 2005, except for certain provisions. In accordance with FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* , we removed 79.3% of the aggregate principal amount of the 2007 Notes, which were tendered in our tender offer and consent solicitation, and the corresponding portion of the funds held in trust by the Trustee to pay the tender price from our balance sheet and recognized $2.8 million of additional interest expense associated with the tender offer. On January 18, 2006, we completed the redemption of the remaining 2007 Notes not otherwise tendered. In connection with the redemption and in accordance with FASB No. 140, we will recognize $0.8 million of additional interest expense in the first quarter of 2006. As of January 18, 2006, none of the 2007 Notes remained outstanding.

$175 Million Aggregate Principal Amount of 7% Unsecured Notes Issuance

On December 30, 2005, we closed on a private offering of $175 million of 7% senior unsecured notes due 2016 ("2016 Notes") at an issue price of 99.109% of the principal amount of the notes (equal to a per annum yield to maturity of approximately 7.125%), resulting in gross proceeds to us of approximately $173.4 million. The 2016 Notes are unsecured senior obligations to us, which have been guaranteed by our subsidiaries. The 2016 Notes were issued in a private placement to qualified institutional buyers under Rule 144A under the Securities Act of 1933 (the "Securities Act"). A portion of the proceeds of this private offering was used to pay the tender price and redemption price of the 2007 Notes. Pursuant to the terms of a registration rights agreement entered into by us in connection with the consummation of the offering, we are obligated to file a registration statement with the SEC to offer to exchange registered notes for all of our outstanding unregistered 2016 Notes. The terms of the exchange notes will be identical to the terms of the 2016 Notes, except that the exchange notes will be registered under the Securities Act and therefore freely tradable (subject to certain conditions). The exchange notes will represent our unsecured senior obligations and will be guaranteed by all of our subsidiaries with unconditional guarantees of payment that rank equally with existing and future senior unsecured debt of such subsidiaries and senior to existing and future subordinated debt of such subsidiaries. There can be no assurance that we will experience full participation in the exchange offer. In the event all the 2016 Notes are not exchanged in the exchange offer, we will have two classes of 7% senior notes due 2016 outstanding.

$50 Million Aggregate Principal Amount of 7% Unsecured Notes Issuance

On December 2, 2005, we completed a privately placed offering of an additional $50 million aggregate principal amount of 7% senior notes due 2014 (the "2014 Add-on Notes") at an issue price of 100.25% of the principal amount of the notes (equal to a per annum yield to maturity of approximately 6.95%), resulting in gross proceeds to us of approximately $50.1 million. The terms of the 2014 Add-on Notes offered were substantially identical to our existing $200 million aggregate principal amount of 7% senior notes due 2014 issued in March 2004. The 2014 Add-on Notes were issued through a private placement to qualified institutional buyers under Rule 144A under the Securities Act. After giving effect to the issuance of the $50 million aggregate principal amount of this offering, we had outstanding $310 million aggregate principal amount of 7% senior notes due 2014. Pursuant to the terms of a registration rights agreement entered into by us in connection with the consummation of the offering, we are obligated to file a registration statement with the SEC to offer to exchange registered notes for all of our outstanding unregistered 2014 Add-on Notes. The terms of the exchange notes will be identical to the terms of the 2014 Add-on Notes, except that the exchange notes will be registered under the Securities Act and therefore freely tradable (subject to certain conditions). The exchange notes will represent our unsecured senior obligations and will be guaranteed by all of our

subsidiaries with unconditional guarantees of payment that rank equally with existing and future senior unsecured debt of such subsidiaries and senior to existing and future subordinated debt of such subsidiaries. There can be no assurance that we will experience full participation in the exchange offer. In the event all the 2014 Add-on Notes are not exchanged in the exchange offer, we will have two classes of 7% senior notes due 2014 outstanding.

5.175 Million Common Stock Offering

On November 21, 2005, we closed an underwritten public offering of 5,175,000 shares of our common stock at $11.80 per share, less underwriting discounts. The sale included 675,000 shares sold in connection with the exercise of an over-allotment option granted to the underwriters. We received approximately $58 million in net proceeds from the sale of the shares, after deducting underwriting discounts and before estimated offering expenses.

8.625% Series B Preferred Redemption

On May 2, 2005, we fully redeemed our 8.625% Series B Cumulative Preferred Stock (NYSE:OHI PrB) ("Series B Preferred Stock"). We redeemed the 2.0 million shares of Series B at a price of $25.55104, comprising the $25 liquidation value and accrued dividend. Under FASB-EITF Issue D-42, *The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock*, the repurchase of the Series B Preferred Stock resulted in a non-cash charge to net income available to common shareholders of approximately $2.0 million reflecting the write-off of the original issuance costs of the Series B Preferred Stock.

Dividends

In order to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to (A) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain), and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of non-cash income. In addition, if we dispose of any built-in gain asset during a recognition period, we will be required to distribute at least 90% of the built-in gain (after tax), if any, recognized on the disposition of such asset. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration. In addition, such distributions are required to be made pro rata, with no preference to any share of stock as compared with other shares of the same class, and with no preference to one class of stock as compared with another class except to the extent that such class is entitled to such a preference. To the extent that we do not distribute all of our net capital gain or do distribute at least 90%, but less than 100% of our "REIT taxable income," as adjusted, we will be subject to tax thereon at regular ordinary and capital gain corporate tax rates. In addition, our Credit Facility has certain financial covenants that limit the distribution of dividends paid during a fiscal quarter to no more than 95% of our immediately prior fiscal quarter's FFO as defined in the loan agreement governing the Credit Facility (the "Loan Agreement"), unless a greater distribution is required to maintain REIT status. The Loan Agreement defines FFO as net income (or loss) plus depreciation and amortization and shall be adjusted for charges related to: (i) restructuring our debt; (ii) redemption of preferred stock; (iii) litigation charges up to $5.0 million; (iv) non-cash charges for accounts and notes receivable up to $5.0 million; (v) non-cash compensation related expenses; and (vi) non-cash impairment charges.

Common Dividends

On January 17, 2006, the Board of Directors declared a common stock dividend of $0.23 per share, an increase of $0.01 per common share compared to the prior quarter. The common stock dividend was paid February 15, 2006 to common stockholders of record on January 31, 2006.

On October 18, 2005, the Board of Directors declared a common stock dividend of $0.22 per share that was paid November 15, 2005 to common stockholders of record on October 31, 2005.

On July 19, 2005, the Board of Directors declared a common stock dividend of $0.22 per share, an increase of $0.01 per common share compared to the prior quarter. This common stock dividend was paid August 15, 2005 to common stockholders of record on July 29, 2005.

On April 19, 2005, the Board of Directors declared a common stock dividend of $0.21 per share, an increase of $0.01 per common share compared to the prior quarter. The common stock dividend was paid May 16, 2005 to common stockholders of record on May 2, 2005.

On January 18, 2005, the Board of Directors declared a common stock dividend of $0.20 per share, an increase of $0.01 per common share compared to the prior quarter. The common stock dividend was paid February 15, 2005 to common stockholders of record on January 31, 2005.

Series D Preferred Dividends

On January 17, 2006, the Board of Directors declared regular quarterly dividends of approximately $0.52344 per preferred share on its 8.375% Series D cumulative redeemable preferred stock (the "Series D Preferred Stock"), that were paid February 15, 2006 to preferred stockholders of record on January 31, 2006. The liquidation preference for our Series D Preferred Stock is $25.00 per share. Regular quarterly preferred dividends for the Series D Preferred Stock represent dividends for the period November 1, 2005 through January 31, 2006.

On October 18, 2005, the Board of Directors declared the regular quarterly dividends of approximately $0.52344 per preferred share for its Series D Preferred Stock, that were paid on November 15, 2005 to preferred stockholders of record on October 31, 2005.

On July 19, 2005, the Board of Directors declared regular quarterly dividends of approximately $0.52344 per preferred share for its Series D Preferred Stock, that were paid August 15, 2005 to preferred stockholders of record on July 29, 2005.

On March 15, 2005, the Board of Directors declared regular quarterly dividends of approximately $0.52344 per preferred share for its Series D Preferred Stock, that were paid May 16, 2005 to preferred stockholders of record on May 2, 2005.

On January 18, 2005, the Board of Directors declared regular quarterly dividends of approximately $0.52344 per preferred share for its Series D Preferred Stock, that were paid February 15, 2005 to preferred stockholders of record on January 31, 2005.

Series B Preferred Dividends

In March 2005, our Board of Directors authorized the redemption of all outstanding 2.0 million shares of our Series B Preferred Stock. The Series B Preferred Stock was redeemed on May 2, 2005 for $25 per share, plus $0.55104 per share in accrued and unpaid dividends through the redemption date, for an aggregate redemption price of $25.55104 per share.

Liquidity

We believe our liquidity and various sources of available capital, including cash from operations, our existing availability under our Credit Facility and expected proceeds from mortgage payoffs are

more than adequate to finance operations, meet recurring debt service requirements and fund future investments through the next twelve months.

We regularly review our liquidity needs, the adequacy of cash flow from operations, and other expected liquidity sources to meet these needs. We believe our principal short-term liquidity needs are to fund:

- normal recurring expenses;
- debt service payments;
- preferred stock dividends;
- common stock dividends; and
- growth through acquisitions of additional properties.

The primary source of liquidity is our cash flows from operations. Operating cash flows have historically been determined by: (i) the number of facilities we lease or have mortgages on; (ii) rental and mortgage rates; (iii) our debt service obligations; and (iv) general and administrative expenses. The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment, especially to changes in interest rates. Changes in the capital markets environment may impact the availability of cost-effective capital and affect our plans for acquisition and disposition activity.

Cash and cash equivalents totaled $3.9 million as of December 31, 2005, a decrease of $8.1 million as compared to the balance at December 31, 2004. The following is a discussion of changes in cash and cash equivalents due to operating, investing and financing activities, which are presented in our Consolidated Statement of Cash Flows.

Operating Activities—Net cash flow from operating activities generated $73.0 million for the year ended December 31, 2005, as compared to $54.4 million for the same period in 2004. The $18.6 million increase is due primarily to: (i) incremental revenue associated with acquisitions completed throughout 2004 and 2005; (ii) one-time contractual revenue associated with a mortgage note prepayment; and (iii) normal working capital fluctuations during the period.

Investing Activities—Net cash flow from investing activities was an outflow of $195.3 million for the year ended December 31, 2005, as compared to an outflow of $106.2 million for the same period in 2004. The increase in outflows of $89.1 million was primarily due to $134 million of incremental acquisitions completed in 2005 versus 2004 partially offset by increased proceeds received from the assets sales in 2005 as compared to 2004.

Financing Activities—Net cash flow from financing activities was an inflow of $114.2 million for the year ended December 31, 2005 as compared to an inflow of $60.9 million for the same period in 2004. The change in financing cash flow was primarily a result of: (i) a public issuance of 5.2 million shares of our common stock at a price of $11.80 per share; (ii) private offerings of a combined $225 million of senior unsecured notes; and (iii) net borrowings on the Credit Facility in 2005 of $43 million versus net repayments on the Credit Facility in 2004 of $162.1 million. The financial cash inflows were partially offset by: (i) the redemption of our Series B Preferred Stock; (ii) tender offer and purchase of 79.3% of our 2007 Notes; (iii) funding with the Trustee the remaining 20.7% of our 2007 Notes; and (iv) payments of common and preferred dividend payments.

Effects of Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board issued FAS No. 123 (revised 2004), *Share-Based Payment* ("FAS No. 123R"), which is a revision of FAS No. 123, *Accounting for Stock-Based Compensation.* FAS No. 123R supersedes Accounting Principles Board ("APB") Opinion No. 25,

Accounting for Stock Issued to Employees, and amends FAS No. 95, *Statement of Cash Flows.* Registrants were initially required to adopt FAS No. 123R as of the beginning of the first interim or annual period that begins after June 15, 2005. On April 14, 2005, subsequent to the end of our 2005 first quarter, the Securities and Exchange Commission adopted a new rule that allows companies to implement FAS No. 123R at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005. We will adopt FAS No. 123R at the beginning of our 2006 fiscal year using the modified prospective method. The estimated additional expense to be recorded in 2006 as a result of this adoption is approximately $3 thousand.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

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

Mortgage notes receivable—The fair value of mortgage notes receivable is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Notes receivable—The fair value of notes receivable is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Borrowings under lines of credit arrangement— The carrying amount approximates fair value because the borrowings are interest rate adjustable.

Senior unsecured notes—The fair value of the senior unsecured notes is estimated by discounting the future cash flows using the current borrowing rate available for the similar debt.

The market value of our long-term fixed rate borrowings and mortgages is subject to interest rate risks. Generally, the market value of fixed rate financial instruments will decrease as interest rates rise and increase as interest rates fall. The estimated fair value of our total long-term borrowings at December 31, 2005 was approximately $568.7 million. A one percent increase in interest rates would result in a decrease in the fair value of long-term borrowings by approximately $31 million.

While we currently do not engage in hedging strategies, we may engage in such strategies in the future, depending on management's analysis of the interest rate environment and the costs and risks of such strategies.

OUR BUSINESS

Overview

We were incorporated in the State of Maryland on March 31, 1992. We are a self-administered real estate investment trust ("REIT"), investing in income-producing healthcare facilities, principally long-term care facilities located in the United States. We provide lease or mortgage financing to qualified operators of skilled nursing facilities ("SNFs") and, to a lesser extent, assisted living facilities ("ALFs"), rehabilitation and acute care facilities. We have historically financed investments through borrowings under our revolving credit facilities, private placements or public offerings of debt or equity securities, the assumption of secured indebtedness, or a combination of these methods.

Our portfolio of investments, as of December 31, 2005, consisted of 227 healthcare facilities, located in 27 states and operated by 35 third-party operators. This portfolio was made up of:

- 193 long-term healthcare facilities and two rehabilitation hospitals owned and leased to third parties; and
- fixed rate mortgages on 32 long-term healthcare facilities.

As of December 31, 2005, our gross investments in these facilities, net of impairments and before reserve for uncollectible loans, totaled approximately $1,102 million. In addition, we also held miscellaneous investments of approximately $23 million at December 31, 2005, consisting primarily of secured loans to third-party operators of our facilities.

Summary of Financial Information

The following tables summarize our revenues and real estate assets by asset category for 2005, 2004 and 2003. (See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Note 3—Properties" and "Note 4—Mortgage Notes Receivable" to our audited consolidated financial statements).

Revenues by Asset Category
(in thousands)

	Year ended December 31,		
	2005	2004	2003
Core assets:			
Lease rental income	$ 92,387	$ 68,338	$ 57,654
Mortgage interest income	6,527	13,266	14,656
Total core asset revenues	98,914	81,604	72,310
Other asset revenue	2,439	2,319	2,922
Miscellaneous income	4,459	831	1,048
Total revenue before owned and operated assets	105,812	84,754	76,280
Owned and operated assets revenue	—	—	4,395
Total revenue	$ 105,812	$ 84,754	$ 80,675

Real Estate Assets by Asset Category
(in thousands)

	As of December 31,	
	2005	2004
Core assets:		
Leased assets	$ 996,127	$ 808,574
Mortgaged assets	104,522	118,058
Total core assets	1,100,649	926,632
Other assets	23,490	29,699
Total real estate assets before held for sale assets	1,124,139	956,331
Held for sale assets	1,243	—
Total real estate assets	$ 1,125,382	$ 956,331

Properties

At December 31, 2005, our real estate investments included long-term care facilities and rehabilitation hospital investments, either in the form of purchased facilities which are leased to operators, mortgages on facilities which are operated by the mortgagors or their affiliates and facilities subject to leasehold interests. The facilities are located in 27 states and are operated by 35 unaffiliated operators. The following table summarizes our property investments as of December 31, 2005:

Investment Structure/Operator	Number of Beds	Number of Facilities	Occupancy Percentage(1)	Gross Investment
				(in thousands)
Purchase/Leaseback(2)				
CommuniCare Health Services.	2,781	18	86	$ 185,528
Sun Healthcare Group, Inc	3,556	32	88	160,701
Advocat, Inc	2,997	29	76	92,260
Guardian LTC Management, Inc	1,243	16	84	80,129
Essex Health Care Corp	1,421	13	76	79,354
Haven Healthcare	909	8	93	55,480
Seacrest Healthcare	720	6	93	44,223
HQM of Floyd County, Inc	643	6	88	38,215
Senior Management	1,413	8	78	35,243
Mark Ide Limited Liability Company	832	8	78	24,566
Harborside Healthcare Corporation	465	4	89	23,393
StoneGate SNF Properties, LP	664	6	89	21,781
Infinia Properties of Arizona, LLC	378	4	61	19,119
Nexion Management	531	4	92	17,354
USA Healthcare, Inc	489	5	73	15,035
Rest Haven Nursing Center, Inc	200	1	91	14,400
Conifer Care Communities, Inc.	198	3	90	14,367
Washington N&R, LLC	286	2	74	12,152
Triad Health Management of Georgia II, LLC	304	2	98	10,000
The Ensign Group, Inc	271	3	93	9,656
Lakeland Investors, LLC	300	1	68	8,522
Hickory Creek Healthcare Foundation, Inc.	138	2	86	7,250
Liberty Assisted Living Centers, LP	120	1	91	5,995
Emeritus Corporation	52	1	72	5,674
Longwood Management Corporation	185	2	88	5,425

Generations Healthcare, Inc.	60	1	82	3,007
Skilled Healthcare	59	1	89	2,012
American Senior Communities, LLC	78	2	89	2,000
Healthcare Management Services	98	1	58	1,486
Carter Care Centers, Inc.	58	1	77	1,300
Saber Healthcare Group	40	1	28	500
	21,489	192	83	996,127
Assets Held for Sale				
Closed Facilities	167	2	0	493
Sun Healthcare Group, Inc.	59	1	73	750
	226	3	73	1,243
Fixed Rate Mortgages(3)				
Haven Healthcare	878	7	84	61,750
Advocat, Inc	423	4	83	12,634
Parthenon Healthcare, Inc.	300	2	71	10,732
Hickory Creek Healthcare Foundation, Inc	619	15	84	9,991
CommuniCare Health Services	150	1	88	6,496
Texas Health Enterprises/HEA Mgmt. Group, Inc	147	1	68	1,476
Evergreen Healthcare	100	1	67	1,179
Paris Nursing Home, Inc	144	1	70	264
	2,761	32	77	104,522
Reserve for uncollectible loans	—	—	—	—
Total	24,476	227	82	$ 1,101,892

(1) Represents the most recent data provided by our operators.

(2) Certain of our lease agreements contain purchase options that permit the lessees to purchase the underlying properties from us.

(3) In general, many of our mortgages contain prepayment provisions that permit prepayment of the outstanding principal amounts thereunder.

The following table presents the concentration of our facilities by state as of December 31, 2005:

	Number of Facilities	Number of Beds	Gross Investment	% of Total Investment
			(in thousands)	
Ohio	38	4,647	$ 278,036	25.2
Florida	18	2,302	111,598	10.1
Pennsylvania	16	1,532	101,038	9.2
Texas	19	2,768	71,516	6.5
California	17	1,394	62,715	5.7
Arkansas	12	1,253	40,008	3.6
Massachusetts	6	682	38,884	3.5
Rhode Island	4	639	38,740	3.5
West Virginia	8	860	38,275	3.5
Alabama	9	1,152	35,942	3.3
Connecticut	5	562	35,453	3.2
Kentucky	9	757	27,437	2.5
Indiana	22	1,126	26,567	2.4
North Carolina	5	707	22,709	2.1
New Hampshire	3	225	21,619	1.9
Arizona	4	378	19,119	1.7
Tennessee	5	602	17,484	1.6
Washington	2	194	17,190	1.5
Iowa	5	489	15,035	1.4
Illinois	6	645	14,899	1.4
Colorado	3	198	14,367	1.3
Vermont	2	279	14,227	1.3
Missouri	2	286	12,152	1.1
Idaho	3	264	11,100	1.0
Georgia	2	304	10,000	1.0
Louisiana	1	131	4,603	0.4
Utah	1	100	1,179	0.1
	227	24,476	$ 1,101,892	100.0
Reserve for uncollectible loans	—	—	—	—
Total	227	24,476	$ 1,101,892	100.0

Geographically Diverse Property Portfolio. Our portfolio of properties is broadly diversified by geographic location. We have healthcare facilities located in 27 states. Only one state comprised more than 10% of our rental and mortgage income in 2005. In addition, the majority of our 2005 rental and mortgage income was derived from facilities in states that require state approval for development and expansion of healthcare facilities. We believe that such state approvals may limit competition for our operators and enhance the value of our properties.

Large Number of Tenants. Our facilities are operated by 35 different public and private healthcare providers. Except for Sun, CommuniCare and Haven, which together hold approximately 43% of our portfolio (by investment), no single tenant holds greater than 10% of our portfolio (by investment).

Significant Number of Long-term Leases and Mortgage Loans. A large portion of our core portfolio consists of long-term lease and mortgage agreements. At December 31, 2005, approximately 95% of our leases and mortgages had primary terms that expire in 2010 or later. Our leased real estate

properties are leased under provisions of single facility leases or master leases with initial terms typically ranging from 5 to 15 years, plus renewal options. Substantially all of the leases and master leases provide for minimum annual rentals that are subject to annual increases based upon increases in the CPI or increases in revenues of the underlying properties, with certain limits. Under the terms of the leases, the lessee is responsible for all maintenance, repairs, taxes and insurance on the leased properties.

Legal Proceedings

We are subject to various legal proceedings, claims and other actions arising out of the normal course of business. While any legal proceeding or claim has an element of uncertainty, management believes that the outcome of each lawsuit, claim or legal proceeding that is pending or threatened, or all of them combined, will not have a material adverse effect on our consolidated financial position or results of operations.

We and several of our wholly-owned subsidiaries have been named as defendants in professional liability claims related to our former owned and operated facilities. Other third-party managers responsible for the day-to-day operations of these facilities have also been named as defendants in these claims. In these suits, patients of certain previously owned and operated facilities have alleged significant damages, including punitive damages against the defendants. The majority of these lawsuits representing the most significant amount of exposure were settled in 2004. There currently is one lawsuit pending that is in the discovery stage, and we are unable to predict the likely outcome of this lawsuit at this time.

In 1999, we filed suit against a former tenant seeking damages based on claims of breach of contract. The defendants denied the allegations made in the lawsuit. In settlement of our claim against the defendants, we agreed in the fourth quarter of 2005 to accept a lump sum cash payment of $2.4 million. The cash proceeds were offset by related expenses incurred of $0.8 million, resulting in a net gain of $1.6 million paid December 22, 2005.

During the second quarter of 2005, we accrued $0.75 million for potential obligations relating to disputed capital improvement requirements associated with a lease that expired June 30, 2005. Although no formal complaint for damages was filed against us, in February of 2006, we agreed to settle this dispute for approximately $1.0 million. As a result, we recorded a $0.3 million lease expiration expense charge during the three-month period ended December 31, 2005.

Investment Policies and Policies with Respect to Certain Activities

Investment Strategy. We maintain a diversified portfolio of long-term healthcare facilities and mortgages on healthcare facilities located throughout the United States. In making investments, we generally have focused on established, creditworthy, middle-market healthcare operators that meet our standards for quality and experience of management. We have sought to diversify our investments in terms of geographic locations and operators.

In evaluating potential investments, we consider such factors as:

- the quality and experience of management and the creditworthiness of the operator of the facility;
- the facility's historical and forecasted cash flow and its ability to meet operational needs, capital expenditure requirements and lease or debt service obligations, providing a competitive return on our investment;
- the construction quality, condition and design of the facility;
- the geographic area of the facility;

- the tax, growth, regulatory and reimbursement environment of the jurisdiction in which the facility is located;
- the occupancy and demand for similar healthcare facilities in the same or nearby communities; and
- the payor mix of private, Medicare and Medicaid patients.

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

We prefer to invest in equity ownership of properties because we seek to acquire assets primarily for generation of income. Due to regulatory, tax or other considerations, we sometimes pursue alternative investment structures, including convertible participating and participating mortgages, which can achieve returns comparable to equity investments. The following summarizes the primary investment structures we typically use. Average annualized yields reflect existing contractual arrangements. However, in view of the ongoing financial challenges in the long-term care industry, we cannot assure you that the operators of our facilities will meet their payment obligations in full or when due. Therefore, the annualized yields as of January 1, 2006 set forth below are not necessarily indicative of or a forecast of actual yields, which may be lower.

Purchase/Leaseback. In a Purchase/Leaseback transaction, we purchase the property from the operator and lease it back to the operator over terms typically ranging from 5 to 15 years, plus renewal options. The leases originated by us generally provide for minimum annual rentals which are subject to annual formula increases based upon such factors as increases in the Consumer Price Index ("CPI"). The average annualized yield from leases was approximately 10.8% at January 1, 2006.

Convertible Participating Mortgage. Convertible participating mortgages are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor. Interest rates are usually subject to annual increases based upon increases in the CPI. Convertible participating mortgages afford us the option to convert our mortgage into direct ownership of the property, generally at a point five to ten years from inception. If we exercise our purchase option, we are obligated to lease the property back to the operator for the balance of the originally agreed term and for the originally agreed participations in revenues or CPI adjustments. This allows us to capture a portion of the potential appreciation in value of the real estate. The operator has the right to buy out our option at prices based on specified formulas. At December 31, 2005, we did not have any convertible participating mortgages.

Participating Mortgage. Participating mortgages are similar to convertible participating mortgages except that we do not have a purchase option. Interest rates are usually subject to annual increases based upon increases in the CPI. At December 31, 2005, we did not have any participating mortgages.

Fixed-Rate Mortgage. These mortgages have a fixed interest rate for the mortgage term and are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor. The average annualized yield on these investments was approximately 10.4% at January 1, 2006.

The following table identifies the years of expiration of the 2006 payment obligations due to us under existing contractual obligations. This information is provided solely to indicate the scheduled expiration of payment obligations due to us and is not a forecast of expected revenues.

	Rent	Mortgage Interest	Total	%
		(in thousands)		
2006	$ 1,690	$ 2,233	$ 3,923	3.30%
2007	371	24	395	0.33
2008	1,429	—	1,429	1.20
2009	—	—	—	—
2010	22,412	1,453	23,865	20.10
Thereafter	81,931	7,193	89,124	75.07
Total	$ 107,833	$ 10,903	$ 118,736	100.00%

The table set forth in "Properties" contains information regarding our real estate properties, their geographic locations, and the types of investment structures as of December 31, 2005.

Borrowing Policies. We may incur additional indebtedness and have historically sought to maintain annualized total debt-to-EBITDA ratio in the range of 4 to 5 times. Annualized EBITDA is defined as earnings before interest, taxes, depreciation and amortization for a twelve month period. We intend to periodically review our policy with respect to our total debt-to-EBITDA ratio and to modify the policy as our management deems prudent in light of prevailing market conditions. Our strategy generally has been to match the maturity of our indebtedness with the maturity of our investment assets and to employ long-term, fixed-rate debt to the extent practicable in view of market conditions in existence from time to time.

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

If we need capital to repay indebtedness as it matures, we may be required to liquidate investments in properties at times which may not permit realization of the maximum recovery on these investments. This could also result in adverse tax consequences to us. We may be required to issue additional equity interests in our company, which could dilute your investment in our company. ("Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources").

Federal Income Tax Considerations. We intend to make and manage our investments, including the sale or disposition of property or other investments, and to operate in such a manner as to qualify as a REIT under the Internal Revenue Code of 1986, as amended ("Internal Revenue Code"), unless, because of changes in circumstances or changes in the Internal Revenue Code, our Board of Directors determines that it is no longer in our best interest to qualify as a REIT. As a REIT, we generally will not pay federal income taxes on the portion of our taxable income which is distributed to stockholders.

Policies With Respect To Certain Activities. If our Board of Directors determines that additional funding is required, we may raise such funds through additional equity offerings, debt financing, and retention of cash flow (subject to provisions in the Internal Revenue Code concerning taxability of undistributed REIT taxable income) or a combination of these methods.

Borrowings may be in the form of bank borrowings, secured or unsecured, and publicly or privately placed debt instruments, purchase money obligations to the sellers of assets, long-term, tax-exempt bonds or financing from banks, institutional investors or other lenders, or securitizations, any of which indebtedness may be unsecured or may be secured by mortgages or other interests in our assets. Holders of such indebtedness may have recourse to all or any part of our assets or may be limited to the particular asset to which the indebtedness relates.

We have authority to offer our common stock or other equity or debt securities in exchange for property and to repurchase or otherwise reacquire our shares or any other securities and may engage in such activities in the future.

In the past three years, we have issued the following debt and equity securities;

- 4,739,500 shares of Series D cumulative redeemable preferred stock;
- An aggregate of 11,917,736 shares of common stock in registered public offerings;
- $310 million in aggregate principal amount of 7% senior notes due 2014; and
- $175 million in aggregate principal amount of 7% senior notes due 2016.

Subject to the percentage of ownership limitations and gross income and asset tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities.

We may engage in the purchase and sale of investments. We do not underwrite the securities of other issuers.

Reporting Policies. We make our annual and quarterly reports on Forms 10-K and 10-Q available to our stockholders pursuant to the requirements of the Securities Exchange Act of 1934. We may elect to deliver other forms or reports to stockholders from time to time.

Our officers and directors may change any of these policies without a vote of our stockholders.

In the opinion of our management, our properties are adequately covered by insurance.

Conflicts of Interest Policies. We will not engage in any purchase, sale or lease of property or other business transaction in which our officers or directors have 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. We are currently unaware of any transactions with our company in which our directors or officers have a material interest.

The Maryland General Corporation Law provides that a contract or other transaction between a corporation and any of that corporation's directors or any other entity in which that director is also a director or has a material financial interest is not void or voidable solely on the grounds of the common directorship or interest, the fact that the director was present at the meeting at which the contract or transaction is approved or the fact that the director's vote was counted in favor of the contract or transaction, if:

- the fact of the common directorship or interest is disclosed to the board or a committee of the board, and the board or that committee authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even if the disinterested directors constitute less than a quorum;
- the fact of the common directorship or interest is disclosed to stockholders entitled to vote on the contract or transaction, and the contract or transaction is approved by a majority of the votes cast by the stockholders entitled to vote on the matter, other than votes of stock owned of record or beneficially by the interested director, corporation, firm or other entity; or
- the contract or transaction is fair and reasonable to the corporation.

MANAGEMENT

The following table sets forth the name and age of each of our executive officers and directors.

Name	Age	Position
Bernard J. Korman(1),(3),(4)	74	Chairman of the Board of Directors
Thomas F. Franke(1),(4),(6)	75	Director
Harold J. Kloosterman(1),(2),(3),(4),(7)	63	Director
Edward Lowenthal(1),(2),(4)	60	Director
Stephen D. Plavin(1),(2),(4),(5)	45	Director
C. Taylor Pickett(3)	44	Chief Executive Officer and Director
Daniel J. Booth	42	Chief Operating Officer
R. Lee Crabill, Jr.	52	Senior Vice President of Operations
Robert O. Stephenson	42	Chief Financial Officer

(1) Member of Compensation Committee.

(2) Member of Audit Committee.

(3) Member of Investment Committee.

(4) Member of Nominating and Corporate Governance Committee.

(5) Chairman of Audit Committee.

(6) Chairman of Compensation Committee.

(7) Chairman of Investment and Nominating and Corporate Governance Committees.

Set forth below are descriptions and backgrounds of each of our current executive officers and directors.

Directors of Our Company

Under the terms of our Articles of Incorporation, our Board of Directors is classified into three classes. Each class of directors serves for a term of three years, with one class being elected each year. As of the date of this prospectus, there are six directors, with two directors in each class.

Thomas F. Franke (76) is a Director and has served in this capacity since March 31, 1992. Mr. Franke is Chairman and a principal owner of Cambridge Partners, Inc., an owner, developer and manager of multifamily housing in Grand Rapids, Michigan. He is also a principal owner of Laurel Healthcare (a private healthcare firm operating in the United States) and is a principal owner of Abacus Hotels LTD. (a private hotel firm in the United Kingdom). Mr. Franke was a founder and previously a director of Principal Healthcare Finance Limited and Omega Worldwide, Inc. His term expires in 2006.

Harold J. Kloosterman (64) is a Director and has served in this capacity since September 1, 1992. Mr. Kloosterman has served as President since 1985 of Cambridge Partners, Inc., a company he formed in 1985. He has been involved in the development and management of commercial, apartment and condominium projects in Grand Rapids and Ann Arbor, Michigan and in the Chicago area. Mr. Kloosterman was formerly a Managing Director of Omega Capital from 1986 to 1992. Mr. Kloosterman has been involved in the acquisition, development and management of commercial and multifamily properties since 1978. He has also been a senior officer of LaSalle Partners, Inc. His term expires in 2008.

Bernard J. Korman (74) is Chairman of the Board and has served in this capacity since March 8, 2004. He has served as a director since October 19, 1993. Mr. Korman has been Chairman of the

Board of Trustees of Philadelphia Health Care Trust, a private healthcare foundation, since December 1995. He was formerly President, Chief Executive Officer and Director of MEDIQ Incorporated (OTC:MDDQP) (health care services) from 1977 to 1995. Mr. Korman is also a director of the following public companies: The New America High Income Fund, Inc. (NYSE:HYB) (financial services), Kramont Realty Trust (NYSE:KRT) (real estate investment trust), and NutraMax Products, Inc. (OTC:NUTP) (consumer health care products). Mr. Korman also previously served as a director of The Pep Boys, Inc. (NYSE:PBY) and served as its Chairman of the Board from May 28, 2003 until his retirement from such board in September 2004. Mr. Korman was previously a director of Omega Worldwide, Inc. His term expires in 2006.

Edward Lowenthal (61) is a Director and has served in this capacity since October 17, 1995. From January 1997 to March 2002, Mr. Lowenthal served as President and Chief Executive Officer of Wellsford Real Properties, Inc. (AMEX:WRP) (a real estate merchant bank), and was President of the predecessor of Wellsford Real Properties, Inc. since 1986. Mr. Lowenthal also serves as a director of WRP, REIS, Inc. (a private provider of real estate market information and valuation technology), Ark Restaurants (Nasdaq:ARKR) (a publicly traded owner and operator of restaurants), American Campus Communities (NYSE:ACC) (a public developer, owner and operator of student housing at the university level), Desarrolladora Homex (NYSE: HXM) (a Mexican homebuilder) and serves as a trustee of the Manhattan School of Music. His term expires in 2007.

C. Taylor Pickett (44) is the Chief Executive Officer of our company and has served in this capacity since June, 2001. Mr. Pickett is also a Director and has served in this capacity since May 30, 2002. Prior to joining our company, Mr. Pickett served as the Executive Vice President and Chief Financial Officer from January 1998 to June 2001 of Integrated Health Services, Inc., a public company specializing in post-acute healthcare services. He also served as Executive Vice President of Mergers and Acquisitions from May 1997 to December 1997 of Integrated Health Services. Prior to his roles as Chief Financial Officer and Executive Vice President of Mergers and Acquisitions, Mr. Pickett served as the President of Symphony Health Services, Inc. from January 1996 to May 1997. His term expires in 2008.

Stephen D. Plavin (46) is a Director and has served in this capacity since July 17, 2000. Mr. Plavin has been Chief Operating Officer of Capital Trust, Inc., (NYSE:CT) a New York City-based mortgage real estate investment trust ("REIT") and investment management company and has served in this capacity since 1998. In this role, Mr. Plavin is responsible for all of the lending, investing and portfolio management activities of Capital Trust, Inc. His term expires in 2007.

Executive Officers of Our Company

At the date of this prospectus, the executive officers of our company are:

C. Taylor Pickett (44) is the Chief Executive Officer and has served in this capacity since June, 2001. See "—Directors of our Company" above for additional information.

Daniel J. Booth (42) is the Chief Operating Officer and has served in this capacity since October, 2001. Prior to joining our company, Mr. Booth served as a member of Integrated Health Services' management team since 1993, most recently serving as Senior Vice President, Finance. Prior to joining Integrated Health Services, Mr. Booth was Vice President in the Healthcare Lending Division of Maryland National Bank (now Bank of America).

R. Lee Crabill, Jr. (52) is the Senior Vice President of Operations of our company and has served in this capacity since July, 2001. Mr. Crabill served as a Senior Vice President of Operations at Mariner Post-Acute Network, Inc. from 1997 through 2000. Prior to that, he served as an Executive Vice President of Operations at Beverly Enterprises.

Robert O. Stephenson (42) is the Chief Financial Officer and has served in this capacity since August, 2001. Prior to joining our company, Mr. Stephenson served from 1996 to July 2001 as the Senior Vice President and Treasurer of Integrated Health Services, Inc. Prior to Integrated Health Services, Mr. Stephenson held various positions at CSX Intermodal, Inc., Martin Marietta Corporation and Electronic Data Systems.

As of December 31, 2005, we had 17 full-time employees, including the four executive officers listed above.

EXECUTIVE COMPENSATION

Compensation of Directors

For the year ended December 31, 2005, each non-employee director received a cash payment equal to $20,000 per year, payable in quarterly installments of $5,000. Each non-employee director also received a quarterly grant of shares of common stock equal to the number of shares determined by dividing the sum of $5,000 by the fair market value of the common stock on the date of each quarterly grant, currently set at February 15, May 15, August 15, and November 15. At the director's option, the quarterly cash payment of director's fees may be payable in shares of common stock. In addition, each non-employee director was entitled to receive fees equal to $1,500 per meeting for attendance at each regularly scheduled meeting of the Board of Directors. For each teleconference or called special meeting of the Board of Directors, each non-employee director received $1,500 for meeting. The Chairman of the Board received an annual payment of $25,000 for being Chairman and each Committee Chair received an annual payment of $5,000. In addition, we reimbursed the directors for travel expenses incurred in connection with their duties as directors. Employee directors received no compensation for service as directors.

Each non-employee director was awarded options with respect to 10,000 shares at the date the plan was adopted or upon their initial election as a director. Prior to January 1, 2005, each non-employee director was awarded an additional option grant with respect to 1,000 shares on January 1 of each year they served as a director. Effective January 1, 2005, each non-employee director will be awarded restricted stock with respect to 1,000 shares on January 1 of each year they serve as a director. Effective January 1, 2005, the Chairman of the Board will be awarded an additional 2,000 restricted shares on January 1 of each year he serves as Chairman. All grants have been and will be at an exercise price equal to 100% of the fair market value of our common stock on the date of the grant. Non-employee director options and restricted stock vest ratably over a three year period beginning the date of grant.

For information regarding Executive Officers of our company, see Item 1—Business of the Company—Executive Officers of Our Company.

Compensation of Executive Officers

The following table sets forth, for the years ended December 31, 2005, 2004 and 2003, the compensation for services in all capacities to us of each person who served as chief executive officer during the year ended December 31, 2005 and the four most highly compensated executive officers serving at December 31, 2005.

					Long-Term Compensation			
		Annual Compensation			Award(s)		Payouts	
Name and Principal Position	Year	Salary($)(1)	Bonus($)	Other Annual Compensation ($)	Restricted Stock Award(s) ($)(2)	Securities Underlying Options/ SARs (#)	LTIP Payouts ($)	All Other Compensation ($)
C. Taylor Pickett	2005	495,000	555,000	—	—	—	—	6,300(5)
Chief Executive Officer	2004	480,000	600,000	—	1,317,500(1)	—	—	6,150(5)
	2003	463,500	463,500	—	—	—	—	6,000(5)
Daniel J. Booth	2005	305,000	192,500	—	—	—	—	6,300(5)
Chief Operating Officer	2004	295,000	221,250	—	790,500(2)	—	—	6,150(5)
	2003	283,250	141,625	—	—	—	—	6,000(5)
R. Lee Crabill, Jr.	2005	237,000	118,500	—	—	—	—	6,300(5)
Senior Vice President	2004	230,000	172,500	—	606,050(3)	—	—	6,150(5)
	2003	221,450	110,750	—	—	—	—	6,000(5)
Robert O. Stephenson	2005	245,000	162,500	—	—	—	—	6,300(5)
Chief Financial Officer	2004	235,000	176,250	—	632,400(4)	—	—	6,150(5)
	2003	221,450	110,750	—	—	—	—	6,000(5)

(1) Represents a restricted stock award of 125,000 shares of our common stock to Mr. Pickett on September 10, 2004, with one-third of the shares vesting on January 1, 2005, 2006 and 2007 respectively.

(2) Represents a restricted stock award of 75,000 shares of our common stock to Mr. Booth on September 10, 2004, with one-third of the shares vesting on January 1, 2005, 2006 and 2007 respectively.

(3) Represents a restricted stock award of 57,500 shares of our common stock to Mr. Crabill on September 10, 2004, with one-third of the shares vesting on January 1, 2005, 2006 and 2007 respectively.

(4) Represents a restricted stock award of 60,000 shares of our common stock to Mr. Stephenson on September 10, 2004, with one-third of the shares vesting on January 1, 2005, 2006 and 2007 respectively.

(5) Consists of our contributions to our 401(k) Profit-Sharing Plan.

Compensation and Employment Agreements

C. Taylor Pickett Employment Agreement

We entered into an employment agreement with C. Taylor Pickett, dated as of September 1, 2004, to be our Chief Executive Officer. The term of the agreement expires on December 31, 2007.

Mr. Pickett's base salary is $495,000 per year, subject to increase by us and provides that he will be eligible for an annual bonus of up to 100% of his base salary based on criteria determined by the Compensation Committee of our Board of Directors.

In connection with this employment agreement, we issued Mr. Pickett 125,000 shares of our restricted common stock on September 10, 2004, which vest 331/3% on each of January 1, 2005, January 1, 2006, and January 1, 2007, provided Mr. Pickett continues to work for us on the applicable vesting date. Dividends are paid currently on unvested shares and a dividend equivalent per share was paid in an amount equal to the dividend per share payable to shareholders of record as of July 30,

2004. Also in connection with this employment agreement, we issued Mr. Pickett 125,000 performance restricted stock units on September 10, 2004, which vest upon our attaining $0.30 per share of common stock per fiscal quarter in "Adjusted Funds from Operations" (as defined in the agreement) for two (2) consecutive quarters. Dividend equivalents accrue on unvested shares and are paid if the performance restricted stock units vest. Dividend equivalents on vested performance restricted stock units are paid currently. Performance restricted stock units which have not become vested as of December 31, 2007 are forfeited.

If we terminate Mr. Pickett's employment without "cause" or if he resigns for "good reason," he will be entitled to payment of his cash compensation (the sum of his then current annual base salary plus average annual bonus payable based on the three completed fiscal years prior to termination of employment) for a period of three (3) years. "Cause" is defined in the employment agreement to include events such as willful refusal to perform duties, willful misconduct in performance of duties, unauthorized disclosure of confidential company information, or fraud or dishonesty against us. "Good reason" is defined in the employment agreement to include events such as our material breach of the employment agreement or our relocation of Mr. Pickett's employment to more than 50 miles away without his consent.

Mr. Pickett is required to execute a release of claims against us as a condition to the payment of severance benefits. Severance is not paid if the term of the employment agreement expires. Mr. Pickett's restricted common stock and performance restricted stock units will become fully vested upon the occurrence of Mr. Pickett's death, disability, termination of employment without cause or resignation for good reason, or a "change in control" (as defined in the agreement). In the event of a change in control, severance and other change in control benefits are grossed up to cover federal excise taxes and taxes on the gross up. If Mr. Pickett dies during the term of the employment agreement, his estate is entitled to a prorated bonus for the year of his death.

Mr. Pickett is restricted from using any of our confidential information during his employment and for two years thereafter or from using any trade secrets during his employment and for as long thereafter as permitted by applicable law. During the period of employment and for one year thereafter, Mr. Pickett is obligated not to provide managerial services or management consulting services to a competing business. Competing businesses is defined to include a defined list of competitors and any other business with the primary purpose of leasing assets to healthcare operators or financing ownership or operation of senior, retirement or healthcare related real estate. In addition, during the period of employment and for one year thereafter, Mr. Pickett agrees not to solicit clients or customers with whom he had material contact or to solicit our management level or key employees. If the term of the employment agreement expires at December 31, 2007 and as a result no severance is paid, then these provisions also expire at December 31, 2007.

Daniel J. Booth Employment Agreement

We entered into an employment agreement with Daniel J. Booth, dated as of September 1, 2004, to be our Chief Operating Officer. The term of the agreement expires on December 31, 2007.

Mr. Booth's base salary is $305,000 per year, subject to increase by us and provides that he will be eligible for an annual bonus of up to 50% of his base salary based on criteria determined by the Compensation Committee of our Board of Directors.

In connection with this employment agreement, we issued Mr. Booth 75,000 shares of our restricted common stock on September 10, 2004, which vest 331/3% on each of January 1, 2005, January 1, 2006, and January 1, 2007, provided Mr. Booth continues to work for us on the applicable vesting date. Dividends are paid currently on unvested shares and a dividend equivalent per share was paid in an amount equal to the dividend per share payable to shareholders of record as of July 30, 2004. Also in connection with this employment agreement, we issued Mr. Booth 75,000 performance

restricted stock units on September 10, 2004, which vest upon our attaining $0.30 per share of common stock per fiscal quarter in "Adjusted Funds from Operations" (as defined in the agreement) for two (2) consecutive quarters. Dividend equivalents on vested performance restricted stock units are paid currently. Performance restricted stock units which have not become vested as of December 31, 2007 are forfeited.

If we terminate Mr. Booth's employment without "cause" or if he resigns for "good reason," he will be entitled to payment of his cash compensation (the sum of his then current annual base salary plus average annual bonus payable based on the three completed fiscal years prior to termination of employment) for a period of two (2) years. "Cause" is defined in the employment agreement to include events such as willful refusal to perform duties, willful misconduct in performance of duties, unauthorized disclosure of confidential company information, or fraud or dishonesty against us. "Good reason" is defined in the employment agreement to include events such as our material breach of the employment agreement or our relocation of Mr. Booth's employment to more than 50 miles away without his consent.

Mr. Booth is required to execute a release of claims against us as a condition to the payment of severance benefits. Severance is not paid if the term of the employment agreement expires. Mr. Booth's restricted common stock and performance restricted stock units will become fully vested upon the occurrence of Mr. Booth's death, disability, termination of employment without cause or resignation for good reason, or a "change in control" (as defined in the agreement). In the event of a change in control, severance and other change in control benefits are grossed up to cover federal excise taxes and taxes on the gross up. If Mr. Booth dies during the term of the employment agreement, his estate is entitled to a prorated bonus for the year of his death.

Mr. Booth is restricted from using any of our confidential information during his employment and for two years thereafter or from using any trade secrets during his employment and for as long thereafter as permitted by applicable law. During the period of employment and for one year thereafter, Mr. Booth is obligated not to provide managerial services or management consulting services to a competing business. Competing businesses is defined to include a defined list of competitors and any other business with the primary purpose of leasing assets to healthcare operators or financing ownership or operation of senior, retirement or healthcare related real estate. In addition, during the period of employment and for one year thereafter, Mr. Booth agrees not to solicit clients or customers with whom he had material contact or to solicit our management level or key employees. If the term of the employment agreement expires at December 31, 2007 and as a result no severance is paid, then these provisions also expire at December 31, 2007.

Robert O. Stephenson Employment Agreement

We entered into an employment agreement with Robert O. Stephenson, dated as of September 1, 2004, to be our Chief Financial Officer. The term of the agreement expires on December 31, 2007.

Mr. Stephenson's base salary is $245,000 per year, subject to increase by us and provides that he will be eligible for an annual bonus of up to 50% of his base salary based on criteria determined by the Compensation Committee of our Board of Directors.

In connection with this employment agreement, we issued Mr. Stephenson 60,000 shares of our restricted common stock on September 10, 2004, which vest 331/3% on each of January 1, 2005, January 1, 2006, and January 1, 2007, provided Mr. Stephenson continues to work for us on the applicable vesting date. Dividends are paid currently on unvested shares and a dividend equivalent per share was paid in an amount equal to the dividend per share payable to shareholders of record as of July 30, 2004. Also in connection with this employment agreement, we issued Mr. Stephenson 60,000 performance restricted stock units on September 10, 2004, which vest upon our attaining $0.30 per share of common stock per fiscal quarter in "Adjusted Funds from Operation" (as defined in the

agreement) for two (2) consecutive quarters. Dividend equivalents on vested performance restricted stock units are paid currently. Performance restricted stock units which have not become vested as of December 31, 2007 are forfeited.

If we terminate Mr. Stephenson's employment without "cause" or if he resigns for "good reason," he will be entitled to payment of his cash compensation (the sum of his then current annual base salary plus average annual bonus payable based on the three completed fiscal years prior to termination of employment) for a period of one and one half (1.5) years. "Cause" is defined in the employment agreement to include events such as willful refusal to perform duties, willful misconduct in performance of duties, unauthorized disclosure of confidential company information, or fraud or dishonesty against us. "Good reason" is defined in the employment agreement to include events such as our material breach of the employment agreement or our relocation of Mr. Stephenson's employment to more than 50 miles away without his consent. Mr. Stephenson is required to execute a release of claims against us as a condition to the payment of severance benefits. Severance is not paid if the term of the employment agreement expires. Mr. Stephenson's restricted common stock and performance restricted stock units will become fully vested upon the occurrence of Mr. Stephenson's death, disability, termination of employment without cause or resignation for good reason, or a "change in control" (as defined in the agreement). In the event of a change in control, severance and other change in control benefits are grossed up to cover federal excise taxes and taxes on the gross up. If Mr. Stephenson dies during the term of the employment agreement, his estate is entitled to a prorated bonus for the year of his death.

Mr. Stephenson is restricted from using any of our confidential information during his employment and for two years thereafter or from using any trade secrets during his employment and for as long thereafter as permitted by applicable law. During the period of employment and for one year thereafter, Mr. Stephenson is obligated not to provide managerial services or management consulting services to a competing business. Competing businesses is defined to include a defined list of competitors and any other business with the primary purpose of leasing assets to healthcare operators or financing ownership or operation of senior, retirement or healthcare related real estate. In addition, during the period of employment and for one year thereafter, Mr. Stephenson agrees not to solicit clients or customers with whom he had material contact or to solicit our management level or key employees. If the term of the employment agreement expires at December 31, 2007 and as a result no severance is paid, then these provisions also expire at December 31, 2007.

R. Lee Crabill, Jr. Employment Agreement

We entered into an employment agreement with R. Lee Crabill, dated as of September 1, 2004, to be our Senior Vice President of Operations. The term of the agreement expires on December 31, 2007.

Mr. Crabill's base salary is $237,000 per year, subject to increase by us and provides that he will be eligible for an annual bonus of up to 50% of his base salary based on criteria determined by the Compensation Committee of our Board of Directors.

In connection with this employment agreement, we issued Mr. Crabill 57,500 shares of our restricted common stock on September 10, 2004, which vest 331/3% on each of January 1, 2005, January 1, 2006, and January 1, 2007, provided Mr. Crabill continues to work for us on the applicable vesting date. Dividends are paid currently on unvested shares and a dividend equivalent per share was paid in an amount equal to the dividend per share payable to shareholders of record as of July 30, 2004. Also in connection with this employment agreement, we issued Mr. Crabill 57,500 performance restricted stock units on September 10, 2004, which vest upon our attaining $0.30 per share of common stock per fiscal quarter in "Adjusted Funds from Operations" (as defined in the agreement) for two (2) consecutive quarters. Dividend equivalents on vested performance restricted stock units are paid

currently. Performance restricted stock units which have not become vested as of December 31, 2007 are forfeited.

If we terminate Mr. Crabill's employment without "cause" or if he resigns for "good reason," he will be entitled to payment of his cash compensation (the sum of his then current annual base salary plus average annual bonus payable based on the three completed fiscal years prior to termination of employment) for a period of one and one half (1.5) years. "Cause" is defined in the employment agreement to include events such as willful refusal to perform duties, willful misconduct in performance of duties, unauthorized disclosure of confidential company information, or fraud or dishonesty against us. "Good reason" is defined in the employment agreement to include events such as our material breach of the employment agreement or our relocation of Mr. Crabill's employment to more than 50 miles away without his consent. Mr. Crabill is required to execute a release of claims against us as a condition to the payment of severance benefits. Severance is not paid if the term of the employment agreement expires. Mr. Crabill's restricted common stock and performance restricted stock units will become fully vested upon the occurrence of Mr. Crabill's death, disability, termination of employment without cause or resignation for good reason, or a "change in control" (as defined in the agreement). In the event of a change in control, severance and other change in control benefits are grossed up to cover federal excise taxes and taxes on the gross up. If Mr. Crabill dies during the term of the employment agreement, his estate is entitled to a prorated bonus for the year of his death.

Mr. Crabill is restricted from using any of our confidential information during his employment and for two years thereafter or from using any trade secrets during his employment and for as long thereafter as permitted by applicable law. During the period of employment and for one year thereafter, Mr. Crabill is obligated not to provide managerial services or management consulting services to a competing business. Competing businesses is defined to include a defined list of competitors and any other business with the primary purpose of leasing assets to healthcare operators or financing ownership or operation of senior, retirement or healthcare related real estate. In addition, during the period of employment and for one year thereafter, Mr. Crabill agrees not to solicit clients or customers with whom he had material contact or to solicit our management level or key employees. If the term of the employment agreement expires at December 31, 2007 and as a result no severance is paid, then these provisions also expire at December 31, 2007.

Option Grants/SAR Grants

There were no options or stock appreciation rights ("SARs") granted to the named executive officers during 2005.

Aggregated Options/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

The following table summarizes options and SARs exercised during 2005 and presents the value of unexercised options and SARs held by the named executive officers at December 31, 2005.

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/ SARs at Fiscal Year-End (#) Unexercisable (U) Exercisable (E)	Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End ($) Unexercisable (U) Exercisable (E)
C. Taylor Pickett	227,700	$ 2,132,285	—(U) —(E)	$ —(U) $ —(E)
Daniel J. Booth	—	—	33,334(U) 58,333(E)	$ 310,837(U) $ 539,701(E)
R. Lee Crabill, Jr.	50,834	$ 548,362	—(U) —(E)	$ —(U) $ —(E)
Robert O. Stephenson	23,438	$ 211,959	36,231(U) 44,043(E)	$ 346,547(U) $ 418,065(E)

Long-Term Incentive Plan

For the period from August 14, 1992, the date of commencement of our operations, through December 31, 2005, we have had no long-term incentive plans.

Defined Benefit or Actuarial Plan

For the period from August 14, 1992, the date of commencement of our operations, through December 31, 2005, we have had no pension plans.

PRINCIPAL STOCKHOLDERS

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Principal Stockholders

The following table sets forth information regarding beneficial ownership of our capital stock as of January 31, 2006 for:

- each of our directors and the named executive officers appearing in the table under "Executive Compensation—Compensation of Executive Officers;" and
- all persons known to us to be the beneficial owner of more than 5% of our outstanding common stock.

Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them, subject to community property laws where applicable. The business address of the directors and executive officers is 9690 Deereco Road, Suite 100, Timonium, Maryland 21093.

	Common Stock		Series D Preferred	
Beneficial Owner	Number of Shares	Percent of Class(1)	Number of Shares	Percent Of Class(11)
C. Taylor Pickett	478,428	0.8%	—	—
Daniel J. Booth	157,487	0.3%	—	—
R. Lee Crabill, Jr.	81,605	0.1%	—	—
Robert O. Stephenson	194,251	0.3%	—	—
Thomas F. Franke	79,840(2)(3)	0.1%	—	—
Harold J. Kloosterman	91,412(4)(5)	0.2%	—	—
Bernard J. Korman	558,786(6)	1.0%	—	—
Edward Lowenthal	37,332(7)(8)	*	—	—
Stephen D. Plavin	29,559(9)	*	—	—
Directors and executive officers as a group (9 persons)	1,708,700(10)	3.0%	—	—
5% Beneficial Owners:				
K.G. Redding & Associates, LLC	3,400,536(12)			
Clarion CRA Securities, LP	3,300,455(13)			

* Less than 0.10%

(1) Based on 57,302,212 shares of our common stock outstanding as of January 31, 2006.

(2) Includes 47,141 shares owned by a family limited liability company (Franke Family LLC) of which Mr. Franke is a member.

(3) Includes stock options that are exercisable within 60 days to acquire 4,334 shares.

(4) Includes shares owned jointly by Mr. Kloosterman and his wife, and 13,269 shares held solely in Mr. Kloosterman's wife's name.

(5) Includes stock options that are exercisable within 60 days to acquire 8,666 shares.

(6) Includes stock options that are exercisable within 60 days to acquire 6,667 shares.

(7) Includes 1,400 shares owned by his wife through an IRA plan.

(8) Includes stock options that are exercisable within 60 days to acquire 7,001 shares.

(9) Includes stock options that are exercisable within 60 days to acquire 13,666 shares.

(10) Includes stock options that are exercisable within 60 days to acquire 40,334 shares.

(11) Based on 4,739,500 shares of Series D preferred stock outstanding at January 31, 2006.

(12) Based on a Schedule 13G filed by K.G. Redding & Associates, LLC on January 17, 2006. K.G. Redding & Associates, LLC is located at One North Wacker Drive, Suite 4343, Chicago, IL 60606-2841. Includes 1,386,530 shares of common stock which K.G. Redding & Associates has sole voting power or power to direct the vote.

(13) Based on a Schedule 13G filed by Clarion CRA Securities, LP on March 2, 2005. Clarion CRA Securities is located at 259 N. Radnor Chester Road, Suite 205 Radnor, PA 19087. Includes 3,184,870 shares of common stock Clarion CRA Securities, LP has sole voting power or power to direct the vote.

DESCRIPTION OF OTHER INDEBTEDNESS

Senior Credit Facility

On March 22, 2004, we entered into an agreement with Banc of America Securities LLC as lead arranger, Bank of America, N.A. as administrative agent and a syndicate of other financial institutions as lenders, including Bank of America, N.A., Deutsche Bank AG and UBS Loan Finance LLC, to provide a $125 million senior secured four-year revolving credit facility, as subsequently increased to $200 million pursuant to the amendment described below, or our senior credit facility. The borrowers under the senior credit facility are certain of our subsidiaries that hold borrowing base properties. We guarantee the obligations of these subsidiaries under the senior credit facility. On April 30, 2004, we exercised our right to increase the revolving commitments under the senior credit facility by an additional $50 million to $175 million. On November 5, 2004, we entered into an amendment to our senior credit facility, pursuant to which the revolving commitments under our senior credit facility were increased by an additional $25 million, to $200 million. The amendment also permits further increases of the revolving commitments under the senior credit facility by an additional $100 million, up to $300 million in the future. On April 26, 2005, we also amended our senior credit facility to reduce the interest rate applicable to outstanding borrowings, the letter of credit fees by fifty basis points, and the fees paid in connection with unused amounts accrued under the senior credit facility. The discussion below under "Interest Rates and Fees" reflects the effect of this amendment.

Interest Rates and Fees. The interest rates per annum applicable to the senior credit facility is the Eurodollar Rate, or Eurodollar, plus the applicable margin (as defined below) or, at our option, the base rate, which will be the higher of (i) the rate of interest publicly announced by the administrative agent as its prime rate in effect, and (ii) the federal funds effective rate from time to time plus 0.50%, in each case, plus the applicable margin (as defined below). The applicable margin with respect to the senior credit facility is determined in accordance with a performance grid based on our consolidated leverage ratio. The applicable margin may range from 2.75% to 1.75% in the case of Eurodollar advances, and from 1.25% to .25% in the case of base rate advances. The default rate on the senior credit facility is 3.00% above the interest rate otherwise applicable to base rate loans. We are also obligated to pay a commitment fee of 0.35% on the unused portion of our senior credit facility if usage is less than fifty percent and 0.25% on the unused portion of our senior credit facility if usage exceeds fifty percent.

Prepayments. We may prepay the senior credit facility at any time in whole or in part without fees or penalty, except that any prepayment of Eurodollar advances other than at the end of the applicable interest periods therefore must be made with reimbursement for any funding losses and redeployment costs of the lenders resulting therefrom.

Covenants. The senior credit facility contains customary affirmative and negative covenants, including, without limitation, limitations on investments; limitations on liens; limitations on mergers, consolidations, and transfers of assets; limitations on sales of assets; limitations on transactions with affiliates; and limitations on our transfer of ownership and management. In addition, the senior credit facility contains financial covenants including, without limitation, with respect to maximum leverage ratio, minimum fixed charge coverage ratio, minimum tangible net worth and maximum distributions.

Events of Default. The senior credit facility includes customary events of default including, without limitation, nonpayment of principal, interest, fees or other amounts when due, covenant defaults, cross-defaults, bankruptcy events, material unsatisfied or unstayed judgments, and loss of REIT status.

Security and Guarantees. We and our subsidiaries that are not borrowers under the senior credit facility guarantee the obligations of our borrower subsidiaries under the senior credit facility.

All obligations under the senior credit facility and the related guarantees are secured by a perfected first priority lien on certain real properties and all improvements, fixtures, equipment and other personal property relating thereto of the subsidiaries party to the senior credit facility, and an assignment of leases, rents, sale/refinance proceeds and other proceeds flowing from the real properties.

7% Senior Notes Due 2014

At December 31, 2005, we had borrowings of $310 million represented by 7% senior notes due 2014. The notes were issued pursuant to an indenture dated as of March 22, 2004 between us and U.S. Bank National Association, as trustee, as supplemented by supplemental indentures dated as of July 20, 2004, November 5, 2004 and December 1, 2005.

Interest Rates. The notes bear interest at 7.0% per annum and will mature on April 1, 2014. We will pay interest on the notes on October 1 and April 1 of each year.

Optional Redemption. The notes may be redeemed by us after April 1, 2009, upon not less than 30 days' notice nor more than 60 days' notice, at the following redemption prices if redeemed during the twelve month period commencing on April 1 of the years indicated below, in each case together with accrued and unpaid interest thereon to the redemption date:

Redemption Year	Price
2009	103.500%
2010	102.333%
2011	101.167%
2012 and thereafter	100.000%

Optional Redemption upon Equity Offerings. At any time, or from time to time, on or prior to April 1, 2007, we may, at our option, use the net cash proceeds of one or more equity offerings to redeem up to 35% of the principal amount of the notes issued under the indenture at a redemption price of 107% of the principal amount thereof plus accrued and unpaid interest thereon; provided, however, that:

(1) at least 65% of the principal amount of notes issued under the indenture remains outstanding immediately after such redemption; and

(2) we make such redemption not more than 90 days after the consummation of the equity offering.

Covenants. The note indenture contains certain affirmative and negative covenants, including, without limitation, limitations on the occurrence of debt and limitations of certain corporate transactions such as the sale of assets. The notes also contain financial covenants including, without limitation, interest coverage ratio, ratio of secured debt to total assets and ratio of unencumbered assets to unsecured debt.

Events of Default. The note indenture includes customary events of default including, without limitation, nonpayment of principal or interest when due, covenant defaults, bankruptcy events and material unsatisfied or unstayed judgments.

THE EXCHANGE OFFER

Purpose and Effect; Registration Rights

We sold the initial notes on December 30, 2005, in transactions exempt from the registration requirements of the Securities Act. Thus, the initial notes are subject to significant restrictions on resale. In connection with the issuance of the initial notes, we entered into a registration rights agreement, which required that we, at our cost, would:

- within 90 days after the issue date, file an exchange offer registration statement with the SEC with respect to a registered offer to exchange the initial notes for the exchange notes, which will have terms substantially identical in all material respects to the initial notes (except that the exchange notes will not contain terms with respect to transfer restrictions);

- within 180 days after the issue date, use our reasonable best efforts to cause the exchange offer registration statement to be declared effective under the Securities Act. Upon the exchange offer registration statement being declared effective, we will offer the exchange notes in exchange for surrender of the initial notes; and

- keep the exchange offer open for not less than 30 days, or longer if required by applicable law, after the date notice of the exchange offer is mailed to the holders of the initial notes.

For each initial note surrendered to us pursuant to the exchange offer, the holder of such note will receive an exchange note having a principal amount equal to that of the surrendered note.

Under existing SEC interpretations, the exchange notes would in general be freely transferable after the exchange offer without further registration under the Securities Act. In the case of broker-dealers, however, a prospectus meeting the requirements of the Securities Act is delivered as required below. We have agreed, for a period of 180 days after consummation of the exchange offer to make available a prospectus meeting the requirements of the Securities Act to any broker-dealer for use in connection with any resale of any such exchange notes acquired as described below. A broker-dealer that delivers such a prospectus to purchasers in connection with such resales will be subject to certain of the civil liability provisions under the Securities Act, and will be bound by the provisions of the registration rights agreement including certain indemnification rights and obligations.

Each holder of initial notes that wishes to exchange such notes for exchange notes in the exchange offer will be required to make certain representations including representations that:

- any exchange notes to be received by it will be acquired in the ordinary course of its business;

- it has no arrangement with any person to participate in the distribution of the exchange notes; and

- it is not an "affiliate," as defined in Rule 405 of the Securities Act, of ours or any of our subsidiaries, or if it is an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

If the holder is not a broker-dealer, it will be required to represent that it is not engaged in, and does not intend to engage in, the distribution of the exchange notes. If the holder is a broker-dealer that will receive exchange notes for its own account in exchange for notes that were acquired as a result of market-making activities or other trading activities, it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes.

If, because of any change in law or in currently prevailing interpretations of the staff of the SEC, we are not permitted to effect such an exchange offer, or if for any other reason the exchange offer is

not consummated within 210 days of the issue date or, under certain circumstances, if the initial purchasers shall so request, we will, at our own expense:

- as promptly as practicable, file a shelf registration statement covering resales of the initial notes;
- use our best efforts to cause the shelf registration statement to be declared effective under the Securities Act; and
- use our best efforts to keep effective the shelf registration statement until the earlier of the disposition of the notes covered by the shelf registration statement or two years after the issue date of the notes.

We will, in the event of the shelf registration statement, provide to each holder of the initial notes copies of the prospectus which is a part of the shelf registration statement, notify each such holder when the shelf registration statement for the notes has become effective and take certain other actions as are required to permit unrestricted resales of the notes. A holder of the notes that sells such notes pursuant to the shelf registration statement generally would be required to be named as a selling securityholder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement which are applicable to such a holder, including certain indemnification rights and obligations.

There can be no assurance that one of the registration statements described above will be filed, or if filed, will become effective. If we fail to comply with the above provisions or if such registration statement fails to become effective, then, additional interest shall become payable in respect of the initial notes as follows:

- If (a) the exchange offer registration statement or shelf registration statement is not filed within 90 days on or prior to the issue date of the notes or (b) notwithstanding that we have consummated or will consummate an exchange offer, we are required to file a shelf registration statement and such shelf registration statement is not confidentially submitted or filed on or prior to the date required by the registration rights agreement;
- If (a) an exchange offer registration statement or shelf registration statement is not declared effective on or prior to 180 days after the issue date or (b) notwithstanding that we have consummated or will consummate an exchange offer, we are required to file a shelf registration statement and such shelf registration statement is not declared effective by the SEC on or prior to the date required by the registration rights agreement; or
- If either (a) we have not exchanged the exchange notes for all notes validly tendered in accordance with the terms of the exchange offer on or prior to the 45th day after the date on which the exchange offer registration statement was declared effective or (b) if applicable, the shelf registration statement ceases to be effective at any time prior to the second anniversary of the issue date;

(each event referred to in the examples listed immediately above is a "registration default"), the sole remedy available to holders of the notes will be the immediate assessment of additional interest as follows: the per annum interest rate on the notes will increase by 0.5%, and the per year interest rate will increase by an additional 0.5% for each subsequent 90-day period during which the registration default remains uncured, up to a maximum additional interest rate of 2.0% per year in excess of the interest rate. All additional interest will be payable to holders of the notes in cash on each interest payment date, commencing with the first such date occurring after any such additional interest commences to accrue, until such registration default is cured. After the date on which such registration default is cured, the interest rate on the notes will revert to the interest rate originally borne by the notes.

The summary herein of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which has been filed with our Current Report on Form 8-K filed on January 4, 2006.

Terms of the Exchange Offer

We are offering to exchange $175,000,000 in aggregate principal amount of our 7% senior notes due 2016 which have been registered under the Securities Act for a like aggregate principal amount of our outstanding unregistered 7% senior notes due 2016.

Upon the terms and subject to the conditions set forth in this prospectus, we will accept for all initial notes validly tendered and not withdrawn before 5:00 p.m., New York City time, on the expiration date of the exchange offer. We will issue $1,000 principal amount of exchange notes in exchange for each $1,000 principal amount of outstanding initial notes accepted in the exchange offer. You may tender some or all of your initial notes under the exchange offer. However, the initial notes are issuable in authorized denominations of $1,000 and integral multiples thereof. The exchange offer is not conditioned upon any minimum amount of initial notes being tendered.

The form and terms of the exchange notes will be identical in all material respects to the form and terms of the initial notes, except that the exchange notes will be registered with the SEC and, therefore, will not be subject to the restrictions on transfer or bear legends restricting their transfer. The exchange notes will not provide for registration rights or the payment of liquidated damages under circumstances relating to the timing of the exchange offer. The exchange notes will evidence the same debt as the initial notes and will be issued under, and entitled to the benefits of, the indenture governing the initial notes.

The exchange notes will accrue interest from the most recent date on which interest has been paid on the initial notes or, if no interest has been paid, from the date of issuance of the initial notes. Accordingly, registered holders of exchange notes on the record date for the first interest payment date following the completion of the exchange offer will receive interest accrued from the most recent date to which interest has been paid on the initial notes or, if no interest has been paid, from the date of issuance of the initial notes. However, if that record date occurs prior to completion of the exchange offer, then the interest payable on the first interest payment date following the completion of the exchange offer will be paid to the registered holders of the initial notes on that record date.

In connection with the exchange offer, you do not have any appraisal or dissenters' rights under applicable law or the indenture. We intend to conduct the exchange offer in accordance with the registration rights agreement and the applicable requirements of the Exchange Act, and the rules and regulations of the SEC. The exchange offer is not being made to, nor will we accept tenders for exchange from, holders of the initial notes in any jurisdiction in which the exchange offer or the acceptance of it would not be in compliance with the securities or blue sky laws of the jurisdiction.

We will be deemed to have accepted validly tendered initial notes when we have given oral or written notice of our acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving the exchange notes from us.

If we do not accept any tendered initial notes because of an invalid tender or for any other reason, then we will return any unaccepted initial notes without expense to the tendering holder promptly after the expiration date.

Holders who tender initial notes in the exchange offer will not be required to pay brokerage commissions or fees. We will pay all charges and expenses, other than certain applicable taxes, in connection with the exchange offer. See the section entitled "—Fees and Expenses" below for more detailed information regarding the expenses of the exchange offer.

By submitting to the exchange agent an agent's message defined below, you will be making the representations described under "—Procedures for Tendering" below.

Expiration Date; Extension; Amendments

The exchange offer will expire at 5:00 p.m., New York City time, on , 2006, unless we, in our sole discretion, extend the exchange offer, in which case the expiration date means the latest date and time to which we extend the exchange offer.

In order to extend the exchange offer, we will notify the exchange agent of any extension by written notice and will make a public announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. During any extension, all initial notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any initial notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of the exchange offer.

We reserve the right, in our sole discretion and at any time, to:

- delay accepting any initial notes;
- extend the exchange offer;
- terminate the exchange offer, by giving oral or written notice of such delay, extension or termination to the exchange agent, if any of the conditions set forth below under "—Conditions of the Exchange Offer" have not been satisfied or waived prior to the expiration date; and
- amend the terms of the exchange offer in any manner.

We will notify you as promptly as practicable of any extension, amendment or termination. We will also file a post-effective amendment to the registration statement of which this prospectus is a part with respect to any fundamental changes in the exchange offer.

Conditions of the Exchange Offer

Notwithstanding any other term of the exchange offer, we will not be required to accept for exchange, or exchange the exchange notes for, any initial notes if in our reasonable judgment:

- the exchange notes to be received will not be tradable by the holder without restriction under the Securities Act and without material restrictions under the blue sky or securities laws of substantially all of the states of the United States;
- the exchange offer, or the making of any exchange by a holder of initial notes, would violate any applicable law or applicable interpretation of the staff of the SEC; or
- any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer.

The conditions listed above are for our sole benefit and we may assert them prior to the expiration date regardless of the circumstances giving rise to any condition. Subject to applicable law, we may waive these conditions in our discretion in whole or in part prior to the expiration date. If we waive these conditions, then we intend to continue the exchange offer for at least five business days after the waiver. If we fail at any time to exercise any of the above rights, the failure will not be deemed a waiver of those rights, and those rights will be deemed ongoing rights which may be asserted at any time and from time to time.

We will not accept for exchange any initial notes tendered, and will not issue exchange notes in exchange for any initial notes, if at that time a stop order is threatened or in effect with respect to the

registration statement of which this prospectus is a part or the qualification of the indenture under the Trust Indenture Act of 1939.

Interest

The exchange notes will bear interest at a rate equal to 7% per annum. We will pay interest on the notes twice a year, on each January 15 and July 15, beginning July 15, 2006. See the section entitled "Description of Notes."

Procedures for Tendering Initial Notes

A holder who wishes to tender initial notes in the exchange offer must transmit to the exchange agent an agent's message, which agent's message must be received by the exchange agent prior to 5:00 p.m., New York City time, on the expiration date. In addition, the exchange agent must receive a timely confirmation of book-entry transfer of the initial notes into the exchange agent's account at DTC under the procedure for book-entry transfers described below along with a properly transmitted agent's message, on or before the expiration date.

The term "agent's message" means a message, transmitted by a book-entry transfer facility to, and received by, the exchange agent, and forming a part of the book-entry confirmation, which states that the book-entry transfer facility has received an express acknowledgement from the tendering participant stating that the participant has received and agrees to be bound by the terms and subject to the condition set forth in this prospectus. To receive confirmation of valid tender of initial notes, a holder should contact the exchange agent at the telephone number listed under "—Exchange Agent."

Any tender of initial notes that is not withdrawn prior to the expiration date will constitute a binding agreement between the tendering holder and us upon the terms and subject to the conditions set forth in this prospectus. Only a registered holder of initial notes may tender the initial notes in the exchange offer. If you wish to tender initial notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you should promptly instruct the registered holder to tender on your behalf.

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, and acceptance of initial notes tendered for exchange. Our determination will be final and binding on all parties. We reserve the absolute right to reject any and all tenders of initial notes not properly tendered or initial notes our acceptance of which might, in the judgment of our counsel, be unlawful. We also reserve the absolute right to waive any defects, irregularities or conditions of tender as to any particular initial notes. However, to the extent we waive any conditions of tender with respect to one tender of initial notes, we will waive that condition for all tenders as well. Our interpretation of the terms and conditions of the exchange offer will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of initial notes must be cured within the time period we determine. Neither we, the exchange agent nor any other person will incur any liability or failure to give you notification of defects or irregularities with respect to tenders of your initial notes.

By tendering, you will represent to us that:

- any exchange notes to be received by you will be acquired in the ordinary course of your business;
- you have no arrangement with any person to participate in the distribution of the exchange notes; and

- you are not an "affiliate," as defined in Rule 405 of the Securities Act, of ours or any of our subsidiaries, or if you are an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

Under existing interpretations of the staff of the SEC contained in several no action letters to unrelated third parties, the exchange notes, including the related guarantees, would in general be freely transferable by their holders after the exchange offer without further registration under the Securities Act. However, any purchaser of initial notes who is our "affiliate," or is engaged in or intends to engage in or has an arrangement or understanding with any person to participate in a distribution of the exchange notes to be acquired in the exchange offer:

- may not rely on the applicable interpretations of the staff of the SEC;
- is not entitled and will not be permitted to tender initial notes in the exchange offer; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

If the holder is not a broker-dealer, it will be required to represent that it is not engaged in, and does not intend to engage in, the distribution of the exchange notes. If the holder is a broker-dealer that will receive exchange notes for its own account in exchange for notes that were acquired as a result of market-making activities or other trading activities, it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes.

Any broker-dealer that acquired initial notes directly from us may not rely on the applicable interpretations of the staff of the SEC, may not participate in the exchange offer, and must comply with the registration and prospectus delivery requirements of the Securities Act (including being named as a selling securityholder) in connection with any resales of the initial notes.

The SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to resales of the exchange notes with the prospectus contained in the registration statement. We have agreed, for a period of 180 days after consummation of the exchange offer to make available a prospectus meeting the requirements of the Securities Act to any broker-dealer for use in connection with any resale of any such exchange notes acquired.

Book-Entry Transfer

We understand that the exchange agent will make a request within two business days after the date of this prospectus to establish accounts for the initial notes at DTC for the purpose of facilitating the exchange offer, and any financial institution that is a participant in DTC's system may make book-entry delivery of initial notes by causing DTC to transfer the initial notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer.

Acceptance of Initial Notes for Exchange; Delivery of Exchange Notes

Upon satisfaction of all conditions to the exchange offer, we will accept, promptly after the expiration date, all initial notes properly tendered and will issue the exchange notes promptly after acceptance of the initial notes.

For purposes of the exchange offer, we will be deemed to have accepted properly tendered initial notes for exchange when we have given oral or written notice of that acceptance to the exchange agent. For each initial note accepted for exchange, you will receive an exchange note having a principal amount equal to that of the surrendered initial note.

In all cases, we will issue exchange notes for initial notes that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

- timely confirmation of book-entry transfer of your initial notes into the exchange agent's account at DTC; and
- a properly transmitted agent's message.

If we do not accept any tendered initial notes for any reason set forth in the terms of the exchange offer, we will credit the non-exchanged initial notes to your account maintained with DTC.

Withdrawal Rights

You may withdraw your tender of initial notes at any time before the exchange offer expires.

For a withdrawal to be effective, the exchange agent must receive a written or facsimile notice of withdrawal at its address listed below under "—Exchange Agent." A facsimile transmission notice of withdrawal that is received prior to receipt of a tender of initial notes sent by mail and postmarked prior to the date of the facsimile transmission of withdrawal will be treated as a withdrawn tender. The notice of withdrawal must identify the name and number of the DTC account to be credited, and otherwise comply with the procedures of DTC.

We will determine in our sole discretion all questions as to the validity, form and eligibility, including time of receipt, of notices of withdrawal. Our determination will be final and binding on all parties. Any initial notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer. The initial notes will be credited to an account maintained with DTC for the initial notes. You may retender properly withdrawn initial notes by following one of the procedures described under "—Procedures for Tendering Initial Notes" at any time on or before the expiration date.

The Exchange Agent; Assistance

U.S. Bank National Association is the exchange agent. You should direct any questions and requests for assistance and requests for additional copies of this prospectus to the exchange agent addressed as follows:

By Hand, Overnight Mail, Courier, or Registered or Certified Mail:

U.S. Bank National Association
Corporate Trust Services
60 Livingston Avenue
St. Paul, MN 55107
Attention: Specialty Finance Group
Reference: Omega Healthcare Investors, Inc.

By Facsimile:

(651) 495-8158
Attention: Specialty Finance Group
Reference: Omega Healthcare Investors, Inc.

For Information or Confirmation by Telephone:

1-800-934-6802
Attention: Specialty Finance Group
Reference: Omega Healthcare Investors, Inc.

Fees and Expenses

We will pay the expenses of the exchange offer. We will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We are making the principal solicitation by mail; however, our officers and employees may make additional solicitations by facsimile transmission, e-mail, telephone or in person. You will not be charged a service fee for the exchange of your initial notes, but we may require you to pay any transfer or similar government taxes in certain circumstances.

Transfer Taxes

We will pay or cause to be paid any transfer taxes applicable to the exchange of initial notes pursuant to the exchange offer. If, however, payment is to be made to, or if exchange notes and/or substitute initial notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the initial notes, or if tendered initial notes are registered in the name of any person other than the registered holder, or if a transfer tax is imposed for any reason other than the transfer of initial notes to us pursuant to the exchange offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by you.

Accounting Treatment

We will record the exchange notes in our accounting records at the same carrying values as the initial notes, which is the aggregate principal amount of the initial notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer.

Resales of Exchange Notes

Based on interpretations of the staff of the SEC set forth in no-action letters issued to unrelated third parties, we believe that exchange notes issued pursuant to this exchange offer in exchange for initial notes may be offered for resale, resold and otherwise transferred by any initial note holder without further registration under the Securities Act and without delivery of a prospectus that satisfies the requirements of Section 10 of the Securities Act if:

- the exchange notes to be received will be acquired in the ordinary course of the holder's business;
- the holder has no arrangement with any person to participate in the distribution of the exchange notes; and
- the holder is not an "affiliate" as defined in Rule 405 of the Securities Act of ours or any of our subsidiaries.

Any holder who intends to participate in the exchange offer for the purpose of distributing the exchange notes may not rely on the applicable interpretations of the staff of the SEC, may not participate in the exchange offer, and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resales if the exchange notes, unless such sale or transfer is made pursuant to an exemption from such requirements.

This prospectus may be used for an offer to resell, resale or other transfer of exchange notes. With regard to broker-dealers, only broker-dealers that acquired the initial notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives exchange notes for its own account in exchange for initial notes, where the initial notes were acquired by the broker-dealer as a result of market-making activities or other trading activities,

must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. By acknowledging that it will deliver a prospectus, the broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. See the section entitled "Plan of Distribution" for more details regarding the transfer of exchange notes.

Consequences of Failure to Exchange Initial Notes

Holders who desire to tender their initial notes in exchange for exchange notes registered under the Securities Act should allow sufficient time to ensure timely delivery. Neither we nor the exchange agent is under any duty to give notification of defects or irregularities with respect to the tenders of initial notes for exchange.

Initial notes that are not tendered or are tendered but not accepted will, following the consummation of the exchange offer, continue to be subject to the provisions in the indenture regarding the transfer and exchange of the initial notes and the existing restrictions on transfer set forth in the legend on the initial notes and in the offering memorandum, dated December 20, 2005, relating to the initial notes. Except in limited circumstances with respect to the specific types of holders of initial notes, we will have no further obligation to provide for the registration under the Securities Act of such initial notes. In general, initial notes, unless registered under the Securities Act, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not anticipate that we will take any action to register the untendered initial notes under the Securities Act or under any state securities laws. Upon completion of the exchange offer, holders of the initial notes will not be entitled to any further registration rights under the registration rights agreement, except under limited circumstances.

Initial notes that are not exchanged in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits their holders have under the indenture relating to the initial notes and the exchange notes. Holders of the exchange notes and any initial notes that remain outstanding after consummation of the exchange offer will vote together as a single class for purposes of determining whether holders of the requisite percentage of the class have taken certain actions or exercised certain rights under the indenture.

DESCRIPTION OF NOTES

The exchange notes are identical in all material respect to the initial notes, except that the exchange notes will not contain certain of the transfer restrictions applicable to the initial notes, and the holders of the exchange notes will not have registration rights. The exchange notes will evidence the same debt as the initial notes, which they replace, and will be governed by the same indenture by and among us, certain of our affiliate guarantors as discussed below, and U.S. Bank National Association, as trustee.

We will issue the notes under the indenture dated as of December 30, 2005, among Issuer, the Subsidiary Guarantors and U.S. Bank National Association, as trustee. The exchange notes will trade as a single class of freely tradable securities.

The following is a summary of the material provisions of the Indenture. It does not restate that agreement, and we urge you to read the indenture in its entirety, which is filed as an exhibit to our Current Report on Form 8-K filed on January 4, 2006, because it, and not this description, defines your rights as a noteholder. We will provide you with a copy of the indenture if you request one.

Except as otherwise indicated, the following description relates to both the initial notes and the exchange notes, which are together referred to as the "notes." You can find the definitions of certain capitalized terms used in this description under the subheading "—Certain Definitions." The term "Issuer" as used in this section refers only to Omega Healthcare Investors, Inc. and not to any of its Subsidiaries.

General

The notes are unlimited in aggregate principal amount, of which $175 million in aggregate principal amount will be issued in this offering. The notes will be unsecured senior obligations of the Issuer and will mature on January 15, 2016. The notes will initially bear interest at a rate of 7% *per annum*, payable semiannually to holders of record at the close of business on the January 1 or July 1, immediately preceding the interest payment date on January 15 and July 15 of each year, commencing July 15, 2006.

Principal of, premium, if any, and interest on the notes will be payable, and the notes may be exchanged or transferred in accordance with the terms of the indenture.

The notes will be issued only in fully registered form, without coupons, in denominations of $1,000 of principal amount and any integral multiple. No service charge will be made for any registration of transfer or exchange of notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection with a registration of transfer.

Subject to the covenants described below under "—Covenants" and applicable law, the Issuer may issue additional notes under the indenture on the same terms and conditions as the notes being offered hereby in an unlimited aggregate principal amount. The notes issued in this offering and any additional notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture.

Guarantees and Subsidiary Guarantors

The notes are guaranteed on an unsecured senior basis by the Subsidiary Guarantors. The guarantees are unconditional regardless of the enforceability of the notes and the indenture.

Each future Restricted Subsidiary that subsequently guarantees Indebtedness of the Issuer that ranks equally with or subordinate in right of payment to the notes will be required to execute a Subsidiary Guarantee. See the section entitled "Covenants—Limitation on Issuances of Guarantees by Restricted Subsidiaries."

Optional Redemption

Optional Redemption. Except as described below, the Issuer does not have the right to redeem any notes prior to January 15, 2011. The notes will be redeemable at the option of the Issuer, in whole or in part, at any time, and from time to time, on and after January 15, 2009, upon not less than 30 days' nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the 12-month period commencing January 15 of the years indicated below, in each case together with accrued and unpaid interest thereon to the redemption date:

Year	Redemption Price
2011	103.500%
2012	102.333%
2013	101.167%
2014 and thereafter	100.000%

Optional Redemption upon Equity Offerings. At any time, or from time to time, on or prior to January 15, 2009, the Issuer may, at its option, use the Net Cash Proceeds of one or more Equity Offerings to redeem up to 35% of the principal amount of the notes issued under the indenture at a redemption price of 107% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to the date of redemption; *provided*, *however*, that:

(1) at least 65% of the principal amount of notes issued under the indenture remains outstanding immediately after such redemption; and

(2) the Issuer makes such redemption not more than 90 days after the consummation of any such Equity Offering.

Selection and Notice of Redemption

In the event that the Issuer chooses to redeem less than all of the notes, selection of the notes for redemption will be made by the trustee either:

(1) in compliance with the requirements of the principal national securities exchange, if any, on which the notes are then listed; or

(2) on a *pro rata* basis, by lot or by such method as the trustee will deem fair and appropriate.

No notes of a principal amount of $1,000 or less will be redeemed in part. If a partial redemption is made with the proceeds of an Equity Offering, the trustee will select the notes only on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to DTC procedures) unless such method is otherwise prohibited. Notice of redemption will be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address. Unless the Issuer defaults in the payment of the redemption price, on and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption.

Sinking Fund

There will be no sinking fund payments for the notes.

Ranking

The notes are unsecured senior obligations of the Issuer, and rank equally in right of payment with other unsecured senior Indebtedness of the Issuer. The notes are effectively subordinated to all of the Issuer's and the Issuer's consolidated Subsidiaries' secured Indebtedness and to all other Indebtedness

of the non-guarantor Subsidiaries. The Issuer's secured Indebtedness only included our senior credit facility. In addition, for the year ended December 31, 2005, we and our consolidated Subsidiaries would have had $58 million in borrowings outstanding under our senior credit facility and $138 million available for borrowing under our senior credit facility, all of which would be effectively senior to the notes to the extent of the value of the underlying assets. In February of 2006, we repaid approximately $3 million of borrowings under our senior credit facility. As of the date of this prospectus, $142 million was available for borrowing under our senior credit facility.

Certain Definitions

Set forth below are definitions of certain terms contained in the indenture that are used in this description. Please refer to the indenture for the definition of other capitalized terms used in this description that are not defined below.

"*Acquired Indebtedness*" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or that is assumed in connection with an Asset Acquisition from such Person by a Restricted Subsidiary and not incurred by such Person in connection with, or in anticipation of, such Person becoming a Restricted Subsidiary or such Asset Acquisition; *provided*, *however,* that Indebtedness of such Person that is redeemed, defeased, retired or otherwise repaid at the time of or immediately upon consummation of the transactions by which such Person becomes a Restricted Subsidiary or such Asset Acquisition will not be Acquired Indebtedness.

"*Adjusted Consolidated Net Income*" means, for any period, the aggregate net income (or loss) (before giving effect to cash dividends on preferred stock of the Issuer or charges resulting from the redemption of preferred stock of the Issuer) of the Issuer and its Restricted Subsidiaries for such period determined on a consolidated basis in conformity with GAAP; *provided*, *however*, that the following items will be excluded in computing Adjusted Consolidated Net Income, without duplication:

(1) the net income of any Person, other than the Issuer or a Restricted Subsidiary, except to the extent of the amount of dividends or other distributions actually paid to the Issuer or any of its Restricted Subsidiaries by such Person during such period;

(2) the net income of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(3) any after-tax gains or losses attributable to Asset Sales; and

(4) all extraordinary gains and extraordinary losses.

"*Adjusted Consolidated Net Tangible Assets*" means the total amount of assets of the Issuer and its Restricted Subsidiaries (less applicable depreciation, amortization and other valuation reserves), except to the extent resulting from write-ups of capital assets (excluding write-ups in connection with accounting for acquisitions in conformity with GAAP), after deducting from the total amount of assets:

(1) all liabilities of the Issuer and its Restricted Subsidiaries that are classified as current liabilities in accordance with GAAP, excluding intercompany items; and

(2) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent quarterly or annual consolidated balance sheet of the Issuer and its Restricted Subsidiaries, prepared in conformity with GAAP and filed with the SEC or provided to the trustee pursuant to the "SEC Reports and Reports to Holders" covenant.

"*Adjusted Total Assets*" means, for any Person, the sum of:

(1) Total Assets for such Person as of the end of the fiscal quarter preceding the Transaction Date as set forth on the most recent quarterly or annual consolidated balance sheet of the Issuer and its Restricted Subsidiaries, prepared in conformity with GAAP and filed with the SEC or provided to the trustee pursuant to the "SEC Reports and Reports to Holders" covenant; and

(2) any increase in Total Assets following the end of such quarter including, without limitation, any increase in Total Assets resulting from the application of the proceeds of any additional Indebtedness.

"*Affiliate*" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, "*control*" (including, with correlative meanings, the terms " *controlling*," "*controlled by*" and " *under common control with*"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"*Asset Acquisition*" means:

(1) an investment by the Issuer or any of its Restricted Subsidiaries in any other Person pursuant to which such Person will become a Restricted Subsidiary or will be merged into or consolidated with the Issuer or any of its Restricted Subsidiaries; *provided, however*, that such Person's primary business is related, ancillary, incidental or complementary to the businesses of the Issuer or any of its Restricted Subsidiaries on the date of such investment; or

(2) an acquisition by the Issuer or any of its Restricted Subsidiaries from any other Person of assets that constitute substantially all of a division or line of business, or one or more healthcare properties, of such Person; *provided, however*, that the assets and properties acquired are related, ancillary, incidental or complementary to the businesses of the Issuer or any of its Restricted Subsidiaries on the date of such acquisition.

"*Asset Disposition*" means the sale or other disposition by the Issuer or any of its Restricted Subsidiaries, other than to the Issuer or another Restricted Subsidiary, of:

(1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or

(2) all or substantially all of the assets that constitute a division or line of business, or one or more healthcare properties, of the Issuer or any of its Restricted Subsidiaries.

"*Asset Sale*" means any sale, transfer or other disposition, including by way of merger, consolidation or sale-leaseback transaction, in one transaction or a series of related transactions by the Issuer or any of its Subsidiaries to any Person other than the Issuer or any of its Restricted Subsidiaries of:

(1) all or any of the Capital Stock of any Restricted Subsidiary;

(2) all or substantially all of the property and assets of an operating unit or business of the Issuer or any of its Restricted Subsidiaries; or

(3) any other property and assets of the Issuer or any of its Restricted Subsidiaries outside the ordinary course of business of the Issuer or such Restricted Subsidiary and, in each case, that is not governed by the provisions of the indenture applicable to mergers, consolidations and sales of assets of the Issuer;

provided, *however*, that " *Asset Sale*" will not include:

(1) sales or other dispositions of inventory, receivables and other current assets;

(2) the sale, conveyance, transfer, lease, disposition or other transfer of all or substantially all of the assets of the Issuer as permitted under "Consolidation, Merger and Sale of Assets;"

(3) any Restricted Payment permitted by the "Limitation on Restricted Payments" covenant or that constitutes a Permitted Investment;

(4) sales, transfers or other dispositions of assets with a fair market value not in excess of $5 million in any transaction or series of related transactions;

(5) sales or other dispositions of assets for consideration at least equal to the fair market value of the assets sold or disposed of, to the extent that the consideration received would satisfy the second bullet of clause (1) of the second paragraph of the "Limitation on Asset Sales" covenant;

(6) sales or other dispositions of Temporary Cash Investments;

(7) the creation or realization of any Lien permitted under the Indenture;

(8) transfers of damaged, worn-out or obsolete equipment or assets that, in the Issuer's reasonable judgment, are no longer used or useful in the business of the Issuer or its Restricted Subsidiaries; or

(9) sales or other dispositions of any of the Closed Facilities as in existence on the Closing Date.

"*Average Life*" means at any date of determination with respect to any debt security, the quotient obtained by dividing:

(1) the sum of the products of:

- the number of years from such date of determination to the dates of each successive scheduled principal payment of such debt security; and
- the amount of such principal payment; by

(2) the sum of all such principal payments.

"*Board of Directors*" means, as to any Person, the board of directors (or similar governing body) of such Person or any duly authorized committee thereof.

"*Board Resolution*" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the trustee.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in New York or Maryland are authorized or required by law to close.

"*Capital Stock*" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting), including partnership interests, whether general or limited, in the equity of such Person, whether outstanding on the Closing Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

"*Capitalized Lease*" means, as applied to any Person, any lease of any property, whether real, personal or mixed, of which the discounted present value of the rental obligations of such Person as lessee, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"*Capitalized Lease Obligations*" means the discounted present value of the rental obligations under a Capitalized Lease as reflected on the balance sheet of such Person in determined in conformity with GAAP.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Issuer to any "person" or "group" (as such terms are defined in Sections 13(d) and 14(d)(2) of the Exchange Act, together with any Affiliates thereof (whether or not otherwise in compliance with the provisions of the indenture);

(2) a "person" or "group" (as such terms are defined in Sections 13(d) and 14(d)(2) of the Exchange Act), becomes the ultimate "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the total voting power of the Voting Stock of the Issuer on a fully diluted basis;

(3) the approval by the holders of Capital Stock of the Issuer of any plan or proposal for the liquidation or dissolution of the Issuer (whether or not otherwise in compliance with the provisions of the indenture); or

(4) individuals who on the Closing Date constitute the Board of Directors (together with any new or replacement directors whose election by the Board of Directors or whose nomination by the Board of Directors for election by the Issuer's shareholders was approved by a vote of at least a majority of the members of the Board of Directors then still in office who either were members of the Board of Directors on the Closing Date or whose election or nomination for election was so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office.

"*Closing Date*" means December 30, 2005.

"*Closed Facilities*" means each of:

(1) Eldorado Care Center, SNF, 918 Third Street, Saline, IL 62930; and

(2) Magnolia Manor, SNF, 2101 Metropolis Street, Massac, IL 62960.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Common Stock*" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) that have no preference on liquidation or with respect to distributions over any other class of Capital Stock, including partnership interests, whether general or limited, of such Person's equity, whether outstanding on the Closing Date or issued thereafter, including, without limitation, all series and classes of common stock.

"*Consolidated EBITDA*" means, for any period, Adjusted Consolidated Net Income for such period *plus*, to the extent such amount was deducted in calculating such Adjusted Consolidated Net Income (without duplication):

(1) Consolidated Interest Expense (plus the premium, fees and expenses, and the amortization thereof, payable in connection with the March 24, 2004 senior note offering);

(2) income taxes (other than income taxes (either positive or negative) attributable to extraordinary and non-recurring gains or losses or sales of assets);

(3) depreciation expense;

(4) amortization expense;

(5) non-cash charges resulting from the write-down of the value of accounts receivable and/or notes receivable in an aggregate amount from March 22, 2004 not in excess of $5 million; and

(6) all other non-cash items reducing Adjusted Consolidated Net Income (other than items that will require cash payments and for which an accrual or reserve is, or is required by GAAP to be, made),

less all non-cash items increasing Adjusted Consolidated Net Income, all as determined on a consolidated basis for the Issuer and its Restricted Subsidiaries in conformity with GAAP; *provided*, *however,* that, if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA will be reduced (to the extent not already reduced in Adjusted Consolidated Net Income or otherwise reduced in accordance with GAAP) by an amount equal to:

(1) the amount of the Adjusted Consolidated Net Income attributable to such Restricted Subsidiary *multiplied by*

(2) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Issuer or any of its Restricted Subsidiaries.

"*Consolidated Interest Expense*" means, for any period, the aggregate amount of interest expense in respect of Indebtedness of the Issuer and the Restricted Subsidiaries during such period, all as determined on a consolidated basis in conformity with GAAP including, without limitation (without duplication):

(1) amortization of debt issuance costs, debt discount or premium and other financing fees and expenses;

(2) the interest portion of any deferred payment obligations;

(3) all commissions, discounts and other fees and expenses owed with respect to letters of credit and bankers' acceptance financing;

(4) the net costs associated with Interest Rate Agreements and Indebtedness that is Guaranteed or secured by assets of the Issuer or any of its Restricted Subsidiaries; and

(5) all but the principal component of rentals in respect of Capitalized Lease Obligations paid, accrued or scheduled to be paid or to be accrued by the Issuer and its Restricted Subsidiaries;

excluding, to the extent included in interest expense above, (x) the amount of such interest expense of any Restricted Subsidiary if the net income of such Restricted Subsidiary is excluded in the calculation of Adjusted Consolidated Net Income pursuant to clause (2) of the definition thereof (but only in the same proportion as the net income of such Restricted Subsidiary is excluded from the calculation of Adjusted Consolidated Net Income pursuant to clause (2) of the definition thereof), and (y) any premium, fees and expenses, and the amortization thereof, payable in connection with the March 22, 2004 senior note offering, all as determined on a consolidated basis (without taking into account Unrestricted Subsidiaries) in conformity with GAAP.

"*Currency Agreement*" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" means any class or series of Capital Stock of any Person that by its terms or otherwise is:

(1) required to be redeemed prior to the Stated Maturity of the notes;

(2) redeemable at the option of the holder of such class or series of Capital Stock, at any time prior to the Stated Maturity of the notes; or

(3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the notes;

provided, *however,* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the notes will not constitute Disqualified Stock if the "asset sale" or change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control" covenants described below and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provisions prior to the Issuer's repurchase of the notes as are required to be repurchased pursuant to the "Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control" covenants described below.

"*Equity Offering*" means a public or private offering of Capital Stock (other than Disqualified Stock) of the Issuer.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"*fair market value*" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors of the Issuer, whose determination will be conclusive if evidenced by a Board Resolution.

"*Funds From Operations*" for any period means the consolidated net income of the Issuer and its Restricted Subsidiaries for such period determined in conformity with GAAP after adjustments for unconsolidated partnerships and joint ventures, plus depreciation of real property (including furniture and equipment) and other real estate assets and excluding (to the extent such amount was deducted in calculating such consolidated net income):

(1) gains or losses from (a) restructuring of Indebtedness or (b) sales of properties;

(2) non-cash asset impairment charges;

(3) cash litigation charges incurred in an amount not to exceed $5 million;

(4) non-cash charges associated with the write-down of the value of accounts and/or notes receivable in an amount not to exceed $5 million;

(5) non-cash charges related to redemptions of Preferred Stock of the Issuer;

(6) satisfaction of outstanding unamortized loan fees with respect to the GECC Facility or the restructuring or refinancing of any Line of Credit;

(7) any non-cash charges associated with the sale or settlement of any Interest Rate Agreement in existence with respect to the GECC Facility; and

(8) any other non-cash charges associated with the sale or settlement of any Interest Rate Agreement or other hedging or derivative instruments.

"*GAAP*" means generally accepted accounting principles in the United States of America as in effect as of March 22, 2004, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession. Except as otherwise specifically provided in the indenture, all ratios and computations

contained or referred to in the indenture will be computed in conformity with GAAP applied on a consistent basis.

"*GECC Facility*" means (i) the Loan Agreement dated as of June 23, 2003 among General Electric Capital Corporation and certain subsidiaries of the Issuer party thereto and (ii) the Guaranty Agreement dated as of June 23, 2003 between the Issuer and General Electric Capital Corporation, in each case as such agreement may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services (unless such purchase arrangements are on arm's-length terms and are entered into in the ordinary course of business), to take-or-pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, *however*, that the term " *Guarantee*" will not include endorsements for collection or deposit in the ordinary course of business. The term " *Guarantee*" used as a verb has a corresponding meaning.

"*Incur*" means, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness, including an "Incurrence" of Acquired Indebtedness; *provided*, *however*, that neither the accrual of interest nor the accretion of original issue discount will be considered an Incurrence of Indebtedness.

"*Indebtedness*" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) the face amount of letters of credit or other similar instruments (excluding obligations with respect to letters of credit (including trade letters of credit) securing obligations (other than obligations described in (1) or (2) above or (5), (6) or (7) below) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement);

(4) all unconditional obligations of such Person to pay the deferred and unpaid purchase price of property or services, which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services, except Trade Payables;

(5) all Capitalized Lease Obligations;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (A) the fair market value of such asset at that date of determination and (B) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person; and

(8) to the extent not otherwise included in this definition or the definition of Consolidated Interest Expense, obligations under Currency Agreements and Interest Rate Agreements.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations of the type described above and, with respect to obligations under any Guarantee, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*, *however,* that:

(1) the amount outstanding at any time of any Indebtedness issued with original issue discount will be deemed to be the face amount with respect to such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at the date of determination in conformity with GAAP; and

(2) Indebtedness will not include any liability for federal state, local or other taxes.

"*Interest Coverage Ratio*" means, on any Transaction Date, the ratio of:

(1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which reports have been filed with the SEC or provided to the trustee pursuant to the "SEC Reports and Reports to Holders" covenant ("*Four Quarter Period*"); to

(2) the aggregate Consolidated Interest Expense during such Four Quarter Period.

In making the foregoing calculation:

(1) *pro forma* effect will be given to any Indebtedness Incurred or repaid (other than in connection with an Asset Acquisition or Asset Disposition) during the period ("*Reference Period*") commencing on the first day of the Four Quarter Period and ending on the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement), in each case as if such Indebtedness had been Incurred or repaid on the first day of such Reference Period;

(2) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(3) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions and Permitted Mortgage Investments (including giving *pro forma* effect to the application of proceeds of any Asset Disposition and any Indebtedness Incurred or repaid in connection with any such Asset Acquisitions or Asset Dispositions) that occur during such Reference Period but subsequent to the end of the related Four Quarter Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(4) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to (i) the application of proceeds of any asset disposition and any Indebtedness Incurred or repaid in connection with any such asset acquisitions or asset dispositions and (ii) expense and cost reductions calculated on a basis consistent with Regulation S-X under the Exchange Act) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Issuer or any of its Restricted Subsidiaries during such Reference Period but subsequent to the end of the related Four Quarter Period

and that would have constituted asset dispositions or asset acquisitions during such Reference Period but subsequent to the end of the related Four Quarter Period had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions and had occurred on the first day of such Reference Period;

provided, however, that to the extent that clause (3) or (4) of this paragraph requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition or asset acquisition or asset disposition, as the case may be, such *pro forma* calculation will be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business, or one or more healthcare properties, of the Person that is acquired or disposed of to the extent that such financial information is available.

"*Interest Rate Agreement*" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement with respect to interest rates.

"*Investment*" in any Person means any direct or indirect advance, loan or other extension of credit (including without limitation by way of Guarantee or similar arrangement, but excluding advances to customers in the ordinary course of business that are, in conformity with GAAP, recorded as accounts receivable on the consolidated balance sheet of the Issuer and its Restricted Subsidiaries) or capital contribution to (by means of any transfer of cash or other property (tangible or intangible) to others or any payment for property or services solely for the account or use of others, or otherwise), or any purchase or acquisition of Capital Stock, bonds, notes, debentures or other similar instruments issued by, such Person and will include:

(1) the designation of a Restricted Subsidiary as an Unrestricted Subsidiary; and

(2) the fair market value of the Capital Stock (or any other Investment), held by the Issuer or any of its Restricted Subsidiaries of (or in) any Person that has ceased to be a Restricted Subsidiary;

provided, however, that the fair market value of the Investment remaining in any Person that has ceased to be a Restricted Subsidiary will be deemed not to exceed the aggregate amount of Investments previously made in such Person valued at the time such Investments were made, less the net reduction of such Investments. For purposes of the definition of "Unrestricted Subsidiary" and the "Limitation on Restricted Payments" covenant described below:

(1) "Investment" will include the fair market value of the assets (net of liabilities (other than liabilities to the Issuer or any of its Restricted Subsidiaries)) of any Restricted Subsidiary at the time such Restricted Subsidiary is designated an Unrestricted Subsidiary;

(2) the fair market value of the assets (net of liabilities (other than liabilities to the Issuer or any of its Restricted Subsidiaries)) of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary will be considered a reduction in outstanding Investments; and

(3) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer.

"Investment Grade Status" means, with respect to the Issuer, when the notes have (1) a rating of both "Baa3" or higher from Moody's and (2) a rating of "BBB—" or higher from S&P (or, if either such agency ceases to rate the notes for reasons outside the control of the Issuer, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization"

within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency), in each case published by the applicable agency with no negative outlook.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to give any security interest).

"*Line of Credit*" means the Credit Agreement to be dated as of March 22, 2004, by and among the Issuer, the lenders party thereto in their capacities as lenders thereunder and Bank of America, N.A., as administrative agent, together with the related documents thereto (including, without limitation, any guarantee agreements and security documents), in each case as such agreements may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, including one or more credit agreements, loan agreements, indentures or similar agreements extending the maturity of, refinancing, replacing or otherwise restructuring (including increasing the amount of available borrowings thereunder or adding Restricted Subsidiaries of the Issuer as additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement or agreements or any successor or replacement agreement or agreements and whether by the same or any other agent, lender or group of lenders.

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Net Cash Proceeds*" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments (except to the extent such obligations are financed or sold with recourse to the Issuer or any of its Restricted Subsidiaries) and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

  (A) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

  (B) provisions for all taxes actually paid or payable as a result of such Asset Sale by the Issuer and its Restricted Subsidiaries, taken as a whole;

  (C) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (A) is secured by a Lien on the property or assets sold or (B) is required to be paid as a result of such sale; and

  (D) amounts reserved by the Issuer and its Restricted Subsidiaries against any liabilities associated with such Asset Sale, including without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined on a consolidated basis in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments (except to the extent such obligations are financed or sold with recourse to the Issuer or any of its Restricted Subsidiaries) and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorney's fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees

incurred in connection with such issuance or sale and net of tax paid or payable as a result thereof.

"*Offer to Purchase*" means an offer to purchase notes by the Issuer from the holders commenced by mailing a notice to the trustee and each holder stating:

(1) the covenant pursuant to which the offer is being made and that all notes validly tendered will be accepted for payment on a *pro rata* basis;

(2) the purchase price and the date of purchase (which will be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Payment Date*");

(3) that any note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Issuer defaults in the payment of the purchase price, any note accepted for payment pursuant to the Offer to Purchase will cease to accrue interest on and after the Payment Date;

(5) that holders electing to have a note purchased pursuant to the Offer to Purchase will be required to surrender the note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Payment Date;

(6) that holders will be entitled to withdraw their election if the Payment Agent receives, not later than the close of business on the third Business Day immediately preceding the Payment Date, a telegram, facsimile transmission or letter setting forth the name of such holder, the principal amount of notes delivered for purchase and a statement that such holder is withdrawing his election to have such notes purchased; and

(7) that holders whose notes are being purchased only in part will be issued new notes equal in principal amount to the unpurchased portion of the notes surrendered; *provided, however,* that each note purchased and each new note issued will be in a principal amount of $1,000 or integral multiples thereof.

On the Payment Date, the Issuer will:

(1) accept for payment on a *pro rata* basis notes or portions thereof tendered pursuant to an Offer to Purchase;

(2) deposit with the Paying Agent money sufficient to pay the purchase price of all notes or portions thereof so accepted; and

(3) will promptly thereafter deliver, or cause to be delivered, to the trustee all notes or portions thereof so accepted together with an Officers' Certificate specifying the notes or portions thereof accepted for payment by the Issuer.

The Paying Agent will promptly mail to the holders of notes so accepted payment in an amount equal to the purchase price, and the trustee will promptly authenticate and mail to such holders a new note equal in principal amount to any unpurchased portion of any note surrendered; *provided, however,* that each note purchased and each new note issued will be in a principal amount of $1,000 or integral multiples thereof. The Issuer will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Issuer will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer is required to repurchase notes pursuant to an Offer to Purchase.

"*Pari Passu Indebtedness*" means any Indebtedness of the Issuer or any Subsidiary Guarantor that ranks *pari passu* in right of payment with the notes or the Guarantee thereof by such Subsidiary Guarantor, as applicable.

"*Permitted Investment*" means:

(1) an Investment in the Issuer or any of its Restricted Subsidiaries or a Person that will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Issuer or any of its Restricted Subsidiaries; *provided, however,* that such person's primary business is related, ancillary, incidental or complementary to the businesses of the Issuer or any of its Restricted Subsidiaries on the date of such Investment;

(2) investments in cash and Temporary Cash Investments;

(3) Investments made by the Issuer or its Restricted Subsidiaries as a result of consideration received in connection with an Asset Sale made in compliance with the "Limitation on Asset Sales" covenant;

(4) Investments represented by Guarantees that are otherwise permitted under the indenture;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(6) stock, obligations or securities received in satisfaction of judgments;

(7) Permitted Mortgage Investments; and

(8) additional Investments not to exceed $25 million at any time outstanding.

"*Permitted Mortgage Investment*" means any Investment in secured notes, mortgage, deeds of trust, collateralized mortgage obligations, commercial mortgage-backed securities, other secured debt securities, secured debt derivative or other secured debt instruments, so long as such investment relates directly or indirectly to real property that constitutes or is used as a skilled nursing home center, hospital, assisted living facility or other property customarily constituting an asset of a real estate investment trust specializing in healthcare or senior housing property.

"*Preferred Stock*" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) that have a preference on liquidation or with respect to distributions over any other class of Capital Stock, including preferred partnership interests, whether general or limited, or such Person's preferred or preference stock, whether outstanding on the Closing Date or issued thereafter, including, without limitation, all series and classes of such preferred or preference stock.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Secured Indebtedness*" means any Indebtedness secured by a Lien upon the property of the Issuer or any of its Restricted Subsidiaries.

"*Significant Subsidiary*" with respect to any Person, means any restricted subsidiary of such Person that satisfies the criteria for a "significant subsidiary" set forth in Rule 1.02(w) of Regulation S-X under the Exchange Act.

"*S&P*" means Standard & Poor's Ratings Services and its successors.

"*Stated Maturity*" means:

(1) with respect to any debt security, the date specified in such debt security as the fixed date on which the final installment of principal of such debt security is due and payable; and

(2) with respect to any scheduled installment of principal of or interest on any debt security, the date specified in such debt security as the fixed date on which such installment is due and payable.

"*Subsidiary*" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and the accounts of which would be consolidated with those of such Person in its consolidated financial statements in accordance with GAAP, if such statements were prepared as of such date.

"*Subsidiary Debt*" means all unsecured Indebtedness of which a Restricted Subsidiary is the primary obligor.

"*Subsidiary Guarantee*" means a Guarantee by each Subsidiary Guarantor for payment of the notes by such Subsidiary Guarantor. The Subsidiary Guarantee will be an unsecured senior obligation of each Subsidiary Guarantor and will be unconditional regardless of the enforceability of the notes and the indenture. Notwithstanding the foregoing, each Subsidiary Guarantee by a Subsidiary Guarantor will provide by its terms that it will be automatically and unconditionally released and discharged upon any sale, exchange or transfer, to any Person not an Affiliate of the Issuer, of all of the Capital Stock owned by the Issuer and its Restricted Subsidiaries in, or all or substantially all the assets of, such Restricted Subsidiary (which sale, exchange or transfer is not then prohibited by the indenture).

"*Subsidiary Guarantors*" means (i) each Restricted Subsidiary of the Issuer on the Closing Date and (ii) each other Person that is required to become a Guarantor by the terms of the Indenture after the Closing Date, in each case, until such Person is released from its Subsidiary Guarantee.

"*Temporary Cash Investment*" means any of the following:

(1) direct obligations of the United States of America or any agency thereof or obligations fully and unconditionally guaranteed by the United States of America or any agency thereof;

(2) time deposits accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of $250 million and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money-market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 90 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Issuer) organized and in existence under the laws of the United States of America, any state of the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P; and

(5) securities with maturities of six months or less from the date of acquisition issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's.

"*Total Assets*" means the sum (without duplication) of:

(1) Undepreciated Real Estate Assets; and

(2) all other assets (excluding intangibles and accounts receivable) of the Issuer and its Restricted Subsidiaries on a consolidated basis determined in conformity with GAAP.

"*Total Unencumbered Assets*" as of any date means the sum of:

(1) those Undepreciated Real Estate Assets not securing any portion of Secured Indebtedness; and

(2) all other assets (but excluding intangibles and accounts receivable) of the Issuer and its Restricted Subsidiaries not securing any portion of Secured Indebtedness determined on a consolidated basis in conformity with GAAP.

"*Trade Payables*" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"*Transaction Date*" means, with the respect to the Incurrence of any Indebtedness by the Issuer or any of its Restricted Subsidiaries, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"*Undepreciated Real Estate Assets*" means, as of any date, the cost (being the original cost to the Issuer or any of its Restricted Subsidiaries plus capital improvements) of real estate assets of the Issuer and its Restricted Subsidiaries on such date, before depreciation and amortization of such real estate assets, determined on a consolidated basis in conformity with GAAP.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination will be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

Except during a Suspension Period, the Board of Directors of the Issuer may designate any Subsidiary (including any newly acquired or newly formed Subsidiary of the Issuer) to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, the Issuer or any of its Restricted Subsidiaries; *provided, however,* that:

(1) any Guarantee by the Issuer or any of its Restricted Subsidiaries of any Indebtedness of the Subsidiary being so designated will be deemed an "Incurrence" of such Indebtedness and an "Investment" by the Issuer or such Restricted Subsidiary (or all, if applicable) at the time of such designation;

(2) either (i) the Subsidiary to be so designated has total assets of $1,000 or less or (ii) if such Subsidiary has assets greater than $1,000, such designation would be permitted under the "Limitation on Restricted Payments" covenant described below; and

(3) if applicable, the Incurrence of Indebtedness and the Investment referred to in the first bullet of this proviso would be permitted under the "Limitation on Indebtedness" and "Limitation on Restricted Payments" covenants described below.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however,* that:

(1) no Default or Event of Default will have occurred and be continuing at the time of or after giving effect to such designation; and

(2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately after such designation would, if Incurred at such time, have been permitted to be Incurred (and will be deemed to have been Incurred) for all purposes of the indenture.

Any such designation by the Board of Directors of the Issuer will be evidenced to the trustee by promptly filing with the trustee a copy of the Board Resolution giving effect to such designation and an officers' certificate certifying that such designation complied with the foregoing provisions.

"*Unsecured Indebtedness*" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries that is not Secured Indebtedness.

"*U.S. Government Obligations*" means direct obligations of, obligations guaranteed by, or participations in pools consisting solely of obligations of or obligations guaranteed by, the United States of America for the payment of which obligations or guarantee the full faith and credit of the United States of America is pledged and that are not callable or redeemable at the option of the issuer thereof.

"*Voting Stock*" means with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"*Wholly Owned*" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by individuals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person.

Suspension of Covenants

During a Suspension Period, the Issuer and its Subsidiaries will not be subject to the following corresponding provisions of the indenture:

(1) "—Certain Covenants—Limitation on Restricted Payments";

(2) "—Certain Covenants—Limitation on Dividend and other Payment Restrictions Affecting Restricted Subsidiaries";

(3) "—Certain Covenants—Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(4) "—Certain Covenants—Limitation on Transactions with Affiliates";

(5) "—Certain Covenants—Limitation on Asset Sales"; and

(6) "—Repurchase on Change of Control".

All other provisions of the indenture will apply at all times during any Suspension Period so long as any notes remain outstanding thereunder.

"*Suspension Period*" means any period:

(1) beginning on the date that:

(A) the notes have Investment Grade Status;

(B) no Default or Event of Default has occurred and is continuing; and

(C) the Issuer has delivered an officers' certificate to the Trustee certifying that the conditions set forth in clauses (A) and (B) above are satisfied; and

(2) ending on the date (the "*Reversion Date*") that the notes cease to have Investment Grade Status.

On each Reversion Date, all Indebtedness incurred during the Suspension Period prior to such Reversion Date will be deemed to have been outstanding on the Closing Date.

For purposes of calculating the amount available to be made as Restricted Payments under clause (C) of the first paragraph of the "—Limitation on Restricted Payments" covenant, calculations under that clause will be made with reference to the Transaction Date, as set forth in that clause. Accordingly, (x) Restricted Payments made during the Suspension Period not otherwise permitted pursuant to any of clauses (1) through (8) under the third paragraph under the "Limitation on Restricted Payments" covenant will reduce the amount available to be made as Restricted Payments under clause (C) of the first paragraph of such covenant; *provided*, *however*, that the amount available to be made as a Restricted Payment on the Transaction Date will not be reduced to below zero solely as a result of such Restricted Payments, but may be reduced to below zero as a result of cumulative Funds from Operations for the purpose of the first bullet under clause (C) of the first paragraph of such covenant being a negative, and (y) the items specified in the first four bullets under clause (C) of the first paragraph of such covenant that occur during the Suspension Period will increase the amount available to be made as Restricted Payment under clause (C) of the first paragraph of such covenant. Any Restricted Payment made during the Suspension Period that are of the type described in the third paragraph of the "Limitation on Restricted Payments" covenant (other than the Restricted Payment referred to in clause (2) of the such third paragraph or an exchange of Capital Stock for Capital Stock or Indebtedness referred to in clause (3) or (4) of such third paragraph), and the Net Cash Proceeds from any issuance of Capital Stock referred to in clauses (3) and (4) of the third paragraph of the "Limitation on Restricted Payments" covenant will be included in calculating the amounts permitted to be incurred under such clause (C) on each Reversion Date.

For purposes of the "—Limitation on Asset Sales" covenant, on each Reversion Date, the unutilized Excess Proceeds will be reset to zero.

Covenants

The indenture contains, among others, the following covenants:

Limitation on Indebtedness

(1) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness) if, immediately after giving effect to the Incurrence of such additional Indebtedness and the receipt and application of the proceeds therefrom, the aggregate principal amount of all outstanding Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis determined in conformity with GAAP is greater than 60% of Adjusted Total Assets.

(2) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Subsidiary Debt or any Secured Indebtedness if, immediately after giving effect to the Incurrence of such additional Subsidiary Debt or Secured Indebtedness and the receipt and application of the proceeds therefrom, the aggregate principal amount of all outstanding Subsidiary Debt and Secured Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis determined in conformity with GAAP is greater than 40% of Adjusted Total Assets.

(3) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (other than the notes issued on the Closing Date and other Indebtedness existing on the Closing Date); *provided, however,* that the Issuer or any of the Subsidiary Guarantors may Incur Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, the Interest Coverage Ratio of the Issuer and its Restricted Subsidiaries on a consolidated basis would be greater than 2.0 to 1.

(4) Notwithstanding paragraphs (1), (2) or (3) above, the Issuer or any of its Restricted Subsidiaries (except as specified below) may Incur each and all of the following:

(A) Indebtedness outstanding under the Line of Credit at any time in an aggregate principal amount not to exceed $200 million;

(B) Indebtedness owed to:

- the Issuer evidenced by an unsubordinated promissory note; or
- to any Restricted Subsidiary;

provided, however, that any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Issuer or any other Restricted Subsidiary) will be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (B);

(C) Indebtedness issued in exchange for, or the net proceeds of which are used to refinance or refund, outstanding Indebtedness (other than Indebtedness Incurred under clause (A), (B) or (D) of this paragraph (4)) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided, however,* that Indebtedness the proceeds of which are used to refinance or refund the notes or Indebtedness that ranks equally with or subordinate in right of payment to, the notes will only be permitted under this clause (C) if:

- in case the notes are refinanced in part or the Indebtedness to be refinanced ranks equally with the notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, ranks equally with or is expressly made subordinate in right of payment to the remaining notes;
- in case the Indebtedness to be refinanced is subordinated in right of payment to the notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the notes at least to the extent that the Indebtedness to be refinanced is subordinated to the notes; and
- such new Indebtedness, determined as of the date of Incurrence of the new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded;

provided further, however, that in no event may Indebtedness of the Issuer that ranks equally with or subordinate in right of payment to the notes be refinanced by means of any Indebtedness of any Restricted Subsidiary pursuant to this clause (C);

(D) Indebtedness:

- in respect of performance, surety or appeal bonds provided in the ordinary course of business;
- under Currency Agreements and Interest Rate Agreements; *provided* that such agreements (i) are designed solely to protect the Issuer or any of its Restricted Subsidiaries against fluctuations in foreign currency exchange rates or interest rates and (ii) do not increase the Indebtedness of the obligor outstanding at any time other than as a result of fluctuations in foreign currency exchange rates or interest rates or by reason of fees, indemnities and compensation payable thereunder; and
- arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Issuer or any of its Restricted Subsidiaries pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition), in a principal amount not to exceed the gross proceeds actually received by the Issuer and its Restricted Subsidiaries on a consolidated basis in connection with such disposition;

(E) Indebtedness of the Issuer, to the extent the net proceeds thereof are promptly:

- used to purchase notes tendered in an Offer to Purchase made as a result of a Change in Control; or
- deposited to defease the notes as described below under "Defeasance;" or
- deposited to discharge the obligations under the notes and indenture as described below under "Satisfaction and Discharge;"

(F) Guarantees of the notes and Guarantees of Indebtedness of the Issuer by any of our Restricted Subsidiaries provided the guarantee of such Indebtedness is permitted by and made in accordance with the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant described below; or

(G) additional Indebtedness of the Issuer and its Restricted Subsidiaries not to exceed $30 million in aggregate principal amount at any time outstanding.

(5) Notwithstanding any other provision of this "Limitation on Indebtedness" covenant, the maximum amount of Indebtedness that the Issuer or any of its Restricted Subsidiaries may Incur pursuant to this "Limitation on Indebtedness" covenant will not be deemed to be exceeded, with respect to any outstanding Indebtedness, due solely to the result of fluctuations in the exchange rates of currencies.

(6) For purposes of determining any particular amount of Indebtedness under this "Limitation on Indebtedness" covenant:

(A) Indebtedness Incurred under the Line of Credit on or prior to the Closing Date will be treated as Incurred pursuant to clause (A) of paragraph (4) of this "Limitation on Indebtedness" covenant; and

(B) Guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of such particular amount will not be included.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of permitted Indebtedness described

in clauses (A) through (G) of paragraph (4) above or is entitled to be incurred pursuant to paragraph (3) above, the Issuer will, in its sole discretion, classify (and may later reclassify) such item of Indebtedness and may divide and classify such Indebtedness in more than one of the types of Indebtedness described, except that Indebtedness incurred under the Line of Credit on the Closing Date will be deemed to have been incurred under clause (A) of paragraph (4) above.

Maintenance of Total Unencumbered Assets

The Issuer and its Restricted Subsidiaries will maintain Total Unencumbered Assets of not less than 150% of the aggregate outstanding principal amount of the Unsecured Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any distribution on or with respect to Capital Stock of the Issuer held by Persons other than the Issuer or any of its Restricted Subsidiaries, other than dividends or distributions payable solely in shares of its Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to acquire shares of such Capital Stock;

(2) purchase, redeem, retire or otherwise acquire for value any shares of Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock) of the Issuer;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness of the Issuer that is subordinated in right of payment to the notes or the Subsidiary Guaranties of the notes; or

(4) make an Investment, other than a Permitted Investment, in any Person

(such payments or any other actions described in clauses (1) through (4) above being collectively " *Restricted Payments*") if, at the time of, and after giving effect to, the proposed Restricted Payment:

(A) a Default or Event of Default will have occurred and be continuing;

(B) the Issuer could not Incur at least $1.00 of Indebtedness under paragraphs (1), (2) and (3) of the "Limitation on Indebtedness" covenant; or

(C) the aggregate amount of all Restricted Payments (the amount, if other than in cash, to be determined in good faith by the Board of Directors, whose determination will be conclusive and evidenced by a Board Resolution) made after March 22, 2004 will exceed the sum of:

- 95% of the aggregate amount of the Funds From Operations (or, if the Funds From Operations is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning January 1, 2004 and ending on the last day of the last fiscal quarter preceding the Transaction Date for which reports have been filed with the SEC or provided to the Trustee pursuant to the "SEC Reports and Reports to Holders" covenant; *plus*

- 100% of the aggregate Net Cash Proceeds received by the Issuer after the March 22, 2004 from the issuance and sale permitted by the indenture of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Issuer, including from an issuance or sale permitted by the indenture of Indebtedness of the Issuer for cash subsequent to March 22, 2004 upon the conversion of such Indebtedness into

Capital Stock (other than Disqualified Stock) of the Issuer, or from the issuance to a Person who is not a Subsidiary of the Issuer of any options, warrants or other rights to acquire Capital Stock of the Issuer (in each case, exclusive of any Disqualified Stock or any options, warrants or other rights that are redeemable at the option of the holder, or are required to be redeemed, prior to the Stated Maturity of the notes); *plus*

- an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) in any Person after March 22, 2004 resulting from payments of interest on Indebtedness, dividends, repayments of loans or advances, or other transfers of assets, in each case to the Issuer or any of its Restricted Subsidiaries or from the Net Cash Proceeds from the sale of any such Investment (except, in each case, to the extent any such payment or proceeds are included in the calculation of Funds From Operations) or from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investments") not to exceed, in each case, the amount of Investments previously made by the Issuer and its Restricted Subsidiaries in such Person or Unrestricted Subsidiary; *plus*

- the fair market value of noncash tangible assets or Capital Stock acquired in exchange for an issuance of Capital Stock (other than Disqualified Stock or Capital Stock issued in exchange for Capital Stock of the Issuer pursuant to clauses (3) or (4) of the second succeeding paragraph) of the Issuer subsequent to March 22, 2004; *plus*

- $25 million.

Notwithstanding the foregoing, the Issuer may declare or pay any dividend or make any distribution that is necessary to maintain the Issuer's status as a REIT under the Code if:

(1) the aggregate principal amount of all outstanding Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis at such time is less than 60% of Adjusted Total Assets; and

(2) no Default or Event of Default will have occurred and be continuing.

The foregoing provisions will not be violated by reason of:

(1) the payment of any dividend within 60 days after the date of declaration thereof if, at said date of declaration, such payment would comply with the foregoing paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Indebtedness that is subordinated in right of payment to the notes including premium, if any, and accrued and unpaid interest, with the proceeds of, or in exchange for, Indebtedness Incurred under clause (C) of paragraph (4) of the "Limitation on Indebtedness" covenant;

(3) the repurchase, redemption or other acquisition of Capital Stock of the Issuer or an Unrestricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the proceeds of an issuance of, shares of Capital Stock (other than Disqualified Stock) of the Issuer (or options, warrants or other rights to acquire such Capital Stock) within 90 days of such repurchase, redemption or other acquisition;

(4) the making of any principal payment on, or the repurchase, redemption, retirement, defeasance or other acquisition for value of, Indebtedness of the Issuer which is subordinated in right of payment to the notes in exchange for, or out of the proceeds of, an issuance of, shares of the Capital Stock (other than Disqualified Stock) of the Issuer (or options, warrants or other rights to acquire such Capital Stock) within 90 days of such principal payment, repurchase, redemption, retirement, defeasance or other acquisition;

(5) payments or distributions, to dissenting stockholders pursuant to applicable law pursuant to or in connection with a consolidation, merger or transfer of assets that complies with the provisions of the indenture applicable to mergers, consolidations and transfers of all or substantially all of the property and assets of the Issuer;

(6) the payment of any regularly scheduled cash dividend on shares of cumulative preferred stock of the Issuer outstanding on March 22, 2004 as in effect on March 22, 2004;

(7) the repurchase, redemption or other acquisition or retirement for value of any shares of Capital Stock of the Issuer held by any member of the Issuer's (or any of the Restricted Subsidiaries') management or other employees pursuant to (A) any management or employee equity subscription agreement, stock option agreement or similar agreement in an aggregate amount not to exceed $1 million in the aggregate in any 12-month period or (B) the terms of any employee stock option plan of the Issuer for the purpose of paying employee withholding taxes with respect to such shares; or

(8) additional Restricted Payments in an aggregate amount not to exceed $15 million;

provided, however, that, except in the case of clauses (1) and (3), no Default or Event of Default will have occurred and be continuing or occur as a direct consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to the immediately preceding paragraph (other than the Restricted Payment referred to in clause (2) of the immediately preceding paragraph or an exchange of Capital Stock for Capital Stock or Indebtedness referred to in clause (3) or (4) of the immediately preceding paragraph), and the Net Cash Proceeds from any issuance of Capital Stock referred to in clauses (3) and (4) of the immediately preceding paragraph, will be included in calculating whether the conditions of clause (C) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions permitted by applicable law on any Capital Stock of such Restricted Subsidiary owned by the Issuer or any of its Restricted Subsidiaries;

(2) pay any Indebtedness owed to the Issuer or any other Restricted Subsidiary;

(3) make loans or advances to the Issuer or any other Restricted Subsidiary; or

(4) transfer its property or assets to the Issuer or any other Restricted Subsidiary.

The foregoing provisions will not restrict any encumbrances or restrictions:

(1) existing on the Closing Date in the indenture, the Line of Credit and any other agreement in effect on the Closing Date as in effect on the Closing Date, and any extensions, refinancings, renewals or replacements of such agreements; *provided, however,* that the encumbrances and restrictions in any such extensions, refinancings, renewals or replacements are no less favorable in any material respect to the holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(2) existing under or by reason of applicable law;

(3) existing with respect to any Person or the property or assets of such Person acquired by the Issuer or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in

contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired;

(4) in the case of the last bullet in the first paragraph of this "Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries" covenant:

(A) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is a lease, license, conveyance or contract or similar property or asset,

(B) existing by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Issuer or any Restricted Subsidiary not otherwise prohibited by the indenture, or

(C) arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer and its Restricted Subsidiaries taken as a whole;

(5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary;

(6) contained in the terms of any Indebtedness or any agreement pursuant to which such Indebtedness was issued if:

(A) the encumbrance or restriction applies only in the event of a payment default or a default with respect to a financial covenant contained in such Indebtedness or agreement;

(B) the encumbrance or restriction is not materially more disadvantageous to the holders of the notes than is customary in comparable financings (as determined by the good faith judgment of the Board of Directors of the Issuer); and

(C) the Board of Directors of the Issuer, in its good faith, determines that an such encumbrance or restriction will not materially affect the Issuer's ability to make principal or interest payments on the notes; or

(7) restrictions on the transfer of assets subject to any Lien permitted under the indenture imposed by the holder of such Lien.

Nothing contained in this "Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries" covenant will prevent the Issuer or any Restricted Subsidiary from restricting the sale or other disposition of property or assets of the Issuer or any of its Restricted Subsidiaries that secure Indebtedness of the Issuer or any of its Restricted Subsidiaries.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Issuer will not permit any of its Restricted Subsidiaries, directly or indirectly, to Guarantee any Indebtedness of the Issuer which ranks equally with or subordinate in right of payment to the notes ("*Guaranteed Indebtedness*"), unless:

(1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the indenture providing for a Subsidiary Guarantee by such Restricted Subsidiary; and

(2) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee;

provided, however, that this paragraph will not be applicable to any Guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not Incurred in connection with, or in contemplation of, such person becoming a Restricted Subsidiary. If the Guaranteed Indebtedness:

(1) ranks equally with the notes, then the Guarantee of such Guaranteed Indebtedness will rank equally with, or subordinate to, the Subsidiary Guarantee; or

(2) is subordinate to the notes, then the Guarantee of such Guaranteed Indebtedness will be subordinated to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the notes.

Any Subsidiary Guarantee by a Restricted Subsidiary may provide by its terms that it will be automatically and unconditionally released and discharged upon:

(1) any sale, exchange or transfer, to any Person not an Affiliate of the Issuer of all of Capital Stock held by the Issuer and its Restricted Subsidiaries in, or all or substantially all the assets of, such Restricted Subsidiary (which sale, exchange or transfer is not prohibited by the indenture); or

(2) the release or discharge of the Guarantee which resulted in the creation of such Subsidiary Guarantee, except a discharge or release by or as a result of payment under such Guarantee.

Limitation on Transactions with Affiliates

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into, renew or extend any transaction (including, without limitations, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with any holder (or any Affiliate of such holder) of 5% or more of any class of Capital Stock of the Issuer or with any Affiliate of the Issuer or any of its Restricted Subsidiaries, except upon fair and reasonable terms no less favorable to the Issuer or such Restricted Subsidiary than could be obtained, at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor, in a comparable arm's-length transaction with a Person that is not such a holder or an Affiliate.

The foregoing limitation does not limit, and will not apply to:

(1) transactions (A) approved by a majority of the independent directors of the Board of Directors of the Issuer or (B) for which the Issuer or any Restricted Subsidiary delivers to the trustee a written opinion of a nationally recognized investment banking firm stating that the transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view;

(2) any transaction solely between the Issuer and any of its Wholly Owned Restricted Subsidiaries or solely between Wholly Owned Restricted Subsidiaries;

(3) the payment of reasonable and customary fees and expenses to directors of the Issuer who are not employees of the Issuer;

(4) any Restricted Payments not prohibited by the "Limitation on Restricted Payments" covenant;

(5) any employment agreement entered into by the Issuer or any Restricted Subsidiary with an employee of the Issuer or such Restricted Subsidiary in the ordinary course consistent with past practice; or

(6) advances to employees of the Issuer or any Restricted Subsidiary for reasonable moving and relocation, entertainment and travel expenses and similar expenses in the ordinary course of business and consistent with past practice.

Notwithstanding the foregoing, any transaction or series of related transactions covered by the first paragraph of this "Limitation on Transactions with Affiliates" covenant and not covered by (2) through (6) of the immediately foregoing paragraph:

(1) the aggregate amount of which exceeds $5 million in value must be approved or determined to be fair in the manner provided for in clause (1)(A) or (B) above; and

(2) the aggregate amount of which exceeds $10 million in value, must be determined to be fair in the manner provided for in clause (1) (B) above.

Limitation on Asset Sales

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, consummate any Asset Sale, unless:

(1) the consideration received by the Issuer or such Restricted Subsidiary is at least equal to the fair market value of the assets sold or disposed of; and

(2) at least 75% of the consideration received consists of cash or Temporary Cash Investments; *provided, however*, with respect to the sale of one or more healthcare properties that (A) up to 75% of the consideration may consist of indebtedness of the purchaser of such healthcare properties so long as such Indebtedness is secured by a first priority Lien on the healthcare property or properties sold and (B) up to $66^{2}/_{3}\%$ of the consideration may consist of indebtedness of the purchaser of such healthcare properties so long as such indebtedness is secured by a second priority Lien on the healthcare property or properties sold and such indebtedness together with all other indebtedness received pursuant to this clause (B) does not exceed $7.5 million in aggregate principal amount at any time outstanding.

In the event and to the extent that the Net Cash Proceeds received by the Issuer or such Restricted Subsidiary from one or more Asset Sales occurring on or after the Closing Date in any period of 12 consecutive months exceed 5% of Adjusted Consolidated Net Tangible Assets (determined as of the date closest to the commencement of such 12-month period for which a consolidated balance sheet of the Issuer and its Restricted Subsidiaries has been filed with the SEC or provided to the Trustee pursuant to the "SEC Reports and Reports to Holders" covenant), then the Issuer will or will cause the relevant Restricted Subsidiary to:

(1) within 12 months after the date Net Cash Proceeds so received exceed 5% of Adjusted Consolidated Net Tangible Assets:

(A) apply an amount equal to such excess Net Cash Proceeds to permanently reduce Indebtedness under the Line of Credit; or

(B) invest an equal amount, or the amount not so applied pursuant to the foregoing bullet (or enter into a definitive agreement committing to so invest within six months after the date of such agreement), in property or assets (which may include Permitted Mortgage Investments) (other than current assets) of a nature or type or that are used in a business (or in a Restricted Subsidiary having property and assets of a nature or type, or engaged in a business) similar or related to the nature or type of the property and assets of, or the business of, the Issuer or any of its Restricted Subsidiaries existing on the date of such investment; and

(2) apply (no later than the end of the 12-month period referred to in clause (1)) such excess Net Cash Proceeds (to the extent not applied pursuant to clause (1)) as provided in the following paragraph of this "Limitation on Asset Sales" covenant.

The amount of such excess Net Cash Proceeds required to be applied (or to be committed to be applied) during such 12-month period as set forth in clause (1) of the preceding sentence and not

applied as so required by the end of such period will constitute " *Excess Proceeds*." If, as of the first day of any calendar month, the aggregate amount of Excess Proceeds not previously subject to an Offer to Purchase pursuant to this "Limitation on Asset Sales" covenant totals at least $10 million, the Issuer must commence, not later than the fifteenth Business Day of such month, and consummate an Offer to Purchase from the holders of the notes and, to the extent required by the terms of any Pari Passu Indebtedness, to all holders of such Pari Passu Indebtedness on a *pro rata* basis an aggregate principal amount of notes (and Pari Passu Indebtedness) equal to the Excess Proceeds on such date, at a purchase price equal to 100% of the principal amount of the notes (and Pari Passu Indebtedness), plus, in each case, accrued and unpaid interest (if any) to the Payment Date.

Repurchase of Notes upon a Change of Control

The Issuer must commence, within 30 days of the occurrence of a Change of Control, and consummate an Offer to Purchase for all notes then outstanding, at a purchase price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest (if any) to the Payment Date.

There can be no assurance that the Issuer will have sufficient funds available at the time of any Change of Control to make any debt payment (including repurchases of notes) required by the foregoing covenant (as well as any covenant that may be contained in other securities of the Issuer that might be outstanding at the time). The above covenant requiring the Issuer to repurchase the notes will, unless consents are obtained, require the Issuer to repay all indebtedness then outstanding which by its terms would prohibit such note repurchase, either prior to or concurrently with such note repurchase.

SEC Reports and Reports to Holders

Whether or not the Issuer is then required to file reports with the SEC, the Issuer will file with the SEC all such reports and other information as it would be required to file with the SEC by Sections 13 (a) or 15 (d) under the Exchange Act if it was subject thereto; *provided, however,* that, if filing such documents by the Issuer with the SEC is not permitted under the Exchange Act, the Issuer will provide such documents to the trustee and upon written request supply copies of such documents to any prospective holder. The Issuer will supply the trustee and each holder or will supply to the trustee for forwarding to each such holder, without cost to such holder, copies of such reports and other information.

Events of Default

Events of Default under the indenture include the following:

(1) default in the payment of principal of, or premium, if any, on any note when they are due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any note when they are due and payable, and such default continues for a period of 30 days;

(3) default in the performance or breach of the provisions of the indenture applicable to mergers, consolidations and transfers of all or substantially all of the assets of the Issuer or the failure by the Issuer to make or consummate an Offer to Purchase in accordance with the "Limitations on Asset Sales" or "Repurchase of Notes upon a Change of Control" covenants;

(4) the Issuer defaults in the performance of or breaches any other covenant or agreement of the Issuer in the indenture or under the notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the trustee or the holders of 25% or more in aggregate principal amount of the notes;

(5) there occurs with respect to any issue or issues of Indebtedness of the Issuer or any Significant Subsidiary having an outstanding principal amount of $10 million or more in the aggregate for all such issues of all such Persons, whether such Indebtedness now exists or will hereafter be created;

(A) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and such Indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled within 30 days of such acceleration, and/or

(B) the failure to make a principal payment at the final (but not any interim) fixed maturity and such defaulted payment will not have been made, waived or extended within 30 days of such payment default;

(6) any final judgment or order (not covered by insurance) for the payment of money in excess of $10 million in the aggregate for all such final judgments or orders against all such Persons (treating any deductibles, self-insurance or retention as not covered by insurance):

(A) will be rendered against the Issuer or any Significant Subsidiary and will not be paid or discharged; and

(B) and there will be any period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed $10 million during which a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, will not be in effect;

(7) a court of competent jurisdiction enters a decree or order for:

(A) relief in respect of the Issuer or any Significant Subsidiary in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect,

(B) appointment of a receiver, liquidator, assignee custodian, trustee, sequestrator or similar official of the Issuer or any Significant Subsidiary or for all or substantially all of the property and assets of the Issuer or any Significant Subsidiary, or

(C) the winding up or liquidation of the affairs of the Issuer or any Significant Subsidiary and, in each case, such decree or order will remain unstayed and in effect for a period of 60 consecutive days; or

(8) the Issuer or any Significant Subsidiary:

(A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under such law,

(B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or such Significant Subsidiary or for all or substantially all of the property and assets of the Issuer or such Significant Subsidiary, or

(C) effects any general assignment for the benefit of its creditors.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above that occurs with respect to the Issuer) occurs and is continuing under the indenture, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding, by written notice to the Issuer (and to the trustee if such notice is given by the holders), may, and the trustee at the request of the holders of at least 25% in aggregate principal amount of the notes then outstanding will,

declare the principal of, premium, if any, and accrued interest on the notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued interest will be immediately due and payable. In the event of a declaration of acceleration because an Event of Default set forth in clause (5) above has occurred and is continuing, such declaration of acceleration will be automatically rescinded and annulled if the event of default triggering such Event of Default pursuant to clause (5) will be remedied or cured by the Issuer or the relevant Significant Subsidiary or waived by the holders of the relevant Indebtedness within 60 days after the declaration of acceleration with respect thereto.

If an Event or Default specified in clause (7) or (8) above occurs with respect to the Issuer, the principal of, premium, if any, and accrued interest on the notes then outstanding will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder. The holders of at least a majority in principal amount of the outstanding notes by written notice to the Issuer and to the trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

As to the waiver of defaults, see "—Modification and Waiver."

The holders of at least a majority in aggregate principal amount of the outstanding notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that conflicts with law or the indenture, that may involve the trustee in personal liability, or that the trustee determines in good faith may be unduly prejudicial to the rights of holders of notes not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from holders of notes. A holder may not pursue any remedy with respect to the indenture or the notes unless:

(1) the holder gives the trustee written notice of a continuing Event of Default;

(2) the holders of at least 25% in aggregate principal amount of outstanding notes make a written request to the trustee to pursue the remedy;

(3) such holder or holders offer the trustee indemnity satisfactory to the trustee against any costs, liability or expense;

(4) the trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding notes do not give the trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any holder of a note to receive payment of the principal of, premium, if any, or interest on, such note or to bring suit for the enforcement of any such payment on or after the due date expressed in the notes, which right will not be impaired or affected without the consent of the holder.

The indenture requires certain officers of the Issuer to certify, on or before a date not more than 90 days after the end of each fiscal year, that a review has been conducted of the activities of the Issuer and its Restricted Subsidiaries and of its performance under the indenture and that the Issuer has fulfilled all obligations thereunder, or, if there has been a default in fulfillment of any such

obligation, specifying each such default and the nature and status thereof. The Issuer will also be obligated to notify the trustee of any default or defaults in the performance of any covenants or agreements under the indenture.

Consolidation, Merger and Sale of Assets

The Issuer will not consolidate with or merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to, any Person or permit any Person to merge with or into the Issuer unless:

(1) the Issuer will be the continuing Person, or the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or that acquired or leased such property and assets of the Issuer will be a corporation organized and validly existing under the laws of the United States of America or any state or jurisdiction thereof and will expressly assume, by a supplemental indenture, executed and delivered to the trustee, all of the obligations of the Issuer on the notes and under the indenture;

(2) immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis the Issuer, or any Person becoming the successor obligor of the notes, as the case may be, could Incur at least $1.00 of Indebtedness under paragraphs (1), (2) and (3) of the "Limitation on Indebtedness" covenant; *provided, however,* that this clause (3) will not apply to a consolidation or merger with or into a Wholly Owned Restricted Subsidiary with a positive net worth; *provided further, however,* that, in connection with any such merger or consolidation, no consideration (other than Capital Stock (other than Disqualified Stock) in the surviving Person or the Issuer) will be issued or distributed to the holders of Capital Stock of the Issuer; and

(4) the Issuer delivers to the trustee an officers' certificate (attaching the arithmetic computations to demonstrate compliance with clause (3) above) and an opinion of counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this covenant and that all conditions precedent provided for herein relating to such transaction have been complied with; *provided, however,* that clause (3) above does not apply if, in the good faith determination of the Board of Directors of the Issuer, whose determination will be evidenced by a Board Resolution, the principal purpose of such transaction is to change the state of domicile of the Issuer; *provided further*, *however,* that any such transaction will not have as one of its purposes the evasion of the foregoing limitations.

Defeasance

The Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Subsidiary Guarantors discharged with respect to the outstanding notes ("*Legal Defeasance*"). Legal Defeasance means that the Issuer and the Subsidiary Guarantors will be deemed to have paid and discharged the entire indebtedness represented by the notes and the Subsidiary Guarantees, and the indenture will cease to be of further effect as to all outstanding notes and Subsidiary Guarantees, except as to:

(1) rights of holders to receive payments in respect of the principal of and interest on the notes when such payments are due from the trust funds referred to below;

(2) the Issuer's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes, and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trust, duties, and immunities of the trustee, and the Issuer's obligation in connection therewith; and

(4) the Legal Defeasance provisions of the indenture.

In addition, the Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Subsidiary Guarantors released with respect to most of the covenants under the indenture, except as described otherwise in the indenture ("*Covenant Defeasance*"), and thereafter any omission to comply with such obligations will not constitute a Default. In the event Covenant Defeasance occurs, certain Events of Default (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) will no longer apply. Covenant Defeasance will not be effective until such bankruptcy, receivership, rehabilitation and insolvency events no longer apply. The Issuer may exercise its Legal Defeasance option regardless of whether it previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the trustee, in trust, for the benefit of the holders, U.S. legal tender, U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient (without reinvestment) in the opinion of a nationally recognized firm of independent public accountants selected by the Issuer, to pay the principal of and interest on the notes on the stated date for payment or on the redemption date of the notes;

(2) in the case of Legal Defeasance, the Issuer will have delivered to the trustee an opinion of counsel in the United States confirming that:

(A) the Issuer has received from, or there has been published by the Internal Revenue Service, a ruling, or

(B) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon this opinion of counsel will confirm that, the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer will have delivered to the trustee an opinion of counsel in the United States reasonably acceptable to the trustee confirming that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the Covenant Defeasance had not occurred;

(4) no Default will have occurred and be continuing on the date of such deposit (other than a Default resulting from the borrowing of funds to be applied to such deposit);

(5) the Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a Default under the Indenture or a default under any other material agreement or instrument to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound (other than any such Default or default resulting solely from the borrowing of funds to be applied to such deposit);

(6) the Issuer will have delivered to the trustee an officers' certificate stating that the deposit was not made by it with the intent of preferring the holders over any other of its creditors or with

the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and

(7) the Issuer will have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that the conditions provided for in, in the case of the officers' certificate, clauses (1) through (6) and, in the case of the opinion of counsel, clauses (2) and/or (3) and (5) of this paragraph have been complied with.

If the funds deposited with the trustee to effect Covenant Defeasance are insufficient to pay the principal of and interest on the notes when due, then the Issuer's obligations and the obligations of the Subsidiary Guarantors under the indenture will be revived and no such defeasance will be deemed to have occurred.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the notes, as expressly provided for in the indenture) as to all outstanding notes when:

(1) either:

(A) all the notes theretofore authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the trustee for cancellation; or

(B) all notes not theretofore delivered to the trustee for cancellation (1) have become due and payable or (2) will become due and payable within one year, or are to be called for redemption within one year, under arrangements reasonably satisfactory to the trustee for the giving of notice of redemption by the trustee in the name, and at the expense, of the Issuer, and the Issuer has irrevocably deposited or caused to be deposited with the trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the notes not theretofore delivered to the trustee for cancellation, for principal of, premium, if any, and interest on the notes to the date of maturity or redemption, as the case may be, together with irrevocable instructions from the Issuer directing the trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Issuer has paid all other sums payable under the indenture by the Issuer; and

(3) the Issuer has delivered to the trustee an officers' certificate and an opinion of counsel stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

Modification and Waiver

Subject to certain limited exceptions, modifications and amendments of the indenture may be made by the Issuer and the trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding notes; *provided, however,* that no such modification or amendment may, without the consent of each holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any note;

(2) reduce the principal amount of, or premium, if any, or interest on, any note;

(3) change the place of payment of principal of, or premium, if any, or interest on, any note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the Redemption Date) of any note;

(5) reduce the above-stated percentages of outstanding notes the consent of whose holders is necessary to modify or amend the indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the notes;

(7) voluntarily release a Subsidiary Guarantor of the notes, except as permitted by the indenture; or

(8) reduce the percentage or aggregate principal amount of outstanding notes the consent of whose holders is necessary for waiver of compliance with certain provisions of the indenture or for waiver of certain defaults.

No Personal Liability of Incorporators, Stockholders, Officers, Directors, or Employees

The indenture provides that no recourse for the payment of the principal of, premium, if any, or interest on any of the notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer in the indenture, or in any of the notes or because of the creation of any Indebtedness represented thereby, will be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer or the Subsidiary Guarantors or of any successor Person thereof. Each holder, by accepting the notes, waives and releases all such liability.

Concerning the Trustee

The indenture provides that, except during the continuance of a Default, the trustee will not be liable, except for the performance of such duties as are specifically set forth in the indenture. If an Event of Default has occurred and is continuing, the trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The indenture and provisions of the Trust Indenture Act of 1939 incorporated by reference into the indenture contain limitations on the rights of the trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The trustee is permitted to engage in other transactions; *provided, however,* that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Transfer and Exchange

Holders of the notes may transfer or exchange the notes in accordance with the indenture. The trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents, and the Issuer may require a holder to pay any taxes and fees required by law or permitted by the indenture. The Issuer is not required to transfer or exchange any note selected for redemption and is not required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed.

The initial notes were issued in a transaction exempt from registration under the Securities Act and are subject to certain restrictions on transfer described in the indenture, which are not applicable to the exchange notes.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

Certain Federal Income Tax Consequences Associated with the Exchange of the Notes

The following discussion is a summary of certain material U.S. federal income tax consequences relevant to the exchange of initial notes for exchange notes pursuant to the exchange offer. The discussion is based upon the Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury Regulations issued thereunder, Internal Revenue Service rulings and pronouncements and judicial decisions now in effect, all of which are subject to change at any time. Any such change may be applied retroactively in a manner that could adversely affect a holder of the notes. The Internal Revenue Service may take positions contrary to those taken in this discussion, and no ruling from the Internal Revenue Service has been or will be sought.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant either to a holder in light of such holder's particular circumstances or to holders subject to special treatment under the Code, such as certain financial institutions, regulated investment companies, real estate investment trusts, United States expatriates, insurance companies, dealers in securities or currencies, traders in securities, life insurance companies, regulated investment companies, foreign corporations, nonresident aliens, holders whose functional currency is not the U.S. dollar, tax-exempt organizations and persons holding the notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. Moreover, neither the effect of any applicable state, local or foreign tax laws nor the possible application of federal estate and gift taxation or the alternative minimum tax is discussed. The discussion deals only with the notes held by investors as "capital assets" within the meaning of Section 1221 of the Code (generally, held for investment). If a partnership or other entity taxable as a partnership holds the notes, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Such partner should consult its tax advisor as to the tax consequences of the partnership exchanging initial notes for exchange notes pursuant to the exchange offer. In addition, this discussion is limited to holders that purchased initial notes for cash at original issue and at their "issue price" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of notes are sold to the public for cash).

We believe that the exchange of the initial notes for the exchange notes, which are debt securities identical to the initial notes, but registered under the Securities Act, pursuant to the exchange offer will not constitute a taxable exchange for U.S. federal income tax purposes. As a result, we believe that (1) a holder will not recognize taxable gain or loss as a result of exchanging such holder's initial notes for exchange notes; (2) the holding period of the exchange notes received by the holder should include the holding period of such holder's initial notes; and (3) the adjusted tax basis of the exchange notes received should be the same as the adjusted tax basis of the initial notes exchanged therefore immediately before the exchange.

EACH HOLDER SHOULD CONSULT HIS OR HER OWN TAX ADVISORS WITH REGARD TO THE FEDERAL INCOME TAX CONSEQUENCES OF EXCHANGING INITIAL NOTES FOR EXCHANGE NOTES, IN LIGHT OF SUCH HOLDER'S OWN PARTICULAR TAX SITUATION, INCLUDING THE APPLICATION OF ANY STATE, LOCAL, FOREIGN OR OTHER TAX LAWS, INCLUDING GIFT AND ESTATE TAX LAWS.

Consequences of an Investment in Our Securities

The following is a general summary of the material U.S. federal income tax considerations applicable to us, and to the purchasers of our securities and our election to be taxed as a REIT. It is not tax advice. The summary is not intended to represent a detailed description of the U.S. federal income tax consequences applicable to a particular stockholder in view of any person's particular circumstances, nor is it intended to represent a detailed description of the U.S. federal income tax consequences applicable to stockholders subject to special treatment under the federal income tax laws

such as insurance companies, tax-exempt organizations, financial institutions, securities broker-dealers, investors in pass-through entities, expatriates and taxpayers subject to alternative minimum taxation.

The following discussion relating to an investment in our securities was based on consultations with Powell Goldstein LLP, our special counsel. In the opinion of Powell Goldstein LLP, the following discussion, to the extent it constitutes matters of law or legal conclusions (assuming the facts, representations, and assumptions upon which the discussion is based are accurate), accurately represents the material U.S. federal income tax considerations relevant to purchasers of our securities. Powell Goldstein LLP has not rendered any opinion regarding any effect of such issuance on purchasers of our securities. The sections of the Code relating to the qualification and operation as a REIT are highly technical and complex. The following discussion sets forth the material aspects of the Code sections that govern the federal income tax treatment of a REIT and its stockholders. The information in this section is based on the Code; current, temporary, and proposed Treasury regulations promulgated under the Code; the legislative history of the Code; current administrative interpretations and practices of the Internal Revenue Service, or IRS; and court decisions, in each case, as of the date of this prospectus. In addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private letter rulings which are not binding on the IRS, except with respect to the particular taxpayers who requested and received those rulings.

Taxation of Omega

General. We have elected to be taxed as a real estate investment trust, or a REIT, under Sections 856 through 860 of the Code beginning with our taxable year ended December 31, 1992. We believe that we have been organized and operated in such a manner as to qualify for taxation as a REIT under the Code and we intend to continue to operate in such a manner, but no assurance can be given that we have operated or will be able to continue to operate in a manner so as to qualify or remain qualified as a REIT.

The sections of the Code that govern the federal income tax treatment of a REIT are highly technical and complex. The following sets forth the material aspects of those sections. This summary is qualified in its entirety by the applicable Code provisions, rules and regulations promulgated thereunder, and administrative and judicial interpretations thereof.

In the opinion of Powell Goldstein LLP, which opinion has been filed as an exhibit to the registration statement of which this prospectus is a part, we are organized in conformity with the requirements for qualification as a REIT, and our current and proposed method of operation will enable us to continue to meet the requirements for continued qualification and taxation as a REIT under the Code. This opinion is based on various assumptions and is conditioned upon certain representations made by us as to factual matters concerning our business and properties. Moreover, such qualification and taxation as a REIT depends upon our ability to meet, through actual annual operating results, distribution levels and diversity of stock ownership, the various qualification tests imposed under the Code discussed below, the results of which will not be reviewed by Powell Goldstein LLP on an ongoing basis. Accordingly, no assurance can be given that the various results of our operation for any particular taxable year will satisfy such requirements. Further, such requirements may be changed, perhaps retroactively, by legislative or administrative actions at any time. We have neither sought nor obtained any formal ruling from the IRS regarding our qualification as a REIT and presently have no plan to apply for any such ruling. See "—Failure to Qualify."

If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on our net income that is currently distributed to stockholders. This treatment substantially eliminates the "double taxation" (i.e., taxation at both the corporate and the stockholder level) that generally results from investment in a corporation. However, we will be subject to federal income tax as follows: First, we will be taxed at regular corporate rates on any undistributed REIT taxable income,

including undistributed net capital gains; provided, however, that if we have a net capital gain, we will be taxed at regular corporate rates on our undistributed REIT taxable income, computed without regard to net capital gain and the deduction for capital gains dividends, plus a 35% tax on undistributed net capital gain, if our tax as thus computed is less than the tax computed in the regular manner. Second, under certain circumstances, we may be subject to the "alternative minimum tax" on our items of tax preference that we do not distribute or allocate to our stockholders. Third, if we have (i) net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the ordinary course of business, or (ii) other nonqualifying income from foreclosure property, we will be subject to tax at the highest regular corporate rate on such income. Fourth, if we have net income from prohibited transactions (which are, in general, certain sales or other dispositions of property (other than foreclosure property) held primarily for sale to customers in the ordinary course of business by us, (i.e., when we are acting as a dealer)), such income will be subject to a 100% tax. Fifth, if we should fail to satisfy the 75% gross income test or the 95% gross income test (as discussed below), but have nonetheless maintained our qualification as a REIT because certain other requirements have been met, we will be subject to a 100% tax on an amount equal to (a) the gross income attributable to the greater of the amount by which we fail the 75% or 95% test, multiplied by (b) a fraction intended to reflect our profitability. Sixth, if we should fail to distribute by the end of each year at least the sum of (i) 85% of our REIT ordinary income for such year, (ii) 95% of our REIT capital gain net income for such year, and (iii) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. Seventh, we will be subject to a 100% excise on transactions with a taxable REIT subsidiary, or TRS, that are not conducted on an arm's-length basis. Eighth, if we acquire any asset, which is defined as a "built-in gain asset" from a C corporation that is not a REIT (i.e., generally a corporation subject to full corporate-level tax) in a transaction in which the basis of the built-in gain asset in our hands is determined by reference to the basis of the asset (or any other property) in the hands of the C corporation, and we recognize gain on the disposition of such asset during the 10-year period, which is defined as the "recognition period," beginning on the date on which such asset was acquired by us, then, to the extent of the built-in gain (i.e., the excess of (a) the fair market value of such asset on the date such asset was acquired by us over (b) our adjusted basis in such asset on such date), our recognized gain will be subject to tax at the highest regular corporate rate. The results described above with respect to the recognition of built-in gain assume that we will not make an election pursuant to Treasury Regulations. Section 1.337(d)-7(c)(5).

Requirements for qualification. The Code defines a REIT as a corporation, trust or association: (1) which is managed by one or more trustees or directors; (2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest; (3) which would be taxable as a domestic corporation, but for Sections 856 through 859 of the Code; (4) which is neither a financial institution nor an insurance company subject to the provisions of the Code; (5) the beneficial ownership of which is held by 100 or more persons; (6) during the last half year of each taxable year not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities); and (7) which meets certain other tests, described below, regarding the nature of its income and assets and the amount of its annual distributions to stockholders. The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of twelve months, or during a proportionate part of a taxable year of less than twelve months. For purposes of conditions (5) and (6), pension funds and certain other tax-exempt entities are treated as individuals, subject to a "look-through" exception in the case of condition (6).

Income tests. In order to maintain our qualification as a REIT, we annually must satisfy two gross income requirements. First, at least 75% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property (including generally "rents from real property," interest on

mortgages on real property and gains on sale of real property and real property mortgages, other than property described in Section 1221 of the Code) and income derived from certain types of temporary investments. Second, at least 95% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from such real property investments, dividends, interest and gain from the sale or disposition of stock or securities other than property held for sale to customers in the ordinary course of business.

Rents received by us will qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if several conditions are met. First, the amount of the rent must not be based in whole or in part on the income or profits of any person. However, any amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales. Second, the Code provides that rents received from a tenant will not qualify as "rents from real property" in satisfying the gross income tests if we, or an owner (actually or constructively) of 10% or more of the value of our stock, actually or constructively owns 10% or more of such tenant, which is defined as a related party tenant. Third, if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as "rents from real property." Finally, for rents received to qualify as "rents from real property," we generally must not operate or manage the property or furnish or render services to the tenants of such property, other than through an independent contractor from which we derive no revenue. We, however, directly perform certain services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property. In addition, we may provide a minimal amount of "non-customary" services to the tenants of a property, other than through an independent contractor, as long as our income from the services does not exceed 1% of our income from the related property. Furthermore, we may own up to 100% of the stock of a TRS, which may provide customary and noncustomary services to our tenants without tainting our rental income from the related properties. For our tax years beginning after 2004, rents for customary services performed by a TRS or that are received from a TRS and are described in Code Section 512(b)(3) no longer meet the 100% excise tax safe harbor. Instead, such payments avoid the excise tax if we pay the TRS at least 150% of its direct cost furnishing such services.

The term "interest" generally does not include any amount received or accrued (directly or indirectly) if the determination of such amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage or percentages of gross receipts or sales. In addition, an amount that is based on the income or profits of a debtor will be qualifying interest income as long as the debtor derives substantially all of its income from the real property securing the debt from leasing substantially all of its interest in the property, but only to the extent that the amounts received by the debtor would be qualifying "rents from real property" if received directly by a REIT.

If a loan contains a provision that entitles us to a percentage of the borrower's gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property's value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests.

Interest on debt secured by mortgages on real property or on interests in real property generally is qualifying income for purposes of the 75% gross income test. However, if the highest principal amount of a loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of the date we agreed to originate or acquire the loan, a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be

qualifying income for purposes of the 95% gross income test. The portion of the interest income that will not be qualifying income for purposes of the 75% gross income test will be equal to the portion of the principal amount of the loan that is not secured by real property.

Prohibited transactions. We will incur a 100% tax on the net income derived from any sale or other disposition of property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of a trade or business. We believe that none of our assets is held for sale to customers and that a sale of any of our assets would not be in the ordinary course of our business. Whether a REIT holds an asset primarily for sale to customers in the ordinary course of a trade or business depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. Nevertheless, we will attempt to comply with the terms of safe-harbor provisions in the federal income tax laws prescribing when an asset sale will not be characterized as a prohibited transaction. We cannot assure you, however, that we can comply with the safe-harbor provisions or that we will avoid owning property that may be characterized as property that we hold primarily for sale to customers in the ordinary course of a trade or business.

Foreclosure property. We will be subject to tax at the maximum corporate rate on any income from foreclosure property, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify for purposes of the 75% and 95% gross income tests. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property:

- that is acquired by a REIT as the result of the REIT having bid in such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or default was imminent on a lease of such property or on indebtedness that such property secured;
- for which the related loan or lease was acquired by the REIT at a time when the default was not imminent or anticipated; and
- for which the REIT markets a proper election to treat the property as foreclosure property.

Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property, or longer if an extension is granted by the Secretary of the Treasury. This grace period terminates and foreclosure property ceases to be foreclosure property on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test, or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;
- on which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or
- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income.

After the year 2000, the definition of foreclosure property was amended to include any "qualified health care property," as defined in Code Section 856(e)(6) acquired by us as the result of the termination or expiration of a lease of such property. We have operated qualified healthcare facility, acquired in this manner for up to two years (or longer if an extension was granted). However, we do not currently own any property with respect to which we have made foreclosure property elections.

Properties that we had taken back in a foreclosure or bankruptcy and operated for our own account were treated as foreclosure properties for income tax purposes, pursuant to Internal Revenue Code Section 856(e). Gross income from foreclosure properties was classified as "good income" for purposes of the annual REIT income tests upon making the election on the tax return. Once made, the income was classified as "good" for a period of three years, or until the properties were no longer operated for our own account. In all cases of foreclosure property, we utilized an independent contractor to conduct day-to-day operations in order to maintain REIT status. In certain cases we operated these facilities through a taxable REIT subsidiary. For those properties operated through the taxable REIT subsidiary, we utilized an eligible independent contractor to conduct day-to-day operations to maintain REIT status. As a result of the foregoing, we do not believe that our participation in the operation of nursing homes increased the risk that we will fail to qualify as a REIT. Through our 2004 taxable year, we had not paid any tax on our foreclosure property because those properties had been producing losses. We cannot predict whether,, in the future, our income from foreclosure property will be significant and/or whether we could be required to pay a significant amount of tax on that income.

Hedging transactions. From time to time, we enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. To the extent that we enter into an interest rate swap or cap contract, option, futures contract, forward rate agreement, or any similar financial instrument to hedge our indebtedness incurred to acquire or carry "real estate assets," any periodic income or gain from the disposition of that contract should be qualifying income for purposes of the 95% gross income test, but not the 75% gross income test. Accordingly, our income and gain from our interest rate swap agreements generally is qualifying income for purpose, or the 95% gross income test, but not the 75% gross income test. To the extent that we hedge with other types of financial instruments, or in other situations, it is not entirely clear how the income from those transactions will be treated for purposes of the gross income tests. We have structured and intend to continue to structure any hedging transactions in a manner that does not jeopardize our status as a REIT. For tax years beginning after 2004, we will no longer include income from hedging transactions in gross income (i.e. not included in either the numerator or the denominator) for purposes of the 95% gross income test.

TRS income. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's assets may consist of securities of one or more TRSs. However, a TRS does not include a corporation which directly or indirectly (i) operates or manages a health care (or lodging) facility, or (ii) provides to any other person (under a franchise, license, or otherwise) rights to any brand name under which a health care (or lodging) facility is operated. A TRS will pay income tax at regular corporate rates on any income that it earns. In addition, the new rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on transactions between a TRS and its parent REIT or the REIT's tenants that are not conducted on an arm's-length basis. We have made TRS elections with respect to Bayside Street II, Inc. and one of our wholly-owned subsidiaries that owned all of the preferred stock of Omega Worldwide. Those entities will pay corporate income tax on their taxable income and their after-tax next income will be available for distribution to us.

Failure to satisfy income tests. If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for such year if we are entitled to relief under certain provisions of the Code. These relief provisions will be generally available if our failure to meet such tests was due to reasonable cause and not due to willful neglect, we attach a schedule of the sources of our income to our tax return, and any incorrect information on the schedule

was not due to fraud with intent to evade tax. It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. Even if these relief provisions apply, we would incur a 100% tax on the gross income attributable to the greater of the amounts by which we fail the 75% and 95% gross income tests, multiplied by a fraction intended to reflect our profitability and we file a schedule with descriptions of each item of gross income that caused the failure.

Asset tests. At the close of each quarter of our taxable year, we must also satisfy the following tests relating to the nature of our assets. First, at least 75% of the value of our total assets must be represented by real estate assets (including (i) our allocable share of real estate assets held by partnerships in which we own an interest and (ii) stock or debt instruments held for not more than one year purchased with the proceeds of a stock offering or long-term (at least five years) debt offering of our company), cash, cash items and government securities. Second, of our investments not included in the 75% asset class, the value of our interest in any one issuer's securities may not exceed 5% of the value of our total assets. Third, we may not own more than 10% of the voting power or value of any one issuer's outstanding securities. Fourth, no more than 20% of the value of our total assets may consist of the securities of one or more TRSs. Fifth, no more than 25% of the value of our total assets may consist of the securities of TRSs and other non-TRS taxable subsidiaries and other assets that are not qualifying assets for purposes of the 75% asset test.

For purposes of the second and third asset tests the term "securities" does not include our equity or debt securities of a qualified REIT subsidiary or TRS or our equity interest in any partnership, since we are deemed to own our proportionate share of each asset of any partnership of which we are a partner. Furthermore, for purposes of determining whether we own more than 10% of the value of only one issuer's outstanding securities, the term "securities" does not include: (i) any loan to an individual or an estate; (ii) any Code Section 467 rental agreement; (iii) any obligation to pay rents from real property; (iv) certain government issued securities; (v) any security issued by another REIT; and (vi) our debt securities in any partnership, not otherwise excepted under (i) through (v) above, (A) to the extent of our interest as a partner in the partnership or (B) if 75% of the partnership's gross income is derived from sources described in the 75% income test set forth above.

We may own up to 100% of the stock of one or more TRSs. However, overall, no more than 20% of the value of our assets may consist of securities of one or more TRSs, and no more than 25% of the value of our assets may consist of the securities of TRSs and other non-TRS taxable subsidiaries (including stock in non-REIT C corporations) and other assets that are not qualifying assets for purposes of the 75% asset test. If the outstanding principal balance of a mortgage loan exceeds the fair market value of the real property securing the loan, a portion of such loan likely will not be a qualifying real estate asset under the federal income tax laws. The nonqualifying portion of that mortgage loan will be equal to the portion of the loan amount that exceeds the value of the associated real property.

After initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy any of the asset tests at the end of a later quarter solely by reason of changes in asset values. If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, the failure can be cured by disposition of sufficient nonqualifying assets within 30 days after the close of that quarter. We have maintained and intend to continue to maintain adequate records of the value of our assets to ensure compliance with the asset tests, and to take such other action within 30 days after the close of any quarter as may be required to cure any noncompliance.

For our tax years beginning after 2004, subject to certain de minimis exceptions, we may avoid REIT disqualification in the event of certain failures under the asset tests, provided that (i) we file a schedule with a description of each asset that caused the failure, (ii) the failure was due to reasonable

cause and not willful neglect, (iii) we dispose of the assets within 6 months after the last day of the quarter in which the identification of the failure occurred (or the requirements of the rules are otherwise met within such period), and (iv) we pay a tax on the failure equal to the greater of (A) $50,000 per failure, and (B) the product of the net income generated by the assets that caused the failure for the period beginning on the date of the failure and ending on the date we dispose of the asset (or otherwise satisfy the requirements) multiplied by the highest applicable corporate tax rate.

Annual distribution requirements. In order to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to (A) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain) and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of noncash income. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration. In addition, such distributions are required to be made pro rata, with no preference to any share of stock as compared with other shares of the same class, and with no preference to one class of stock as compared with another class except to the extent that such class is entitled to such a preference. To the extent that we do not distribute all of our net capital gain or do distribute at least 90%, but less than 100% of our "REIT taxable income," as adjusted, we will be subject to tax thereon at regular ordinary and capital gain corporate tax rates.

Furthermore, if we fail to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- 85% of our REIT ordinary income for such year;
- 95% of our REIT capital gain income for such year; and
- any undistributed taxable income from prior periods,

we will incur a 4% nondeductible excise tax on the excess of such required distribution over the amounts we actually distribute. We may elect to retain and pay income tax on the net long-term capital gain we receive in a taxable year. If we so elect, we will be treated as having distributed any such retained amount for purposes of the 4% excise tax described above. We have made, and we intend to continue to make, timely distributions sufficient to satisfy the annual distribution requirements. We may also be entitled to pay and deduct deficiency dividends in later years as a relief measure to correct errors in determining our taxable income. Although we may be able to avoid income tax on amounts distributed as deficiency dividends, we will be required to pay interest to the IRS based upon the amount of any deduction we take for deficiency dividends.

The availability to us of, among other things, depreciation deductions with respect to our owned facilities depends upon the treatment by us as the owner of such facilities for federal income tax purposes, and the classification of the leases with respect to such facilities as "true leases" rather than financing arrangements for federal income tax purposes. The questions of whether we are the owner of such facilities and whether the leases are true leases for federal tax purposes are essentially factual matters. We believe that we will be treated as the owner of each of the facilities that we lease, and such leases will be treated as true leases for federal income tax purposes. However, no assurances can be given that the IRS will not successfully challenge our status as the owner of our facilities subject to leases, and the status of such leases as true leases, asserting that the purchase of the facilities by us and the leasing of such facilities merely constitute steps in secured financing transactions in which the lessees are owners of the facilities and we are merely a secured creditor. In such event, we would not be entitled to claim depreciation deductions with respect to any of the affected facilities. As a result, we might fail to meet the 90% distribution requirement or, if such requirement is met, we might be subject to corporate income tax or the 4% excise tax.

Other Failures. We may avoid disqualification in the event of a failure to meet certain requirements for REIT qualification, other than the 95% and 75% gross income tests, the rules with respect to ownership of securities of more than 10% of a single issuer, and the new rules provided for failures of the asset tests, if the failures are due to reasonable cause and not willful neglect, and if the REIT pays a penalty of $50,000 for each such failure.

Failure To Qualify

If we fail to qualify as a REIT in any taxable year, and the relief provisions do not apply, we will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify will not be deductible and our failure to qualify as a REIT would reduce the cash available for distribution by us to our stockholders. In addition, if we fail to qualify as a REIT, all distributions to stockholders will be taxable as ordinary income, to the extent of current and accumulated earnings and profits, and, subject to certain limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, we would also be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances we would be entitled to such statutory relief. Failure to qualify could result in our incurring indebtedness or liquidating investments in order to pay the resulting taxes.

Other Tax Matters

We own and operate a number of properties through qualified REIT subsidiaries, "QRSs". The QRSs are treated as qualified REIT subsidiaries under the Code. Code Section 856(i) provides that a corporation which is a qualified REIT subsidiary shall not be treated as a separate corporation, and all assets, liabilities, and items of income, deduction, and credit of a qualified REIT subsidiary shall be treated as assets, liabilities and such items (as the case may be) of the REIT. Thus, in applying the tests for REIT qualification described in this prospectus under the heading "Taxation of Omega," the QRSs will be ignored, and all assets, liabilities and items of income, deduction, and credit of such QRSs will be treated as our assets, liabilities and items of income, deduction, and credit.

In the case of a REIT that is a partner in a partnership, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. Thus, our proportionate share of the assets, liabilities, and items of income of any partnership, joint venture, or limited liability company that is treated as a partnership for federal income tax purposes in which we own an interest, directly or indirectly, will be treated as our assets and gross income for purposes of applying the various REIT qualification requirements.

Taxation of Stockholders

Taxation of domestic stockholders. As long as we qualify as a REIT, if you are a taxable U.S. stockholder, distributions made to you out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by you as ordinary income and will not be eligible for the dividends received deduction for corporations. Distributions that are designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed our actual net capital gain for the taxable year) without regard to the period for which you have held our stock. However, if you are a corporation, you may be required to treat up to 20% of certain capital gain dividends as ordinary income. Distributions in excess of current and accumulated earnings and profits will not be taxable to you to the extent that they do not exceed the adjusted basis of your shares, but rather will reduce the adjusted basis of the shares. To the extent that distributions in excess of current and accumulated earnings and profits exceed the adjusted basis of your shares, you will

include the distributions in income as long-term capital gain (or short-term capital gain if you have held the shares for one year or less) assuming the shares are a capital asset in your hands. In addition, any distribution declared by us in October, November or December of any year payable to you as a stockholder of record on a specified date in any of these months shall be treated as both paid by us and received by you on December 31 of that year, provided that the distribution is actually paid by us during January of the following calendar year. You may not include in your individual income tax returns any of our net operating losses or capital losses.

In general, any loss upon a sale or exchange of shares by you, if you have held the shares for six months or less (after applying certain holding period rules), will be treated as a long-term capital loss to the extent of distributions from us required to be treated by you as long-term capital gain.

Backup Withholding

Assuming that you are a U.S. stockholder, we will report to you and the IRS the amount of distributions paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, you may be subject to backup withholding with respect to distributions paid unless you:

- are a corporation or come within certain other exempt categories and when required, demonstrate this fact; or
- provide a taxpayer identification number, certify as to no loss of exemption from backup withholding, and otherwise comply with applicable requirements of the backup withholding rules.

If you do not provide us with your correct taxpayer identification number, you may also be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against your income tax liability. In addition, we may be required to withhold a portion of capital gain distributions to you, if you fail to certify your nonforeign status to us. See "—Taxation of Stockholders—Taxation of Foreign Stockholders."

Treatment of tax-exempt stockholders. If you are a tax-exempt employee pension trust or other domestic tax-exempt stockholder, our distributions to you generally will not constitute "unrelated business taxable income," or UBTI, unless you have borrowed to acquire or carry our common stock. However, qualified trusts that hold more than 10% (by value) of certain REITs may be required to treat a certain percentage of that REIT's distributions as UBTI. This requirement will apply only if:

- the REIT would not qualify for federal income tax purposes but for the application of a "look-through" exception to the "five or fewer" requirement applicable to shares held by qualified trusts; and
- the REIT is "predominantly held" by qualified trusts.

A REIT is predominantly held if either:

- a single qualified trust holds more than 25% by value of the REIT interests; or
- one or more qualified trusts, each owning more than 10% by value of the REIT interests, hold in the aggregate more than 50% by value of the REIT interests.

The percentage of any REIT dividend treated as UBTI is equal to the ratio of the UBTI earned by the REIT (treating the REIT as if it were a qualified trust and therefore subject to tax on UBTI) to the total gross income (less certain associated expenses) of the REIT.

A *de minimis* exception applies where the ratio set forth in the preceding sentence is less than 5% for any year. For those purposes, a qualified trust is any trust described in section 401(a) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code. The

provisions requiring qualified trusts to treat a portion of REIT distributions as UBTI will not apply if the REIT is able to satisfy the "five or fewer" requirement without relying upon the "look-through" exception. The restrictions on ownership of our common stock in our Amended and Restated Articles of Incorporation, as amended, will prevent application of the provisions treating a portion of REIT distributions as UBTI to tax-exempt entities purchasing our common stock, absent approval by our board of directors.

Taxation of foreign stockholders. The rules governing U.S. federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships and other foreign stockholders (collectively, Non-U.S. Stockholders) are complex and no attempt will be made herein to provide more than a summary of these rules. Prospective Non-U.S. Stockholders should consult with their own tax advisors to determine the impact of federal, state and local income tax laws with regard to an investment in shares, including any reporting requirements.

If you are a Non-U.S. Stockholder, the following discussion will apply to you. Distributions that are not attributable to gain from our sales or exchanges of U.S. real property interests and not designated by us as capital gains dividends will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions will ordinarily be subject to a withholding tax equal to 30% of the gross amount of the distribution unless an applicable tax treaty reduces or eliminates that tax.

However, if income from the investment in the shares is treated as effectively connected with your conduct of a U.S. trade or business, you generally will be subject to a tax at graduated rates, in the same manner as U.S. stockholders are taxed with respect to the distributions (and may also be subject to the 30% branch profits tax if you are a foreign corporation). We expect to withhold U.S. income tax at the rate of 30% on the gross amount of any distributions made to you unless:

- a lower treaty rate applies, you file an IRS Form W-8BEN with us and other conditions are met; or
- you file an IRS Form W-8ECI with us claiming that the distribution is effectively connected income, and other conditions are met.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to you to the extent that the distributions do not exceed the adjusted basis of your shares, but rather will reduce the adjusted basis of the shares. To the extent that distributions in excess of current accumulated earnings and profits exceed the adjusted basis of your shares, these distributions will give rise to tax liability if you would otherwise be subject to tax on any gain from the sale or disposition of your shares in us, as described below. If it cannot be determined at the time a distribution is made whether or not the distribution will be in excess of current and accumulated earnings and profits, the distributions will be subject to withholding at the same rate as dividends. However, amounts thus withheld are refundable if it is subsequently determined that a distribution was, in fact, in excess of our current and accumulated earnings and profits.

For any year in which we qualify as a REIT, distributions that are attributable to gain from our sales or exchanges of U.S. real property interests will be taxed to you under the provisions of the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA. Under FIRPTA, distributions attributable to gain from sales of U.S. real property interests are taxed to you as if the gain were effectively connected with a U.S. business. You would thus be taxed at the normal capital gain rates applicable to U.S. stockholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). Also, distributions subject to FIRPTA may be subject to a 30% branch profits tax in the hands of a foreign corporate stockholder not entitled to a treaty exemption. We are required by applicable Treasury Regulations to withhold 35% of any

distribution that could be designated by us as a capital gains dividend. This amount is creditable against your FIRPTA tax liability.

For our tax years beginning after 2004, a capital gain distribution to a Non-U.S. Stockholder that would otherwise be subject to FIRPTA will not be treated as effectively connected income and instead will be treated as ordinary dividend income subject to withholding at a 30% rate (or lower treaty rate) provided that (i) the distribution is received by such Non-U.S. Stockholder with respect to a class of our stock that is regularly traded on an established securities market located in the U.S. and (ii) such Non-U.S. Stockholder does not own more than 5% of the class of stock at any time during the taxable year within which it receives the distribution.

Gain recognized by you upon a sale of shares generally will not be taxed under FIRPTA if we are a "domestically controlled REIT," defined generally as a REIT in which at all times during a specified testing period less than 50% in value of the stock was held directly or indirectly by foreign persons. It is currently anticipated that we will be a "domestically controlled REIT," although there can be no assurance that we will retain that status. If we are not "domestically controlled," gain recognized by you will continue to be exempt under FIRPTA if you at no time owned more than five percent of our common stock. However, gain not subject to FIRPTA will be taxable to you if:

- investment in the shares is effectively connected with your U.S. trade or business, in which case you will be subject to the same treatment as U.S. stockholders with respect to the gain; or

- you are a nonresident alien individual who was present in the United States for more than 182 days during the taxable year and other applicable requirements are met, in which case you will be subject to a 30% tax on your capital gains.

If the gain on the sale of shares were to be subject to taxation under FIRPTA, you will be subject to the same treatment as U.S. stockholders with respect to the gain (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals).

If the proceeds of a sale of shares by you are paid by or through a U.S. office of a broker, the payment is subject to information reporting and to backup withholding unless you certify as to your name, address and non-U.S. status or otherwise establish an exemption. Generally, U.S. information reporting and backup withholding will not apply to a payment of disposition proceeds if the payment is made outside the U.S. through a non-U.S. office of a non-U.S. broker. U.S. information reporting requirements (but not backup withholding) will apply, however, to a payment of disposition proceeds outside the U.S. if:

- the payment is made through an office outside the U.S. of a broker that is: (a) a U.S. person; (b) a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the U.S.; or (c) a "controlled foreign corporation" for U.S. federal income tax purposes; and

- the broker fails to initiate documentary evidence that you are a Non-U.S. Stockholder and that certain conditions are met or that you otherwise are entitled to an exemption.

Other Tax Consequences

The maximum federal income tax rate applicable to individuals for long-term capital gains and for dividend income taxable prior to 2009 is 15%. Without future congressional action, the maximum tax rate on long-term capital gains will be 20% in 2009, and the maximum rate on dividends will increase to 35% in 2009 and 39.6% in 2011. Because we are not generally subject to federal income tax on the portion of our REIT taxable income or capital gains distributed to our stockholders, our dividends will generally not be eligible for the 15% tax rate on dividends. As a result, our ordinary REIT dividends

will continue to be taxed at the higher tax rates applicable to ordinary income. However, the 15% tax rate for long-term capital gains and dividends will generally apply to:

- your long-term capital gains, if any, recognized on the disposition of our shares;
- our distributions designated as long-term capital gain dividends (except to the extent attributable to "unrecaptured Section 1250 gain," in which case such distributions would continue to be subject to a 25% tax rate);
- our dividends attributable to dividends received by us from non-REIT corporations, such as taxable REIT subsidiaries; and
- our dividends to the extent attributable to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income).

Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable treatment of regular corporate dividends could cause investors who are individuals to consider stocks of other corporations that pay dividends as more attractive relative to stocks of REITs. It is not possible to predict whether this change in perceived relative value will occur, or what the effect will be on the market price of our stock.

Possible Legislative Or Other Actions Affecting Tax Consequences

Prospective holders of our securities should recognize that the present federal income tax treatment of investment in our company may be modified by legislative, judicial or administrative action at any time and that any of these actions may affect investments and commitments previously made. The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in federal tax laws and interpretations thereof could adversely affect the tax consequences of investment in our company.

State and Local Taxes

We may be and you may be subject to state or local taxes in other jurisdictions such as those in which we may be deemed to be engaged in activities or own property or other interests. The state and local tax treatment of us may not conform to the federal income tax consequences discussed above.

PLAN OF DISTRIBUTION

If you are a broker-dealer and hold initial notes for your own account as a result of market-making activities or other trading activities and you receive exchange notes in exchange for initial notes in the exchange offer, then you may be a statutory underwriter and must acknowledge that you will deliver a prospectus in connection with any resale of these exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for initial notes where such initial notes were acquired as a result of market-making activities or other trading activities. Unless you are a broker-dealer, you must acknowledge that you are not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in a distribution of exchange notes. We have agreed, for a period of 180 days after consummation of the exchange offer to make available a prospectus meeting the requirements of the Securities Act to any broker-dealer for use in connection with any resale of any such exchange notes acquired.

Neither we nor any subsidiary guarantor will receive any proceeds in connection with the exchange offer or any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of these methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealers or the purchasers of any such exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker-dealer that participates in a distribution of such exchange notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of exchange notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. By acknowledging that it will deliver a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. See the section entitled "The Exchange Offer—Resales of Exchange Notes."

For a period of 180 days after consummation of the exchange offer we will make available a prospectus meeting the requirements of the Securities Act to any broker-dealer for use in connection with any resale of exchange notes. We have agreed to pay all expenses incident to our obligations in connection with the exchange offer, other than commissions and concessions of any broker dealer and, in certain instances any transfer taxes, and will indemnify the holders of initial notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

Certain legal matters with respect to the validity of the notes and the guarantees will be passed upon for Omega Healthcare Investors, Inc. by Powell Goldstein LLP, Atlanta, Georgia.

EXPERTS

The consolidated financial statements of Omega Healthcare Investors, Inc. at December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, including schedules appearing herein, and Omega Healthcare Investors, Inc. management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005, appearing in this prospectus and registration statement, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, and included herein. Such consolidated financial statements and management's assessment are included herein in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-4 to register with the SEC the notes to be issued upon the effectiveness of the registration statement. This prospectus is part of that registration statement. As allowed by the SEC's rules, this prospectus does not contain all of the information you can find in the registration statement or the exhibits to the registration statement.

We file annual, quarterly and special reports, proxy statements, and other information with the SEC under the Exchange Act. You may read and copy any of the reports, statements, or other information that we have filed with the SEC at the SEC's public reference room at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public from commercial document retrieval services and free of charge on the SEC's web site at *www.sec.gov*, as well as on our website at *www.omegahealthcare.com*.

You may request a copy of any of these filings, at no cost, by writing or calling us at the following address or phone number:

Omega Healthcare Investors, Inc.
9690 Deereco Road, Suite 100
Timonium, Maryland 21093
Attention: Robert O. Stephenson
Telephone: (410) 427-1700

FINANCIAL STATEMENTS

Management's Report on Internal Control over Financial Reporting

The management of Omega Healthcare Investors, Inc. ("Omega") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by a company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Omega have been detected. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Omega's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on management's assessment management believes that, as of December 31, 2005, Omega's internal control over financial reporting is effective based on those criteria.

Omega's independent auditors have issued an audit report on our assessment of the company's internal control over financial reporting. This report appears on page F-4 of our Annual Report attached hereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Omega Healthcare Investors, Inc.

We have audited the accompanying consolidated balance sheets of Omega Healthcare Investors, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedules listed in the Index on page F-1. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Omega Healthcare Investors, Inc. and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Omega Healthcare Investors, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
February 17, 2006

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Omega Healthcare Investors, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Omega Healthcare Investors, Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Omega Healthcare Investors, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Omega Healthcare Investors, Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Omega Healthcare Investors, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Omega Healthcare Investors, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005 and our report dated February 17, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
February 17, 2006

OMEGA HEALTHCARE INVESTORS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31, 2005	December 31, 2004
ASSETS		
Real estate properties		
Land and buildings at cost	$ 996,127	$ 808,574
Less accumulated depreciation	(157,255)	(153,379)
Real estate properties—net	838,872	655,195
Mortgage notes receivable—net	104,522	118,058
	943,394	773,253
Other investments—net	23,490	29,699
	966,884	802,952
Assets held for sale—net	1,243	—
Total investments	968,127	802,952
Cash and cash equivalents	3,948	12,083
Accounts receivable	5,885	5,582
Other assets	37,769	12,733
Operating assets for owned properties	—	213
Total assets	$ 1,015,729	$ 833,563
LIABILITIES AND STOCKHOLDERS' EQUITY		
Revolving line of credit	$ 58,000	$ 15,000
Unsecured borrowings—net	505,429	361,338
Other long-term borrowings	2,800	3,170
Accrued expenses and other liabilities	19,563	21,067
Operating liabilities for owned properties	256	508
Total liabilities	586,048	401,083
Stockholders' equity:		
Preferred stock issued and outstanding—2,000 shares Class B with an aggregate liquidation preference of $50,000	—	50,000
Preferred stock issued and outstanding—4,740 shares Class D with an aggregate liquidation preference of $118,488	118,488	118,488
Common stock $.10 par value authorized—100,000 shares: Issued and outstanding—56,872 shares in 2005 and 50,824 shares in 2004	5,687	5,082
Additional paid-in-capital	657,920	592,698
Cumulative net earnings	227,701	191,013
Cumulative dividends paid	(536,041)	(480,292)
Cumulative dividends—redemption	(43,067)	(41,054)
Unamortized restricted stock awards	(1,167)	(2,231)
Accumulated other comprehensive income (loss)	160	(1,224)
Total stockholders' equity	429,681	432,480
Total liabilities and stockholders' equity	$ 1,015,729	$ 833,563

See accompanying notes.

OMEGA HEALTHCARE INVESTORS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Year Ended December 31,		
	2005	**2004**	**2003**
Revenues			
Rental income	$ 92,387	$ 68,338	$ 57,654
Mortgage interest income	6,527	13,266	14,656
Other investment income—net	2,439	2,319	2,922
Miscellaneous	4,459	831	1,048
Nursing home revenues of owned and operated assets	—	—	4,395
Total operating revenues	105,812	84,754	80,675
Expenses			
Depreciation and amortization	24,175	19,214	18,500
General and administrative	8,587	8,841	8,858
Provision for impairment on real estate properties	5,454	—	74
Provisions for uncollectible mortgages, notes and accounts receivable	83	—	—
Leasehold expiration expense	1,050	—	—
Nursing home expenses of owned and operated assets	—	—	5,493
Total operating expenses	39,349	28,055	32,925
Income before other income and expense	66,463	56,699	47,750
Other income (expense):			
Interest and other investment income	220	122	182
Interest expense	(29,900)	(23,050)	(18,495)
Interest—amortization of deferred financing costs	(2,121)	(1,852)	(2,307)
Interest—refinancing costs	(2,750)	(19,106)	(2,586)
Provisions for impairment on equity securities	(3,360)	—	—
Litigation settlements and professional liability claims	1,599	(3,000)	2,187
Adjustment of derivative to fair value	—	256	—
Total other expense	(36,312)	(46,630)	(21,019)
Income before gain on assets sold	30,151	10,069	26,731
Gain from assets sold—net	—	—	665
Income from continuing operations	30,151	10,069	27,396
Income (loss) from discontinued operations	6,537	6,669	(4,366)
Net income	36,688	16,738	23,030
Preferred stock dividends	(11,385)	(15,807)	(20,115)
Preferred stock conversion and redemption charges	(2,013)	(41,054)	—
Net income (loss) available to common	$ 23,290	$ (40,123)	$ 2,915
Income (loss) per common share:			
Basic:			
Income (loss) from continuing operations	$ 0.32	$ (1.03)	$ 0.20
Net income (loss)	$ 0.45	$ (0.88)	$ 0.08
Diluted:			
Income (loss) from continuing operations	$ 0.32	$ (1.03)	$ 0.19
Net income (loss)	$ 0.45	$ (0.88)	$ 0.08
Dividends declared and paid per common share	$ 0.85	$ 0.72	$ 0.15
Weighted-average shares outstanding, basic	51,738	45,472	37,189
Weighted-average shares outstanding, diluted	52,059	45,472	38,154
Components of other comprehensive income:			
Net income	$ 36,688	$ 16,738	$ 23,030
Unrealized gain (loss) on investments and hedging contracts—net	1,384	3,231	(1,573)
Total comprehensive income	$ 38,072	$ 19,969	$ 21,457

See accompanying notes.

OMEGA HEALTHCARE INVESTORS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands, except per share amounts)

	Common Stock Par Value	Additional Paid-in Capital	Preferred Stock	Cumulative Net Earnings
Balance at December 31, 2002 (37,141 common shares)	$ 3,714	$ 481,052	$ 212,342	$ 151,245
Issuance of common stock:				
Release of restricted stock and amortization of deferred stock compensation	—	—	—	—
Dividend reinvestment plan (6 shares)	1	41	—	—
Exercised options (121shares at an average exercise price of $2.373 per share)	12	275	—	—
Grant of stock as payment of directors fees (23 shares at an average of $4.373 per share)	2	99	—	—
Net income for 2003	—	—	—	23,030
Common dividends paid ($0.15 per share).	—	—	—	—
Preferred dividends paid (Series A of $6.359 per share, Series B of $5.930 per share and Series C of $2.50 per share)	—	—	—	—
Unrealized loss on interest rate cap	—	—	—	—
Balance at December 31, 2003 (37,291 common shares)	3,729	481,467	212,342	174,275
Issuance of common stock:				
Grant of restricted stock (318 shares at $10.54 per share)	—	3,346	—	—
Amortization of restricted stock	—	—	—	—
Dividend reinvestment plan (16 shares at $9.84 per share)	2	157	—	—
Exercised options (1,190 shares at an average exercise price of $2.775 per share)	119	(403)	—	—
Grant of stock as payment of directors fees (10 shares at an average of $10.3142 per share)	1	101	—	—
Equity offerings (2,718 shares at $9.85 per share)	272	23,098	—	—
Equity offerings (4,025 shares at $11.96 per share)	403	45,437	—	—
Net income for 2004	—	—	—	16,738
Purchase of Explorer common stock (11,200 shares).	(1,120)	(101,025)	—	—
Common dividends paid ($0.72 per share).	—	—	—	—
Issuance of Series D preferred stock (4,740 shares).	—	(3,700)	118,488	—
Series A preferred redemptions.	—	2,311	(57,500)	—
Series C preferred stock conversions.	1,676	103,166	(104,842)	—
Series C preferred stock redemptions	—	38,743	—	—
Preferred dividends paid (Series A of $1.156 per share, Series B of $2.156 per share and Series D of $1.518 per share)	—	—	—	—
Realized loss on sale of interest rate cap	—	—	—	—
Unrealized loss on investments	—	—	—	—
Balance at December 31, 2004 (50,824 common shares)	5,082	592,698	168,488	191,013
Issuance of common stock:				
Grant of restricted stock (7 shares at $11.03 per share)	—	77	—	—
Amortization of restricted stock	—	—	—	—
Vesting of restricted stock (grants 66 shares)	7	(521)	—	—
Dividend reinvestment plan (573 shares at $12.138 per share)	57	6,890	—	—
Exercised options (218 shares at an average exercise price of $2.837 per share)	22	(546)	—	—
Grant of stock as payment of directors fees (9 shares at an average of $11.735 per share)	1	99	—	—
Equity offerings (5,175 shares at $11.80 per share)	518	57,223	—	—
Net income for 2005	—	—	—	36,688
Common dividends paid ($0.85 per share).	—	—	—	—
Series B preferred redemptions.	—	2,000	(50,000)	—
Preferred dividends paid (Series B of $1.090 per share and Series D of $2.0938 per share)	—	—	—	—
Reclassification for realized loss on investments	—	—	—	—
Unrealized loss on investments	—	—	—	—
Balance at December 31, 2005 (56,872 common shares)	$ 5,687	$ 657,920	$ 118,488	$ 227,701

See accompanying notes.

	Cumulative Dividends	Unamortized Restricted Stock Awards	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2002 (37,141 common shares)	$ (365,654)	$ (116)	$ (2,882)	$ 479,701
Issuance of common stock:				
Release of restricted stock and amortization of deferred stock compensation	—	116	—	116
Dividend reinvestment plan (6 shares)	—	—	—	42
Exercised options (121shares at an average exercise price of $2.373 per share)	—	—	—	287
Grant of stock as payment of directors fees (23 shares at an average of $4.373 per share)	—	—	—	101
Net income for 2003	—	—	—	23,030
Common dividends paid ($0.15 per share).	(5,582)	—	—	(5,582)
Preferred dividends paid (Series A of $6.359 per share, Series B of $5.930 per share and Series C of $2.50 per share)	(59,887)	—	—	(59,887)
Unrealized loss on interest rate cap	—	—	(1,573)	(1,573)
Balance at December 31, 2003 (37,291 common shares)	(431,123)	—	(4,455)	436,235
Issuance of common stock:				
Grant of restricted stock (318 shares at $10.54 per share)	—	(3,346)	—	—
Amortization of restricted stock	—	1,115	—	1,115
Dividend reinvestment plan (16 shares)	—	—	—	159
Exercised options (1,190 shares at an average exercise price of $2.775 per share)	—	—	—	(284)
Grant of stock as payment of directors fees (10 shares at an average of $10.3142 per share)	—	—	—	102
Equity offerings (2,718 shares)	—	—	—	23,370
Equity offerings (4,025 shares)	—	—	—	45,840
Net income for 2004	—	—	—	16,738
Purchase of Explorer common stock (11,200 shares).	—	—	—	(102,145)
Common dividends paid ($0.72 per share).	(32,151)	—	—	(32,151)
Issuance of Series D preferred stock (4,740 shares)	—	—	—	114,788
Series A preferred stock redemptions	(2,311)	—	—	(57,500)
Series C preferred stock conversions	—	—	—	—
Series C preferred stock redemptions	(38,743)	—	—	—
Preferred dividends paid (Series A of $1.156 per share, Series B of $2.156 per share and Series D of $1.518 per share)	(17,018)	—	—	(17,018)
Realized loss on sale of interest rate cap	—	—	6,014	6,014
Unrealized loss on investments	—	—	(2,783)	(2,783)
Balance at December 31, 2004 (50,824 common shares)	(521,346)	(2,231)	(1,224)	432,480
Issuance of common stock:				
Grant of restricted stock (7 shares at $11.03 per share)	—	(77)	—	—
Amortization of restricted stock	—	1,141	—	1,141
Vesting of restricted stock (grants 66 shares)	—	—	—	(514)
Dividend reinvestment plan (573 shares at $12.138 per share)	—	—	—	6,947
Exercised options (218 shares at an average exercise price of $2.837 per share)	—	—	—	(524)
Grant of stock as payment of directors fees (9 shares at an average of $11.735 per share)	—	—	—	100
Equity offerings (5,175 shares at $11.80 per share)	—	—	—	57,741
Net income for 2005	—	—	—	36,688
Common dividends paid ($0.85 per share).	(43,645)	—	—	(43,645)
Series B preferred redemptions.	(2,013)	—	—	(50,013)
Preferred dividends paid (Series B of $1.090 per share and Series D of $2.0938 per share)	(12,104)	—	—	(12,104)
Reclassification for realized loss on investments	—	—	3,360	3,360
Unrealized loss on investments	—	—	(1,976)	(1,976)
Balance at December 31, 2005 (56,872 common shares)	$ (579,108)	$ (1,167)	$ 160	$ 429,681

See accompanying notes.

OMEGA HEALTHCARE INVESTORS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2005	2004	2003
Cash flow from operating activities			
Net income	$ 36,688	$ 16,738	$ 23,030
Adjustment to reconcile net income to cash provided by operating activities:			
Depreciation and amortization (including amounts in discontinued operations)	25,277	21,551	21,426
Provisions for impairment (including amounts in discontinued operations)	9,617	—	8,894
Provisions for uncollectible mortgages, notes and accounts receivable	83	—	—
Provision for impairment on equity securities	3,360	—	—
Refinancing costs	2,750	19,106	2,586
Amortization for deferred finance costs	2,121	1,852	2,307
(Gain) loss on assets sold—net	(7,969)	(3,358)	148
Restricted stock amortization expense	1,141	1,115	—
Adjustment of derivatives to fair value	—	(256)	—
Other	(1,521)	(55)	(45)
Net change in accounts receivable	(303)	(2,990)	174
Net change in other assets	4,075	(72)	303
Net change in operating assets and liabilities	(2,362)	731	(2,370)
Net cash provided by operating activities	72,957	54,362	56,453
Cash flow from investing activities			
Acquisition of real estate	(248,704)	(114,214)	—
Placement of mortgage loans	(61,750)	(6,500)	—
Proceeds from sale of stock	—	480	—
Proceeds from sale of real estate investments	60,513	5,672	12,911
Capital improvements and funding of other investments	(3,821)	(5,606)	(1,504)
Proceeds from other investments and assets held for sale—net	6,393	9,145	23,815
Investments in other investments—net	(9,574)	(3,430)	(7,736)
Collection of mortgage principal	61,602	8,226	3,624
Net cash (used in) provided by investing activities	(195,341)	(106,227)	31,110
Cash flow from financing activities			
Proceeds from credit line borrowings	387,800	157,700	260,977
Payments of credit line borrowings	(344,800)	(319,774)	(260,903)
Payment of re-financing related costs	(2,491)	(6,378)	—
Proceeds from long-term borrowings	223,566	261,350	—
Payments of long-term borrowings	(79,688)	(350)	(25,942)
Payment to Trustee to redeem long-term borrowings	(22,670)	—	—
Proceeds from sale of interest rate cap	—	3,460	—
Receipts from Dividend Reinvestment Plan and directors fees	6,947	262	42
Payments for exercised options—net	(1,038)	(387)	287
Dividends paid	(55,749)	(49,169)	(65,469)
Redemption of preferred stock	(50,013)	(57,500)	—
Proceeds from preferred stock offering	—	12,643	—
Proceeds from common stock offering	57,741	69,210	—
Deferred financing costs paid	(5,327)	(10,213)	(7,801)
Other	(29)	—	—
Net cash provided by (used in) financing activities	114,249	60,854	(98,809)
(Decrease) increase in cash and cash equivalents	(8,135)	8,989	(11,246)
Cash and cash equivalents at beginning of year	12,083	3,094	14,340
Cash and cash equivalents at end of year	$ 3,948	$ 12,083	$ 3,094
Interest paid during the year	$ 31,354	$ 19,150	$ 18,101

See accompanying notes.

NOTE 1—ORGANIZATION AND BASIS OF PRESENTATION

Organization

Omega Healthcare Investors, Inc. ("Omega"), a Maryland corporation, is a self-administered real estate investment trust ("REIT"). From the date that we commenced operations in 1992, we have invested primarily in income-producing healthcare facilities, which include long-term care nursing homes, assisted living facilities and rehabilitation hospitals. At December 31, 2005, we have investments in 227 healthcare facilities located throughout the United States.

Consolidation

Our consolidated financial statements include the accounts of Omega and all direct and indirect wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

We have one reportable segment consisting of investments in real estate. Our business is to provide financing and capital to the long-term healthcare industry with a particular focus on skilled nursing facilities located in the United States. Our core portfolio consists of long-term lease and mortgage agreements. All of our leases are "triple-net" leases, which require the tenants to pay all property related expenses. Our mortgage revenue derives from fixed-rate mortgage loans, which are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor. Substantially all depreciation expenses reflected in the consolidated statement of operations relate to the ownership of our investment in real estate.

In prior years, we had a reportable segment relating to our portfolio of owned and operated facilities that we acquired as a result of certain foreclosure proceedings. However, owned and operated facilities are not our core business, and thus we divested all of our owned and operated facilities. As of January 1, 2004, the divestment process had been sufficiently implemented such that our holdings of owned and operated facilities were immaterial and thus no longer constituted a separate reportable segment. As of December 31, 2004, we had no owned and operated facilities. In addition, we previously reported a segment entitled "Corporate and Other" however, all of the items classified thereunder are properly allocable to core operations and, as result, do not currently constitute a separate reportable segment.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Real Estate Investments and Depreciation

We allocate the purchase price of properties to net tangible and identified intangible assets acquired based on their fair values in accordance with the provisions Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*. In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including independent appraisals that may be

obtained in connection with the acquisition or financing of the respective property and other market data. We also consider information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. All costs of significant improvements, renovations and replacements are capitalized. In addition, we capitalize leasehold improvements when certain criteria are met, including when we supervise construction and will own the improvement. Expenditures for maintenance and repairs are charged to operations as they are incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives ranging from 20 to 40 years for buildings and improvements and three to 10 years for furniture, fixtures and equipment. Leasehold interests are amortized over the shorter of useful life or term of the lease, with lives ranging from four to seven years.

Gains on sales of real estate assets are recognized pursuant to the provisions of SFAS No. 66, *Accounting for Sales of Real Estate*. The specific timing of the recognition of the sale and the related gain is measured against the various criteria in SFAS No. 66 related to the terms of the transactions and any continuing involvement associated with the assets sold. To the extent the sales criteria are not met, we defer gain recognition until the sales criteria are met.

Asset Impairment

Management periodically, but not less than annually, evaluates our real estate investments for impairment indicators, including the evaluation of our assets' useful lives. The judgment regarding the existence of impairment indicators is based on factors such as, but not limited to, market conditions, operator performance and legal structure. If indicators of impairment are present, management evaluates the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying facilities. Provisions for impairment losses related to long-lived assets are recognized when expected future undiscounted cash flows are determined to be permanently less than the carrying values of the assets. An adjustment is made to the net carrying value of the leased properties and other long-lived assets for the excess of historical cost over fair value**.** The fair value of the real estate investment is determined by market research, which includes valuing the property as a nursing home as well as other alternative uses. All impairments are taken as a period cost at that time, and depreciation is adjusted going forward to reflect the new value assigned to the asset.

If we decide to sell rental properties or land holdings, we evaluate the recoverability of the carrying amounts of the assets. If the evaluation indicates that the carrying value is not recoverable from estimated net sales proceeds, the property is written down to estimated fair value less costs to sell. Our estimates of cash flows and fair values of the properties are based on current market conditions and consider matters such as rental rates and occupancies for comparable properties, recent sales data for comparable properties, and, where applicable, contracts or the results of negotiations with purchasers or prospective purchasers.

For the years ended December 31, 2005, 2004, and 2003 we recognized impairment losses of $9.6 million, $0.0 million and $8.9 million, respectively, including amounts classified within discontinued operations.

Loan Impairment

Management, periodically but not less than annually, evaluates our outstanding loans and notes receivable. When management identifies potential loan impairment indicators, such as non-payment under the loan documents, impairment of the underlying collateral, financial difficulty of the operator or other circumstances that may impair full execution of the loan documents, and management believes these indicators are permanent, then the loan is written down to the present value of the expected future cash flows. In cases where expected future cash flows cannot be estimated, the loan is written down to the fair value of the collateral. The fair value of the loan is determined by market research, which includes valuing the property as a nursing home as well as other alternative uses. We recorded loan impairments of $0.1 million, $0.0 million and $0.0 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with a maturity date of three months or less when purchased. These investments are stated at cost, which approximates fair value.

Accounts Receivable

Accounts receivable consists primarily of lease and mortgage interest payments. Amounts recorded include estimated provisions for loss related to uncollectible accounts and disputed items. On a monthly basis, we review the contractual payment versus actual cash payment received and the contractual payment due date versus actual receipt date. When management identifies delinquencies, a judgment is made as to the amount of provision, if any, that is needed. No allowances were recorded for the years ended December 31, 2005, 2004 and 2003.

Investments in Equity Securities

Marketable securities classified as available-for-sale are stated at fair value with unrealized gains and losses recorded in accumulated other comprehensive income. Realized gains and losses and declines in value judged to be other-than-temporary on securities held as available-for-sale are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities available-for-sale are included in investment income. If events or circumstances indicate that the fair value of an investment has declined below its carrying value and we consider the decline to be "other than temporary," the investment is written down to fair value and an impairment loss is recognized.

At December 31, 2005, we had one marketable security (i.e., shares of a publicly traded company; see Note 5—Other Investments). In accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* ,, during the year ended December 31, 2005, we recorded a $3.4 million provision for impairment to write-down our 760,000 share investment in Sun Healthcare Group, Inc. ("Sun") common stock to its then current fair market value.

Comprehensive Income

SFAS 130, *Reporting Comprehensive Income*, establishes guidelines for the reporting and display of comprehensive income and its components in financial statements. Comprehensive income includes net income and all other non-owner changes in stockholders' equity during a period including unrealized gains and losses on equity securities classified as available-for-sale and unrealized fair value adjustments on certain derivative instruments.

Deferred Financing Costs

Deferred financing costs are amortized on a straight-line basis over the terms of the related borrowings which approximate the effective interest method. Amortization of financing costs totaling $2.1 million, $1.9 million and $2.3 million in 2005, 2004 and 2003, respectively, is classified as "interest—amortization of deferred financing costs" in our audited consolidated statements of operations. When financings are terminated, unamortized amounts paid, as well as, charges incurred for the termination, are expensed at the time the termination is made. Gains and losses from the extinguishment of debt are presented as interest expense within income from continuing operations in the accompanying consolidated financial statements.

Revenue Recognition

Rental income is recognized as earned over the terms of the related master leases. Such income generally includes periodic increases based on pre-determined formulas (i.e., such as increases in the Consumer Price Index ("CPI")) as defined in the master leases. Certain master leases contain provisions relating to increases in rental payments over the term of the leases. Rental income, under these leases, is recognized over the term of the lease on a straight-line basis. Recognition of rental income commences when control of the facility has been given to the tenant. Mortgage interest income is recognized as earned over the terms of the related mortgage notes.

Reserves are taken against earned revenues from leases and mortgages when collection of amounts due becomes questionable or when negotiations for restructurings of troubled operators lead to lower expectations regarding ultimate collection. When collection is uncertain, lease revenues are recorded as received, after taking into account application of security deposits. Interest income on impaired mortgage loans is recognized as received after taking into account application of security deposits.

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

Owned and Operated Assets

If real estate is acquired and operated pursuant to a foreclosure proceeding, it is designated as "owned and operated assets" and recorded at the lower of cost or fair value.

Assets Held for Sale and Discontinued Operations

When a formal plan to sell real estate is adopted the real estate is classified as "assets held for sale," with the net carrying amount adjusted to the lower of cost or estimated fair value, less cost of disposal. Depreciation of the facilities is excluded from operations after management has committed to a plan to sell the asset. Pursuant to SFAS No. 144, *Accounting for the Impairment or Disposal of*

Long-Lived Assets, long-lived assets sold or designated as held for sale are reported as discontinued operations in our financial statements for all periods presented. We had three assets held for sale as of December 31, 2005 with a combined net book value of $1.2 million. We held no assets that qualified as held for sale as of December 31, 2004.

Derivative Instruments

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires that all derivatives are recognized on the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedge item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

Earnings Per Share

Basic earnings per common share ("EPS") is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the year. Diluted EPS reflects the potential dilution that could occur from shares issuable through stock-based compensation, including stock options, restricted stock and the conversion of our Series C preferred stock.

Federal and State Income Taxes

As a qualified REIT, we will not be subject to Federal income taxes on our income, and no provisions for Federal income taxes have been made. To the extent that we have foreclosure income from our owned and operated assets, we will incur federal tax at a rate of 35%. To date, our owned and operated assets have generated losses, and therefore, no provision for federal income tax is necessary. We are permitted to own up to 100% of a "taxable REIT subsidiary" ("TRS"). Currently we have two TRSs that are taxable as corporations and that pay federal, state and local income tax on their net income at the applicable corporate rates. These TRSs had a net operating loss carry-forward as of December 31, 2005 of $14.4 million. This loss carry-forward was fully reserved with a valuation allowance due to uncertainties regarding realization.

Stock-Based Compensation

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

SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*, requires certain disclosures related to our stock-based compensation arrangements.

The following table presents the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, to our stock-based compensation.

	Year Ended December 31,		
	2005	2004	2003
	(in thousands, except per share amounts)		
Net income (loss) to common stockholders	$ 23,290	$ (40,123)	$ 2,915
Add: Stock-based compensation expense included in net income (loss) to common stockholders	1,141	1,115	—
	24,431	(39,008)	2,915
Less: Stock-based compensation expense determined under the fair value based method for all awards	1,319	1,365	79
Pro forma net income (loss) to common stockholders	$ 23,112	$ (40,373)	$ 2,836
Earnings per share:			
Basic, as reported	$ 0.45	$ (0.88)	$ 0.08
Basic, pro forma	$ 0.45	$ (0.89)	$ 0.08
Diluted, as reported	$ 0.45	$ (0.88)	$ 0.08
Diluted, pro forma	$ 0.44	$ (0.89)	$ 0.07

No stock options were issued during 2005. For options issued during 2004 and prior years, fair value was calculated on the grant dates using the Black-Scholes options-pricing model with the following assumptions.

Significant Weighted-Average Assumptions:	
Risk-free Interest Rate at time of Grant	2.50%
Expected Stock Price Volatility	3.00%
Expected Option Life in Years(a)	4
Expected Dividend Payout	5.00%

(a) Expected life is based on contractual expiration dates

Effects of Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123 (revised 2004), *Share-Based Payment*("FAS No. 123R"), which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. FAS No. 123R supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends SFAS No. 95, *Statement of Cash Flows*. Registrants were initially required to adopt FAS No. 123R as of the beginning of the first interim or annual period that begins after June 15, 2005. On April 14, 2005, the Securities and Exchange Commission adopted a new rule that allows companies to implement FAS No. 123R at the beginning of their next fiscal year that begins after June 15, 2005. We will adopt FAS No. 123R at the beginning of our 2006 fiscal year using the modified

prospective method. The estimated additional expense to be recorded in 2006 as a result of this adoption is $3 thousand.

Risks and Uncertainties

Our company is subject to certain risks and uncertainties affecting the healthcare industry as a result of healthcare legislation and growing regulation by federal, state and local governments. Additionally, we are subject to risks and uncertainties as a result of changes affecting operators of nursing home facilities due to the actions of governmental agencies and insurers to limit the growth in cost of healthcare services (see Note 6—Concentration of Risk).

Reclassifications

Certain reclassifications have been made in the 2004 and 2003 financial statements to conform to the 2005 presentation.

NOTE 3—PROPERTIES

Leased Property

Our leased real estate properties, represented by 193 long-term care facilities and two rehabilitation hospitals at December 31, 2005, are leased under provisions of single leases and master leases with initial terms typically ranging from 5 to 15 years, plus renewal options. Substantially all of the leases and master leases provide for minimum annual rentals that are subject to annual increases based upon increases in CPI. Under the terms of the leases, the lessee is responsible for all maintenance, repairs, taxes and insurance on the leased properties.

A summary of our investment in leased real estate properties is as follows:

	December 31,	
	2005	2004
	(in thousands)	
Buildings	$ 944,206	$ 768,433
Land	51,921	40,141
	996,127	808,574
Less accumulated depreciation	(157,255)	(153,379)
Total	$ 838,872	$ 655,195

The future minimum estimated rentals for the remainder of the initial terms of the leases are as follows:

	(in thousands)
2006	$ 106,573
2007	106,050
2008	105,548
2009	104,343
2010	98,807
Thereafter	280,004
	$ 801,325

Below is a summary of the significant lease transactions that occurred in 2005.

CommuniCare Health Services, Inc.

- On December 16, 2005, we purchased ten SNFs and one ALF located in Ohio totaling 1,610 beds for a total investment of $115.3 million. The facilities were consolidated into a new ten year master lease and leased to affiliates of an existing operator, CommuniCare Health Services, Inc. ("CommuniCare"), with annualized rent increasing by approximately $11.6 million, subject to annual escalators, and two ten year renewal options.

- On June 28, 2005, we purchased five SNFs located in Ohio (3) and Pennsylvania (2), totaling 911 beds for a total investment, excluding working capital, of approximately $50 million. The SNFs were purchased from an unrelated third party and are now operated by affiliates of CommuniCare, with the five facilities being consolidated into an existing master lease.

Nexion Health, Inc.

On November 1, 2005, we purchased three SNFs in two separate transactions for a total investment of approximately $12.75 million. All three facilities, totaling 400 beds, are located in Texas. The facilities were consolidated into a master lease with a subsidiary of an existing operator, Nexion Health, Inc. The term of the existing master lease was extended to ten years and runs through October 31, 2015, followed by four renewal options of five years each.

Senior Management Services, Inc.

Effective June 1, 2005, we purchased two SNFs for a total investment of approximately $9.5 million. Both facilities, totaling 440 beds, are located in Texas. The facilities were consolidated into a master lease with subsidiaries of an existing operator, Senior Management Services, Inc., with annualized rent increasing by approximately $1.1 million, with annual escalators. The term of the existing master lease was extended to ten years and runs through May 31, 2015, followed by two renewal options of ten years each.

Essex Healthcare Corporation

On January 13, 2005, we closed on approximately $58 million of net new investments with American Health Care Centers ("American") for the purchase of 13 SNFs. The gross purchase price of approximately $79 million was offset by a purchase option of approximately $7 million and approximately $14 million in mortgage loans the Company had outstanding with American and its affiliates. The 13 properties, all located in Ohio, will continue to be leased by Essex Healthcare Corporation. The master lease and related agreements run through October 31, 2010. The mortgage loans of $14 million settled in connection with this acquisition and the application of the $7 million purchase option represent non-cash financing sources for the acquisition.

Claremont Health Care Holdings, Inc.

Effective January 1, 2005, we re-leased one SNF formerly leased to Claremont Health Care Holdings, Inc., located in New Hampshire and representing 68 beds to affiliates of an existing operator, Haven Eldercare, LLC ("Haven"). This facility was added to an existing master lease, which expires on December 31, 2013, followed by two 10-year renewal options.

Acquisitions

The table below summarizes the acquisitions completed during the years ended December 31, 2005 and 2004. The purchase price includes estimated transaction costs. The amount allocated to land and buildings was $14.9 million and $251.6 million, respectively, for the 2005 acquisitions and $6.3 million and $109.3 million, respectively, for the 2004 acquisitions.

2005 Acquisitions

100% Interest Acquired	Acquisition Date	Purchase Price ($000's)
Thirteen facilities in OH	January 13, 2005	$ 79,300
Two facilities in TX	June 1, 2005	9,500
Five facilities in PA and OH	June 28, 2005	49,600
Three facilities in TX	November 1, 2005	12,800
Eleven facilities in OH	December 16, 2005	115,300

2004 Acquisitions

100% Interest Acquired	Acquisition Date	Purchase Price ($000's)
Three facilities (2 in VT, 1 in CT)	April 1, 2004	$ 26,000
Two facilities in TX	April 30, 2004	9,400
Fifteen facilities (13 in PA, 2 OH)	November 1, 2004	72,500
One facility in WV	December 3, 2004	7,700

The acquired properties are included in our results of operations from the respective date of acquisition. The following unaudited pro forma results of operations reflect these transactions as if each

had occurred on January 1 of the year presented. In our opinion, all significant adjustments necessary to reflect the effects of the acquisitions have been made.

	Pro forma Year Ended December 31,		
	2005	2004	2003
	(in thousands, except per share amount, unaudited)		
Revenues	$ 121,148	$ 120,072	$ 119,956
Net income	$ 36,419	$ 20,765	$ 27,966
Earnings per share—pro forma:			
Earnings (loss) per share—Basic	$ 0.44	$ (0.79)	$ 0.21
Earnings (loss) per share—Diluted	$ 0.44	$ (0.79)	$ 0.21

Assets Sold or Held for Sale

Alterra Healthcare Corporation

On December 1, 2005, AHC Properties, Inc., a subsidiary of Alterra Healthcare Corporation ("Alterra") exercised its option to purchase six ALFs. We received cash proceeds of approximately $20.5 million, resulting in a gain of approximately $5.6 million.

Alden Management Services, Inc.

On June 30, 2005, we sold four SNFs to subsidiaries of Alden Management Services, Inc., who previously leased the facilities from us. All four facilities are located in Illinois. The sales price totaled approximately $17 million. We received net cash proceeds of approximately $12 million plus a secured promissory note of approximately $5.4 million. The sale resulted in a non-cash accounting loss of approximately $4.2 million.

Other Asset Sales

- On November 3, 2005, we sold a SNF in Florida for net cash proceeds of approximately $14.1 million, resulting in a gain of approximately $5.8 million.
- On August 1, 2005, we sold 50.4 acres of undeveloped land, located in Ohio, for net cash proceeds of approximately $1 million. The sale resulted in a gain of approximately $0.7 million.
- During the three months ended March 31, 2005, we sold three facilities, located in Florida and California, for their approximate net book value realizing cash proceeds of approximately $6 million, net of closing costs and other expenses.

2004 and 2003 Asset Sales

- During 2004, we sold six closed facilities, realizing proceeds of approximately $5.7 million, net of closing costs and other expenses, resulting in a net gain of approximately $3.3 million.
- During 2003, we sold eight closed facilities and realized a net loss of $3.0 million that is reflected in our Consolidated Statements of Operations as discontinued operations. Also during

2003, we sold four facilities, which were previously classified as "assets held for sale," realizing proceeds of $2.0 million, net of closing costs, resulting in a net loss of approximately $0.7 million.

Held for Sale

- During the three months ended December 31, 2005, a $0.5 million provision for impairment charge was recorded to reduce the carrying value of one facility that is currently under contract to be sold in the first quarter of 2006, to its sales price.

- During the three months ended March 31, 2005, a $3.7 million provision for impairment charge was recorded to reduce the carrying value on two facilities, which were subsequently closed and currently are marketed for sale, to their estimated fair value.

In accordance with SFAS No. 144, all related revenues, expenses as well as the realized gains, losses and provisions for impairment from the above mentioned facilities are included within discontinued operations in our consolidated statements of operations for their respective time periods.

NOTE 4—MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable relate to 32 long-term care facilities. The mortgage notes are secured by first mortgage liens on the borrowers' underlying real estate and personal property. The mortgage notes receivable relate to facilities located in eight states, operated by eight independent healthcare operating companies. We monitor compliance with mortgages and when necessary have initiated collection, foreclosure and other proceedings with respect to certain outstanding loans. As of December 31, 2005, we have no foreclosed property and none of our mortgages were in foreclosure proceedings.

The following table summarizes the mortgage notes balances for the years ended December 31, 2005 and 2004:

	December 31,	
	2005	2004
	(in thousands)	
Gross mortgage notes—unimpaired	$ 104,522	$ 118,058
Gross mortgage notes—impaired	—	—
Reserve for uncollectible loans	—	—
Net mortgage notes at December 31	$ 104,522	$ 118,058

Below is a summary of the significant mortgage transactions that occurred in 2005 and 2004.

Haven Eldercare, LLC

On November 9, 2005, we entered into a first mortgage loan in the amount of $61.75 million on six SNFs and one ALF, totaling 878 beds. Four of the facilities are located in Rhode Island, two in New Hampshire and one in Massachusetts. The mortgagor of the facilities is an affiliate of Haven, an existing operator of ours. The term of the mortgage is seven years. The interest rate is 10%, with annual escalators. At the end of the mortgage term, we will have the option to purchase the facilities for $61.75 million less the outstanding mortgage principal balance.

Essex Healthcare Corporation

On January 13, 2005, as a result of the purchase of 13 SNFs from American, approximately $14 million in mortgage loans we had outstanding with American and its affiliates was applied against the purchase price.

Mariner Health Care, Inc.

On February 1, 2005, Mariner Health Care, Inc. ("Mariner") exercised its right to prepay in full the $59.7 million aggregate principal amount owed to us under a promissory note secured by a mortgage with an interest rate of 11.57%, together with the required prepayment premium of 3% of the outstanding principal balance, an amendment fee and all accrued and unpaid interest.

At December 31, 2005, all mortgages were structured as fixed-rate mortgages. The outstanding principal amounts of mortgage notes receivable, net of allowances, were as follows:

	December 31,	
	2005	2004
	(in thousands)	
Mortgage note paid off 1st quarter 2005, interest rate was 11.57%	$ —	$ 59,657
Mortgage note paid off 1st quarter 2005, interest rate was 11.06%	—	13,776
Mortgage note due 2014; monthly payment of $63,707, including interest at 11.00%	6,496	6,500
Mortgage note due 2010; monthly payment of $124,833, including interest at 11.50%	12,634	12,677
Mortgage note due 2006; monthly payment of $107,382, including interest at 11.50%	10,732	10,782
Mortgage note due 2006; interest only at 10.00% payable monthly	9,991	9,991
Mortgage note due 2012; interest only at 10.00% payable monthly	61,750	—
Other mortgage notes	2,919	4,675
Total mortgages—net(1)	$ 104,522	$ 118,058

(1) Mortgage notes are shown net of allowances of $0.0 million in 2005 and 2004.

NOTE 5—OTHER INVESTMENTS

A summary of our other investments is as follows:

	At December 31,	
	2005	2004
	(in thousands)	
Notes receivable(1)	$ 19,339	$ 18,523
Notes receivable allowance	(712)	(2,733)
Purchase option	—	7,071
Marketable securities and other	4,863	6,838
Total other investments	$ 23,490	$ 29,699

(1) Includes notes receivable on non-accrual status for 2005 and 2004 of $0.1 million and $6.8 million respectively.

For the year ended December 31, 2005, the following transactions impacted our other investments:

Sun Healthcare Common Stock Investment

- Under our 2004 restructuring agreement with Sun, we received the right to convert deferred base rent owed to us, totaling approximately $7.8 million, into 800,000 shares of Sun's common stock, subject to certain non-dilution provisions and the right of Sun to pay cash in an amount equal to the value of that stock in lieu of issuing stock to us.

- On March 30, 2004, we notified Sun of our intention to exercise our right to convert the deferred base rent into fully paid and non-assessable shares of Sun's common stock. On April 16, 2004, we received a stock certificate for 760,000 restricted shares of Sun's common stock and cash in the amount of approximately $0.5 million in exchange for the remaining 40,000 shares of Sun's common stock. On July 23, 2004, Sun registered these shares with the SEC. We are accounting for the 760,000 shares received as "available for sale" marketable securities with changes in market value recorded in other comprehensive income.

- In accordance with FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, for the year ended December 31, 2005, we recorded a $3.4 million provision for impairment to write-down our 760,000 share investment in Sun common stock to its then current fair market value of $4.9 million.

Essex Healthcare Corporation

On January 13, 2005, as a result of the purchase from American of 13 SNFs, our purchase option of approximately $7 million was applied against the purchase price.

Notes Receivable

At December 31, 2005, we had 12 notes receivable totaling $19.3 million, with maturities ranging from on demand to 2015. At December 31, 2004, we had 15 notes receivable totaling $18.5 million, with maturities ranging from on demand to 2014.

NOTE 6—CONCENTRATION OF RISK

As of December 31, 2005, our portfolio of domestic investments consisted of 227 healthcare facilities, located in 27 states and operated by 35 third-party operators. Our gross investment in these facilities, net of impairments and before reserve for uncollectible loans, totaled approximately $1,102 million at December 31, 2005, with approximately 98% of our real estate investments related to long-term care facilities. This portfolio is made up of 193 long-term healthcare facilities, two rehabilitation hospitals owned and leased to third parties, and fixed rate mortgages on 32 long-term healthcare facilities. At December 31, 2005, we also held miscellaneous investments of approximately $23 million, consisting primarily of secured loans to third-party operators of our facilities.

At December 31, 2005, approximately 25% of our real estate investments were operated by two public companies: Sun (15%) and Advocat Inc. ("Advocat") (10%). Our largest private company operators (by investment) were Communicare (17%), Haven (11%), Guardian LTC Management, Inc. (7%) and Essex (7%). No other operator represents more than 5% of our investments. The three states in which we had our highest concentration of investments were Ohio (25%), Florida (10%) and Pennsylvania (9%) at December 31, 2005.

For the year ended December 31, 2005, our revenues from operations totaled $105.8 million, of which approximately $21.8 million were from Sun (21%) and $12.3 million from Advocat (12%). No other operator generated more than 9% of our revenues from operations.

NOTE 7—LEASE AND MORTGAGE DEPOSITS

We obtain liquidity deposits and letters of credit from most operators pursuant to our lease and mortgage contracts with the operators. These generally represent the rental and mortgage interest for periods ranging from three to six months with respect to certain of its investments. The liquidity deposits may be applied in the event of lease and loan defaults, subject to applicable limitations under bankruptcy law with respect to operators filing under Chapter 11 of the United States Bankruptcy Code. At December 31, 2005, we held $5.8 million in such liquidity deposits and $11.1 million in letters of credit. Additional security for rental and mortgage interest revenue from operators is provided by covenants regarding minimum working capital and net worth, liens on accounts receivable and other operating assets of the operators, provisions for cross default, provisions for cross-collateralization and by corporate/personal guarantees.

NOTE 8—BORROWING ARRANGEMENTS

Secured Borrowings

We have a $200 million revolving senior secured credit facility ("Credit Facility"). At December 31, 2005, $58.0 million was outstanding under our Credit Facility and $3.9 million was utilized for the issuance of letters of credit, leaving availability of $138.1 million. On April 26, 2005, we amended our Credit Facility to reduce both LIBOR and Base Rate interest spreads (as defined in the Credit Facility) by 50 basis points for borrowings outstanding. The $58.0 million of outstanding borrowings had a blended interest rate of 7.12% at December 31, 2005.

Our long-term borrowings require us to meet certain property level financial covenants and corporate financial covenants, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. As of December 31, 2005, we were in compliance with all property level and corporate financial covenants.

On December 2, 2004, we exercised our right to increase the revolving commitments under our Credit Facility by an additional $25 million, to $200 million. Additionally, on April 30, 2004, we exercised our right to increase the revolving commitments under our Credit Facility by an additional $50 million, to $175 million. All other terms of the Credit Facility, which closed on March 22, 2004 with commitments of $125 million, remain substantially the same. The Credit Facility will be used for acquisitions and general corporate purposes. Bank of America, N.A. serves as Administrative Agent for the Credit Facility.

At December 31, 2004, we had $15.0 million of outstanding borrowings with an interest rate of 5.41% under our Credit Facility.

Unsecured Borrowings

$100 Million Aggregate Principal Amount of 6.95% Unsecured Notes Tender and Redemption

On December 16, 2005, we initiated a tender offer and consent solicitation for all of our outstanding $100 million aggregate principal amount 6.95% notes due 2007 (the "2007 Notes"). On December 30, 2005, we accepted for purchase 79.3% of the aggregate principal amount of the 2007 Notes outstanding that were tendered. On December 30, 2005, our Board of Directors also authorized the redemption of all outstanding 2007 Notes that were not otherwise tendered. On December 30, 2005, upon our irrevocable funding of the full redemption price for the 2007 Notes and certain other acts required by the Indenture governing the 2007 Notes, the Trustee of the 2007 Notes certified in writing to us (the "Certificate of Satisfaction and Discharge") that the Indenture was satisfied and discharged as of December 30, 2005, except for certain provisions. In accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, we removed 79.3% of the aggregate principal amount of the 2007 Notes, which were tendered in our tender offer and consent solicitation, and the corresponding portion of the funds held in trust by the Trustee to pay the tender price from its balance sheet and recognized $2.8 million of additional interest expense associated with the tender offer. On January 18, 2006, we completed the redemption of the remaining 2007 Notes not otherwise tendered. In connection with the redemption and in accordance with SFAS No. 140, we will recognize $0.8 million of additional interest expense in the first quarter of 2006. As of January 18, 2006, none of the 2007 Notes remained outstanding.

$175 Million Aggregate Principal Amount of 7% Unsecured Notes Issuance

On December 30, 2005, we closed on a private offering of $175 million of 7% senior unsecured notes due 2016 ("2016 Notes") at an issue price of 99.109% of the principal amount of the notes (equal to a per annum yield to maturity of approximately 7.125%), resulting in gross proceeds to us of approximately $173.4 million. The 2016 Notes are unsecured senior obligations to us, which have been guaranteed by our subsidiaries. The 2016 Notes were issued in a private placement to qualified institutional buyers under Rule 144A under the Securities Act of 1933 (the "Securities Act"). A portion of the proceeds of this private offering was used to pay the tender price and redemption price of the 2007 Notes. Pursuant to the terms of a registration rights agreement entered into by us in connection with the consummation of the offering, we are obligated to file a registration statement with the Securities and Exchange Commission ("SEC") to offer to exchange registered notes for all of our outstanding unregistered 2016 Notes. The terms of the exchange notes will be identical to the terms of the 2016 Notes, except that the exchange notes will be registered under the Securities Act and

therefore freely tradable (subject to certain conditions). The exchange notes will represent our unsecured senior obligations and will be guaranteed by all of our subsidiaries with unconditional guarantees of payment that rank equally with existing and future senior unsecured debt of such subsidiaries and senior to existing and future subordinated debt of such subsidiaries. There can be no assurance that we will experience full participation in the exchange offer. In the event all the 2016 Notes are not exchanged in the exchange offer, we will have two classes of 7% senior notes due 2016 outstanding.

$50 Million Aggregate Principal Amount of 7% Unsecured Notes Issuance

On December 2, 2005, we completed a privately placed offering of an additional $50 million aggregate principal amount of 7% senior notes due 2014 (the "2014 Add-on Notes") at an issue price of 100.25% of the principal amount of the notes (equal to a per annum yield to maturity of approximately 6.95%), resulting in gross proceeds to us of approximately $50.1 million. The terms of the 2014 Add-on Notes offered were substantially identical to our existing $200 million aggregate principal amount of 7% senior notes due 2014 issued in March 2004. The 2014 Add-on Notes were issued through a private placement to qualified institutional buyers under Rule 144A under the Securities Act. After giving effect to the issuance of the $50 million aggregate principal amount of this offering, we had outstanding $310 million aggregate principal amount of 7% senior notes due 2014. Pursuant to the terms of a registration rights agreement entered into by us in connection with the consummation of the offering, we are obligated to file a registration statement with the SEC to offer to exchange registered notes for all of our outstanding unregistered 2014 Add-on Notes ("Add-on Notes Exchange Offer"). The terms of the exchange notes ("Add-on Exchange Notes") will be identical to the terms of the 2014 Add-on Notes, except that the Add-on Exchange Notes will be registered under the Securities Act and therefore freely tradable (subject to certain conditions). The Add-on Exchange Notes will represent our unsecured senior obligations and will be guaranteed by all of our subsidiaries with unconditional guarantees of payment that rank equally with existing and future senior unsecured debt of such subsidiaries and senior to existing and future subordinated debt of such subsidiaries. There can be no assurance that we will experience full participation in the exchange offer. In the event all the 2014 Add-on Notes are not exchanged in the Add-on Notes Exchange Offer, we will have two classes of 7% senior notes due 2014 outstanding.

$60 Million 7% Senior Unsecured Notes Offering

On October 29, 2004, we completed a privately placed offering of an additional $60 million aggregate principal amount of 7% senior notes due 2014 (the "Additional Notes") at an issue price of 102.25% of the principal amount of the Additional Notes (equal to a per annum yield to maturity of approximately 6.67%), resulting in gross proceeds of approximately $61 million. The terms of the Additional Notes offered were substantially identical to our existing $200 million aggregate principal amount of 7% senior notes due 2014 issued in March 2004. The Additional Notes were issued through a private placement to qualified institutional buyers under Rule 144A under the Securities Act of 1933 (the "Securities Act") and in offshore transactions pursuant to Regulation S under the Securities Act.

On December 21, 2004, we filed a registration statement on Form S-4 under the Securities Act with the SEC offering to exchange (the "Additional Notes Exchange Offer") up to $60 million aggregate principal amount of our registered 7% Senior Notes due 2014 (the "Additional Exchange Notes"), for all of our outstanding unregistered Additional Notes. The terms of the Additional

Exchange Notes are identical to the terms of the Additional Notes, except that the Additional Exchange Notes are registered under the Securities Act and therefore freely tradable (subject to certain conditions). The Additional Exchange Notes represent our unsecured senior obligations and are guaranteed by all of our subsidiaries with unconditional guarantees of payment that rank equally with existing and future senior unsecured debt of such subsidiaries and senior to existing and future subordinated debt of such subsidiaries. In March 2005, upon the expiration of the Additional Notes Exchange Offer, $60 million aggregate principal amount of Additional Notes were exchanged for the Additional Exchange Notes.

$200 Million 7% Senior Unsecured Notes Offering

Effective March 22, 2004, we closed a private offering of $200 million aggregate principal amount of 7% senior unsecured notes due 2014 (the "Initial Notes") and the Credit Facility provided by Bank of America, N.A., Deutsche Bank AG, UBS Loan Finance, LLC and GE Healthcare Financial Services. We used proceeds from the offering of the Initial Notes to replace and terminate our prior credit facility.

On June 21, 2004, we filed a registration statement on Form S-4, as amended on July 26, 2003 and August 25, 2004, under the Securities Act with the SEC offering to exchange (the "Exchange Offer") up to $200 million aggregate principal amount of our registered 7% Senior Notes due 2014 (the "Exchange Notes"), for all of our outstanding unregistered Initial Notes. In September 2004, upon the expiration of the Exchange Offer, $200 million aggregate principal amount of Exchange Notes were exchanged for the unregistered Initial Notes. As a result of the Exchange Offer, no Initial Notes remain outstanding. The terms of the Exchange Notes are identical to the terms of the Initial Notes, except that the Exchange Notes are registered under the Securities Act and therefore freely tradable (subject to certain conditions). The Exchange Notes represent our unsecured senior obligations and have been guaranteed by all of our subsidiaries with unconditional guarantees of payment that rank equally with existing and future senior unsecured debt of such subsidiaries and senior to existing and future subordinated debt of such subsidiaries. Following the completion of the Add-on Notes Exchange Offer discussed above, the Add-on Exchange Notes will trade together with the Exchange Notes and the Additional Exchange Notes as a single class of securities.

The following is a summary of our long-term borrowings:

	December 31,	
	2005	2004
	(in thousands)	
Unsecured borrowings:		
6.95% Notes due January 2006	$ 20,682	$ 100,000
7% Notes due August 2014	310,000	260,000
7% Notes due January 2016	175,000	—
Premium on 7% Notes due August 2014	1,306	1,338
Discount on 7% Notes due January 2016	(1,559)	—
Other long-term borrowings	2,800	3,170
	508,229	364,508
Secured borrowings:		
Revolving lines of credit	58,000	15,000
	58,000	15,000
Totals	$ 566,229	$ 379,508

Real estate investments with a gross book value of approximately $206 million are pledged as collateral for outstanding secured borrowings at December 31, 2005.

The required principal payments, excluding the premium/discount on the 7% Notes, for each of the five years following December 31, 2005 and the aggregate due thereafter are set forth below:

	(in thousands)
2006	$ 21,072
2007	415
2008	58,435
2009	465
2010	495
Thereafter	485,600
Totals	$ 566,482

NOTE 9—FINANCIAL INSTRUMENTS

At December 31, 2005 and 2004, the carrying amounts and fair values of our financial instruments were as follows:

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Assets:				
Cash and cash equivalents	$ 3,948	$ 3,948	$ 12,083	$ 12,083
Mortgage notes receivable—net	104,522	105,981	118,058	121,366
Other investments	23,490	23,982	29,699	30,867
Totals	$ 131,960	$ 133,911	$ 159,840	$ 164,316
Liabilities:				
Revolving lines of credit	$ 58,000	$ 58,000	$ 15,000	$ 15,000
6.95% Notes	20,682	20,674	100,000	106,643
7.00% Notes due 2014	310,000	315,007	260,000	272,939
7.00% Notes due 2016	175,000	172,343	—	—
(Discount)/Premium on 7.00% Notes—net	(253)	(86)	1,338	990
Other long-term borrowings	2,800	2,791	3,170	3,199
Totals	$ 566,229	$ 568,729	$ 379,508	$ 398,771

Fair value estimates are subjective in nature and are dependent on a number of important assumptions, including estimates of future cash flows, risks, discount rates and relevant comparable market information associated with each financial instrument. (See Note 2—Summary of Significant Accounting Policies). The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented above are not necessarily indicative of the amounts we would realize in a current market exchange.

The following methods and assumptions were used in estimating fair value disclosures for financial instruments.

- Cash and cash equivalents: The carrying amount of cash and cash equivalents reported in the balance sheet approximates fair value because of the short maturity of these instruments (i.e., less than 90 days).

- Mortgage notes receivable: The fair values of the mortgage notes receivables are estimated using a discounted cash flow analysis, using interest rates being offered for similar loans to borrowers with similar credit ratings.

- Other investments: Other investments are primarily comprised of notes receivable and a marketable security held for resale. The fair values of notes receivable are estimated using a discounted cash flow analysis, using interest rates being offered for similar loans to borrowers with similar credit ratings. The fair value of the marketable security is estimated using a quoted market value.

- Revolving lines of credit: The carrying values of our borrowings under variable rate agreements approximate their fair values.

- Senior notes and other long-term borrowings: The fair value of our borrowings under fixed rate agreements are estimated based on open market trading activity provided by a third party.

From time to time, we may utilize interest rate swaps and caps to fix interest rates on variable rate debt and reduce certain exposures to interest rate fluctuations. We do not use derivatives for trading or speculative purposes. We have a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors. At December 31, 2004 and 2005, we had no derivative instruments on our balance sheet.

To manage interest rate risk, we may employ options, forwards, interest rate swaps, caps and floors or a combination thereof depending on the underlying exposure. We may employ swaps, forwards or purchased options to hedge qualifying forecasted transactions. Gains and losses related to these transactions are deferred and recognized in net income as interest expense in the same period or periods that the underlying transaction occurs, expires or is otherwise terminated. We account for derivative financial instruments under the guidance of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and SFAS No. 138, *Accounting for Certain Instruments and Certain Hedging Activities, an Amendment of Statement No. 133*. These financial accounting standards require us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in Other Comprehensive Income until the hedge item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

In September 2002, we entered into a 61-month, $200.0 million interest rate cap with a strike of 3.50% that was designated as a cash flow hedge. Under the terms of the cap agreement, when LIBOR exceeds 3.50%, the counterparty would pay us $200.0 million multiplied by the difference between LIBOR and 3.50% times the number of days when LIBOR exceeds 3.50%. The unrealized gain/loss in the fair value of cash flow hedges is reported on the balance sheet with corresponding adjustments to accumulated Other Comprehensive Income. In connection with the repayment and termination of our prior credit facility, we sold our $200 million interest rate cap on March 31, 2004. Net proceeds from the sale totaled approximately $3.5 million and resulted in a loss of approximately $6.5 million, which was recorded in the first quarter of 2004.

NOTE 10—RETIREMENT ARRANGEMENTS

Our company has a 401(k) Profit Sharing Plan covering all eligible employees. Under this plan, employees are eligible to make contributions, and we, at our discretion, may match contributions and make a profit sharing contribution.

We have a Deferred Compensation Plan which is an unfunded plan under which we can award units that result in participation in the dividends and future growth in the value of our common stock. There are no outstanding units as of December 31, 2005.

Amounts charged to operations with respect to these retirement arrangements totaled approximately $55,400, $52,800 and $52,200 in 2005, 2004 and 2003, respectively.

NOTE 11—STOCKHOLDERS EQUITY AND STOCK-BASED COMPENSATION

Stockholders' Equity

5.175 Million Common Stock Offering

On November 21, 2005, we closed an underwritten public offering of 5,175,000 shares of Omega common stock at $11.80 per share, less underwriting discounts. The sale included 675,000 shares sold in connection with the exercise of an over-allotment option granted to the underwriters. We received approximately $58 million in net proceeds from the sale of the shares, after deducting underwriting discounts and before estimated offering expenses.

8.625% Series B Preferred Redemption

On May 2, 2005, we fully redeemed our 8.625% Series B Cumulative Preferred Stock (NYSE:OHI PrB) (the "Series B Preferred Stock"). We redeemed the 2.0 million shares of Series B Preferred Stock at a price of $25.55104, comprising the $25 liquidation value and accrued dividend. Under FASB-EITF Issue D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock," the repurchase of the Series B Preferred Stock resulted in a non-cash charge to our 2005 net income available to common shareholders of approximately $2.0 million reflecting the write-off of the original issuance costs of the Series B Preferred Stock. In 1998, we received gross proceeds of $50.0 million from the issuance of 2.0 million shares of 8.625% Series B Preferred Stock at $25 per share. Dividends on the Series B Preferred Stock were cumulative from the date of original issue and were payable quarterly.

4.025 Million Primary Share Common Stock Offering

On December 15, 2004, we closed an underwritten public offering of 4,025,000 shares of our common stock at a price of $11.96 per share, less underwriting discounts. The offering included 525,000 shares sold in connection with the exercise of an over-allotment option granted to the underwriters. We received approximately $46 million in net proceeds from the sale of the shares, after deducting underwriting discounts and before estimated offering expenses.

9.25% Series A Preferred Redemption

On April 30, 2004, we fully redeemed all of the outstanding 2.3 million shares of our Series A Cumulative Preferred Stock (the "Series A Preferred Stock") at a price of $25.57813, comprised of the $25 per share liquidation value and accrued dividend. Under FASB-EITF Issue D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock," the repurchase of the Series A Preferred Stock resulted in a non-cash charge to our 2004 net income available to common stockholders of approximately $2.3 million. In 1997, we received gross proceeds of $57.5 million from the issuance of 2.3 million shares of 9.25% Series A Preferred Stock at $25 per share. Dividends on the Series A Preferred Stock were cumulative from the date of original issue and were payable quarterly.

8.375% Series D Preferred Stock Offering

On February 10, 2004, we closed on the sale of 4,739,500 shares of our 8.375% Series D cumulative redeemable preferred stock (the "Series D Preferred Stock") at a price of $25 per share. The Series D Preferred Stock is listed on the NYSE under the symbol "OHI PrD." Dividends on the

Series D Preferred Stock are cumulative from the date of original issue and are payable quarterly. At December 31, 2004, the aggregate liquidation preference of the Series D Preferred Stock was $118.5 million. (See Note 13—Dividends).

Series C Preferred Stock Redemption, Conversion and Repurchase

On July 14, 2000, Explorer Holdings, L.P., ("Explorer"), a private equity investor, completed an investment of $100.0 million in our company in exchange for 1,000,000 shares of our Series C convertible preferred stock (the "Series C Preferred Stock"). Shares of the Series C Preferred Stock were convertible into common stock at any time by the holder at an initial conversion price of $6.25 per share of common stock. The shares of Series C Preferred Stock were entitled to receive dividends at the greater of 10% per annum or the dividend payable on shares of common stock, with the Series C Preferred Stock participating on an "as converted" basis. Dividends on the Series C Preferred Stock were cumulative from the date of original issue and are payable quarterly.

On February 5, 2004, we announced that Explorer, our then largest stockholder, granted us the option to repurchase up to 700,000 shares of our Series C Preferred Stock, which were convertible into our common shares held by Explorer at a negotiated purchase price of $145.92 per share of Series C Preferred Stock (or $9.12 per common share on an as converted basis). Explorer further agreed to convert any remaining Series C Preferred Stock into our common stock.

We used approximately $102.1 million of the net proceeds from the Series D Preferred Stock offering to repurchase 700,000 shares of our Series C Preferred Stock from Explorer. In connection with the closing of the repurchase, Explorer converted its remaining 348,420 shares of Series C Preferred Stock into approximately 5.6 million shares of our common stock. Following the repurchase and conversion, Explorer held approximately 18.1 million of our common shares.

The combined repurchase and conversion of the Series C Preferred Stock reduced our preferred dividend requirements, increased our market capitalization and facilitated future financings by simplifying our capital structure. Under FASB-EITF Issue D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock," the repurchase of the Series C Preferred Stock resulted in a non-cash charge to our 2004 net income available to common stockholders of approximately $38.7 million.

18.1 Million Secondary and 2.7 Million Share Primary Offering of Our Common Stock

On March 8, 2004, we announced the closing of an underwritten public offering of 18.1 million shares of our common stock at a price of $9.85 per share owned by Explorer (the "Secondary Offering"). As a result of the Secondary Offering, Explorer no longer owned any shares of our common stock. We did not receive any proceeds from the sale of the shares sold by Explorer.

In connection with the Secondary Offering, we issued approximately 2.7 million additional shares of our common stock at a price of $9.85 per share, less underwriting discounts (the "Over-Allotment Offering"), to cover over-allotments in connection with the Secondary Offering. We received net proceeds of approximately $23 million from the Over-Allotment Offering.

Stock Options

We account for stock options using the intrinsic value method as defined by APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Under the terms of the 2000 Stock Incentive Plan (the "2000 Plan"), we reserved 3,500,000 shares of common stock. The exercise price per share of an option under the 2000 Plan cannot be reduced after the date of grant, nor can an option be cancelled in exchange for an option with a lower exercise price per share. The 2000 Plan provides for non-employee directors to receive options that vest over three years while other grants vest over the period required in the agreement applicable to the individual recipient. Directors, officers and employees and consultants are eligible to participate in the 2000 Plan. At December 31, 2005, there were outstanding options for 227,440 shares of common stock granted to 11 eligible participants under the 2000 Plan. Additionally, 355,655 shares of restricted stock have been granted under the provisions of the 2000 Plan, and as of December 31, 2005, there were no shares of unvested restricted stock outstanding under the 2000 Plan.

At December 31, 2005, under the 2000 Plan, there were options for 152,454 shares of common stock currently exercisable with a weighted-average exercise price of $6.57, with exercise prices ranging from $2.76 to $37.20. There were 559,960 shares available for future grants as of December 31, 2005. A breakdown of the options outstanding under the 2000 Plan as of December 31, 2005, by price range, is presented below:

Option Price Range	Number	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Number Exercisable	Weighted Average Price on Options Exercisable
$ 2.76 - $ 3.00	141,628	$ 2.88	5.63	72,064	$ 2.88
$ 3.01 - $ 3.81	42,564	$ 3.25	5.90	40,894	$ 3.23
$ 6.02 - $ 9.33	24,247	$ 6.71	6.33	20,495	$ 6.30
$20.25 - $37.20	19,001	$ 28.03	1.48	19,001	$ 28.03

On April 20, 2004, our Board of Directors approved the 2004 Stock Incentive Plan (the "2004 Plan"), which was subsequently approved by our stockholders at our annual meeting held on June 3, 2004. Under the terms of the 2004 Plan, we reserved 3,000,000 shares of common stock. The exercise price per share of an option under the 2004 Plan cannot be less than fair market value (as defined in the 2004 Plan) on the date of grant. The exercise price per share of an option under the 2004 Plan cannot be reduced after the date of grant, nor can an option be cancelled in exchange for an option with a lower exercise price per share. Directors, officers, employees and consultants are eligible to participate in the 2004 Plan. As of December 31, 2005, a total of 337,585 shares of restricted stock and 317,500 restricted stock units have been granted under the 2004 Plan, and as of December 31, 2005, there were no outstanding options to purchase shares of common stock under the 2004 Plan.

At December 31, 2005, options outstanding (227,440) have a weighted-average exercise price of $5.457, with exercise prices ranging from $2.76 to $37.20. For the years ended December 31, 2005,

2004, and 2003, 0, 9,000 and 9,000 options were granted at a weighted average price per share of $0.00, $9.33 and $3.74, respectively. The following is a summary of option activity under the 2000 Plan:

Stock Options	Number of Shares	Exercise Price			Weighted-Average Price
Outstanding at December 31, 2002	2,394,501	$ 1.590	-	$ 37.205	$ 3.150
Granted during 2003	9,000	3.740	-	3.740	3.740
Exercised	(120,871)	1.590	-	6.125	2.448
Outstanding at December 31, 2003	2,282,630	2.320	-	37.205	3.202
Granted during 2004	9,000	9.330	-	9.330	9.330
Exercised	(1,713,442)	2.320	-	7.750	2.988
Cancelled	(8,005)	3.740	-	9.330	6.914
Outstanding at December 31, 2004	570,183	2.320	-	37.205	3.891
Exercised	(336,910)	2.320	-	9.330	2.843
Cancelled	(5,833)	3.410	-	3.410	3.410
Outstanding at December 31, 2005	227,440	$ 2.760	-	$ 37.205	$ 5.457

Restricted Stock

On September 10, 2004, we entered into restricted stock agreements with four executive officers under the 2004 Plan. A total of 317,500 shares of restricted stock were granted, which equated to approximately $3.3 million of deferred compensation. The shares vest thirty-three and one-third percent ($33^1/_3$%) on each of January 1, 2005, January 1, 2006 and January 1, 2007 so long as the executive officer remains employed on the vesting date, with vesting accelerating upon a qualifying termination of employment or upon the occurrence of a change of control (as defined in the Restricted Stock Agreements). As a result of the grant, we recorded a $1.1 million non-cash compensation expense for each of the years ended December 31, 2005 and 2004. For the year ended December 31, 2005, we issued 2,705 shares of restricted common stock to each non-employee director and an additional 2,000 shares of restricted common stock to the Chairman of the Board under the 2004 Plan for a total of 15,525 shares. These shares represent a payment of the portion of the directors' annual retainer that is payable in shares of our common stock.

Performance Restricted Stock Units

On September 10, 2004, we entered into performance restricted stock unit agreements with our four executive officers under the 2004 Plan. A total of 317,500 restricted stock units were issued under the 2004 Plan and will fully vest into shares of common stock when our company attains $0.30 per share of adjusted funds from operations (as defined in the Restricted Stock Unit Agreements) for two (2) consecutive quarters, with vesting accelerating upon a qualifying termination of employment or upon the occurrence of a change of control (as defined in the Restricted Stock Unit Agreements). The issuance of restricted stock units had no impact on our calculation of diluted earnings per common share at this time; however, under our current method of accounting for stock-based compensation, the expense related to the restricted stock units will be recognized when it becomes probable that the vesting requirements will be met.

NOTE 12—RELATED PARTY TRANSACTIONS

Explorer Holdings, L.P.

On February 5, 2004, we entered into a Repurchase and Conversion Agreement with our then largest stockholder, Explorer, pursuant to which Explorer granted us an option to repurchase up to 700,000 shares of our Series C Preferred Stock at a price of $145.92 per share (or $9.12 per share of common stock on an as-converted basis), on the condition that we purchase a minimum of $100 million on or prior to February 27, 2004. Explorer also agreed to convert all of its remaining shares of Series C Preferred Stock into shares of our common stock upon exercise of the repurchase option.

On February 10, 2004, we sold in a registered direct placement 4,739,500 shares of our Series D Preferred Stock at a price of $25 per share to a number of institutional investors and other purchasers for net proceeds, after fees and expenses, of approximately $114.9 million. Following the closing of the Series D Preferred Stock offering, we used approximately $102.1 million of the net proceeds to repurchase 700,000 shares of our Series C Preferred Stock from Explorer pursuant to the repurchase option. In connection with this transaction, Explorer converted its remaining 348,420 shares of Series C Preferred Stock into 5,574,720 shares of our common stock. The balance of the net proceeds from the offering was used to redeem approximately 600,000 shares of our Series A Preferred Stock.

As a result of the Series D Preferred Stock offering, the application of the proceeds received from the offering to fund the exercise of our repurchase option, and the conversion of the remaining Series C Preferred Stock into shares of our common stock:

- No shares of Series C Preferred Stock were outstanding on July 9, 2004;
- 4,739,500 shares of our Series D Preferred Stock, with an aggregate liquidation preference of $118,487,500, have been issued; and
- Explorer held 18,118,246 shares of our common stock, representing approximately 41.5% of our outstanding common stock.

On February 12, 2004, we registered Explorer's 18,118,246 shares of common stock with the SEC. Explorer sold all of these registered shares pursuant to the registration statement.

In connection with our repurchase of a portion of Explorer's Series C Preferred Stock, our results of operations for the first quarter of 2004 included a non-recurring reduction in net income attributable to common stockholders of approximately $38.7 million. This amount reflects the sum of: (i) the difference between the deemed redemption price of $145.92 per share of our Series C Preferred Stock and the carrying amount of $100 per share of our Series C Preferred Stock multiplied by the number of shares of the Series C Preferred Stock repurchased upon exercise of our option to repurchase shares of Series C Preferred Stock; and (ii) the cost associated with the original issuance of our Series C Preferred Stock that was previously classified as additional paid-in capital, pro-rated for the repurchase.

Omega Worldwide

In December 2003, we sold our investment in the Principal Healthcare Finance Trust, an Australian Unit Trust, which owns 47 nursing home facilities and 446 assisted living units in Australia and New Zealand, realizing proceeds of approximately $1.6 million, net of closing costs, resulting in a gain of approximately $0.1 million.

NOTE 13—DIVIDENDS

In order to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to (A) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain), and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of non-cash income. In addition, if we dispose of any built-in gain asset during a recognition period, we will be required to distribute at least 90% of the built-in gain (after tax), if any, recognized on the disposition of such asset. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration. In addition, such distributions are required to be made pro rata, with no preference to any share of stock as compared with other shares of the same class, and with no preference to one class of stock as compared with another class except to the extent that such class is entitled to such a preference. To the extent that we do not distribute all of our net capital gain or do distribute at least 90%, but less than 100% of our "REIT taxable income," as adjusted, we will be subject to tax thereon at regular ordinary and capital gain corporate tax rates. In addition, our Credit Facility has certain financial covenants that limit the distribution of dividends paid during a fiscal quarter to no more than 95% of our immediately prior fiscal quarter's FFO as defined in the loan agreement governing the Credit Facility (the "Loan Agreement"), unless a greater distribution is required to maintain REIT status. The Loan Agreement defines FFO as net income (or loss) plus depreciation and amortization and shall be adjusted for charges related to: (i) restructuring our debt; (ii) redemption of preferred stock; (iii) litigation charges up to $5.0 million; (iv) non-cash charges for accounts and notes receivable up to $5.0 million; (v) non-cash compensation related expenses; and (vi) non-cash impairment charges.

Common Dividends

On January 17, 2006, the Board of Directors declared a common stock dividend of $0.23 per share, an increase of $0.01 per common share compared to the prior quarter. The common stock dividend was paid February 15, 2006 to common stockholders of record on January 31, 2006.

On October 18, 2005, the Board of Directors declared a common stock dividend of $0.22 per share that was paid November 15, 2005 to common stockholders of record on October 31, 2005.

On July 19, 2005, the Board of Directors declared a common stock dividend of $0.22 per share, an increase of $0.01 per common share compared to the prior quarter. This common stock dividend was paid August 15, 2005 to common stockholders of record on July 29, 2005.

On April 19, 2005, the Board of Directors declared a common stock dividend of $0.21 per share, an increase of $0.01 per common share compared to the prior quarter. The common stock dividend was paid May 16, 2005 to common stockholders of record on May 2, 2005.

On January 18, 2005, the Board of Directors declared a common stock dividend of $0.20 per share, an increase of $0.01 per common share compared to the prior quarter. The common stock dividend was paid February 15, 2005 to common stockholders of record on January 31, 2005.

Series D Preferred Dividends

On January 17, 2006, the Board of Directors declared regular quarterly dividends of approximately $0.52344 per preferred share on its 8.375% Series D cumulative redeemable preferred stock (the

"Series D Preferred Stock"), that were paid February 15, 2006 to preferred stockholders of record on January 31, 2006. The liquidation preference for our Series D Preferred Stock is $25.00 per share. Regular quarterly preferred dividends for the Series D Preferred Stock represent dividends for the period November 1, 2005 through January 31, 2006.

On October 18, 2005, the Board of Directors declared the regular quarterly dividends of approximately $0.52344 per preferred share for its Series D Preferred Stock, that were paid on November 15, 2005 to preferred stockholders of record on October 31, 2005.

On July 19, 2005, the Board of Directors declared regular quarterly dividends of approximately $0.52344 per preferred share for its Series D Preferred Stock, that were paid August 15, 2005 to preferred stockholders of record on July 29, 2005.

On March 15, 2005, the Board of Directors declared regular quarterly dividends of approximately $0.52344 per preferred share for its Series D Preferred Stock, that were paid May 16, 2005 to preferred stockholders of record on May 2, 2005.

On January 18, 2005, the Board of Directors declared regular quarterly dividends of approximately $0.52344 per preferred share for its Series D Preferred Stock, that were paid February 15, 2005 to preferred stockholders of record on January 31, 2005.

Series B Preferred Dividends

In March 2005, our Board of Directors authorized the redemption of all outstanding 2.0 million shares of our Series B Preferred Stock. The Series B Preferred Stock was redeemed on May 2, 2005 for $25 per share, plus $0.55104 per share in accrued and unpaid dividends through the redemption date, for an aggregate redemption price of $25.55104 per share.

Per Share Distributions

Per share distributions by our company were characterized in the following manner for income tax purposes:

	2005	2004	2003
Common			
Ordinary income	$ 0.550	$ —	$ —
Return of capital	0.300	0.720	0.150
Long-term capital gain	—	—	—
Total dividends paid	$ 0.850	$ 0.720	$ 0.150
Series A Preferred			
Ordinary income	$ —	$ 0.901	$ 1.064
Return of capital	—	0.255	5.873
Long-term capital gain	—	—	—
Total dividends paid	$ —	$ 1.156	$ 6.937
Series B Preferred			
Ordinary income	$ 1.090	$ 1.681	$ 0.992
Return of capital	—	0.475	5.477
Long-term capital gain	—	—	—
Total dividends paid	$ 1.090	$ 2.156	$ 6.469
Series C Preferred			
Ordinary income	$ —	$ 2.120	$ 4.572
Return of capital	—	0.600	25.235
Long-term capital gain	—	—	—
Total dividends paid	$ —	$ 2.720	$ 29.807
Series D Preferred			
Ordinary income	$ 2.094	$ 1.184	$ —
Return of capital	—	0.334	—
Long-term capital gain	—	—	—
Total dividends paid	$ 2.094	$ 1.518	$ —

NOTE 14—LITIGATION

We are subject to various legal proceedings, claims and other actions arising out of the normal course of business. While any legal proceeding or claim has an element of uncertainty, management believes that the outcome of each lawsuit, claim or legal proceeding that is pending or threatened, or all of them combined, will not have a material adverse effect on our consolidated financial position or results of operations.

We and several of our wholly-owned subsidiaries have been named as defendants in professional liability claims related to our former owned and operated facilities. Other third-party managers

responsible for the day-to-day operations of these facilities have also been named as defendants in these claims. In these suits, patients of certain previously owned and operated facilities have alleged significant damages, including punitive damages against the defendants. The majority of these lawsuits representing the most significant amount of exposure were settled in 2004. There currently is one lawsuit pending that is in the discovery stage, and we are unable to predict the likely outcome of this lawsuit at this time.

In 1999, we filed suit against a former tenant seeking damages based on claims of breach of contract. The defendants denied the allegations made in the lawsuit. In settlement of our claim against the defendants, we agreed in the fourth quarter of 2005 to accept a lump sum cash payment of $2.4 million. The cash proceeds were offset by related expenses incurred of $0.8 million, resulting in a net gain of $1.6 million paid December 22, 2005.

During 2005, we accrued $1.1 million to settle a dispute relating to capital improvement requirements associated with a lease that expired June 30, 2005.

NOTE 15—SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following summarizes quarterly results of operations for the years ended December 31, 2005 and 2004.

	March 31	June 30	September 30	December 31
	(in thousands, except per share amounts)			
2005				
Revenues	$ 27,198	$ 25,318	$ 25,994	$ 27,302
Income from continuing operations	12,141	5,499	3,866	8,645
Income (loss) from discontinued operations	(2,836)	(3,242)	1,253	11,362
Net income	9,305	2,257	5,119	20,007
Net income (loss) available to common	5,746	(2,620)	2,638	17,526
Income from continuing operations per share:				
Basic income from continuing operations	$ 0.17	$ 0.01	$ 0.03	$ 0.11
Diluted income from continuing operations	$ 0.17	$ 0.01	$ 0.03	$ 0.11
Net income (loss) available to common per share:				
Basic net income (loss)	$ 0.11	$ (0.05)	$ 0.05	$ 0.33
Diluted net income (loss)	$ 0.11	$ (0.05)	$ 0.05	$ 0.32
Cash dividends paid on common stock	$ 0.20	$ 0.21	$ 0.22	$ 0.22
2004				
Revenues	$ 19,833	$ 20,967	$ 21,218	$ 22,736
Income (loss) from continuing operations	(10,787)	5,281	7,838	7,737
Income from discontinued operations	489	656	804	4,720
Net (loss) income	(10,298)	5,937	8,642	12,457
Net (loss) income available to common	(53,728)	(376)	5,083	8,898
(Loss) income from continuing operations per share:				
Basic (loss) income from continuing operations	$ (1.31)	$ (0.02)	$ 0.09	$ 0.09
Diluted (loss) income from continuing operations	$ (1.31)	$ (0.02)	$ 0.09	$ 0.09
Net (loss) income available to common per share:				
Basic net (loss) income	$ (1.30)	$ (0.01)	$ 0.11	$ 0.19
Diluted net (loss) income	$ (1.30)	$ (0.01)	$ 0.11	$ 0.19
Cash dividends paid on common stock	$ 0.17	$ 0.18	$ 0.18	$ 0.19

Note:

2005—During the three-month period ended March 31, 2005, we recognized a $0.3 million expense associated with restricted stock awards issued during this period, and a $3.7 million provision for impairment charge was recorded to reduce the carrying value on two facilities to their estimated fair value. During the three-month period ended June 30, 2005, we redeemed all of the outstanding 2.0 million shares of our Series B Preferred Stock. As a result, the repurchase of the Series B Preferred Stock resulted in a non-cash charge to net income available to common stockholders of approximately $2.0 million. In addition, we recognized a $0.3 million expense associated with restricted stock awards issued during this period, an $0.8 million lease expiration accrual relating to disputed capital improvement requirements associated with a lease that expired June 30, 2005 and a $3.4 million provision for impairment to write-down our 760,000 share investment in Sun Healthcare Group, Inc. common stock to its current fair market value. During the three-month period ended September 30,

2005, we recognized a $0.3 million expense associated with restricted stock awards issued during this period. In addition, we recorded a $5.5 million provision for impairment charge to reduce the carrying value of three facilities to their estimated fair value. During the three-month period ended December 31, 2005, we recognized a $0.5 million non-cash provision for impairment and $0.3 million of restricted stock amortization. In addition, we recorded a $1.6 million of net cash proceeds associated with a settlement of a lawsuit of the Company filed against a former tenant.

2004—During the three-month period ended March 31, 2004, we completed a repurchase and conversion of the Series C Preferred Stock which resulted in a non-cash charge to net income available to common stockholders of approximately $38.7 million. In addition, we recognized $19.1 million of refinancing-related charges. We sold our $200 million interest rate cap in the first quarter, realizing net proceeds of approximately $3.5 million, resulting in an accounting loss of $6.5 million. During the three-month period ended June 30, 2004, we redeemed all of the outstanding 2.3 million shares of our Series A Preferred Stock. As a result, the repurchase of the Series A Preferred Stock resulted in a non-cash charge to net income available to common stockholders of approximately $2.3 million. In addition, we recognized a $3.0 million charge associated with professional liability claims made against our former owned and operated facilities. During the three-month period ended September 30, 2004, we recognized a $0.3 million expense associated with restricted stock awards issued during this period. During the three-month period ended December 31, 2004, we recognized a $1.1 million expense associated with restricted stock awards, and we sold our remaining three closed facilities, realizing proceeds of approximately $5.5 million, net of closing costs and other expenses, resulting in a gain of approximately $3.8 million.

NOTE 16—EARNINGS PER SHARE

The following tables set forth the computation of basic and diluted earnings per share:

	Year Ended December 31,		
	2005	2004	2003
		(in thousands, except per share amounts)	
Numerator:			
Income from continuing operations	$ 30,151	$ 10,069	$ 27,396
Preferred stock dividends	(11,385)	(15,807)	(20,115)
Preferred stock conversion/redemption charges	(2,013)	(41,054)	—
Numerator for income (loss) available to common from continuing operations—basic and diluted	16,753	(46,792)	7,281
Gain (loss) from discontinued operations	6,537	6,669	(4,366)
Numerator for net income (loss) available to common per share—basic and diluted	$ 23,290	$ (40,123)	$ 2,915
Denominator:			
Denominator for net income per share—basic	$ 51,738	$ 45,472	$ 37,189
Effect of dilutive securities:			
Restricted stock	86	—	—
Stock option incremental shares	235	—	965
Denominator for net income per share—diluted	$ 52,059	$ 45,472	$ 38,154
Earnings per share—basic:			
Income (loss) available to common from continuing operations	$ 0.32	$ (1.03)	$ 0.20
Income (loss) from discontinued operations	0.13	0.15	(0.12)
Net income (loss) per share—basic	$ 0.45	$ (0.88)	$ 0.08
Earnings per share—diluted:			
Income (loss) available to common from continuing operations	$ 0.32	$ (1.03)	$ 0.19
Income (loss) from discontinued operations	0.13	0.15	(0.11)
Net income (loss) per share—diluted	$ 0.45	$ (0.88)	$ 0.08

The effects of converting the Series C preferred stock in 2003 have been excluded as all such effects were anti-dilutive. For the year ended December 31, 2004, there were 683,399 stock options and restricted stock shares excluded as all such effects were anti-dilutive.

NOTE 17—DISCONTINUED OPERATIONS

SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* requires the presentation of the net operating results of facilities sold during 2005 or currently classified as held-for-sale as income from discontinued operations for all periods presented. We incurred a net gain of $6.5 million from discontinued operations in 2005. We incurred a net gain of $6.7 million and a net loss of $4.4 million for 2004 and 2003, respectively, in the accompanying consolidated statements of operations.

The following table summarizes the results of operations of the facilities sold or held-for-sale for the years ended December 31, 2005, 2004 and 2003, respectively.

	Year Ended December 31,		
	2005	2004	2003
		(in thousands)	
Revenues			
Rental income	$ 3,809	$ 5,643	$ 8,411
Mortgage interest income	—	—	92
Other income	24	53	60
Nursing home revenues of owned and operated assets	—	—	206
Subtotal revenues	3,833	5,696	8,769
Expenses			
Nursing home expenses of owned and operated assets	—	—	574
Depreciation and amortization	1,102	2,337	2,926
Provisions for impairment	4,163	—	8,821
Subtotal expenses	5,265	2,337	12,321
(Loss) income before gain (loss) on sale of assets	(1,432)	3,359	(3,552)
Gain (loss) on assets sold—net	7,969	3,310	(814)
Gain (loss) from discontinued operations	**$ 6,537**	**$ 6,669**	**$ (4,366)**

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION
OMEGA HEALTHCARE INVESTORS, INC.
December 31, 2005

Description(1)	Encumbrances	Initial Cost to Company	Cost Capitalized Subsequent to Acquisition			(3) Gross Amount at Which Carried at Close of Period	(4)			
		Buildings and Land Improvements	Improvements	Impairment	Other	Buildings and Land Improvements Total	Accumulated Depreciation	Date of Renovation	Date Acquired	Life on Which Depreciation in Latest Income Statements is Computed
CommuniCare Health Services:										
Ohio (LTC, AL)		$ 164,963,734	$ 290,071	$ —	$ —	$ 165,253,805	$ 4,994,962		1998-2005	33 years to 39 years
Pennsylvania (LTC)		20,274,100	—	—	—	20,274,100	298,401		2005	39 years
Total CommuniCare		185,237,834	290,071	—	—	185,527,905	5,293,363			
Sun Healthcare Group, Inc.:										
Alabama (LTC)	(2)	23,584,956	—	—	—	23,584,956	5,948,906		1997	33 years
California (LTC, RH)	(2)	39,013,222	66,575	—	—	39,079,797	9,149,827	1964	1997	33 years
Idaho (LTC)	(2)	11,100,000	—	—	—	11,100,000	2,208,339		1997-1999	33 years
Massachusetts (LTC)	(2)	8,300,000	—	—	—	8,300,000	2,113,241		1997	33 years
North Carolina (LTC)	(2)	22,652,488	56,951	—	—	22,709,439	7,689,497	1982-1991	1994-1997	30 years to 33 years
Ohio (LTC)	(2)	11,653,451	20,247	—	—	11,673,698	2,786,254	1995	1997	33 years
Tennessee (LTC)	(2)	7,905,139	37,234	—	—	7,942,373	2,815,870		1994	30 years
Washington (LTC)	(2)	10,000,000	1,516,813	—	—	11,516,813	4,915,296	2005	1995	20 years
West Virginia (LTC)	(2)	24,751,206	42,238	—	—	24,793,444	5,767,475		1997-1998	33 years
Total Sun		158,960,462	1,740,058	—	—	160,700,520	43,394,705			
Advocat, Inc.:										
Alabama (LTC)		11,588,534	768,647	—	—	12,357,181	4,895,445	1975-1985	1992	31.5 years
Arkansas (LTC)		37,887,832	2,156,085	(36,350)	—	40,007,567	15,964,688	1984-1985	1992	31.5 years
Florida (LTC)		1,050,000	1,920,000	(970,000)	—	2,000,000	256,471		1992	31.5 years
Kentucky (LTC)		15,151,027	1,562,375	—	—	16,713,402	5,324,750	1972-1994	1994-1995	33 years
Ohio (LTC)		5,604,186	250,000	—	—	5,854,186	1,881,823	1984	1994	33 years
Tennessee (LTC)		9,542,121	—	—	—	9,542,121	3,916,195	1986-1987	1992	31.5 years
West Virginia (LTC)		5,437,221	348,642	—	—	5,785,863	1,840,626		1994-1995	33 years
Total Advocat		86,260,921	7,005,749	(1,006,350)	—	92,260,320	34,079,998			
Guardian LTC Management, Inc.										
Ohio (LTC)		6,070,078	—	—	—	6,070,078	158,833		2004	39 years
Pennsylvania (LTC, AL)		66,363,642	—	—	—	66,363,642	1,771,047		2004	39 years
West Virginia (LTC)		7,695,581	—	—	—	7,695,581	188,998		2004	39 years
Total Guardian		80,129,301	—	—	—	80,129,301	2,118,878			
Essex Healthcare:										
Ohio (LTC)		79,353,622	—	—	—	79,353,622	1,996,073		2005	39 years
Total Essex		79,353,622	—	—	—	79,353,622	1,996,073			
Haven Healthcare:										
Connecticut (LTC)		38,762,737	1,648,475	(4,958,643)	—	35,452,569	4,743,890		1999-2004	33 years to 39 years
New Hampshire (LTC)		5,800,000	—	—	—	5,800,000	1,330,161		1998	39 years
Vermont (LTC)		14,145,776	81,501	—	—	14,227,277	607,436		2004	39 years
Total Haven		58,708,513	1,729,976	(4,958,643)	—	55,479,846	6,681,487			

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
OMEGA HEALTHCARE INVESTORS, INC.
December 31, 2005

Description(1)	Encumbrances	Initial Cost to Company	Cost Capitalized Subsequent to Acquisition			(3) Gross Amount at Which Carried at Close of Period	(4)			Life on Which Depreciation in Latest Income Statements is Computed
		Buildings and Land Improvements	Improvements	Impairment	Other	Buildings and Land Improvements Total	Accumulated Depreciation	Date of Renovation	Date Acquired	
Other:										
Arizona (LTC)		$ 24,029,032	$ 1,693,616	$ (6,603,745)	$ —	$ 19,118,903	$ 3,888,025	2005	1998	33 years
California (LTC)	(2)	21,874,841	1,010,527	—	—	22,885,368	5,188,004		1997	33 years
Colorado (LTC)		14,170,968	196,017	—	—	14,366,985	2,887,773		1998	33 years
Florida (LTC, AL)		84,067,881	2,164,328	—	—	86,232,209	15,811,064		1993-1998	27 years to 37.5 years
Georgia (LTC)		10,000,000	—	—	—	10,000,000	681,440		1998	37.5 years
Illinois (LTC)		13,961,501	444,484	—	—	14,405,985	3,443,162		1996-1999	30 years to 33 years
Indiana (LTC, AL)		21,337,237	1,277,118	(4,915,029)	(1,123,308)	16,576,018	4,499,990	1980-1994	1992-1999	30 years to 33 years
Iowa (LTC)		14,451,576	612,808	(29,156)	—	15,035,228	3,626,059		1996-1998	30 years to 33 years
Kentucky (LTC)		10,250,000	473,940	—	—	10,723,940	1,851,815		1999	33 years
Louisiana (LTC)	(2)	4,602,574	—	—	—	4,602,574	1,160,921		1997	33 years
Massachusetts (LTC)		30,718,142	932,328	(8,257,521)	—	23,392,949	4,472,746		1999	33 years
Missouri (LTC)		12,301,560	—	(149,386)	—	12,152,174	2,439,087		1999	33 years
Ohio (LTC, AL)		6,168,999	186,187	(2,382,341)	(638,406)	3,334,439	576,323		1999	33 years
Pennsylvania (LTC)		14,400,000	—	—	—	14,400,000	3,302,468		2005	39 years
Texas (LTC)	(2)	68,433,904	1,361,842	—	(20,543)	69,775,203	8,791,793		1997-2005	33 years to 39 years
Washington (AL)		5,673,693	—	—	—	5,673,693	1,069,595		1999	33 years
Total Other		356,441,908	10,353,195	(22,337,178)	(1,782,257)	342,675,668	63,690,265			
Total		$ 1,005,092,561	$ 21,119,049	$ (28,302,171)	$ (1,782,257)	$ 996,127,182	$ 157,254,769			

(1) The real estate included in this schedule is being used in either the operation of long-term care facilities (LTC), assisted living facilities (AL) or rehabilitation hospitals (RH) located in the states indicated.

(2) Certain of the real estate indicated are security for the BAS Healthcare Financial Services line of credit and term loan borrowings totaling $58,000,000 at December 31, 2005.

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
OMEGA HEALTHCARE INVESTORS, INC.
December 31, 2005

(3)

	Year Ended December 31,		
	2003	**2004**	**2005**
Balance at beginning of period	$ 669,187,842	$ 692,453,873	$ 808,574,782
Additions during period:			
Acquisitions	—	114,286,825	252,609,901
Conversion from mortgage	49,971,206	—	13,713,311
Impairment(a)	(8,894,000)	—	(9,616,506)
Impairment on Discontinued Ops	—	—	—
Improvements	1,585,097	6,431,306	3,821,320
Disposals/other	(19,396,272)	(4,597,222)	(72,975,626)
Balance at close of period	$ 692,453,873	$ 808,574,782	$ 996,127,182

(a) The variance in impairment in the table for 2005, shown above, relates to assets previously classified as impairment on assets sold in 2003 and 2004.

(4)

	2003	**2004**	**2005**
Balance at beginning of period	$ 117,986,084	$ 134,477,229	$ 153,379,294
Additions during period:			
Provisions for depreciation	20,208,110	21,093,611	23,579,627
Provisions for depreciation, Discontinued Ops.	441,012	38,215	1,310,160
Dispositions/other	(4,157,977)	(2,229,761)	(21,014,312)
Balance at close of period	$ 134,477,229	$ 153,379,294	$ 157,254,769

The reported amount of our real estate at December 31, 2005 is less than the tax basis of the real estate by approximately $26.0 million.

SCHEDULE IV MORTGAGE LOANS ON REAL ESTATE
OMEGA HEALTHCARE INVESTORS, INC.
December 31, 2005

Description(1)	Interest Rate	Final Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages(2)(3)
Rhode Island, Massachusetts New Hampshire (6 LTC, 1 ALF facilities)	10.00%	October 31, 2012	Interest payable monthly	None	$ 61,750,000	$ 61,750,000
Florida (4 LTC facilities)	11.50%	February 28, 2010	Interest plus $3,900 of principal payable monthly	None	12,891,454	12,634,490
Florida (2 LTC facilities)	11.50%	June 4, 2006	Interest plus $5,200 of principal payable monthly	None	11,090,000	10,731,679
Indiana (15 LTC facilities)	10.00%	October 31, 2006	Interest payable monthly	None	10,500,000	9,990,842
Ohio (1 LTC facilities)	11.00%	October 31, 2014	Interest plus $3,500 of principal payable monthly	None	6,500,000	6,495,876
Other mortgage notes:						
Utah, Texas (3 LTC facilities)	9.00% to 11.00%	2007 to 2011	Interest plus $55,500 of principal payable monthly	None	5,173,469	2,919,454
					$ 107,904,923	$ 104,522,341

(1) Mortgage loans included in this schedule represent first mortgages on facilities used in the delivery of long-term healthcare of which such facilities are located in the states indicated.

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

	Year Ended December 31,		
(3)	2003	2004	2005
Balance at beginning of period	$ 173,914,080	$ 119,783,915	$ 118,057,610
Additions during period—Placements	—	6,500,000	61,750,000
Deductions during period—collection of principal	(4,158,959)	(8,226,305)	(61,571,958)
Allowance for loss on mortgage loans	—	—	—
Conversion to purchase leaseback/other changes	(49,971,206)	—	(13,713,311)
Balance at close of period	$ 119,783,915	$ 118,057,610	$ 104,522,341

Until , 2006, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS

OMEGA HEALTHCARE INVESTORS, INC.

Omega Healthcare Investors, Inc.

Offer to Exchange

$175,000,000 aggregate principal amount of our 7% Senior Notes due 2016 (CUSIP 681936AS9) which have been registered under the Securities Act of 1933 for our outstanding $175,000,000 7% Senior Notes due 2016 (CUSIP 681936AR1)

, 2006

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 20. Indemnification of Directors and Officers

The articles of incorporation and bylaws of Omega Healthcare Investors, Inc. provide for indemnification of directors and officers to the full extent permitted by Maryland law.

Section 2-418 of the General Corporation Law of the State of Maryland generally permits indemnification of any director or officer with respect to any proceedings unless it is established that: (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and was either committed in bad faith or the result of active or deliberate dishonesty; (b) the director or officer actually received an improper personal benefit in money, property or services; or (c) in the case of a criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. The indemnity may include judgments, penalties, fines, settlements, and reasonable expenses actually incurred by the director or officer in connection with the proceedings. However, a corporation may not indemnify a director or officer who shall have been adjudged to be liable to the corporation, or who instituted a proceeding against the corporation (unless such proceeding was brought to enforce the charter, bylaws, or the indemnification provisions thereunder) The termination of any proceeding by judgment, order or settlement does not create a presumption that the director or officer did not meet the requisite standard of conduct required for permitted indemnification. The termination of any proceeding by conviction, or plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the director or officer did not meet that standard of conduct.

The company has also entered into indemnity agreements with the officers and directors of the company that provide that the company will, subject to certain conditions, pay on behalf of the indemnified party any amount which the indemnified party is or becomes legally obligated to pay because of any act or omission or neglect or breach of duty, including any actual or alleged error or misstatement or misleading statement, which the indemnified party commits or suffers while acting in the capacity as an officer or director of the company. Once an initial determination is made by the company that a director or officer did not act in bad faith or for personal benefit, the indemnification provisions contained in the charter, bylaws, and indemnity agreements would require the company to advance any reasonable expenses incurred by the director or officer, and to pay the costs, judgments, and penalties determined against a director or officer in a proceeding brought against them.

Insofar as indemnification for liabilities arising under the Securities Act is permitted to directors and officers of the registrant pursuant to the above-described provisions, the registrant understands that the Commission is of the opinion that such indemnification contravenes federal public policy as expressed in said act and therefore is unenforceable.

Item 21. Exhibits and Financial Statement Schedules

The following items are filed as exhibits to this registration statement:

Exhibit Number	Exhibit
3.1	Amended and Restated Bylaws, as amended as of May 2002. (Incorporated by reference to Exhibit 3(ii) to the Company's Form 10-Q/A for the quarterly period ended June 30, 2002).
3.2	Articles of Incorporation, as restated on May 6, 1996, as amended on July 19, 1999, June 3, 2002, and August 5, 2004, and supplemented on February 19, 1999, February 10, 2004, August 10, 2004 and June 20, 2005. (Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q/A for the quarterly period ended June 30, 2005).
3.3	Articles of Incorporation of Bayside Alabama Healthcare Second, Inc.*

3.4 Bylaws of Bayside Alabama Healthcare Second, Inc.*

3.5 Form of Articles of Incorporation for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Arizona:*
Bayside Arizona Healthcare Associates, Inc.
Bayside Arizona Healthcare Second, Inc.

3.6 Form of Bylaws for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Arizona:*
Bayside Arizona Healthcare Associates, Inc.
Bayside Arizona Healthcare Second, Inc.

3.7 Form of Articles of Incorporation for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Colorado:*
Bayside Colorado Healthcare Associates, Inc.
Bayside Colorado Healthcare Second, Inc.

3.8 Form of Bylaws for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Colorado:*
Bayside Colorado Healthcare Associates, Inc.
Bayside Colorado Healthcare Second, Inc.

3.9 Articles of Incorporation of OHI (Connecticut), Inc.*

3.10 Bylaws of OHI (Connecticut), Inc.*

3.11 Certificate of Incorporation of Bayside Street II, Inc.*

3.12 Bylaws of Bayside Street II, Inc.*

3.13 Form of Certificate of Formation for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Delaware:*
OHI Asset (CA), LLC
OHI Asset (FL), LLC
OHI Asset (ID), LLC
OHI Asset (IN), LLC
OHI Asset (LA), LLC
OHI Asset (MI/NC), LLC
OHI Asset (MO), LLC
OHI Asset (OH), LLC
OHI Asset (OH) Lender, LLC
OHI Asset (OH) New Philadelphia, LLC
OHI Asset (PA), LLC, f/k/a OHI Asset (FL) Tarpon Springs, Pinellas Park & Gainesville, LLC
OHI Asset (TX), LLC
OHI Asset II (TX), LLC
OHI Asset, LLC
Omega Acquisition Facility I, LLC

3.14 Form of Operating Agreement for the following subsidiaries of Omega Healthcare Investors formed in the state of Delaware:*

OHI Asset (CA), LLC
OHI Asset (FL), LLC
OHI Asset (ID), LLC
OHI Asset (IN), LLC
OHI Asset (LA), LLC
OHI Asset (MI/NC), LLC
OHI Asset (MO), LLC
OHI Asset (OH), LLC
OHI Asset (OH) Lender, LLC
OHI Asset (OH) New Philadelphia, LLC
OHI Asset (PA), LLC, f/k/a OHI Asset (FL) Tarpon Springs, Pinellas Park & Gainesville, LLC
OHI Asset (TX), LLC
OHI Asset II (TX), LLC
OHI Asset, LLC
Omega Acquisition Facility I, LLC

3.15 Certificate of Formation of OHI Asset II (CA), LLC*.

3.16 Operating Agreement for OHI Asset II (CA), LLC*.

3.17 Articles of Incorporation of OHI (Florida), Inc.*

3.18 Bylaws of OHI (Florida), Inc.*

3.19 Articles of Incorporation of OHI Sunshine, Inc.*

3.20 Bylaws of OHI Sunshine, Inc.*

3.21 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Illinois:*

Long Term Care Associates—Illinois, Inc.
Skilled Nursing—Herrin, Inc.
Skilled Nursing—Paris, Inc.

3.22 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Illinois:*

Long Term Care Associates—Illinois, Inc.
Skilled Nursing—Herrin, Inc.
Skilled Nursing—Paris, Inc.

3.23 Articles of Incorporation of OHI (Illinois), Inc.*

3.24 Bylaws of OHI (Illinois), Inc.*

3.25 Articles of Incorporation of Bayside Indiana Healthcare Associates, Inc.*

3.26 Bylaws of Bayside Indiana Healthcare Associates, Inc.*

3.27 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Indiana:*

Long Term Care Associates—Indiana, Inc.
OHI (Indiana), Inc.
Skilled Nursing—Gaston, Inc.

3.28 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Indiana:*

Long Term Care Associates—Indiana, Inc.
OHI (Indiana), Inc.
Skilled Nursing—Gaston, Inc.

3.29 Articles of Incorporation of OHI (Iowa), Inc.*

3.30 Bylaws of OHI (Iowa), Inc.*

3.31 Articles of Incorporation of OHI (Kansas), Inc.*

3.32 Bylaws of OHI (Kansas), Inc.*

3.33 Articles of Incorporation of Omega (Kansas), Inc.*

3.34 Bylaws of Omega (Kansas), Inc.*

3.35 Certificate of Formation of NRS Ventures, LLC*.

3.36 Operating Agreement for NRS Ventures, LLC*.

3.37 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Kentucky:*

OS Leasing Company
Sterling Acquisition Corp.
Sterling Acquisition Corp, II

3.38 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Kentucky:*

OS Leasing Company
Sterling Acquisition Corp.
Sterling Acquisition Corp, II

3.39 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Maryland:*

Arizona Lessor—Infinia, Inc.
Colorado Lessor—Conifer, Inc.
Florida Lessor—Crystal Springs, Inc.
Florida Lessor—Emerald, Inc.
Florida Lessor—Lakeland, Inc.
Florida Lessor—Meadowview, Inc.
Florida Lessor—West Palm Beach and Southpoint, Inc.
Georgia Lessor—Bonterra/Parkview, Inc.
Indiana Lessor—Jeffersonville, Inc.
Indiana Lessor—Wellington Manor, Inc.
Texas Lessor—Stonegate GP, Inc.
Texas Lessor—Stonegate Limited, Inc.
Texas Lessor—Treemont, Inc.
Washington Lessor—Silverdale, Inc.

3.40 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Maryland:*

Arizona Lessor—Infinia, Inc.
Colorado Lessor—Conifer, Inc.
Florida Lessor—Crystal Springs, Inc.
Florida Lessor—Emerald, Inc.
Florida Lessor—Lakeland, Inc.
Florida Lessor—Meadowview, Inc.
Florida Lessor—West Palm Beach and Southpoint, Inc.
Georgia Lessor—Bonterra/Parkview, Inc.
Indiana Lessor—Jeffersonville, Inc.
Indiana Lessor—Wellington Manor, Inc.
Texas Lessor—Stonegate GP, Inc.
Texas Lessor—Stonegate Limited, Inc.
Texas Lessor—Treemont, Inc.
Washington Lessor—Silverdale, Inc.

3.41 Articles of Incorporation of Bayside Street, Inc.*

3.42 Bylaws of Bayside Street, Inc.*

3.43 Form of Certificate of Formation for each of the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Maryland:*

Delta Investors I, LLC
Delta Investors II, LLC

3.44 Form of Operating Agreement for each of the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Maryland:*

Delta Investors I, LLC
Delta Investors II, LLC

3.45 Certificate of Trust for OHI Asset (PA) Trust*.

3.46 Articles of Incorporation of Jefferson Clark, Inc.*

3.47 Bylaws of Jefferson Clark, Inc.*

3.48 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Maryland:*

OHI of Kentucky, Inc.
OHI of Texas, Inc.

3.49 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Maryland:*

OHI of Kentucky, Inc.
OHI of Texas, Inc.

3.50 Articles of Incorporation of Omega TRS I, Inc.*

3.51 Bylaws of Omega TRS I, Inc.*

3.52 Certificate of Formation of Texas Lessor—Stonegate, L.P.*

3.53 Partnership Agreement for Texas Lessor—Stonegate, L.P.*

3.54 Articles of Incorporation of OHIMA, Inc.*

3.55 Bylaws of OHIMA, Inc.*

3.56 Articles of Incorporation of Long Term Care—Michigan, Inc.*

3.57 Bylaws of Long Term Care—Michigan, Inc.*

3.58 Articles of Incorporation of Long Term Care—North Carolina, Inc.*

3.59 Bylaws of Long Term Care—North Carolina, Inc.*

3.60 Articles of Incorporation of Skilled Nursing—Hicksville, Inc.*

3.61 Bylaws of Skilled Nursing—Hicksville, Inc.*

3.62 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Texas:*

Center Healthcare Associates, Inc.
Heritage Texarkana Healthcare Associates, Inc.
Pine Texarkana Healthcare Associates, Inc.
Reunion Texarkana Healthcare Associates, Inc.
San Augustine Healthcare Associates, Inc.
South Athens Healthcare Associates, Inc.
Waxahachie Healthcare Associates, Inc.
West Athens Healthcare Associates, Inc.

3.63 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Texas:*

Center Healthcare Associates, Inc.
Heritage Texarkana Healthcare Associates, Inc.
Pine Texarkana Healthcare Associates, Inc.
Reunion Texarkana Healthcare Associates, Inc.
San Augustine Healthcare Associates, Inc.
South Athens Healthcare Associates, Inc.
Waxahachie Healthcare Associates, Inc.
West Athens Healthcare Associates, Inc.

3.64 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Texas:*

Cherry Street—Skilled Nursing Center, Inc.
Dallas Skilled Nursing, Inc.
Lake Park Skilled Nursing, Inc.
Long Term Care Associates—Texas, Inc.
Parkview—Skilled Nursing, Inc.

3.65 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Texas:*

Cherry Street—Skilled Nursing Center, Inc.
Dallas Skilled Nursing, Inc.
Lake Park Skilled Nursing, Inc.
Long Term Care Associates—Texas, Inc.
Parkview—Skilled Nursing, Inc.

3.66 Partnership Agreement of Pavillion North, LLP.

3.67 Form of Certificate of Formation for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Delaware:***

OHI Asset (OH) Lender, LLC
OHI Asset (OH) New Philadelphia, LLC
OHI Asset II (TX), LLC

3.68 Form of Operating Agreement for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Delaware:***
OHI Asset (OH) Lender, LLC
OHI Asset (OH) New Philadelphia, LLC
OHI Asset II (TX), LLC

3.69 Certificate of Trust of OHI Asset (PA) Trust.***

3.70 Declaration of Trust of OHI Asset (PA) Trust.***

3.71 Form of Certificate of Formation for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Delaware:
OHI Asset (CT) Lender, LLC
OHI Asset II (OH), LLC

3.72 Form of Limited Liability Company Agreement for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Delaware:
OHI Asset (CT) Lender, LLC
OHI Asset II (OH), LLC

3.73 Form of Certificate of Trust for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Maryland:
OHI Asset II (PA) Trust
OHI Asset III (PA) Trust

3.74 Form of Declaration of Trust for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Maryland:
OHI Asset II (PA) Trust
OHI Asset III (PA) Trust

3.75 Form of Articles of Incorporation for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Ohio:
Canton Health Care Land, Inc.
Hutton I Land, Inc.
Hutton II Land, Inc.
Hutton III Land, Inc.
Leatherman 90-1, Inc.
Meridian Arms Land, Inc.
St. Mary's Properties, Inc.

3.76 Articles of Incorporation of Copley Health Center, Inc., incorporated in the state of Ohio.

3.77 Articles of Incorporation of Dixon Health Care Center, Inc., incorporated in the state of Ohio.

3.78 Articles of Incorporation of Hanover House, Inc., incorporated in the state of Ohio.

3.79 Form of Articles of Incorporation for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Ohio:
Leatherman Partnership 89-1, Inc.
Leatherman Partnership 89-2, Inc.

3.80 Articles of Incorporation of Orange Village Care Center, Inc., incorporated in the state of Ohio.

3.81 Articles of Incorporation of The Suburban Pavilion, Inc., incorporated in the state of Ohio.

3.82 Form of Bylaws for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Ohio:
Canton Health Care Land, Inc.
Copley Health Center, Inc.
Dixon Health Care Center, Inc.
Hanover House, Inc.
Hutton I Land, Inc.
Hutton II Land, Inc.
Hutton III Land, Inc.
Leatherman 90-1, Inc.
Leatherman Partnership 89-1, Inc.
Leatherman Partnership 89-2, Inc.
Meridian Arms Land, Inc.
Orange Village Care Center, Inc.
St. Mary's Properties, Inc.
The Suburban Pavilion, Inc.

3.83 Form of Certificate of Formation for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Ohio:
Colonial Gardens, LLC
Wilcare, LLC

3.84 Certificate of Formation of House of Hanover, Ltd., formed in the state of Ohio.

3.85 Form of Operating Agreement for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Ohio:
Colonial Gardens, LLC
House of Hanover, Ltd.
Wilcare, LLC

3.86 Articles of Incorporation of Baldwin Health Center, Inc., incorporated in Pennsylvania.

3.87 Articles of Incorporation of Pavillion North Partners, Inc., incorporated in Pennsylvania.

3.88 Articles of Incorporation of Pavillion Nursing Center North, Inc., incorporated in Pennsylvania.

3.89 Form of Bylaws for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Pennsylvania:
Baldwin Health Center, Inc.
Pavillion North Partners, Inc.
Pavillion Nursing Center North, Inc.

3.90 Certificate of Limited Partnership of Pavillion North, LLP, formed in the state of Pennsylvania.

4.0 See Exhibits 3.1 to 3.90.

4.1 Rights Agreement, dated as of May 12, 1999, between Omega Healthcare Investors, Inc. and First Chicago Trust Company, as Rights Agent, including Exhibit A thereto (Form of Articles Supplementary relating to the Series A Junior Participating Preferred Stock) and Exhibit B thereto (Form of Rights Certificate). (Incorporated by reference to Exhibit 4 to the Company's Form 8-K, filed on April 20, 1999).

4.2 Amendment No. 1, dated May 11, 2000 to Rights Agreement, dated as of May 12, 1999, between Omega Healthcare Investors, Inc. and First Chicago Trust Company, as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q for the quarterly period ended March 31, 2000).

4.3 Amendment No. 2 to Rights Agreement between Omega Healthcare Investors, Inc. and First Chicago Trust Company, as Rights Agent. (Incorporated by reference to Exhibit F to the Schedule 13D filed by Explorer Holdings, L.P. on October 30, 2001 with respect to the Company).

4.4 Indenture, dated as of March 22, 2004, among the Company, each of the subsidiary guarantors named therein, and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K, filed on March 26, 2004).

4.5 Form of 7% Senior Notes due 2014. (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K, filed on March 26, 2004).

4.6 Form of Subsidiary Guarantee relating to the 7% Senior Notes due 2014. (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K, filed on March 26, 2004).

4.7 First Supplemental Indenture, dated as of July 20, 2004, among the Company and the subsidiary guarantors named therein, OHI Asset II (TX), LLC and U.S Bank National Association. (Incorporated by reference Exhibit 4.9 to the Company's Form S-4 filed on December 21, 2003).

4.8 Registration Rights Agreement, dated as of November 8, 2004, by and among Omega Healthcare, the Guarantors named therein, and Deutsche Bank Securities Inc., Banc of America Securities LLC and UBS Securities LLC, as Initial Purchasers. (Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed on November 9, 2004).

4.9 Second Supplemental Indenture, dated as of November 5, 2004, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed on Schedule I thereto, OHI Asset (OH) New Philadelphia, LLC, OHI Asset (OH) Lender, LLC, OHI Asset (PA) Trust and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed on November 9, 2004).

4.10 Third Supplemental Indenture, dated as of December 1, 2005, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed on Schedule I thereto, OHI Asset (OH) New Philadelphia, LLC, OHI Asset (OH) Lender, LLC, OHI Asset (PA) Trust and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed on December 2, 2005).

4.11 Registration Rights Agreement, dated as of December 2, 2005, by and among Omega Healthcare, the Guarantors named therein, and Deutsche Bank Securities Inc., Banc of America Securities LLC and UBS Securities LLC, as Initial Purchasers. (Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed on December 2, 2005).

4.12 Indenture, dated as of December 30, 2005, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed on January 4, 2006).

4.13 Registration Rights Agreement, dated as of December 30, 2005, by and among Omega Healthcare, the Guarantors named therein, and Deutsche Bank Securities Inc., Banc of America Securities LLC and UBS Securities LLC, as Initial Purchasers. (Incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed on January 4, 2006).

4.14 Form of Indenture. (Incorporated by reference to Exhibit 4.1 of the Company's Form S-3/A, filed on August 25, 2004).

4.15 Form of Indenture. (Incorporated by reference to Exhibit 4.2 of the Company's Form S-3, filed on February 3, 1997).

4.16 Form of Supplemental Indenture No. 1 dated as of August 5, 1997 relating to the 6.95% Notes due 2007. (Incorporated by reference to Exhibit 4 of the Company's Form 8-K, filed on August 5, 1997).

4.17 Second Supplemental Indenture, dated as of December 30, 2005, among Omega Healthcare Investors, Inc. and Wachovia Bank, National Association, as trustee. (Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed on January 6, 2006).

4.18 Form of Indenture. (Incorporated by reference to Exhibit 4.1 of the Company's Form S-3/A, filed on August 25, 2004).

4.19 Form of Debt Security. (Incorporated by reference to Exhibit 4.2 of the Company's Form S-3/A, filed on August 25, 2004).

4.20 Form of Articles Supplementary for Preferred Stock. (Incorporated by reference to Exhibit 4.3 of the Company's Form S-3/A, filed on August 25, 2004).

4.21 Form of Preferred Stock Certificate. (Incorporated by reference to Exhibit 4.4 of the Company's Form S-3/A, filed on August 25, 2004).

4.22 Form of Securities Warrant Agreement. (Incorporated by reference to Exhibit 4.5 of the Company's Form S-3/A, filed on August 25, 2004).

5.1 Opinion of Powell Goldstein LLP.

10.1 Amended and Restated Secured Promissory Note between Omega Healthcare Investors, Inc. and Professional Health Care Management, Inc. dated as of September 1, 2001 (Incorporated by reference to Exhibit 10.6 to the Company's 10-Q for the quarterly period ended September 30, 2001).

10.2 Settlement Agreement between Omega Healthcare Investors, Inc. Professional Health Care Management, Inc., Living Centers—PHCM, Inc., GranCare, Inc., and Mariner Post-Acute Network, Inc. dated as of September 1, 2001. (Incorporated by reference to Exhibit 10.7 to the Company's 10-Q for the quarterly period ended September 30, 2001).

10.3 Form of Directors and Officers Indemnification Agreement. (Incorporated by reference to Exhibit 10.11 to the Company's Form 10-Q for the quarterly period ended June 30, 2000).

10.4 1993 Amended and Restated Stock Option Plan. (Incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 6, 2003).†

10.5 2000 Stock Incentive Plan (as amended January 1, 2001). (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended September 30, 2003).†

10.6 Amendment to 2000 Stock Incentive Plan (Incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarterly period ended June 30, 2000).†

10.7 Repurchase and Conversion Agreement by and between Omega Healthcare Investors, Inc. and Explorer Holdings, L.P. dated as of February 5, 2004 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed February 5, 2004).

10.8 Form of Purchase Agreement dated as of February 5, 2004 by and between Omega Healthcare Investors, Inc. and the purchasers of the 8.375% Series D cumulative redeemable preferred shares. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed February 10, 2004).

10.9 Placement Agent Agreement by and between the Omega Healthcare Investors, Inc. and Cohen & Steers Capital Advisors, Inc. dated as of February 5, 2004. (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed February 10, 2004).

10.10 Purchase Agreement, dated as of March 15, 2004, among Omega, Deutsche Bank Securities Inc., UBS Securities LLC, Banc of America Securities LLC and the subsidiary guarantors named therein. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed March 26, 2004).

10.11 Indenture, dated as of March 22, 2004, among Omega, each of the subsidiary guarantors named therein, and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed March 26, 2004).

10.12 Registration Rights Agreement, dated as of March 22, 2004, among Omega, Deutsche Bank Securities Inc., UBS Securities LLC, Banc of America Securities LLC and the subsidiary guarantors named therein. (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed March 26, 2004).

10.13 Form of 7% Senior Notes due 2014. (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed March 26, 2004).

10.14 Form of Subsidiary Guarantee relating to the 7% Senior Notes due 2014. (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed March 26, 2004).

10.15 Credit Agreement, dated as of March 22, 2004, among OHI Asset, LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, the lenders named therein, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.6 to the Company's Form 8-K filed March 26, 2004).

10.16 Guaranty, dated as of March 22, 2004, given by Omega and the subsidiary guarantors named therein in favor of the Bank of America, N.A. (Incorporated by reference to Exhibit 10.7 to the Company's Form 8-K filed March 26, 2004).

10.17 Security Agreement, dated as of March 22, 2004, made by OHI Asset, LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, in favor of Bank of America, N.A. (Incorporated by reference to Exhibit 10.8 to the Company's Form 8-K filed March 26, 2004).

10.18 First Amendment to the Credit Agreement and Assignment Agreement, dated as of June 18, 2004 among OHI Asset, LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, the lenders named therein, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended June 30, 2004).

10.19 Employment Agreement, dated September 10, 2004 between Omega Healthcare Investors, Inc. and C. Taylor Pickett. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on September 16, 2004).†

10.20 Employment Agreement, dated September 10, 2004 between Omega Healthcare Investors, Inc. and Daniel J. Booth. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on September 16, 2004).†

10.21 Employment Agreement, dated September 10, 2004 between Omega Healthcare Investors, Inc. and R. Lee Crabill. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on September 16, 2004).†

10.22 Employment Agreement, dated September 10, 2004 between Omega Healthcare Investors, Inc. and Robert O. Stephenson. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed on September 16, 2004).†

10.23 Form of Restricted Stock Award. (Incorporated by reference to Exhibit 10.5 of the Company's Form 8-K filed September 16, 2004).†

10.24 Form of Performance Restricted Stock Unit Agreement. (Incorporated by reference to Exhibit 10.6 to the Company's current report on Form 8-K, filed on September 16, 2004).†

10.25 Put Agreement, effective as of October 12, 2004, by and between American Health Care Centers, Inc. and Omega Healthcare Investors, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on October 18, 2004).

10.26 Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended September 30, 2004).

10.27 Purchase Agreement, dated as of October 28, 2004, effective November 1, 2004, among Omega, OHI Asset (PA) Trust, Guardian LTC Management, Inc. and the licensees named therein. (Incorporated by reference Exhibit 10.1 to the Company's current report on Form 8-K, filed on November 8, 2004).

10.28 Master Lease, dated October 28, 2004, effective November 1, 2004, among Omega, OHI Asset (PA) Trust and Guardian LTC Management, Inc. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on November 8, 2004).

10.29 Second Amendment to Credit Agreement and Waiver, dated as of November 5, 2004, among OHI Asset , LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, the lenders named therein, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K, filed on November 8, 2004).

10.30 Third Amendment to Credit Agreement, dated as of April 26, 2005, among OHI Asset, LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, and Texas Lessor—Stonegate, LP, the lenders named therein, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on April 28, 2005).

10.31 Form of Incentive Stock Option Award for the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.† (Incorporated by reference to Exhibit 10.30 to the Company's Form 10-K, filed on February 18, 2005).

10.32 Form of Non-Qualified Stock Option Award for the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.† (Incorporated by reference to Exhibit 10.31 to the Company's Form 10-K, filed on February 18, 2005).

10.33 Schedule of 2006 Omega Healthcare Investors, Inc. Executive Officers Salaries and Bonuses.† (Incorporated by reference to Exhibit 10.30 to the Company's Form 10-K, filed on February 17, 2006).

10.34 Form of Directors' Restricted Stock Award. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on January 19, 2005).†

10.35	Stock Purchase Agreement, dated June 10, 2005, by and between Omega Healthcare Investors, Inc., OHI Asset (OH), LLC, Hollis J. Garfield, Albert M. Wiggins, Jr., A. David Wiggins, Estate of Evelyn R. Garfield, Evelyn R. Garfield Revocable Trust, SG Trust B—Hollis Trust, Evelyn Garfield Family Trust, Evelyn Garfield Remainder Trust, Baldwin Health Center, Inc., Copley Health Center, Inc., Hanover House, Inc., House of Hanover, Ltd., Pavillion North, LLP, d/b/a Wexford House Nursing Center, Pavillion Nursing Center North, Inc., Pavillion North Partners, Inc., and The Suburban Pavillion, Inc., OMG MSTR LSCO, LLC, CommuniCare Health Services, Inc., and Emery Medical Management Co. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on June 16, 2005).
10.36	Purchase Agreement dated as of December 16, 2005 by and between Cleveland Seniorcare Corp. and OHI Asset II (OH), LLC. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on December 21, 2005).
10.37	Master Lease dated December 16, 2005 by and between OHI Asset II (OH), LLC as lessor, and CSC MSTR LSCO, LLC as lessee. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on December 21, 2005).
12.1	Ratio of Earnings to Fixed Charges.
12.2	Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
21	Subsidiaries of the Company. (Incorporated herein by reference to Exhibit 21 to the Company's Form 10-K for the year ended December 31, 2005 filed on February 17, 2006).
23.1	Consent of Independent Registered Public Accounting Firm.
23.2	Consent of Powell Goldstein LLP (included in Exhibit 5.1).
24	Power of Attorney (included on Signature Page).
25	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of U.S. Bank National Association.
99.1	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
99.2	Form of Letter to Clients.
99.3	Form of Letter of Transmittal relating to 7% Senior Notes due 2016.

* Incorporated by reference to similarly numbered Exhibit to Amendment No. 1 to Registration Statement on Form S-4 of Omega Healthcare Investors, Inc., filed with the SEC on July 26, 2004 (File No. 333-116690).

*** Incorporated by reference to similarly numbered Exhibit to Registration Statement on Form S-4 of Omega Healthcare Investors, Inc., filed with the SEC on December 21, 2004 (File No. 333-121499).

† Management contract or compensatory plan, contract or arrangement.

Item 22. Undertakings.

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Timonium, State of Maryland, on this 23rd day of February, 2006.

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person who signature appears below constitutes and appoints C. Taylor Pickett and Robert O. Stephenson, or either of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this registration statement and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities of Omega Healthcare Investors, Inc. and on the dates indicated below:

Signature	Title	Date
/s/ C. TAYLOR PICKETT C. Taylor Pickett	Chief Executive Officer and Director (Principal Executive Officer)	February 23, 2006
/s/ ROBERT O. STEPHENSON Robert O. Stephenson	Chief Financial Officer (Principal Financial and Accounting Officer)	February 23, 2006
/s/ BERNARD J. KORMAN Bernard J. Korman	Chairman of the Board	February 23, 2006
 Thomas F. Franke	Director	
/s/ HAROLD J. KLOOSTERMAN Harold J. Kloosterman	Director	February 23, 2006
/s/ EDWARD LOWENTHAL Edward Lowenthal	Director	February 23, 2006
/s/ STEPHEN D. PLAVIN Stephen D. Plavin	Director	February 23, 2006

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the C. Taylor Pickett has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Timonium, Maryland on this 23rd day of February, 2006.

Arizona Lessor—Infinia, Inc.
Baldwin Health Center, Inc.
Bayside Alabama Healthcare Second, Inc.
Bayside Arizona Healthcare Associates, Inc.
Bayside Arizona Healthcare Second, Inc.
Bayside Colorado Healthcare Associates, Inc.
Bayside Colorado Healthcare Second, Inc.
Bayside Indiana Healthcare Associates, Inc.
Bayside Street II, Inc.
Bayside Street, Inc.
Canton Health Care Land, Inc.
Center Healthcare Associates, Inc.
Cherry Street—Skilled Nursing, Inc.
Colonial Gardens, LLC
Colorado Lessor—Conifer, Inc.
Copley Health Center, Inc.
Dallas Skilled Nursing, Inc.
Delta Investors, I, LLC
Delta Investors II, LLC
Dixon Health Care Center, Inc.
Florida Lessor—Crystal Springs, Inc.
Florida Lessor—Emerald, Inc.
Florida Lessor—Lakeland, Inc.
Florida Lessor—Meadowview, Inc.
Florida Lessor—West Palm Beach and Southpoint, Inc.
Georgia Lessor—Bonterra/Parkview, Inc.
Hanover House, Inc.
Heritage Texarkana Healthcare Associates, Inc.
House of Hanover, Ltd.
Hutton I Land, Inc.
Hutton II Land, Inc.
Hutton III Land, Inc.
Indiana Lessor—Jeffersonville, Inc.
Indiana Lessor—Wellington Manor, Inc.
Jefferson Clark, Inc.

Lake Park Skilled Nursing, Inc.
Leatherman 90-1, Inc.
Leatherman Partnership 89-1, Inc.
Leatherman Partnership 89-2, Inc.
Long Term Care—Michigan, Inc.
Long Term Care—North Carolina, Inc.
Long Term Care Associates—Illinois, Inc.
Long Term Care Associates—Indiana, Inc.
Long Term Care Associates—Texas, Inc.

Meridian Arms Land, Inc.
NRS Ventures, LLC
OHI (Connecticut), Inc.
OHI (Florida), Inc.
OHI (Illinois), Inc.
OHI (Indiana), Inc.
OHI (Iowa), Inc.
OHI (Kansas), Inc.
OHI Asset (CA), LLC
OHI Asset (CT) Lender, LLC
OHI Asset (FL), LLC
OHI Asset (ID), LLC
OHI Asset (IN), LLC
OHI Asset (LA), LLC
OHI Asset (MI/NC), LLC
OHI Asset (MO), LLC
OHI Asset (OH) Lender, LLC
OHI Asset (OH) New Philadelphia, LLC
OHI Asset (OH), LLC
OHI Asset (PA), LLC
OHI Asset (PA) Trust
OHI Asset (TX), LLC
OHI Asset II (CA), LLC
OHI Asset II (OH), LLC
OHI Asset II (PA) Trust
OHI Asset II (TX), LLC
OHI Asset III (PA) Trust
OHI Asset, LLC
OHI of Kentucky, Inc.
OHI of Texas, Inc.
OHI Sunshine, Inc.
OHIMA, Inc.
Omega (Kansas), Inc.
Omega Acquisition Facility I, LLC
Omega TRS I, Inc.
Orange Village Care Center, Inc.
OS Leasing Company
Parkview—Skilled Nursing, Inc.
Pavillion North, LLP
Pavillion North Partners, Inc.
Pavillion Nursing Center North, Inc.
Pine Texarkana Healthcare Associates, Inc.
Reunion Texarkana Healthcare Associates, Inc.
San Augustine Healthcare Associates, Inc.
Skilled Nursing—Gaston, Inc.
Skilled Nursing—Herrin, Inc.
Skilled Nursing—Hicksville, Inc.
Skilled Nursing—Paris, Inc.
South Athens Healthcare Associates, Inc.
St. Mary's Properties, Inc.
Sterling Acquisition Corp.

Sterling Acquisition Corp. II
The Surburban Pavilion, Inc.
Texas Lessor—Stonegate GP, Inc.
Texas Lessor—Stonegate Limited, Inc.
Texas Lessor—Stonegate, L.P.
Texas Lessor—Treemont, Inc.
Washington Lessor—Silverdale, Inc.
Waxahachie Healthcare Associates, Inc.
West Athens Healthcare Associates, Inc.
Wilcare, LLC

By: /s/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints C. Taylor Pickett and Robert O. Stephenson, or either of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this registration statement and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacity indicated below with respect to the subsidiaries listed above and on the dates indicated below.

Signature	Title	Date
/s/ C. TAYLOR PICKETT C. Taylor Pickett	Chief Executive Officer (Principal Executive Officer)	February 23, 2006
/s/ ROBERT O. STEPHENSON Robert O. Stephenson	Chief Financial Officer (Principal Financial and Accounting Officer)	February 23, 2006
/s/ ROBERT O. STEPHENSON Robert O. Stephenson	Sole Director, Officer of General Partner or Sole Member or Trustee	February 23, 2006

EXHIBIT LIST

Exhibit Number	Exhibit
3.1	Amended and Restated Bylaws, as amended as of May 2002. (Incorporated by reference to Exhibit 3(ii) to the Company's Form 10-Q/A for the quarterly period ended June 30, 2002).
3.2	Articles of Incorporation, as restated on May 6, 1996, as amended on July 19, 1999, June 3, 2002, and August 5, 2004, and supplemented on February 19, 1999, February 10, 2004, August 10, 2004 and June 20, 2005. (Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q/A for the quarterly period ended June 30, 2005).
3.3	Articles of Incorporation of Bayside Alabama Healthcare Second, Inc.*
3.4	Bylaws of Bayside Alabama Healthcare Second, Inc.*
3.5	Form of Articles of Incorporation for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Arizona:* Bayside Arizona Healthcare Associates, Inc. Bayside Arizona Healthcare Second, Inc.
3.6	Form of Bylaws for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Arizona:* Bayside Arizona Healthcare Associates, Inc. Bayside Arizona Healthcare Second, Inc.
3.7	Form of Articles of Incorporation for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Colorado:* Bayside Colorado Healthcare Associates, Inc. Bayside Colorado Healthcare Second, Inc.
3.8	Form of Bylaws for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Colorado:* Bayside Colorado Healthcare Associates, Inc. Bayside Colorado Healthcare Second, Inc.
3.9	Articles of Incorporation of OHI (Connecticut), Inc.*
3.10	Bylaws of OHI (Connecticut), Inc.*
3.11	Certificate of Incorporation of Bayside Street II, Inc.*
3.12	Bylaws of Bayside Street II, Inc.*
3.13	Form of Certificate of Formation for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Delaware:* OHI Asset (CA), LLC OHI Asset (FL), LLC OHI Asset (ID), LLC OHI Asset (IN), LLC OHI Asset (LA), LLC OHI Asset (MI/NC), LLC OHI Asset (MO), LLC OHI Asset (OH), LLC OHI Asset (OH) Lender, LLC OHI Asset (OH) New Philadelphia, LLC OHI Asset (PA), LLC, f/k/a OHI Asset (FL) Tarpon Springs, Pinellas Park & Gainesville, LLC OHI Asset (TX), LLC OHI Asset II (TX), LLC OHI Asset, LLC Omega Acquisition Facility I, LLC

3.14 Form of Operating Agreement for the following subsidiaries of Omega Healthcare Investors formed in the state of Delaware:*

OHI Asset (CA), LLC
OHI Asset (FL), LLC
OHI Asset (ID), LLC
OHI Asset (IN), LLC
OHI Asset (LA), LLC
OHI Asset (MI/NC), LLC
OHI Asset (MO), LLC
OHI Asset (OH), LLC
OHI Asset (OH) Lender, LLC
OHI Asset (OH) New Philadelphia, LLC
OHI Asset (PA), LLC, f/k/a OHI Asset (FL) Tarpon Springs, Pinellas Park & Gainesville, LLC
OHI Asset (TX), LLC
OHI Asset II (TX), LLC
OHI Asset, LLC
Omega Acquisition Facility I, LLC

3.15 Certificate of Formation of OHI Asset II (CA), LLC*.

3.16 Operating Agreement for OHI Asset II (CA), LLC*.

3.17 Articles of Incorporation of OHI (Florida), Inc.*

3.18 Bylaws of OHI (Florida), Inc.*

3.19 Articles of Incorporation of OHI Sunshine, Inc.*

3.20 Bylaws of OHI Sunshine, Inc.*

3.21 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Illinois:*

Long Term Care Associates—Illinois, Inc.
Skilled Nursing—Herrin, Inc.
Skilled Nursing—Paris, Inc.

3.22 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Illinois:*

Long Term Care Associates—Illinois, Inc.
Skilled Nursing—Herrin, Inc.
Skilled Nursing—Paris, Inc.

3.23 Articles of Incorporation of OHI (Illinois), Inc.*

3.24 Bylaws of OHI (Illinois), Inc.*

3.25 Articles of Incorporation of Bayside Indiana Healthcare Associates, Inc.*

3.26 Bylaws of Bayside Indiana Healthcare Associates, Inc.*

3.27 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Indiana:*

Long Term Care Associates—Indiana, Inc.
OHI (Indiana), Inc.
Skilled Nursing—Gaston, Inc.

3.28 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Indiana:*

Long Term Care Associates—Indiana, Inc.
OHI (Indiana), Inc.
Skilled Nursing—Gaston, Inc.

3.29 Articles of Incorporation of OHI (Iowa), Inc.*

3.30 Bylaws of OHI (Iowa), Inc.*

3.31 Articles of Incorporation of OHI (Kansas), Inc.*

3.32 Bylaws of OHI (Kansas), Inc.*

3.33 Articles of Incorporation of Omega (Kansas), Inc.*

3.34 Bylaws of Omega (Kansas), Inc.*

3.35 Certificate of Formation of NRS Ventures, LLC*.

3.36 Operating Agreement for NRS Ventures, LLC*.

3.37 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Kentucky:*

OS Leasing Company
Sterling Acquisition Corp.
Sterling Acquisition Corp, II

3.38 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Kentucky:*

OS Leasing Company
Sterling Acquisition Corp.
Sterling Acquisition Corp, II

3.39 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Maryland:*

Arizona Lessor—Infinia, Inc.
Colorado Lessor—Conifer, Inc.
Florida Lessor—Crystal Springs, Inc.
Florida Lessor—Emerald, Inc.
Florida Lessor—Lakeland, Inc.
Florida Lessor—Meadowview, Inc.
Florida Lessor—West Palm Beach and Southpoint, Inc.
Georgia Lessor—Bonterra/Parkview, Inc.
Indiana Lessor—Jeffersonville, Inc.
Indiana Lessor—Wellington Manor, Inc.
Texas Lessor—Stonegate GP, Inc.
Texas Lessor—Stonegate Limited, Inc.
Texas Lessor—Treemont, Inc.
Washington Lessor—Silverdale, Inc.

3.40 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Maryland:*

Arizona Lessor—Infinia, Inc.
Colorado Lessor—Conifer, Inc.
Florida Lessor—Crystal Springs, Inc.
Florida Lessor—Emerald, Inc.
Florida Lessor—Lakeland, Inc.
Florida Lessor—Meadowview, Inc.
Florida Lessor—West Palm Beach and Southpoint, Inc.
Georgia Lessor—Bonterra/Parkview, Inc.
Indiana Lessor—Jeffersonville, Inc.
Indiana Lessor—Wellington Manor, Inc.
Texas Lessor—Stonegate GP, Inc.
Texas Lessor—Stonegate Limited, Inc.
Texas Lessor—Treemont, Inc.
Washington Lessor—Silverdale, Inc.

3.41 Articles of Incorporation of Bayside Street, Inc.*

3.42 Bylaws of Bayside Street, Inc.*

3.43 Form of Certificate of Formation for each of the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Maryland:*

Delta Investors I, LLC
Delta Investors II, LLC

3.44 Form of Operating Agreement for each of the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Maryland:*

Delta Investors I, LLC
Delta Investors II, LLC

3.45 Certificate of Trust for OHI Asset (PA) Trust*.

3.46 Articles of Incorporation of Jefferson Clark, Inc.*

3.47 Bylaws of Jefferson Clark, Inc.*

3.48 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Maryland:*

OHI of Kentucky, Inc.
OHI of Texas, Inc.

3.49 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Maryland:*

OHI of Kentucky, Inc.
OHI of Texas, Inc.

3.50 Articles of Incorporation of Omega TRS I, Inc.*

3.51 Bylaws of Omega TRS I, Inc.*

3.52 Certificate of Formation of Texas Lessor—Stonegate, L.P.*

3.53 Partnership Agreement for Texas Lessor—Stonegate, L.P.*

3.54 Articles of Incorporation of OHIMA, Inc.*

3.55 Bylaws of OHIMA, Inc.*

3.56 Articles of Incorporation of Long Term Care—Michigan, Inc.*

3.57 Bylaws of Long Term Care—Michigan, Inc.*

3.58 Articles of Incorporation of Long Term Care—North Carolina, Inc.*

3.59 Bylaws of Long Term Care—North Carolina, Inc.*

3.60 Articles of Incorporation of Skilled Nursing—Hicksville, Inc.*

3.61 Bylaws of Skilled Nursing—Hicksville, Inc.*

3.62 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Texas:*

Center Healthcare Associates, Inc.
Heritage Texarkana Healthcare Associates, Inc.
Pine Texarkana Healthcare Associates, Inc.
Reunion Texarkana Healthcare Associates, Inc.
San Augustine Healthcare Associates, Inc.
South Athens Healthcare Associates, Inc.
Waxahachie Healthcare Associates, Inc.
West Athens Healthcare Associates, Inc.

3.63 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Texas:*

Center Healthcare Associates, Inc.
Heritage Texarkana Healthcare Associates, Inc.
Pine Texarkana Healthcare Associates, Inc.
Reunion Texarkana Healthcare Associates, Inc.
San Augustine Healthcare Associates, Inc.
South Athens Healthcare Associates, Inc.
Waxahachie Healthcare Associates, Inc.
West Athens Healthcare Associates, Inc.

3.64 Form of Articles of Incorporation for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Texas:*

Cherry Street—Skilled Nursing Center, Inc.
Dallas Skilled Nursing, Inc.
Lake Park Skilled Nursing, Inc.
Long Term Care Associates—Texas, Inc.
Parkview—Skilled Nursing, Inc.

3.65 Form of Bylaws for each of the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Texas:*

Cherry Street—Skilled Nursing Center, Inc.
Dallas Skilled Nursing, Inc.
Lake Park Skilled Nursing, Inc.
Long Term Care Associates—Texas, Inc.
Parkview—Skilled Nursing, Inc.

3.66 Partnership Agreement of Pavillion North, LLP.

3.67 Form of Certificate of Formation for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Delaware:***

OHI Asset (OH) Lender, LLC
OHI Asset (OH) New Philadelphia, LLC
OHI Asset II (TX), LLC

3.68 Form of Operating Agreement for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Delaware:***

OHI Asset (OH) Lender, LLC
OHI Asset (OH) New Philadelphia, LLC
OHI Asset II (TX), LLC

3.69 Certificate of Trust of OHI Asset (PA) Trust.***

3.70 Declaration of Trust of OHI Asset (PA) Trust.***

3.71 Form of Certificate of Formation for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Delaware:
OHI Asset (CT) Lender, LLC
OHI Asset II (OH), LLC

3.72 Form of Limited Liability Company Agreement for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Delaware:
OHI Asset (CT) Lender, LLC
OHI Asset II (OH), LLC

3.73 Form of Certificate of Trust for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Maryland:
OHI Asset II (PA) Trust
OHI Asset III (PA) Trust

3.74 Form of Declaration of Trust for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Maryland:
OHI Asset II (PA) Trust
OHI Asset III (PA) Trust

3.75 Form of Articles of Incorporation for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Ohio:
Canton Health Care Land, Inc.
Hutton I Land, Inc.
Hutton II Land, Inc.
Hutton III Land, Inc.
Leatherman 90-1, Inc.
Meridian Arms Land, Inc.
St. Mary's Properties, Inc.

3.76 Articles of Incorporation of Copley Health Center, Inc., incorporated in the state of Ohio.

3.77 Articles of Incorporation of Dixon Health Care Center, Inc., incorporated in the state of Ohio.

3.78 Articles of Incorporation of Hanover House, Inc., incorporated in the state of Ohio.

3.79 Form of Articles of Incorporation for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Ohio:
Leatherman Partnership 89-1, Inc.
Leatherman Partnership 89-2, Inc.

3.80 Articles of Incorporation of Orange Village Care Center, Inc., incorporated in the state of Ohio.

3.81 Articles of Incorporation of The Suburban Pavilion, Inc., incorporated in the state of Ohio.

3.82 Form of Bylaws for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Ohio:
Canton Health Care Land, Inc.
Copley Health Center, Inc.
Dixon Health Care Center, Inc.
Hanover House, Inc.
Hutton I Land, Inc.
Hutton II Land, Inc.
Hutton III Land, Inc.
Leatherman 90-1, Inc.
Leatherman Partnership 89-1, Inc.
Leatherman Partnership 89-2, Inc.
Meridian Arms Land, Inc.
Orange Village Care Center, Inc.
St. Mary's Properties, Inc.
The Suburban Pavilion, Inc.

3.83 Form of Certificate of Formation for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Ohio:
Colonial Gardens, LLC
Wilcare, LLC

3.84 Certificate of Formation of House of Hanover, Ltd., formed in the state of Ohio.

3.85 Form of Operating Agreement for the following subsidiaries of Omega Healthcare Investors, Inc. formed in the state of Ohio:
Colonial Gardens, LLC
House of Hanover, Ltd.
Wilcare, LLC

3.86 Articles of Incorporation of Baldwin Health Center, Inc., incorporated in Pennsylvania.

3.87 Articles of Incorporation of Pavillion North Partners, Inc., incorporated in Pennsylvania.

3.88 Articles of Incorporation of Pavillion Nursing Center North, Inc., incorporated in Pennsylvania.

3.89 Form of Bylaws for the following subsidiaries of Omega Healthcare Investors, Inc. incorporated in the state of Pennsylvania:
Baldwin Health Center, Inc.
Pavillion North Partners, Inc.
Pavillion Nursing Center North, Inc.

3.90 Certificate of Limited Partnership of Pavillion North, LLP, formed in the state of Pennsylvania.

4.0 See Exhibits 3.1 to 3.90.

4.1 Rights Agreement, dated as of May 12, 1999, between Omega Healthcare Investors, Inc. and First Chicago Trust Company, as Rights Agent, including Exhibit A thereto (Form of Articles Supplementary relating to the Series A Junior Participating Preferred Stock) and Exhibit B thereto (Form of Rights Certificate). (Incorporated by reference to Exhibit 4 to the Company's Form 8-K, filed on April 20, 1999).

4.2 Amendment No. 1, dated May 11, 2000 to Rights Agreement, dated as of May 12, 1999, between Omega Healthcare Investors, Inc. and First Chicago Trust Company, as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q for the quarterly period ended March 31, 2000).

4.3 Amendment No. 2 to Rights Agreement between Omega Healthcare Investors, Inc. and First Chicago Trust Company, as Rights Agent. (Incorporated by reference to Exhibit F to the Schedule 13D filed by Explorer Holdings, L.P. on October 30, 2001 with respect to the Company).

4.4 Indenture, dated as of March 22, 2004, among the Company, each of the subsidiary guarantors named therein, and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K, filed on March 26, 2004).

4.5 Form of 7% Senior Notes due 2014. (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K, filed on March 26, 2004).

4.6 Form of Subsidiary Guarantee relating to the 7% Senior Notes due 2014. (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K, filed on March 26, 2004).

4.7 First Supplemental Indenture, dated as of July 20, 2004, among the Company and the subsidiary guarantors named therein, OHI Asset II (TX), LLC and U.S Bank National Association. (Incorporated by reference Exhibit 4.9 to the Company's Form S-4 filed on December 21, 2003).

4.8 Registration Rights Agreement, dated as of November 8, 2004, by and among Omega Healthcare, the Guarantors named therein, and Deutsche Bank Securities Inc., Banc of America Securities LLC and UBS Securities LLC, as Initial Purchasers. (Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed on November 9, 2004).

4.9 Second Supplemental Indenture, dated as of November 5, 2004, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed on Schedule I thereto, OHI Asset (OH) New Philadelphia, LLC, OHI Asset (OH) Lender, LLC, OHI Asset (PA) Trust and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed on November 9, 2004).

4.10 Third Supplemental Indenture, dated as of December 1, 2005, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed on Schedule I thereto, OHI Asset (OH) New Philadelphia, LLC, OHI Asset (OH) Lender, LLC, OHI Asset (PA) Trust and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed on December 2, 2005).

4.11 Registration Rights Agreement, dated as of December 2, 2005, by and among Omega Healthcare, the Guarantors named therein, and Deutsche Bank Securities Inc., Banc of America Securities LLC and UBS Securities LLC, as Initial Purchasers. (Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed on December 2, 2005).

4.12 Indenture, dated as of December 30, 2005, among Omega Healthcare Investors, Inc., each of the subsidiary guarantors listed therein and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed on January 4, 2006).

4.13 Registration Rights Agreement, dated as of December 30, 2005, by and among Omega Healthcare, the Guarantors named therein, and Deutsche Bank Securities Inc., Banc of America Securities LLC and UBS Securities LLC, as Initial Purchasers. (Incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed on January 4, 2006).

4.14 Form of Indenture. (Incorporated by reference to Exhibit 4.1 of the Company's Form S-3/A, filed on August 25, 2004).

4.15 Form of Indenture. (Incorporated by reference to Exhibit 4.2 of the Company's Form S-3, filed on February 3, 1997).

4.16 Form of Supplemental Indenture No. 1 dated as of August 5, 1997 relating to the 6.95% Notes due 2007. (Incorporated by reference to Exhibit 4 of the Company's Form 8-K, filed on August 5, 1997).

4.17 Second Supplemental Indenture, dated as of December 30, 2005, among Omega Healthcare Investors, Inc. and Wachovia Bank, National Association, as trustee. (Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed on January 6, 2006).

4.18 Form of Indenture. (Incorporated by reference to Exhibit 4.1 of the Company's Form S-3/A, filed on August 25, 2004).

4.19 Form of Debt Security. (Incorporated by reference to Exhibit 4.2 of the Company's Form S-3/A, filed on August 25, 2004).

4.20 Form of Articles Supplementary for Preferred Stock. (Incorporated by reference to Exhibit 4.3 of the Company's Form S-3/A, filed on August 25, 2004).

4.21 Form of Preferred Stock Certificate. (Incorporated by reference to Exhibit 4.4 of the Company's Form S-3/A, filed on August 25, 2004).

4.22 Form of Securities Warrant Agreement. (Incorporated by reference to Exhibit 4.5 of the Company's Form S-3/A, filed on August 25, 2004).

5.1 Opinion of Powell Goldstein LLP.

10.1 Amended and Restated Secured Promissory Note between Omega Healthcare Investors, Inc. and Professional Health Care Management, Inc. dated as of September 1, 2001 (Incorporated by reference to Exhibit 10.6 to the Company's 10-Q for the quarterly period ended September 30, 2001).

10.2 Settlement Agreement between Omega Healthcare Investors, Inc. Professional Health Care Management, Inc., Living Centers—PHCM, Inc., GranCare, Inc., and Mariner Post-Acute Network, Inc. dated as of September 1, 2001. (Incorporated by reference to Exhibit 10.7 to the Company's 10-Q for the quarterly period ended September 30, 2001).

10.3 Form of Directors and Officers Indemnification Agreement. (Incorporated by reference to Exhibit 10.11 to the Company's Form 10-Q for the quarterly period ended June 30, 2000).

10.4 1993 Amended and Restated Stock Option Plan. (Incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 6, 2003).†

10.5 2000 Stock Incentive Plan (as amended January 1, 2001). (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended September 30, 2003).†

10.6 Amendment to 2000 Stock Incentive Plan (Incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarterly period ended June 30, 2000).†

10.7 Repurchase and Conversion Agreement by and between Omega Healthcare Investors, Inc. and Explorer Holdings, L.P. dated as of February 5, 2004 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed February 5, 2004).

10.8 Form of Purchase Agreement dated as of February 5, 2004 by and between Omega Healthcare Investors, Inc. and the purchasers of the 8.375% Series D cumulative redeemable preferred shares. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed February 10, 2004).

10.9 Placement Agent Agreement by and between the Omega Healthcare Investors, Inc. and Cohen & Steers Capital Advisors, Inc. dated as of February 5, 2004. (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed February 10, 2004).

10.10 Purchase Agreement, dated as of March 15, 2004, among Omega, Deutsche Bank Securities Inc., UBS Securities LLC, Banc of America Securities LLC and the subsidiary guarantors named therein. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed March 26, 2004).

10.11 Indenture, dated as of March 22, 2004, among Omega, each of the subsidiary guarantors named therein, and U.S. Bank National Association, as trustee. (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed March 26, 2004).

10.12 Registration Rights Agreement, dated as of March 22, 2004, among Omega, Deutsche Bank Securities Inc., UBS Securities LLC, Banc of America Securities LLC and the subsidiary guarantors named therein. (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed March 26, 2004).

10.13 Form of 7% Senior Notes due 2014. (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed March 26, 2004).

10.14 Form of Subsidiary Guarantee relating to the 7% Senior Notes due 2014. (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed March 26, 2004).

10.15 Credit Agreement, dated as of March 22, 2004, among OHI Asset, LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, the lenders named therein, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.6 to the Company's Form 8-K filed March 26, 2004).

10.16 Guaranty, dated as of March 22, 2004, given by Omega and the subsidiary guarantors named therein in favor of the Bank of America, N.A. (Incorporated by reference to Exhibit 10.7 to the Company's Form 8-K filed March 26, 2004).

10.17 Security Agreement, dated as of March 22, 2004, made by OHI Asset, LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, in favor of Bank of America, N.A. (Incorporated by reference to Exhibit 10.8 to the Company's Form 8-K filed March 26, 2004).

10.18 First Amendment to the Credit Agreement and Assignment Agreement, dated as of June 18, 2004 among OHI Asset, LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, the lenders named therein, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended June 30, 2004).

10.19 Employment Agreement, dated September 10, 2004 between Omega Healthcare Investors, Inc. and C. Taylor Pickett. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on September 16, 2004).†

10.20 Employment Agreement, dated September 10, 2004 between Omega Healthcare Investors, Inc. and Daniel J. Booth. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on September 16, 2004).†

10.21 Employment Agreement, dated September 10, 2004 between Omega Healthcare Investors, Inc. and R. Lee Crabill. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on September 16, 2004).†

10.22 Employment Agreement, dated September 10, 2004 between Omega Healthcare Investors, Inc. and Robert O. Stephenson. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed on September 16, 2004).†

10.23 Form of Restricted Stock Award. (Incorporated by reference to Exhibit 10.5 of the Company's Form 8-K filed September 16, 2004).†

10.24 Form of Performance Restricted Stock Unit Agreement. (Incorporated by reference to Exhibit 10.6 to the Company's current report on Form 8-K, filed on September 16, 2004).†

10.25 Put Agreement, effective as of October 12, 2004, by and between American Health Care Centers, Inc. and Omega Healthcare Investors, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on October 18, 2004).

10.26 Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended September 30, 2004).

10.27 Purchase Agreement, dated as of October 28, 2004, effective November 1, 2004, among Omega, OHI Asset (PA) Trust, Guardian LTC Management, Inc. and the licensees named therein. (Incorporated by reference Exhibit 10.1 to the Company's current report on Form 8-K, filed on November 8, 2004).

10.28 Master Lease, dated October 28, 2004, effective November 1, 2004, among Omega, OHI Asset (PA) Trust and Guardian LTC Management, Inc. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on November 8, 2004).

10.29 Second Amendment to Credit Agreement and Waiver, dated as of November 5, 2004, among OHI Asset , LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, the lenders named therein, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K, filed on November 8, 2004).

10.30 Third Amendment to Credit Agreement, dated as of April 26, 2005, among OHI Asset, LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, and Texas Lessor—Stonegate, LP, the lenders named therein, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on April 28, 2005).

10.31 Form of Incentive Stock Option Award for the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.† (Incorporated by reference to Exhibit 10.30 to the Company's Form 10-K, filed on February 18, 2005).

10.32 Form of Non-Qualified Stock Option Award for the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.† (Incorporated by reference to Exhibit 10.31 to the Company's Form 10-K, filed on February 18, 2005).

10.33 Schedule of 2006 Omega Healthcare Investors, Inc. Executive Officers Salaries and Bonuses.† (Incorporated by reference to Exhibit 10.30 to the Company's Form 10-K filed February 17, 2006).

10.34 Form of Directors' Restricted Stock Award. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on January 19, 2005).†

10.35 Stock Purchase Agreement, dated June 10, 2005, by and between Omega Healthcare Investors, Inc., OHI Asset (OH), LLC, Hollis J. Garfield, Albert M. Wiggins, Jr., A. David Wiggins, Estate of Evelyn R. Garfield, Evelyn R. Garfield Revocable Trust, SG Trust B—Hollis Trust, Evelyn Garfield Family Trust, Evelyn Garfield Remainder Trust, Baldwin Health Center, Inc., Copley Health Center, Inc., Hanover House, Inc., House of Hanover, Ltd., Pavillion North, LLP, d/b/a Wexford House Nursing Center, Pavillion Nursing Center North, Inc., Pavillion North Partners, Inc., and The Suburban Pavillion, Inc., OMG MSTR LSCO, LLC, CommuniCare Health Services, Inc., and Emery Medical Management Co. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on June 16, 2005).

10.36 Purchase Agreement dated as of December 16, 2005 by and between Cleveland Seniorcare Corp. and OHI Asset II (OH), LLC. (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on December 21, 2005).

10.37 Master Lease dated December 16, 2005 by and between OHI Asset II (OH), LLC as lessor, and CSC MSTR LSCO, LLC as lessee. (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on December 21, 2005).

12.1 Ratio of Earnings to Fixed Charges.

12.2	Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
21	Subsidiaries of the Company. (Incorporated herein by reference to Exhibit 21 to the Company's Form 10-K for the year ended December 31, 2005 filed on February 17, 2005).
23.1	Consent of Independent Registered Public Accounting Firm.
23.2	Consent of Powell Goldstein LLP (included in Exhibit 5.1).
24	Power of Attorney (included on Signature Page).
25	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of U.S. Bank National Association.
99.1	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
99.2	Form of Letter to Clients.
99.3	Form of Letter of Transmittal relating to 7% Senior Notes due 2016.

* Incorporated by reference to similarly numbered Exhibit to Amendment No. 1 to Registration Statement on Form S-4 of Omega Healthcare Investors, Inc., filed with the SEC on July 26, 2004 (File No. 333-116690).

*** Incorporated by reference to similarly numbered Exhibit to Registration Statement on Form S-4 of Omega Healthcare Investors, Inc., filed with the SEC on December 21, 2004 (File No. 333-121499).

† Management contract or compensatory plan, contract or arrangement.

QuickLinks

Exhibit 3.66

FIRST
AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
PAVILLION NORTH,
A LIMITED PARTNERSHIP

TABLE OF CONTENTS

FIRST
AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP OF
PAVILLION NORTH,
A LIMITED PARTNERSHIP

This Agreement is entered into and shall be effective as of the 13th day of December, 1993, by and among PAVILLION NURSING CENTER NORTH, INC. and HOLLIS J. GARFIELD as the General Partners, and the Persons whose names are set forth on *EXHIBIT A* attached hereto, as the Limited Partners.

R E C I T A L S:

WHEREAS, PAVILLION NORTH, a Limited Partnership was originally organized pursuant to the Original Partnership Agreement which was subsequently amended; and

WHEREAS, an original Certificate of Limited Partnership for the Partnership was filed in Allegheny County on February 9, 1972, which Certificate was subsequently amended by a First Amendment to Certificate of Limited Partnership executed by the Partners on August 22, 1978, by a Second Amendment to Certificate of Limited Partnership executed by the Partners on July 20, 1979, by a Third Amendment to Certificate of Limited Partnership executed by the Partners on November 3, 1980 and by a Fourth Amendment to Certificate of Limited Partnership executed by the Partners on March 30, 1984; and

WHEREAS, SIDNEY GARFIELD died on January 2, 1991, and the Partners have agreed that the General Partner Interest of SIDNEY GARFIELD be converted into a Limited Partner Interest and the Limited Partner Interest of HOLLIS J. GARFIELD be converted into a General Partner Interest; and

WHEREAS, EVELYN R. GARFIELD as the Executrix of the estate of SIDNEY GARFIELD has pursuant to the terms of his will assigned on December 13, 1993 the estate's General and Limited Partner Interests in the Partnership 24% to EVELYN R. GARFIELD as the trustee of the SIDNEY GARFIELD TRUST A REVERSE QTIP TRUST and 21.6% to EVELYN R. GARFIELD as the trustee of the SIDNEY R. GARFIELD TRUST A EVELYN TRUST; and

WHEREAS, as a result of the foregoing, the capital contributions and shares of profits and losses of the Partners in the Partnership are as set forth on *EXHIBIT A* attached; and

NOW, THEREFORE, the Partners hereby amend and restate the Original Partnership Agreement as amended upon the following terms and conditions:

SECTION 1

THE PARTNERSHIP

1.1 *Organization.* The Partnership was originally organized as a limited partnership under the Pennsylvania Limited Partnership Act of April 12, 1917, P.L. 55, as amended ("Prior Act"), and the Partners will now organize the Partnership as a limited partnership pursuant to the provisions of the Act.

1.2 *Partnership Name.* The name of the Partnership shall continue to be PAVILLION NORTH, a Limited Partnership and all business of the Partnership shall be conducted in such name, dba Wexford House Nursing Center.

1.3 *Purpose.* The purpose of the Partnership is to acquire, improve, lease, operate, and hold the nursing center located at the principal place of business of the Partnership and to engage in any and all activities related or incidental thereto. The Partnership shall engage in no other business.

1.4 *Principal Place of Business.* The principal place of business of the Partnership is 9800 Old Perry Highway, Wexford, Allegheny County, Pennsylvania 15090. The General Partners may change the

principal place of business of the Partnership to any other place within the Commonwealth of Pennsylvania upon at least 10 days notice to the Limited Partners.

1.5 *Term.* The term of the Partnership shall continue perpetually unless the Partnership is earlier dissolved, wound-up, and liquidated as provided in *Section 11* hereof.

1.6 *Filings; Accent for Service of Process .*

(a) The General Partners shall cause a First Amended and Restated Certificate of Limited Partnership and a Certificate of Summary of Record to be filed in the officer of the Department of State in accordance with the provisions of the Act.

(b) The registered office of the Partnership shall be 9800 Old Perry Highway, Wexford, Pennsylvania 15090, or any successor as appointed by the General Partners. The General Partners may change the office of the Partnership to another location within the Commonwealth of Pennsylvania upon at least 10 days notice to the Limited Partners.

(c) Upon the dissolution of the Partnership, the General Partners (or, in the event there is no remaining General Partner, any Person elected pursuant to *Section 11.2* hereof) shall promptly execute and cause to be filed a Certificate of Cancellation in accordance with the Act and the laws of any other states or jurisdictions in which the Partnership has filed certificates.

1.7 *Independent Activities.* Each General Partner and each Limited Partner may, notwithstanding this Agreement, engage in whatever activities they choose, whether the same are competitive with the Partnership or otherwise, without having or incurring any obligation to offer any interest in such activities to the Partnership or any Partner. Neither this Agreement nor any activity undertaken pursuant hereto shall prevent any Partner from engaging in such activities, or require any Partner to permit the Partnership or any Partner to participate in any such activities, and as a material part of the consideration for the execution of this Agreement by each Partner, each Partner hereby waives, relinquishes, and renounces any such right or claim of participation.

1.8 *Definitions.* Capitalized words and phrases used in this Agreement have the meanings set forth therefor in the Appendix hereto.

SECTION 2

PARTNERS' CAPITAL ACCOUNTS

2.1 *Contributions.* The names, addresses, Capital Contributions, and Percentage Interests of the Partners are set forth on *EXHIBIT A* attached hereto.

2.2 *Capital Accounts.* The General Partners shall maintain Capital Accounts for each of the Partners and Interest Holders in accordance with the provisions of the Appendix with respect thereto.

2.3 *Other Matters.*

(a) Except as otherwise provided in this Agreement, no Partner shall demand or receive a return of her Capital Contributions or withdraw from the Partnership without the consent of all Partners. Under circumstances requiring a return of any Capital Contributions, no Partner shall have the right to receive property other than cash except as may be specifically provided herein.

(b) No Partner shall receive any interest with respect to her Capital Contributions or her Capital Account except as otherwise provided in this Agreement.

(c) No Limited Partner shall be liable for the debts, liabilities, contracts or any other obligations of the Partnership.

SECTION 3

ALLOCATIONS

3.1 *Profits.* After giving effect to the special allocations set forth in *Sections 3.3* and *3.4* hereof, Profits for any fiscal year shall be allocated among the General Partners and other Interest Holders in proportion to their Percentage Interests.

3.2 *Losses.* After giving effect to the special allocations set forth in *Sections 3.3* and *3.4* hereof, Losses for any fiscal year shall be allocated among the General Partners and Interest Holders in proportion to their Percentage Interests; provided, however, the Losses so allocated cannot cause any Interest Holder to have an Adjusted Capital Account Deficit at the end of any fiscal year. All Losses in excess of such limitation shall be allocated to the General Partners in proportion to their Percentage Interests in the Partnership.

3.3 *Special Allocations.* The following special allocations shall be made in the following order:

(a) *Minimum Gain Chargeback.* Except as otherwise provided in Section 1.704-2(f) of the Regulations, notwithstanding any other provision of this *Section 3*, if there is a net decrease in Partnership Minimum Gain during any Partnership fiscal year, each General Partner and Interest Holder shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Person's share of the net decrease in Partnership Minimum Gain, determined in accordance with Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each General Partner and Interest Holder pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.7042(f)(6) and 1.704-2 (j) (2) of the Regulations. This *Section 3.3 (a)* is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(f) of the Regulations and shall be interpreted consistently therewith.

(b) *Partner Minimum Gain Chargeback.* Except as otherwise provided in Section 1.704-2(i)(4) of the Regulations, notwithstanding any other provision of this *Section 3*, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership fiscal year, each Person who has a share of the Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Regulations, shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Person's share of the net decrease in Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i) (4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each General Partner and Interest Holder pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(i) (4) and 1.704-2 (j) (2) of the Regulations. This *Section 3.3(b)* is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(i) (4) of the Regulations and shall be interpreted consistently therewith.

(c) *Qualified Income Offset.* In the event any Interest Holder unexpectedly receives any adjustments, allocations, or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), 1.7041(b) (2) (ii) (d) (5) or 1.704-1(b) (2) (ii) (d) (6) of the Regulations, items of Partnership income and gain shall be specially allocated to each such Interest Holder in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Interest Holder as quickly as possible, provided that an allocation pursuant to this *Section 3.3(c)* shall be made only if and to the extent that such Interest Holder would have an Adjusted Capital Account Deficit after all other allocations provided for in this *Section 3* have been tentatively made as if this *Section 3.3(c)* were not in the Agreement.

(d) *Gross Income Allocation.* In the event any Interest Holder has a deficit Capital Account at the end of any Partnership fiscal year which is in excess of the sum of (i) the amount such Interest Holder is obligated to restore pursuant to any provision of this Agreement, and (ii) the amount such Interest Holder is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2 (g) (1) and 1.704-2(i)(5), each such Interest Holder shall be specifically allocated items of Partnership income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this *Section 3.3(d)* shall be made only if and to the extent that such Interest Holder would have a deficit Capital Account in excess of such sum after all other allocations provided for in this *Section 3* have been made as if *Section 3.3 (c)* hereof and this *Section 3.3 (d*) were not in the Agreement.

(e) *Partner Nonrecourse Deductions.* Any Partner Nonrecourse Deductions for any fiscal year or other period shall be specially allocated to the Partner or Interest Holder who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Regulations Section 1.704-2(i)(1).

(f) *Section 754 Adjustments.* To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b) (2) (iv) (m) (4), to be taken into account in determining Capital Accounts as a result of a distribution to a General Partner or Interest Holder in complete liquidation of her interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the General Partners and Interest Holders in accordance with their interests in the Partnership in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the General Partner or Interest Holder to whom such distribution was made in the event that Regulations Section 1.704-1(b) (iv) (m) (4) applies. Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

3.4 *Curative Allocations.* The allocations set forth in *Sections 3.2*, *3.3(a), 3.3(b)*, *3.3(c), 3.3(d), 3.3(e)* and *3.3(f*) hereof (the "Regulatory Allocations") are intended to comply with certain requirements of the Regulations. It is the intent of the Partners that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Partnership income, gain, loss, or deduction pursuant to this *Section 3.4*. Therefore, notwithstanding any other provision of this *Section 3* (other than the Regulatory Allocations), the General Partners shall make such offsetting special allocations of Partnership income, gain, loss, or deduction in whatever manner they determine appropriate so that, after such offsetting allocations are made, each General Partner's and Interest Holder's Capital Account balance is, to the extent possible, equal to the Capital Account balance such General Partner or Interest Holder would have had if the Regulatory Allocations were not part of the Agreement and all Partnership items were allocated pursuant to *Sections 3.1* and *3.2*. In exercising their discretion under this *Section 3.4*, the General Partners shall take into account future Regulatory Allocations under *Sections 3.3(a)* and *3.3(b*) that, although not yet made, are likely to offset other Regulatory Allocations previously made under *Section 3.3(f)*.

3.5 *Other Allocation Rules*.

(a) For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the General Partners using any permissible method under Code Section 706 and the Regulations thereunder.

(b) All allocations to the Interest Holders and General Partners pursuant to this Section 3 shall, except as otherwise provided, be divided among them in proportion to their Percentage Interests.

(c) Except as otherwise provided in this Agreement, all items of Partnership income, gain, loss, deduction, and any other allocations not otherwise provided for shall be divided among the General Partners and Interest Holders in the same proportions as they share Profits or Losses, as the case may be, for the year. Credits shall be allocated in the same manner as Profits.

(d) The Partners are aware of the income tax consequences of the allocations made by this Section 3 and hereby agree to be bound by the provisions of this Section 3 in reporting their shares of Partnership income and loss for income tax purposes.

(e) To the extent permitted by Section 1.704-2(h)(3) of the Regulations, the General Partners shall endeavor to treat distributions as having been made from the proceeds of a Nonrecourse Liability or a Partner Nonrecourse Debt only to the extent that such distributions would cause or increase an Adjusted Capital Account Deficit for any Interest Holder.

3.6 *Tax Allocations: Code Section 704 (c).* In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the General Partners and Interest Holders so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its initial Gross Asset Value. In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to 1 (ii) of the Appendix hereto, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

SECTION 4

DISTRIBUTIONS

Except as otherwise provided in *Section 11* hereof, the Partnership shall distribute cash or Property at such times, if any, as the General Partners may determine, among the General Partners and Interest Holders in proportion to their Percentage Interests.

SECTION 5

MANAGEMENT

5.1 *Authority of the General Partners.* Except to the extent otherwise provided herein, the General Partners shall have the sole and exclusive right to manage the business of the Partnership and shall have all of the rights and powers which may be possessed by general partners under the Act including, without limitation, the right and power to:

(a) acquire by purchase, lease, or otherwise any real or personal property which may be necessary, convenient, or incidental to the accomplishment of the purposes of the Partnership;

(b) operate, maintain, finance, improve, construct, own, grant options with respect to, sell, convey, assign, mortgage, and lease any real estate and any personal property necessary, convenient, or incidental to the accomplishment of the purposes of the Partnership;

(c) execute any and all agreements, contracts, documents, certifications, and instruments necessary or convenient in connection with the management, maintenance, and operation of Property, or in connection with managing the affairs of the Partnership, including executing amendments to the Agreement and the Certificate in accordance with the terms of the Agreement, pursuant to any power of attorney granted by the Limited Partners to the General Partners;

(d) borrow money and issue evidences of indebtedness necessary, convenient, or incidental to the accomplishment of the purposes of the Partnership, and secure the same by mortgage, pledge, or other lien on any Property;

(e) execute, in furtherance of any or all of the purposes of the Partnership, any deed, lease, mortgage, deed of trust, mortgage note, promissory note, bill of sale, contract, or other instrument purporting to convey or encumber any or all of the Property;

(f) prepay in whole or in part, refinance, recast, increase, modify, or extend any liabilities affecting the Property and in connection therewith execute any extensions or renewals of encumbrances on any or all of the Property;

(g) care for and distribute funds to the General Partners and Interest Holders by way of cash, income, return of capital, or otherwise, all in accordance with the provisions of this Agreement, and perform all matters in furtherance of the objectives of the Partnership or this Agreement;

(h) contract on behalf of the Partnership for the employment and services of employees and/or independent contractors, such as lawyers and accountants, and delegate to such Persons the duty to manage or supervise any of the assets or operations of the Partnership;

(i) engage in any kind of activity and perform and carry out contracts of any kind (including contracts of insurance covering risks to Property and General Partner liability) necessary or incidental to, or in connection with, the accomplishment of the purposes of the Partnership, as may be lawfully carried on or performed by a partnership under the laws of each state in which the Partnership is then formed or qualified;

(j) make any and all elections for federal, state, and local tax purposes including, without limitation, any election, if permitted by applicable law: (i) to adjust the basis of Property pursuant to Code Sections 754, 734 (b) and 743 (b), or comparable provisions of state or local law, in connection with transfers of Partnership interests and Partnership distributions; (ii) to extend the statute of limitations for assessment of tax deficiencies against General Partners and Interest Holders with respect to adjustments to the Partnership's federal, state, or local tax returns; and (iii) to represent the Partnership, the General Partners, and the Interest Holders before taxing authorities or courts of competent jurisdiction in tax matters affecting the Partnership, the General Partners, and the Interest Holders in their capacities as General Partners or Interest Holders, and to execute any agreements or other documents relating to or affecting such tax matters, including agreements or other documents that bind the General Partners and Interest Holders with respect to such tax matters or otherwise affect the rights of the Partnership, General Partners, and Interest Holders. HOLLIS JAN GARFIELD WIGGINS is specifically authorized to act as the "Tax Matters Partner" under the Code and in any similar capacity under state or local law;

(k) take, or refrain from taking, all actions, not expressly proscribed or limited by this Agreement, as may be necessary or appropriate to accomplish the purposes of the Partnership; and

(l) institute, prosecute, defend, settle, compromise, and dismiss lawsuits or other judicial or administrative proceedings brought on or in behalf of, or against, the Partnership or the Partners in connection with activities arising out of, connected with, or incidental to this Agreement, and to engage counsel or others in connection therewith.

5.2 *Right to Rely on General Partners.* Any Person dealing with the Partnership may rely (without duty of further inquiry) upon a certificate signed by any General Partner as to:

(a) the identity of any General Partner or Limited Partner;

(b) the existence or nonexistence of any fact or facts which constitute a condition precedent to acts by a General Partner or which are in any other manner germane to the affairs of the Partnership;

(c) the Persons who are authorized to execute and deliver any instrument or document of the Partnership; or

(d) any act or failure to act by the Partnership or any other matter whatsoever involving the Partnership or any Partner.

5.3 *Limitations on Authority of General Partners.* The authority granted to the General Partners is subject to limitations so that the General Partners may not:

(a) do any act which is not for the purpose of carrying on the Partnership's usual business;

(b) assign Partnership property in trust for creditors or on the assignee's promise to pay the debts of the Partnership;

(c) dispose of the goodwill of the Partnership;

(d) do any act which would make it impossible to carry on the ordinary business of the Partnership;

(e) confess a judgment against the Partnership;

(f) submit a Partnership claim or liability to arbitration or reference; or

(g) do any act in contravention of the Act or the terms and conditions of this Agreement.

5.4 *Duties and Obligations of General Partners*.

(a) The General Partners shall take all actions which may be necessary or appropriate (i) for the continuation of the Partnership's valid existence as a limited partnership under the laws of the Commonwealth of Pennsylvania (and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Limited Partners or to enable the Partnership to conduct the business in which it is engaged) and (ii) for the accomplishment of the Partnership's purposes, including the acquisition, development, maintenance, preservation, and operation of Property in accordance with the provisions of this Agreement and applicable laws and regulations.

(b) The General Partners shall devote to the Partnership such time as may be necessary for the proper performance of all duties hereunder, but the General Partners shall not be required to devote full time to the performance of such duties.

(c) The General Partners shall be under a fiduciary duty to conduct the affairs of the Partnership in the best interests of the Partnership and of the Limited Partners, including the safekeeping and use of all of the Property and the use thereof for the exclusive benefit of the Partnership.

5.5 *Indemnification of General Partners*.

(a) The Partnership, its receiver, or its trustee shall indemnify, save harmless, and pay all judgments and claims against any General Partner relating to any liability or damage incurred by reason of any act performed or omitted to be performed by such General Partner in connection with the business of the Partnership, including attorneys' fees incurred by such General Partner in connection with the defense of any action based on any such act or omission, which attorneys' fees may be paid as incurred.

(b) The Partnership shall indemnify, save harmless, and pay all expenses, costs, or liabilities of any General Partner who for the benefit of the Partnership makes any deposit, acquires any option, or makes any other similar payment or assumes any obligation in connection with any property proposed to be acquired by the Partnership and who suffers any financial loss as the result of such action.

(c) Notwithstanding the provisions of *Subsections 5.5 (a)* and *5.5(b)* above, no General Partner shall be indemnified from any liability for fraud, bad faith, willful misconduct, or gross negligence.

5.6 *Compensation and Loans*.

(a) *Compensation and Reimbursement.* Except as otherwise provided in this *Section 5.6*, no Partner shall receive any salary, fee, or draw for services rendered to or on behalf of the Partnership, nor shall any Partner be reimbursed for any expenses incurred by such Partner on behalf of the Partnership.

(b) *Expenses.* The General Partners may charge the Partnership for any direct expenses reasonably incurred in connection with the Partnership's business.

(c) *Compensation.* In consideration of their performance of services on behalf of the Partnership, the General Partners shall receive no compensation in addition to the distributions of cash and other Property and allocations of Profits, Losses, and other items provided for herein, unless the Partners approve such additional compensation by majority vote.

(d) *Loans.* Any Person may, with the consent of the General Partners, lend or advance money to the Partnership. If any Partner shall make any loan or loans to the Partnership or advance money on its behalf, the amount of any such loan or advance shall not be treated as a Capital Contribution but shall be a debt due from the Partnership. The amount of any such loan or advance by a lending Partner shall be repayable out of the Partnership's cash and shall bear interest at such rate as the General Partners and the lending Partner shall agree. None of the Partners shall be obligated to make any loan or advance to the Partnership.

5.7 *Operating Restrictions*.

(a) All Property in the form of cash not otherwise invested shall be deposited in one or more accounts maintained in such financial institutions as the General Partners shall determine or shall be invested in short-term liquid securities or shall be left in escrow and withdrawals shall be made only in the regular course of Partnership business on such signature or signatures as the General Partners may determine from time to time.

(b) The signature of any General Partner shall be necessary and sufficient to convey title to any real property owned by the Partnership or to execute any promissory notes, trust deeds, mortgages, or other instruments of hypothecation, and all of the Partners agree that a copy of this Agreement may be shown to the appropriate parties in order to confirm the same, and further agree that the signature of any General Partner shall be sufficient to execute any "statement of partnership" or other documents

necessary to effectuate this or any other provision of this Agreement. All of the Partners do hereby appoint each General Partner as their attorney-in-fact for the execution of any or all of the documents described herein.

SECTION 6

ROLE OF LIMITED PARTNERS

6.1 *Limitation on Rights or Powers.* Except as otherwise set forth in *Sections 6.2* and *6.3* hereof, no Limited Partner shall have any right or power to take part in the management or control of the Partnership or its business and affairs or to act for or bind the Partnership in any way.

6.2 *Voting Rights.* The Limited Partners shall have the right to vote on the matters explicitly set forth in this Agreement, including the following:

(a) The dissolution and winding up of the Partnership;

(b) The sale, exchange, lease, mortgage, pledge, or other transfer of all or substantially all of the Property other than in the ordinary course of the Partnership's business;

(c) The incurrence of indebtedness by the Partnership other than in the ordinary course of its business; and

(d) A change in the nature of the business of the Partnership.

6.3 *Other Rights.* The Limited Partners shall have the rights to each of the following:

(a) To inspect and copy any of the Partnership's records required to be maintained pursuant to the Act;

(b) To obtain from the General Partners, from time to time and upon reasonable demand, all of the following:

(1) True and full information regarding the state of the business and the financial condition of the Partnership;

(2) Promptly after becoming available, a copy of the Partnership's federal, state, and local income tax returns and reports for each year;

(3) Other information regarding the affairs of the Partnership as is just and reasonable.

SECTION 7

BOOKS AND RECORDS

7.1 *Books and Records.* The Partnership shall keep adequate books and records at its principal place of business, setting forth a true and accurate account of all business transactions arising out of and in connection with the conduct of the Partnership. Any Partner or her designated representative shall have the right, at any reasonable time, to have access to and inspect and copy the contents of such books or records.

7.2 *Annual Reports.* Within a reasonable period after the end of each Partnership fiscal year, each Partner shall be furnished with pertinent information regarding the Partnership and its activities during such period.

7.3 *Tax Information.* Necessary tax information shall be delivered to each Partner after the end of each fiscal year of the Partnership. Every effort shall be made to furnish such information within 90 days after the end of each fiscal year.

SECTION 8

AMENDMENTS; MEETINGS

8.1 *Amendments.* Amendments to this Agreement may be adopted only in a writing signed by all of the Partners.

8.2 *Meetings of the Partners*.

(a) Meetings of the Partners may be called by any General Partner and shall be called upon the written request of Limited Partners holding a 10% or greater Percentage Interest in the Partnership. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than 7 days nor more than 30 days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever the vote or consent of Partners is permitted or required under the Agreement, such vote or consent may be given at a meeting of Partners or may be given in a writing signed by all of the Partners. Meetings of the Partners may be held through any communications equipment if all persons participating can hear each other. Except as otherwise expressly provided in this Agreement, all matters to be subject to a vote of the Partners shall be determined by majority vote. Each Partner shall have that number of votes as is equal to her Percentage Interest in the Partnership.

(b) Each Limited Partner may authorize any Person or Persons to act for her by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or her attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it.

SECTION 9

TRANSFERS OF INTERESTS

9.1 *Restriction on Transfers.* Except as otherwise permitted by this Agreement, no Interest Holder may Transfer all or any portion of her Interest.

9.2 *Permitted Transfers.* Subject to the conditions and restrictions set forth in *Section 9.3* hereof, an Interest Holder may at any time Transfer all or any portion of her Interest to (a) any other Interest Holder, (b) any member of the transferor's Family, (c) any Affiliate of the transferor, (d) the transferor's executor, administrator, trustee, or personal representative to whom such Interests are transferred at death or involuntarily by operation of law, (e) any Purchaser in accordance with *Section 9.4* hereof, or (f) in the case of a Partner who is a trustee, to the beneficiary of such trust (any such Transfer being referred to in this Agreement as a "Permitted Transfer"). For purposes hereof, an Interest Holder's Family shall include only such Interest Holder's spouse, natural or adoptive lineal ancestors or descendants, and trusts for her or their exclusive benefit.

9.3 *Conditions to Permitted Transfers.* A Transfer shall not be treated as a Permitted Transfer under *Section 9.2* hereof unless and until the following conditions are satisfied:

(a) Except in the case of a Transfer of an Interest at death or involuntarily by operation of law, the transferor and transferee shall execute and deliver to the Partnership such documents and instruments of conveyance as may be necessary or appropriate in the opinion of counsel to the Partnership to effect such Transfer and to confirm the agreement of the transferee to be bound by the provisions of this *Section 9*. In any case not described in the preceding sentence, the Transfer shall be confirmed by presentation to the Partnership of legal evidence of such Transfer, in form and substance satisfactory to counsel to the Partnership. In all cases, the Partnership shall be reimbursed by the

transferor and/or transferee for all costs and expenses that it reasonably incurs in connection with such Transfer.

(b) Except in the case of a Transfer at death or involuntarily by operation of law, the Partnership shall have obtained an opinion of counsel that the Transfer would not cause the Partnership to terminate for federal income tax purposes and that such Transfer would not cause the application of the rules of Code Sections 168 (g) (1) (B) and 168 (h) (generally referred to as the "tax exempt entity leasing rules") or similar rules to apply to the Partnership, Partnership Property, or the Interest Holders.

(c) The transferor and transferee shall furnish the Partnership with the transferee's taxpayer identification number, sufficient information to determine the transferee's initial tax basis in the Interest transferred, and any other information reasonably necessary to permit the Partnership to file all required federal and state tax returns and other legally required information statements or returns. Without limiting the generality of the foregoing, the Partnership shall not be required to make any distribution otherwise provided for in this Agreement with respect to any transferred Interest until it has received such information.

9.4 *Right of First Refusal.* In addition to the other limitations and restrictions set forth in this *Section 9*, except as permitted by *Section 9.2* hereof, no Interest Holder shall Transfer all or any portion of her Interest (the "Offered Interest") unless such Interest Holder (the "Seller") first offers to sell the Offered Interest pursuant to the terms of this *Section 9.4*.

(a) *Limitation on Transfers*. No Transfer may be made under this *Section 9.4* unless the Seller has received a bona fide written offer (the "Purchase Offer") from a Person (the "Purchaser") to purchase the Offered Interest for a purchase price (the "Offer Price") denominated and payable in United States dollars at closing or according to specified terms, with or without interest, which offer shall be in writing signed by the Purchaser and shall be irrevocable for a period ending no sooner than the day following the end of the Offer Period, as hereinafter defined.

(b) *Offer Notice.* Prior to making any Transfer that is subject to the terms of this *Section 9.4*, the Seller shall give the Partnership and each other Interest Holder written notice (the "Offer Notice") which shall include a copy of the Purchase offer and an offer (the "First Offer") to sell the Offered Interest to the other Interest Holders and the General Partners (the "Offerees") for the Offer Price, payable according to the same terms as (or more favorable terms than) those contained in the Purchase Offer, provided that the First Offer shall be made without regard to the requirement of any earnest money or similar deposit required of the Purchaser prior to closing, and without regard to any security (other than the Offered Interest) to be provided by the Purchaser for any deferred portion of the Offer Price.

(c) *Offer Period*. The First Offer shall be irrevocable for a period (the "Offer Period") ending at 11:59 P.M., local time at the Partnership's principal office, on the 90th day following the day of the Offer Notice.

(d) *Acceptance of First Offer.* At any time during the first 60 days of the Offer Period, any Offeree who is an Interest Holder may accept the First Offer as to that portion of the Offered Interest that corresponds to the ratio of her Percentage Interest to the total Percentage Interests held by all Offerees who are Interest Holders, by giving written notice of such acceptance to the Seller and the General Partners. At any time after the 60th day of the Offer Period, the General Partners may accept the First Offer as to any portion of the Offered Interest that has not been previously accepted by given written notice of such acceptance to the Seller. In the event that Offerees ("Accepting Offerees"), in the aggregate, accept the First Offer with respect to all of the Offered Interest, the First Offer shall be deemed to be accepted. If Offerees do not accept the First Offer as to all of the Offered Interest during the Offer Period, the First Offer shall be deemed to be rejected in its entirety.

(e) *Closing of Purchase Pursuant to First Offer.* In the event that the First Offer is accepted, the closing of the sale of the Offered Interest shall take place within 30 days after the First Offer is accepted or, if later, the date of closing set forth in the Purchase Offer. The Seller and all Accepting Offerees shall execute such documents and instruments as may be necessary or appropriate to effect the sale of the Offered Interest pursuant to the terms of the First Offer and this *Section 9*.

(f) *Sale Pursuant to Purchase Offer if First Offer Rejected.* If the First Offer is not accepted in the manner hereinabove provided, the Seller may sell the Offered Interest to the Purchaser at any time within 60 days after the last day of the Offer Period, provided that such sale shall be made on terms no more favorable to the Purchaser than the terms contained in the Purchase Offer and provided further that such sale complies with the other terms, conditions, and restrictions of this Agreement that are applicable to sales of Interests and are not expressly made inapplicable to sales occurring under this *Section 9.4*. In the event that the Offered Interest is not sold in accordance with the terms of the preceding sentence, the Offered Interest shall again become subject to all of the conditions and restrictions of this *Section 9.4*.

9.5 *Prohibited Transfers.* Any purported Transfer of Interests that is not a Permitted Transfer shall be null and void and of no effect whatever.

9.6 *Rights of Unadmitted Assignees.* A Person who acquires one or more Interests but who is not admitted as a Substituted Limited Partner pursuant to *Section 9.7* hereof shall be entitled only to allocations and distributions with respect to such Interests in accordance with this Agreement, but shall have no right to any information or accounting of the affairs of the Partnership, shall not be entitled to inspect the books or records of the Partnership, and shall not have any of the rights of a Limited Partner under the Act or this Agreement.

9.7 *Admission of Interest Holders as Partners.* Subject to the other provisions of this *Section 9*, a transferee of Interests may be admitted to the Partnership as a Substituted Limited Partner only upon satisfaction of the conditions set forth below in this Section 9.7:

(a) The General Partners consent to such admission;

(b) The Interests with respect to which the transferee is being admitted were acquired by means of a Permitted Transfer;

(c) The transferee becomes a party to this Agreement as a Limited Partner and executes such documents and instruments as the General Partners may reasonably request (including, without limitation, amendments to the Certificate) as may be necessary or appropriate to confirm such transferee as a Limited Partner in the Partnership and such transferee's agreement to be bound by the terms and conditions hereof;

(d) The transferee pays or reimburses the Partnership for all reasonable legal, filing, and publication costs that the Partnership incurs in connection with the admission of the transferee as a Limited Partner with respect to the Transferred Interests; and

(e) If the transferee is not an individual of legal majority, the transferee provides the Partnership with evidence satisfactory to counsel for the Partnership of the authority of the transferee to become a Partner and to be bound by the terms and conditions of this Agreement.

9.8 *Distributions and Allocations in Respect to Transferred Interests.* If any Interest is sold, assigned, or transferred during any accounting period in compliance with the provisions of this *Section 9*, Profits, Losses, each item thereof, and all other items attributable to the Transferred Interest for such period shall be divided and allocated between the transferor and the transferee by taking into account their varying Interests during the period in accordance with Code Section 706(d), using any conventions permitted by law and selected by the General Partners. All distributions on or before the date of such Transfer shall be made to the transferor, and all distributions thereafter shall be made to the transferee.

9.9 *Withdrawal.* No Interest Holder shall have the right to withdraw from the Partnership or require the liquidation of her Interest.

SECTION 10

GENERAL PARTNERS

10.1 *Additional General Partners.* Except as provided in this *Section 10* and *Section 11.1* hereof, no Person shall be admitted to the Partnership as a General Partner without the unanimous consent of the Partners.

10.2 *Covenant Not to Withdraw Transfer, or Dissolve.* Except as otherwise permitted by this Agreement, the General Partners hereby covenant and agree not to (a) withdraw or attempt to withdraw from the Partnership, (b) exercise any power under the Act to dissolve the Partnership, or (c) Transfer all or any portion of their interests in the Partnership as a General Partner. Further, the General Partners hereby covenant and agree to continue to carry out the duties of a General Partner hereunder until the Partnership is dissolved and liquidated pursuant to *Section 11* hereof.

10.3 *Permitted Transfers*.

(a) No General Partner may transfer all or any portion of her interest in the Partnership to any Person unless such General Partner first offers to sell her interest in the Partnership to the other Partners in accordance with the provisions of *Section 9.4* hereof as if the interest being Transferred was a Limited Partner Interest.

(b) A transferee of a Partnership interest from a General Partner hereunder shall be admitted as a General Partner with respect to such interest if, but only if, (1) at the time of such Transfer, such transferee is otherwise a General Partner, (2) the admission of such transferee as a General Partner is approved by a majority vote of the Limited Partners, provided that no such Transfer shall be permitted unless and until all of the conditions set forth in *Section 9.3* hereof are satisfied as if the Partnership interest being Transferred was a Limited Partner Interest.

(c) A transferee who acquires a Partnership interest from a General Partner hereunder by means of a Transfer that is permitted under this *Section 10.3*, but who is not admitted as a General Partner, shall have no authority to act for or bind the Partnership, to inspect the Partnership's books, or otherwise to be treated as a Partner. The interest transferred shall be strictly limited to the transferor's rights to allocations and distributions as provided by this Agreement with respect to the transferred interest.

10.4 *Prohibited Transfers.* Any purported Transfer of any Partnership interest held by a General Partner that is not permitted by *Section 10.3* above shall be null and void and of no effect whatever.

10.5 *Termination of Status as General Partner.* A General Partner shall cease to be a General Partner upon the first to occur of:

(a) the withdrawal by a General Partner from the Partnership;

(b) the majority vote of the Partners to remove such General Partner;

(c) the making of an assignment for the benefit of creditors by a General Partner;

(d) the filing of a voluntary petition in bankruptcy by a General Partner;

(e) an adjudication that a General Partner is bankrupt or insolvent;

(f) the commencement of any proceeding for the relief of debtors by or against a General Partner;

(g) the involuntary Transfer by operation of law of such General Partner's interest in the Partnership;

(h) the death or adjudication of incompetency of a General Partner; or

(i) the permanent disability of a General Partner due to illness, age, or other cause so that she cannot, in the opinion of her personal physician, continue to perform her duties hereunder.

In the event a Person ceases to be a General Partner without having Transferred her entire interest as a General Partner, such Person shall be treated as an unadmitted transferee of a Partnership interest.

SECTION 11

DISSOLUTION AND WINDING UP

11.1 *Liquidating Events.* The Partnership shall dissolve and commence winding up and liquidating upon the first to occur of any of the following ("Liquidating Events"):

(a) The sale of all or substantially all of the Property;

(b) A majority vote of the Partners to dissolve, wind up, and liquidate the Partnership;

(c) The happening of any other event that makes it unlawful, impossible, or impractical to carry on the business of the Partnership; or

(d) Any event which causes there to be no General Partner unless, within 90 days of the date such event occurs, the Limited Partners agree in writing to elect a successor General Partner and continue the Partnership business.

The Partners hereby agree that the Partnership shall not dissolve prior to the occurrence of a Liquidating Event.

11.2 *Winding Up.* Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partners (or, in the event there is no remaining General Partner, any Person elected by a majority in interest of the Limited Partners) shall be responsible for overseeing the winding up of the Partnership. The Property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom, to the extent sufficient therefor, shall be applied and distributed in the following order:

(a) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the General Partners;

(b) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the General Partners;

(c) Third, to the General Partners and Interest Holders in proportion to their Percentage Interests, provided, however, that no distribution shall be made pursuant to this *Section 11. 2 (c)* that creates or increases a Capital Account deficit for any Interest Holder which exceeds such Interest Holder's obligation to restore such deficit, determined as follows: Distributions shall first be determined tentatively pursuant to this *Section 11.2(c)* without regard to the Interest Holders' Capital Account, and then the allocation provisions of *Section 3* shall be applied tentatively as if such tentative distributions had been made. If any Interest Holder shall thereby have a deficit Capital Account which exceeds her obligation to restore such deficit, the actual distribution to such Interest Holder pursuant to this *Section 11.2(c)* shall be equal to the tentative distribution to such Interest Holder less the amount of the excess to such Interest Holder; and

(d) The balance, if any, to the General Partners and Interest Holders in accordance with their Capital Accounts, after giving effect to all contributions, distributions, and allocations for all periods.

The General Partners shall receive no additional compensation for any services performed pursuant to this *Section 11*.

11.3 *Compliance With Certain Requirements of Regulations; Deficit Capital Accounts.* In the event the Partnership is "liquidated" within the meaning of Regulations Section 1.7041(b)(2)(ii)(g), (a) distributions shall be made pursuant to this *Section 11* to the General Partners and Interest Holders who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2), and (b) if any General Partner's Capital Account has a deficit balance (after giving effect to all contributions, distributions, and allocations for all taxable years, including the year during which such liquidation occurs), such General Partner shall contribute to the capital of the Partnership the amount necessary to restore such deficit balance to zero in compliance with Regulations Section 1.7041(b) (2) (ii) (b) (3). If any Interest Holder has a deficit balance in her Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Interest Holder shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever.

11.4 *Deemed Distribution and Recontribution.* Notwithstanding any other provision of this *Section 11*, in the event the Partnership is liquidated within the meaning of Regulations section 1.704-1(b)(2)(ii)(g) but no Liquidating Event has occurred, the Property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged, and the Partnership's affairs shall not be wound up. Instead, the Partnership shall be deemed to have distributed the Property in kind to the General Partners and Interest Holders, who shall be deemed to have assumed and taken subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the General Partners and Interest Holders shall be deemed to have recontributed the Property in kind to the Partnership, which shall be deemed to have assumed and taken subject to all such liabilities.

11.5 *Notice of Dissolution.* In the event a Liquidating Event occurs, the General Partners shall, within thirty (30) days thereafter, provide written notice thereof to each of the other Partners. If the Partnership is dissolved, the General Partners shall provide written notice thereof to all other parties with whom the Partnership regularly conducts business and shall publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business.

SECTION 12

POWER OF ATTORNEY

12.1 *General Partners as Attorneys-In-Fact.* Each Limited Partner hereby makes, constitutes, and appoints the General Partners, with full power of substitution and resubstitution, her true and lawful attorneys-in-fact for her and in her name, place, and stead and for her use and benefit, to sign, execute, certify, acknowledge, swear to, file, and record (a) all documents which reflect (i) any amendments adopted by the Partners in accordance with the terms of this Agreement; (ii) the admission of any substituted Partner; or (iii) the disposition by any Partner of her interest in the Partnership; and (b) any certificates, instruments, and documents as may be required by, or may be appropriate under, the laws of the Commonwealth of Pennsylvania or any other state or jurisdiction in which the Partnership is doing or intends to do business.

12.2 *Nature as Special Power.* The power of attorney granted pursuant to this *Section 12*:

(a) is a special power of attorney coupled with an interest and is irrevocable;

(b) may be exercised by any such attorney-in-fact by listing the Limited Partners executing any agreement, certificate, instrument, or other document with the single signature of any such attorney-in-fact acting as attorney-in-fact for such Limited Partners; and

(c) shall survive the death, disability, legal incapacity, bankruptcy, insolvency, dissolution, or cessation of existence of a Limited Partner and shall survive the delivery of an assignment by a Limited Partner of the whole or a portion of her interest in the Partnership, except that where the assignment is of such Limited Partner's entire interest in the Partnership and the assignee, with the consent of the General Partners, is admitted as a substituted Limited Partner, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling any such attorney-in-fact to effect such substitution.

SECTION 13

MISCELLANEOUS

13.1 *Waiver.* The Partners accept the provisions hereunder as their sole entitlement with respect to the termination of the Partnership or a sale or liquidation of their Partnership interests. Each party hereby waives and renounces (i) the right of a deceased Partner to have her Partnership interest appraised and sold as provided in Chapter 1779 of the Act and (ii) any right she may have to maintain an action to partition the Property.

13.2 *Notices.* Except as otherwise specifically provided in this Agreement, any notice required or permitted hereunder shall be in writing and shall be deemed to be delivered when deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the parties at their respective addresses set forth on *EXHIBIT A* or at such other addresses as may have been heretofore specified by written notice delivered in accordance herewith.

13.3 *Applicable Law.* This Agreement shall be construed under and in accordance with the laws of the Commonwealth of Pennsylvania.

13.4 *Counterparts.* This Agreement may be executed in multiple counterparts, each of which will be deemed an original and all of which shall constitute but one Agreement, and the signatures of any counterpart shall be deemed to be signatures of any other counterpart.

13.5 *Entire Agreement.* This Agreement contains the entire Agreement among the parties and supersedes any prior understandings and agreements among them with respect to the subject matter hereof. There are no representations, agreements, arrangements, understandings, oral or written, among the parties hereto relating to the subject matter of this Agreement which are not fully expressed herein.

13.6 *Parties Bound.* This Agreement shall be binding on and inure to the benefit of the parties hereto, their respective heirs, executors, administrators, legal representatives, successors and assigns where permitted by this Agreement.

13.7 *Further Action.* Each Partner, upon the request of the General Partners, agrees to perform all further acts and execute, acknowledge, and deliver any documents which may be reasonably necessary, appropriate, or desirable to carry out the provisions of this Agreement.

13.8 *Variation of Pronouns.* All pronouns and any variations thereof shall be deemed to refer to masculine, feminine, or neuter, singular or plural, as the identity of the Person or Persons may require.

IN WITNESS WHEREOF, the undersigned executed this Agreement on the dates set opposite their signatures below.

Dated: 12/15/93

/s/ HOLLIS J. GARFILED

Hollis J. Garfield

PAVILLION NURSING CENTER NORTH, INC.

Dated: 12/15/93

/s/ A.M. WIGGINS, JR.

Vice President Title

"GENERAL PARTNERS"

SIDNEY GARFIELD TRUST A EVELYN TRUST

Dated: 12/15/93

/s/ EVELYN R. GARFIELD

Evelyn R. Garfield, Trustee

SIDNEY GARFIELD TRUST A
REVERSE QTIP TRUST

Dated: 12/15/93

/s/ EVELYN R. GARFIELD

Evelyn R. Garfield, Trustee

"LIMITED PARTNERS"

EXHIBIT A

GENERAL PARTNERS

Name and Address	Capital Contribution	Percentage Interests
Pavillion Nursing Center North, Inc. c/o Emery Medical Management Co. 26055-A Emery Road Cleveland, OH 44128-5780	$ 800,000	40.0%
Hollis J. Garfield c/o Wiggins/Garfield Associates One Bigelow Square, Suite 2000 Pittsburgh, PA 15219-3030	-0-	14.4%

LIMITED PARTNERS

Sidney Garfield Trust A Reverse QTIP Trust Evelyn R. Garfield, Trustee c/o Emery Medical Management Co. 26055-A Emery Road Cleveland, OH 44128-5780	-0-	24.0%
Sidney Garfield Trust A Evelyn Trust Evelyn R. Garfield, Trustee c/o Emery Medical Management Co. 26055-A Emery Road Cleveland, OH 44128-5780	-0-	21.6%
Totals	$ 800,000	100%

APPENDIX

(a) "Act" means the Pennsylvania Revised Uniform Limited Partnership Act, as set forth in Title 15, Pennsylvania Consolidated Statutes Annotated (Pa. C.S.A.) Section 8501 et. seq., as amended from time to time (or any corresponding provisions of succeeding law).

(b) "Adjusted Capital Account Deficit" means, with respect to any Interest Holder, the deficit balance, if any, in such Interest Holder's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which such Interest Holder is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) Debit to such Capital Account the items described in Sections 1.704-1(b) (2) (ii) (d) (4), 1.704-1(b) (2) (ii) (d) (5), and 1.704-1(b)(2)(ii)(d)(6) of the Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.7041(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

(c) "Adjusted Capital Contributions" means, as of any day, an Interest Holder's Capital Contributions adjusted as follows:

(i) Increased by the amount of any Partnership liabilities which, in connection with distributions pursuant to *Sections 4* and *11.2* hereof, are assumed by such Interest Holder or are secured by any Partnership Property distributed to such Interest Holder;

(ii) Reduced by the amount of cash and the Gross Asset Value of any Property distributed to such Interest Holder pursuant to *Sections 4* and *11.2* hereof and the amount of any liabilities of such Interest Holder assumed by the Partnership or which are secured by any property contributed by such Interest Holder to the Partnership.

In the event any Interest Holder transfers all or any portion of her Interest in accordance with the terms of this Agreement, her transferee shall succeed to the Adjusted Capital Contribution of the transferor to the extent it relates to the transferred Interest.

(d) "Affiliate" means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling 10% or more of the outstanding voting interests of such Person, (iii) any officer, director, or general partner of such Person, or (iv) any Person who is an officer, director, general partner, trustee, or holder of 10% or more of the voting interests of any Person described in clauses (i) through (iii) of this sentence.

(e) "Agreement" means this First Amended and Restated Agreement of Limited Partnership, as amended from time to time.

(f) "Capital Account" means, with respect to any General Partner or Interest Holder, the Capital Account maintained for such Person in accordance with the following provisions:

(i) To each Person's Capital Account there shall be credited such Person's Capital Contributions, such Person's distributive share of Profits and any items in the nature of income or gain which are specially allocated pursuant to *Section 3.3* or *Section 3.4* hereof, and the amount of any Partnership liabilities assumed by such Person or which are secured by any Property distributed to such Person.

(ii) To each Person's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Property distributed to such Person pursuant to any provision of this Agreement, such Person's distributive share of Losses and any items in the nature of expenses or losses which are specially allocated pursuant to *Section 3.3* or *Section 3.4* hereof, and the amount of any liabilities of such Person assumed by the Partnership or which are secured by any property contributed by such Person to the Partnership.

(iii) In the event all or a portion of an interest in the Partnership is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

(iv) In determining the amount of any liability for purposes of *Subparagraphs (c) (i)*, *(c) (ii)*, *(f) (i)*, and *(f)(ii)* hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the General Partners shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Partnership, General Partners, or Interest Holders), are computed in order to comply with such Regulations, the General Partners may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Person pursuant to *Section 11* hereof upon the dissolution of the Partnership. The General Partners also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and Interest Holders and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1 (b) (2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events (for example, the acquisition by the Partnership of oil or gas properties) might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

(g) "Capital Contributions" means, with respect to any General Partner or Interest Holder, the amount of money and the initial Gross Asset Value of any property (other than money) contributed to the Partnership with respect to the interest in the Partnership held by such Person.

(h) "Certificate" means the First Amended and Restated Certificate of Limited Partnership filed for the Partnership pursuant to the Act.

(i) "Code" means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

(j) "Depreciation" means, for each fiscal year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable under the Code with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partners.

(k) "General Partner" means any Person who (i) is referred to as such in the first paragraph of this Agreement or has become a General Partner pursuant to the terms of this Agreement, and (ii) has not ceased to be a General Partner pursuant to the terms of this Agreement. "General Partners" means all of such Persons.

(l) "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset, as determined by the contributing Partner and the Partnership;

(ii) The Gross Asset Value of all Partnership assets shall be adjusted to equal their respective gross fair market values, as determined by the General Partners, as of the following times: (a) The acquisition of an additional interest in the Partnership by any new or existing Partner in exchange for more than a de *minimis* amount of Property as consideration for an interest in the Partnership; (b) the distribution by the Partnership to a General Partner or Interest Holder of more than a de *minimis* amount of Property as consideration for an interest in the Partnership; and (c) the liquidation of the Partnership within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the General Partners reasonably determine that such adjustments are necessary or appropriate to reflect the relative economic interests of the General Partners and Interest Holders in the Partnership;

(iii) The Gross Asset Value of any Property distributed to any General Partner or Interest Holder shall be the gross fair market value of such Property on the date of distribution; and

(iv) The Gross Asset Values of Property shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and *Section 3.3(e)* hereof; provided, however, that Gross Asset Values shall not be adjusted pursuant to this *Subparagraph (1)(iv)* to the extent the General Partners determine that an adjustment pursuant to *Subparagraph (1)(ii)* hereof is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this *Subparagraph (1) (iv)*.

If the Gross Asset Value of an item of Property has been determined or adjusted pursuant to *Subparagraphs (1)(i)*, *(1)(ii)*, or *(1)(iv)* hereof, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such Property for purposes of computing Profits and Losses.

(m) "Interest" means an interest in the Partnership owned by a Limited Partner, including any and all benefits to which the holder of such an Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement.

(n) "Interest Holder" means any Person who holds an Interest, including a transferee from a Limited Partner, regardless of whether such Person has been admitted to the Partnership as a Limited Partner. "Interest Holders" means all such Persons.

(o) "Limited Partner" means any Person (i) who is identified as a Limited Partner on *EXHIBIT A* attached hereto or who has become a Limited Partner pursuant to the terms of this Agreement, and (ii) who holds an Interest. "Limited Partners" means all such Persons.

(p) "Nonrecourse Deductions" has the meaning set forth in Section 1.704-2(b)(1) of the Regulations.

(q) "Nonrecourse Liability" has the meaning set forth in Section 1.704-2(b)(3) of the Regulations.

(r) "Original Partnership Agreement" means the Partnership Agreement entered into on or about January 27, 1972 by and among PAVILLION NORTH, INC. as General Partner and SIDNEY

GARFIELD, MARTIN KATOVSKY and LINDY M. ADELSTEIN as Limited Partners, for purposes of organizing the Partnership.

(s) "Partner Nonrecourse Debt Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704- (2)(i)(3) of the Regulations.

(t) "Partner Nonrecourse Debt" has the meaning set forth in Section 1.704-2(b)(4) of the Regulations.

(u) "Partner Nonrecourse Deductions" has the meaning set forth in Sections 1.704-2(i)(1) and 1.704-2(i)(2) of the Regulations.

(v) "Partners" means all General Partners and all Limited Partners, where no distinction is required by the context in which the term is used herein. "Partner" means any one of the Partners.

(w) "Partnership" means the partnership formed pursuant to the Original Partnership Agreement and now governed by this Agreement and the partnership continuing the business of this Partnership in the event of dissolution as herein provided.

(x) "Partnership Minimum Gain" has the meaning set forth in Sections 1.704-2(b)(2) and 1.704-2(d) of the Regulations.

(y) "Percentage Interest" means, with respect to any Partner, the percentage interest set opposite such Partner's name on *EXHIBIT A* attached hereto. If any Partnership interest is transferred in accordance with the provisions of this Agreement, the transferee of such interest shall succeed to the Percentage Interest of her transferor to the extent it relates to the transferred interest.

(z) "Person" means any individual, partnership, corporation, trust, or other entity.

(aa) "Profits" and "Losses" means, for each fiscal year or other period, an amount equal to the Partnership's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses shall be added to such taxable income or loss;

(ii) Any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses shall be subtracted from such taxable income or loss;

(iii) In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to *Subparagraphs (1)(ii)* or *(1)(iii)* hereof, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits or Losses;

(iv) Gain or loss resulting from any disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the Property disposed of, notwithstanding that the adjusted tax basis of such Property differs from its Gross Asset Value;

(v) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year or other period, computed in accordance with the definition provided therefor in this Appendix; and

(vi) To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734 (b) or Code Section 743 (b) is required pursuant to Regulations Section 1.704-1 (b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in complete liquidation of a Partner's or Interest Holder's Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Profits or Losses; and

(vii) Notwithstanding any other provision of this paragraph, any items which are specially allocated pursuant to *Section 3.3* or *Section 3.4* hereof shall not be taken into account in computing Profits or Losses.

(ab) "Property", means all real and personal property acquired by the Partnership and any improvements thereto, and shall include both tangible and intangible property.

(ac) "Regulations" means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

(ad) "SIDNEY GARFIELD TRUST A REVERSE QTIP TRUST" and "SIDNEY GARFIELD TRUST A EVELYN TRUST" mean the trusts of those names created by the SECOND AMENDED AND RESTATED SIDNEY GARFIELD TRUST AGREEMENT dated May 1, 1987 as amended by a First Amendment thereto dated November 2, 1990.

(ae) "Transfer" means, as a noun, any voluntary or involuntary transfer, sale, pledge, hypothecation, or other disposition and, as a verb, voluntarily or involuntarily to transfer, sell, pledge, hypothecate, or otherwise dispose of.

Exhibit 3.71

CERTIFICATE OF FORMATION
OF
[entity name]

This Certificate of Formation of [entity name], dated as of , 2005, is being duly executed and filed by the undersigned, as an authorized person, to form a limited liability company under the Delaware Limited Liability Company Act, (6 *Del.C.* §§ 18-101, *et seq.*)

FIRST. The name of the limited liability company formed hereby is [entity name].

SECOND. The address of its registered office in the State of Delaware is c/o The Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801. The name of its registered agent at such address is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation as of the date first above written.

/s/ MARK E. DERWENT

Mark E. Derwent
Authorized Person

QuickLinks

Exhibit 3.72

LIMITED LIABILITY COMPANY AGREEMENT
OF
[entity name]

This Limited Liability Company Agreement (the " *Agreement*") of [entity name] (the " *Company*"), is entered into by Omega Healthcare Investors, Inc., a Maryland corporation (the "*Member*"), as the sole member of the Company. As used in this Agreement, " *Act*" means the Delaware Limited Liability Company Act, as the same may be amended from time to time.

RECITALS:

WHEREAS, there has heretofore been filed a Certificate of Formation with the Secretary of State of Delaware to form the Company under and pursuant to the Act;

WHEREAS, the Member desires to form a limited liability company pursuant to the provisions of the Act;

WHEREAS, the Member hereby constitutes the Company as a limited liability company for the purposes and on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Member hereto hereby agrees as follows:

Section l. *Name.* The name of the limited liability company is [entity name].

Section 2. *Principal Business Office.* The principal business office of the Company shall be located at 9690 Deereco Road, Suite 100, Timonium, Maryland 21093.

Section 3. *Registered Office.* The address of the registered office of the Company in the State of Delaware is c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

Section 4. *Registered Agent.* The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

Section 5. *Member.* The mailing address of the Member is set forth on *Schedule A* attached hereto. Upon its execution of a counterpart signature page to this Agreement, Omega Healthcare Investors, Inc, is hereby admitted to the Company as the sole member of the Company.

Section 6. *Certificates.* Mark E. Derwent is hereby designated as an "authorized person" within the meaning of the Act, and has executed, delivered and filed the Certificate of Formation of the Company with the Secretary of State of the State of Delaware (such filing being hereby approved and ratified in all respects). Upon the filing of the Certificate of Formation with the Secretary of State of the State of Delaware, Mark E. Derwent's powers as an "authorized person" ceased, and the Member and each Officer thereupon became a designated "authorized person" and shall continue as a designated "authorized person" within the meaning of the Act. The Member or any Officer shall execute, deliver and file any certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in any jurisdiction in which the Company may wish to conduct business.

The existence of the Company as a separate legal entity shall continue until cancellation of the Certificate of Formation as provided in the Act.

Section 7. *Purposes.* The Company has been formed for the purposes of (a) acquiring, selling, investing in, holding, owning, leasing, managing, operating, granting mortgages on and security interests in, and acquiring and making loans secured by, real property and personal property and all rights and

interests in any manner appertaining or incidental thereto, and (b) engaging in any lawful business, action or activity in which a limited liability company organized formed pursuant to the Act may engage.

Section 8. *Powers.* The Company, and the Member and the Officers on behalf of the Company, (a) shall have and exercise all powers necessary, convenient or incidental to accomplish its purposes as set forth in *Section 7* and (b) shall have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Act.

Section 9. *Management.* In accordance with Section 18-402 of the Act, management of the Company shall be vested in the Member. The Member shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise, possessed by members of a limited liability company under the laws of the State of Delaware. The Member has the authority to bind the Company within the meaning of Section 18-402 of the Act.

Section 10. *Officers.*

(a) *Officers*. The Member may, from time to time, designate one or more persons to be officers of the Company (each an "Officer"). Any Officer so designated shall have such title and authority and perform such duties as the Member may, from time to time, delegate to them; *provided*, *however*, that except as otherwise delegated by the Member, the Officers shall have such authority and perform such duties as officers with similar titles of business corporations organized under the General Corporation Law of the State of Delaware. Each Officer shall hold office for the term for which such Officer is designated and until its qualified successor shall be duly designated or until such officer's death, resignation or removal as provided herein. Any Officer may be removed as such, with or without cause, by the Member at any time. Any Officer may resign at any time upon written notice to the Company. Such resignation shall be in writing and shall take effect at the time specified therein or, if no time is specified therein, at the time the Member receives such written resignation. The initial Officers of the Company designated by the Member are listed on *Schedule B* attached hereto. The Member may from time to time by resolution authorize a person who is not an Officer to act on behalf of the Company and to execute and/or attest documents as an authorized representative of the Company, subject to such specific authority and such specific limitations as the Member shall in its sole discretion determine and as shall be set forth in the resolution, and such person shall have such title as shall be set forth in the resolution. The action of such person taken in accordance with the authority granted to such person in the resolution shall bind the Company, and such person shall have the same fiduciary duty of loyalty and care as the Officers.

(b) *Officers as Agents.* The Officers, to the extent of their powers set forth in this Agreement or otherwise vested in them by the Member not inconsistent with this Agreement, are agents of the Company for the purpose of the Company's business and, the actions of the Officers taken in accordance with such powers shall bind the Company.

(c) *Duties of Officers*. Except to the extent otherwise provided herein, each Officer shall have a fiduciary duty of loyalty and care similar to that of officers of business corporations organized under the General Corporation Law of the State of Delaware.

Section 11. *Limited Liability.* Except as otherwise expressly provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, toil or otherwise, shall be the debts, obligations and liabilities solely of the Company, and the Member shall not be obligated personally for any such debt, obligation, or liability of the Company solely by reason of being a Member of the Company.

Section 12. *Capital Contributions.* The Member has contributed to the Company property of an agreed value as listed on *Schedule A* attached hereto.

Section 13. *Additional Contribution.* The Member is not required to make any additional capital contribution to the Company. However, the Member may make additional capital contributions to the Company at any time at its sole discretion. To the extent that the Member makes an additional capital contribution to the Company, the Member shall revise *Schedule A* of this Agreement. The provisions of this Agreement, including this *Section 13*, are intended to benefit the Member and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Company and the Member shall not have any duty or obligation to any creditor of the Company to make any contribution to the Company or to issue any call for capital pursuant to this Agreement.

Section 14. *Allocation of Profits and Losses.* The Company's profits and losses shall be allocated to the Member.

Section 15. *Distributions.* Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member. Notwithstanding any other provision of this Agreement, the Company shall not be required to make a distribution to the Member on account of its limited liability company interests in the Company if such distribution would violate Section 18-607 of We Act or any other applicable law.

Section 16. *Exculpation and Indemnification.*

(a) Neither the Member nor any Officer, employee or agent of the Company nor any employee, representative, agent or Affiliate of the Member (collectively, the "*Covered Persons*") shall be liable to the Company or any other Person who has an interest in or claim against the Company for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company.

(b) To the fullest extent permitted by applicable law, a Covered Person shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of such Covered Person's gross negligence or willful misconduct with respect to such acts or omissions; *provided, however*, that any indemnity under this *Section 16* by the Company shall be provided out of and to the extent of Company assets only, and the Member shall not have personal liability on account thereof.

(c) To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Covered Person defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Covered Person to repay such amount if it shall be finally determined that the Covered Person is not entitled to be indemnified as authorized in this *Section 16*.

(d) A Covered Person shall be fully protected in relying in good faith upon the records of the and Company upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, or any other facts pertinent to the existence and amount of assets from which distributions to the Member might properly be paid.

(e) To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any other Covered Person, a Covered Person acting under this Agreement shall not be liable to the Company or to any other Covered Person for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the

extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Member to replace such other duties and liabilities of such Covered Person.

(f) The foregoing provisions of this *Section 16* shall survive any termination of this Agreement.

Section 17. *Resignation.* The Member bas the right to reign from the Company at any time.

Section 18. *Dissolution.*

(a) The Company shall be dissolved, and its affairs shall be wound up upon the first to occur of the following: (i) the occurrence of any event which terminates the continued membership of the last remaining member of the Company in the Company unless the Company is continued without dissolution in a manner permitted by this Agreement or the Act, or (ii) the entry of a decree of judicial dissolution under Section 18-802 of the Act. Upon the occurrence of any event that causes the last remaining member of the Company to cease to be a member of the Company or that causes the Member to cease to be a member of the Company, to the fullest extent permitted by law, the personal representative of such member is hereby authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such member in the Company, agree (x) to continue the Company and (y) to the admission of the personal representative or its nominee or designee as the case may be, as a substitute member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining member of the Company or the Member in the Company.

(b) Notwithstanding any other provision of this Agreement, the Bankruptcy of the Member shall not cause the Member to cease to be a member of the Company and upon the occurrence of such an event, the Company shall continue without dissolution.

(c) In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Act.

(d) The Company shall terminate when (i) all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Member in the manner provided for in this Agreement and (ii) the Certificate of Formation shall have been canceled in the manner required by the Act.

(e) Upon the cancellation of the Certificate of Formation by the filing of a certificate of cancellation or otherwise in accordance with the Act, this Agreement shall terminate.

Section 19. *Effectiveness.* Pursuant to Section 18-201 (d) of the Act, this Agreement shall be effective as of the time of the filing of the Certificate of Formation with the Office of the Delaware Secretary of State.

Section 20. *Severability of Provisions.* Each provision of this Agreement shall be considered severable and if for any reason any provision or provisions herein are determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement which are valid, enforceable and legal.

Section 21. *Entire Agreement.* This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof.

Section 22. *Governing Law.* This Agreement shall be governed by and construed under the laws of the State of Delaware (without regard to conflict of laws principles), all rights and remedies being governed by said laws.

Section 23. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement and all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, have duly executed this Limited Liability Company Agreement.

MEMBER:

Omega Healthcare Investors, Inc., a Maryland corporation

, 2005

By: /s/ DANIEL J. BOOTH

Name: Daniel J. Booth
Title: Chief Operating Officer

SCHEDULE A

Member

Name	Mailing Address	Agreed Value of Capital Contribution	Membership Interest
Omega Healthcare Investors, Inc.	9690 Deereco Road Suite 100 Timonium, Maryland 21093	$ 1.00	100%

SCHEDULE B

OFFICERS	TITLE
C. Taylor Pickett	President and Chief Executive Officer
Daniel J. Booth	Chief Operating Officer and Secretary
Robert O. Stephenson	Chief Financial Officer and Treasurer

QuickLinks

Exhibit 3.73

CERTIFICATE OF TRUST
OF
[TRUST NAME]

FIRST: The undersigned, Omega Healthcare Investors, Inc., whose post-office address is 9690 Deereco Road, Suite 100, Timonium, Maryland 21093, does hereby form a business trust under the general laws of the State of Maryland.

SECOND: The name of the business trust is [TRUST NAME] (the "Trust").

THIRD: The purpose for which the Trust is formed is as follows: To engage in any or all lawful business for which a business trust may be organized under the general laws of the State of Maryland.

FOURTH: The street address of the principal office of the Trust in Maryland is c/o Omega Healthcare Investors, Inc., 9690 Deereco Road, Suite 100, Timonium, Maryland 21093.

FIFTH: The name of the resident agent of the Trust in Maryland is Omega Healthcare Investors, Inc., 9690 Deereco Road, Suite 100, Timonium, Maryland 21093.

SIXTH: The number of trustees of the Trust shall be one (1), which number may be increased. The name of the initial trustee is OHI Asset (PA), LLC, a Delaware limited liability company.

IN WITNESS WHEREOF, I have signed this certificate and acknowledge the same to be my act.

SIGNATURE OF TRUSTEE:

/s/ DANIEL J. BOOTH

Omega Healthcare Investors, Inc.
Daniel J. Booth, Chief Operating Officer

I hereby consent to my designation in this document as resident agent for this business Trust.

SIGNATURE OF RESIDENT AGENT LISTED IN FIFTH:

/s/ DANIEL J. BOOTH

Omega Healthcare Investors, Inc.
Daniel J. Booth, Chief Operating Officer

QuickLinks

Exhibit 3.74

DECLARATION OF TRUST

OF

[Name of Trust]

under the

Maryland Business Trust Act

DECLARATION OF TRUST
OF
[Name of Trust]

ARTICLE I

Name

The name of the business trust is [Name of Trust] (the "Trust").

ARTICLE II

Principal Office

The principal office of the Trust is c/o Omega Healthcare Investors, Inc., 9690 Deereco Road, Suite 100, Timonium, Maryland 21093, or such other location within the State of Maryland as the Trustee may determine from time to time.

ARTICLE III

Formation

The Trust is a business trust within the meaning the Maryland Business Trust Act, as amended (the "Act"), and was formed pursuant to a Certificate of Trust filed with the State Department of Assessments and Taxation on , 2005. The purpose for which the Trust is formed is to transact any or all lawful business for which business trusts may be formed under the Act. The Trust, and the Trustee and the Officers (as defined below) on behalf of the Trustee, (a) shall have and exercise all powers necessary, convenient or incidental to accomplish its purposes as set forth in this Article and (b) shall have and exercise all of the powers and rights conferred upon business trusts formed pursuant to the Act.

ARTICLE IV

Shares of Beneficial Interest

The beneficial interest in the Trust shall be divided into shares of beneficial interest ("Shares"). The total number of Shares which the Trust has authority to issue is One Hundred (100), all of which are designated common shares of beneficial interest, no par value per share. The Trustee may classify or reclassify any unissued Shares from time to time by designating the number of Shares to be included in such class or series, and by setting or changing the preferences, conversion or other rights, designations, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of the Shares.

The Trustee may authorize the issuance from time to time of Shares of any class or series, whether now or hereafter authorized, or securities or rights convertible into Shares of any class or series, whether now or hereafter authorized, for such consideration (whether in case, property, past or future services, obligation for future payment or otherwise) as the Trustee may deem advisable (or without consideration in the case of a Share split or Share dividend), subject to such restrictions or limitations, if any, as may be set forth in the Certificate of Trust or this Declaration of Trust. The Shares shall be uncertificated.

The Trustee may amend the Declaration of Trust to increase or degrease the aggregate number of Shares or the number of Shares of any class or series that the Trust has authority to issue without approval of the Shareholders.

All of the Shares shall initially be issued to Omega Healthcare Investors, Inc., a Maryland corporation.

ARTICLE V

Shareholders

Section 1. *Annual Meeting.* An annual meeting of the beneficial owners of the Trust (the "Shareholders") for the election of trustees of the Trust ("Trustees") and the transaction of any business within the powers of the Trust shall be held at a location, on a date and at the time set by the Trustees. Failure to hold an annual meeting does not invalidate the Trust's existence or affect any otherwise valid act of the Trust.

Section 2. *Limitation Of Shareholder Liability.* No Shareholder shall be liable for any debt, claim, demand, judgment or obligation of any kind of, against or with respect to the Trust by reason of his being a Shareholder, nor shall any Shareholder be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the property or affairs of the Trust.

Section 3. *Binding Effect.* The provisions of this Declaration of Trust shall be binding upon each person who becomes the owner of a beneficial interest in the Trust by any means, including, without limitation, acquisition of beneficial ownership of a Share.

ARTICLE VI

Trustees and Officers

Section 1. *Number.* The initial number of Trustees shall be one (1) which number may be increased or decreased by the Trustee from time to time. The name of the Trustee who shall act until the first meeting or until its successor is duly chosen and is qualified:

OHI Asset (PA), LLC, a Delaware limited liability company

Section 2. *Term.* The Trustees shall be elected at each annual meeting of the Shareholders and shall serve until the next annual meeting of the Shareholders and until their successors are duly elected and qualify.

Section 3. *Officers.*

(a) *Officers.* The Trustee may, from time to time, designate one or more persons to be officers of the Trust (each an "Officer"). Any Officer so designated shall have such title and authority and perform such duties as the Trustee may, from time to time, delegate to them; provided, however, that except as otherwise delegated by the Trustee, the Officers shall have such authority and perform such duties as officers with similar titles of business corporations organized under the General Corporation Law of the State of Maryland. Each Officer shall hold office for the term for which such Officer is designated and until its qualified successor shall be duly designated or until such officer's death, resignation or removal as provided herein. Any Officer may be removed as such, with or without cause, by the Trustee at any time. Any Officer may resign at any time upon written notice to the Trustee. Such resignation shall be in writing and shall take effect at the time specified therein or, if no time is specified therein, at the time the Trustee receives such written resignation. The initial Officers of the Trust designated by the Trustee are listed on *Schedule A* attached hereto. The Trustee may from time to time by resolution authorize a person who is not an Officer to act on behalf of the Trust and to execute and/or attest documents as an authorized representative of the Trust, subject to such specific authority and such specific limitations as the Trustee shall in its sole discretion determine and as shall be set forth in the resolution, and such person shall have such title as shall be set forth in the resolution. The action of such person taken in accordance with the authority granted to such person in the resolution shall bind the Trust, and such person shall have the same fiduciary duty of loyalty and care as the Officers.

(b) *Officers as Agents.* The Officers, to the extent of their powers set forth in this Declaration of Trust or otherwise vested in them by the Trustee not inconsistent with this Declaration of Trust, are agents of the Trust for the purpose of the Trust's business and, the actions of the Officers taken in accordance with such powers shall bind the Trust.

(c) *Duties of Officers.* Except to the extent otherwise provided herein, each Officer shall have a fiduciary duty of loyalty and care similar to that of officers of business corporations organized under the General Corporation Law of the State of Maryland.

Section 4. *Limitation Of Trustee And Officer Liability.* To the maximum extent that Maryland law, in effect from time to time, permits limitations of the liability of trustees and Officers of a business trust, no Trustee or Officer of the Trust shall be liable to the Trust or to any Shareholder for money damages. Neither the amendment nor repeal of this Section, nor the adoption or amendment of any other provision of this Declaration of Trust inconsistent with this Section, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

Section 5. *Indemnification.* The Trust shall indemnify and hold harmless each and every Officer and Trustee from and against any and all claims and demands whatsoever arising out of or related to such Officer's or Trustee's performance of his or her duties as an Officer or Trustee of the Trust to the fullest extent permitted by law.

Section 6. *Actions on Behalf of Trust.* Every note, bond, contract, instrument, certificate or undertaking and every other act or document whatsoever issued, executed nor done by or on behalf of the Trust, the Officers or the Trustees or any of them in connection with the Trust shall be conclusively deemed to have been issued, executed or done only in such person's capacity as Trustee and/or as Officer, and such Trustee or Officer, as applicable, shall not be personally liable therefor.

Section 7. *Insurance.* To the fullest extent permitted by applicable law, the Officers and Trustees shall be entitled and have the authority to purchase with Trust property, insurance for liability and for all expenses reasonably incurred or paid or expected to be paid by a Trustee or Officer in connection with any claim, action, suit or proceeding in which such person becomes involved by virtue of such person's capacity or former capacity with the Trust, whether or not the Trust would have the power to indemnify such Person against such liability under the provisions of this Article.

ARTICLE VII

Amendment

Section 1. *General.* The Trust reserves the right from time to time to make any amendment to this Declaration of Trust, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in this Declaration of Trust, of any Shares. All rights and powers conferred by this Declaration of Trust on Shareholders, Trustees and Officers are granted subject to this reservation. All references to this Declaration of Trust shall include all amendments thereto. Otherwise, this Declaration of Trust may not be amended except as provided in this Article VII.

Section 2. *By Shareholders.* Except as otherwise set forth in this Article VII, these Articles of Trust may be amended only by the affirmative vote of the holders of not less than a majority of the Shares then outstanding and entitled to vote thereon.

ARTICLE VIII

Duration Of Trust

Unless dissolved as provided herein, the Trust shall have perpetual existence. The Trust may be dissolved at any time by vote of a majority of the Shares of the Trust outstanding and entitled to vote, by the Trustee upon written notice to the Shareholders and pursuant to any applicable provision of the Act.

ARTICLE IX

Miscellaneous

Section 1. *Express Exculpatory Clauses In Instruments.* Neither the Shareholders nor the Trustees, Officers, employees or agents of the Trust shall be liable under any written instrument creating an obligation of the Trust, and all persons shall look solely to the property of the Trust for the payment of any claim under or for the performance of that instrument. The omission of the foregoing exculpatory language from any instrument shall not affect the validity or enforceability of such instrument and shall not render any Shareholder, Trustee, Officer, employee or agent liable thereunder to any third party, nor shall the Trustee or any Officer, employee or agent of the Trust be liable to anyone for such omission.

Section 2. *Transactions Between The Trust And Its Trustees, Officers, Employees And Agents.* Subject to any express restrictions in this Declaration of Trust or adopted by the Trustees by resolution, the Trust may enter into any contract or transaction of any kind (including, without limitation, for the purchase or sale of property or for any type of services, including those in connection with underwriting or the offer or sale of securities of the Trust) with any person, including any Trustee, Officer, employee or agent of the Trust or any person affiliated with a Trustee, Officer, employee or agent of the Trust, whether or not any of them has a financial interest in such transaction.

Section 3. *Applicable Law.* This Declaration of Trust is executed by the Trustees and delivered in the State of Maryland with reference to the laws thereof, and the rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed according to the laws of the State of Maryland without regard to conflicts of laws provisions thereof.

Section 4. *Provisions in Conflict of Laws.* If any provision of this Declaration of Trust shall be held invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall attach only to such provision in such jurisdiction and shall not in any manner affect such provision in any other jurisdiction or any other provision of this Declaration of Trust in any jurisdiction.

Section 5. *Statutory Trust Only.* It is the intention of the Trustees to create a statutory business trust pursuant to the Act, and thereby to create the relationship of trustee and beneficial owners within the meaning of the Act between the Trustees and each Shareholder. It is not the intention of the Trustees to create a general or limited partnership, limited liability company, corporation, bailment, common law trust or any form of legal relationship other than a business trust pursuant to the Act.

Signature on following page.

IN WITNESS WHEREOF, this Declaration of Trust has been executed on this day of , 2005 by the undersigned Trustee.

OHI Asset (PA), LLC

By: Omega Healthcare Investors, Inc., its sole member

By: /s/ DANIEL J. BOOTH

Name: Daniel J. Booth
Title: Chief Operating Officer

SCHEDULE A

TRUST OFFICERS	TITLE
C. Taylor Pickett	President and Chief Executive Officer
Daniel J. Booth	Chief Operating Officer and Secretary
Robert O. Stephenson	Chief Financial Officer and Treasurer

QuickLinks

Exhibit 3.75

[SEAL]

Prescribed by J. Kenneth Blackwell
Ohio Secretary of State
Central Ohio: (614) 466-3910
Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.state.oh.us/sos
e-mail: busserv@sos.state.oh.us

INITIAL ARTICLES OF INCORPORATION
(For Domestic Profit or Non-Profit)
Filing Fee $125.00

THE UNDERSIGNED HEREBY STATES THE FOLLOWING:

(CHECK ONLY ONE (1) BOX)

(1) ☒ Articles of Incorporation Profit (113-ARF) ORC 1701

(2) ☐ Articles of Incorporation Non-Profit (114-ARN) ORC 1702

(3) ☐ Articles of Incorporation Professional (170-ARP) Profession _____ ORC 17885

Complete the general information in this section for the box checked above

FIRST: Name of Corporation [CORPORATION NAME]

SECOND: Location **Wadsworth** (City) **Medina** (County)

Effective Date (Optional) _____ **Date specified can be no more than 90 days after date of filing. If a date is specified, the date must be a date on or after the date of filing.**

☐ **Check here if additional provisions are attached**

Complete the general information in this section if box (2) or (3) is checked. Completing this section is optional if box (1) is checked.

THIRD: Purpose for which corporation is formed

Complete the general information in this section if box (1) or (3) is checked

FOURTH: The number of shares which the corporation is authorized to have outstanding (Please state if shares are common or preferred and their par value if any

1,500	Common	No Par
(No. of Shares)	(Type)	(Par Value)

Completing the information in this section is optional

FIFTH: The following are the names and addresses of the individuals who are to serve as initial Directors.

(Name)

(Street) NOTE: P.O. Box Addresses are NOT acceptable

(City) (State) (Zip Code)

(Name)

(Street) NOTE: P.O. Box Addresses are NOT acceptable

(City) (State) (Zip Code)

(Name)

(Street) NOTE: P.O. Box Addresses are NOT acceptable

(City) (State) (Zip Code)

REQUIRED
Must be authenticated (signed) by an authorized representative
(See Instructions)

/s/ ROBERT L. LEATHERMAN 9-13-04

Authorized Representative Date

Robert L. Leatherman

(Print Name)

Authorized Representative Date

(Print Name)

Authorized Representative Date

(Print Name)

Complete the information in this section if box (1) (2) or (3) is checked.

ORIGINAL APPOINTMENT OF STATUTORY AGENT

The undersigned, being at least a majority of the incorporators of [CORPORATION NAME] hereby appoint the following to be statutory agent upon whom any process, notice or demand required or permitted by statute to be served upon the corporation may be served. The complete address of the agent is

Robert L. Leatherman

(Name)

200 Smokerise Drive

(Street) NOTE: P.O. Box Addresses are NOT acceptable

Wadsworth , Ohio 44281

(City) (Zip Code)

Must be authenticated (signed) by an authorized representative

/s/ Robert L. Leatherman 9-13-04

Authorized Representative Date

Authorized Representative Date

Authorized Representative Date

ACCEPTANCE OF APPOINTMENT

The Undersigned, Robert L. Leatherman, named herein as the Statutory agent for, [CORPORATION NAME], hereby acknowledges and accepts the appointment of statutory agent for said entity.

Signature: /s/ ROBERT L. LEATHERMAN

(Statutory Agent)

Exhibit 3.76

ARTICLES OF INCORPORATION
OF
COPLEY HEALTH CENTER, INC.

The undersigned, a citizen of the United States, desiring to form a corporation, for profit, under §§ 1701.01 et seq. of the Revised Code of Ohio, does hereby certify:

FIRST: The name of the Corporation shall be COPLEY HEALTH CENTER, INC.

SECOND: The place in the State of Ohio where the Corporation's office is to be located is Warrensville Heights, in Cuyahoga County.

THIRD: The purposes for which the Corporation is formed are:

1. To engage in any lawful act or activity for which corporations may be formed under §§ 1701.01 through 1701.98, inclusive, of the Ohio Revised Code.

2. To acquire, by purchase, subscriptions or otherwise, and to own, hold for investment or otherwise, and to issue, sell, use, assign, redeem, transfer, mortgage or pledge bonds, debentures, securities, evidences of indebtedness, contracts or obligations of the Corporation or of any corporation, association, firm or individual, and also to issue in exchange therefor stocks, bonds or other securities or evidences of indebtedness of the Corporation, and while the owner or holder of any such property, to receive, collect and dispose of the interest, dividends, income and other rights accruing on or from such property and to possess and exercise in respect thereof all of the rights, powers and privileges of ownership, including all voting powers connected therewith.

3. In furtherance, and not in limitation, of the general powers conferred by the laws of the State of Ohio, and in furtherance, and not in limitation, of the purposes hereinbefore stated, it is hereby expressly provided that the Corporation shall have the following authorities and powers:

(a) In general, to do all things, and to carry on, enter into, promote, conduct, perform or participate in any and all mercantile, real estate, or other commercial or industrial businesses, endeavors, undertakings, partnerships, ventures or operations; and to continue, alter, extend or develop any business, and to do each and every other act necessary or incidental thereto, not contrary to the laws of the State of Ohio, and to have and exercise all of the powers conferred by the laws of the State of Ohio upon corporations formed thereunder, and to do any and all of the acts and things hereinabove or hereinafter set forth to the same extent as natural persons could do, in any part of the world, as principal, factor, agent, contractor, trustee or otherwise, either alone or in common with any person, entity, syndicate, association, corporation or body politic now or hereafter existing, and to do each and every act and thing necessary or incidental thereto; including, without limitation, to engage generally in the business of owning, operating and leasing real estate and personal property of every character and description.

(b) To apply for, obtain, hold, use, possess, purchase, take or otherwise acquire, and to sell, license others to use, or otherwise grant rights in or dispose of any and all licenses, permits, patents, trademarks, copyrights, trade names or symbols, and all other similar rights and franchises, and all rights and privileges in connection therewith or appertaining thereunto, to which the Corporation is entitled.

(c) To become a partner, either general, limited or otherwise, in any partnership(s), whether general or limited, as the Board of Directors of the Corporation may approve, in any partnership or partnerships, whether general or limited, whether now existing or hereafter organized, with all the rights, privileges, duties, liabilities or obligations of such partner which would exist if the Corporation were a natural person. Without limitation of the foregoing, the Corporation may join and become a participant in any partnership, limited partnership and/or

joint venture with any other individual, firm, corporation or entity and/or to become a member of any association, nonprofit corporation or other entity.

(d) To borrow or raise money, without limit, upon any terms, for any purpose of the Corporation or of any corporation, association, firm, syndicate or individual having a business or property which the Corporation determines to finance, promote or become interested in.

(e) To make, execute, endorse and accept promissory notes, bills of exchange and other negotiable instruments and to redeem any debt or other obligation before the same shall fall due on any terms and on any advance or premium.

(f) To do all and everything necessary and proper for the accomplishment of the objects herein enumerated or necessary or incidental to the protection and benefit of the Corporation, and in general, to carry on such lawful businesses necessary or incidental to the attainment of the purposes of the Corporation; and to do any other act legal under the laws of the State of Ohio.

Each purpose specified in any clause or paragraph of this Article Third shall be deemed to be independent of all other purposes herein specified and shall not be limited or restricted by reference to, or inference from, the terms of any other clause or paragraph of this Article Third, and nothing herein shall be deemed to limit or exclude in any manner any power, right or privilege given to the Corporation by law or the authority which it is or might be permitted to exercise under the statutes of the State of Ohio.

FOURTH: The maximum number of shares which the Corporation is authorized to have outstanding is 750, all of which shall be common without par value. Such shares may be issued pursuant to subscriptions taken by the incorporators for such consideration as may be specified by them and, after organization, shares without par value now or hereafter authorized may be issued from time to time upon such consideration as may be fixed by the Board of Directors. The Board of Directors, in its discretion, may fix different amounts and/or kinds of consideration for the issuance of shares without par value, whether issued at the same time or at different times and may determine what portion of the amount or amounts of consideration so received by the Corporation shall be and constitute stated capital. Any and all shares without par value the consideration for which as fixed by the incorporators or by the Board of Directors has been paid or delivered shall be fully paid and non-assessable.

FIFTH: The amount of stated capital with which the Corporation shall begin business is Five Hundred Dollars ($500.00).

SIXTH: To the extent permissible under the laws of the State of Ohio, and unless otherwise expressly directed by statute, consent by vote or otherwise of the holders of shares (of any class entitled to vote thereon) entitling same to exercise a majority of the voting power of the Corporation shall be sufficient to sustain any action to be taken by the shareholders of the Corporation, and in cases where any class shall be required by the laws of the State of Ohio to consent separately as a class, consent by vote or otherwise of the holders of a majority of the shares of that class shall be sufficient to sustain any action to be taken by the shareholders of that class.

SEVENTH: The holders of shares of capital stock of the Corporation shall be entitled, as a matter of right, to purchase, subscribe for or otherwise acquire any new or additional shares of capital stock of the Corporation, or any options or warrants to purchase, subscribe for or otherwise acquire any such new or additional shares, or any shares, bonds, notes, debentures or other securities convertible into or carrying options or warrants to purchase, subscribe for or otherwise acquire any such new or additional shares of capital stock of the Corporation, in proportion to their respective holdings of capital stock of the Corporation.

EIGHTH: The Board of Directors is hereby authorized to fix and determine whether any, and if any, what part, of the surplus, however created or arising, shall be used, declared in dividends, or paid to shareholders, and, without action by the shareholders, to use the surplus, or any part thereof, or such part of the stated capital of the Corporation as is permitted under the provisions of § 1701.35 of the Ohio Revised Code, or any statute of like tenor or effect which is hereafter enacted, for the purchase or acquisition of shares of any class, warrants, obligations, evidences of indebtedness or other securities of the Corporation.

NINTH: Any provision hereof to the contrary notwithstanding, the Corporation shall have the power, upon the affirmative vote of a simple majority of its Board of Directors, to purchase, hold, sell and transfer shares of its own capital stock, provided, it shall not use its funds or property for such purpose when such use would cause any impairment of its capital and, provided, further, that the shares of its own capital stock belonging to it and held as Treasury shares shall not be voted directly or indirectly.

TENTH: The Corporation reserves the right at any time, and from time to time, substantially to change, alter, add to or diminish its purposes as specified in these Articles of Incorporation in the manner now or hereafter permitted by law. Any such change in the purposes of the Corporation if accomplished in a manner now or hereafter permitted by law shall be binding and conclusive upon every shareholder of the Corporation as fully as if such shareholder had voted therefor at a meeting of the shareholders authorizing such change, and no shareholder, notwithstanding he may have voted against such change or objected thereto in writing, shall be entitled to payment of the full or fair cash value of his shares or of any other rights of a dissenting shareholder.

ELEVENTH: A director or officer of the Corporation shall not be disqualified by his office from dealing or contracting with the Corporation as a vendor, purchaser, employee, agent or otherwise. No transaction or contract or act of the Corporation shall be void or voidable or in any way affected or invalidated by reason of the fact that any director or officer of this Corporation is also a member of a firm, or an officer, director, shareholder or trustee of a corporation, or a trustee or beneficiary of a trust, or otherwise connected with any other enterprise, in any way interested in such transaction, contract or act. No director or officer shall be accountable or responsible to the Corporation for or in respect to any transaction contract or act of the Corporation or for any gains or profits directly or indirectly realized by him by reason of the fact that he or any firm of which he is a member, or any corporation of which he is an officer, shareholder, director, or trustee, or any trust of which he is a trustee or beneficiary, or other entity with which he is connected, is interested in such transaction, contract or act; provided, nevertheless, that the fact that such director or officer, or that such firm, corporation, trust or other entity is so interested as shall have been disclosed or shall have been known to the Board of Directors or such members thereof as shall be present at any meeting of the Board of Directors at which action upon such contract, transaction or act shall have been taken. Any such director may be counted in determining the existence of a quorum at any meeting of the Board of Directors which shall authorize or take action in respect to any such contract, transaction or act; and any such director may vote thereat to authorize, ratify, or approve any such contract, transaction or act; and any officer of the Corporation may take any action within the scope of his authority respecting such contract, transaction or act, with like force and effect as if he, or any firm of which he is a member, or any corporation of which he is an officer, shareholder, director, or trustee, or any trust of which he is a trustee or beneficiary, or any other entity with which he is connected, were not interested in such transaction, contract or act. Without limiting or qualifying the foregoing, if in any judicial or other inquiry, suit, cause or proceeding, the question of whether a director or officer of the Corporation has acted in good faith is material, and notwithstanding any statute or rule of law or of equity to the contrary (if any there be), his good faith shall be presumed, in the absence of clear and convincing evidence and proof to the contrary.

TWELFTH: These Articles of Incorporation may be amended at any time and from time to time in the manner provided by law.

THIRTEENTH: The Corporation shall indemnify each of its officers, directors, and employees, whether or not then in office, and his heirs and legal representatives, against all expenses, judgments, decrees, fines, penalties or other amounts paid in satisfaction or in settlement of, or in connection with the defense of, any pending or threatened action, suit or proceeding, civil or criminal, to which he is or may be made a party by reason of his being or his having been a director, officer or employee of the Corporation. Without limitation, the term "expenses" shall include all counsel fees, expert witness fees, court costs and any other amounts of a similar nature.

The Board of Directors shall, from time to time, adopt bylaws and regulations to implement the indemnification provisions set forth herein. It is understood that the provisions hereinbefore set forth respecting indemnification of any officer, director or employee, shall not be deemed exclusive of any other rights to which such officer, director or employee may be entitled under these Articles, or under any agreement with, or any insurance purchased by, the Corporation, or pursuant to any vote of the shareholders, or otherwise.

IN WITNESS WHEREOF, I have hereunto set my hands this 18 day of February, 1985.

ACFB, INCORPORATED
Incorporator

By: /s/ JUDITH D. LEVINE

Judith D. Levine
Vice President

ORIGINAL APPOINTMENT OF AGENT

KNOW ALL MEN BY THESE PRESENTS: That ACFB, Incorporated, located at 1100 Citizens Building, 850 Euclid Avenue, in the City of Cleveland and the County of Cuyahoga, Ohio 44114, a corporation organized by its Articles of Incorporation to act as Incorporator and/or as Statutory Agent for corporations to be organized or which are in existence under the laws of the State of Ohio, is hereby appointed Statutory Agent: the corporation upon which process, tax notices and demands against COPLEY HEALTH CENTER, INC. may be served.

ACFB, INCORPORATED
Incorporator

By: /s/ JUDITH D. VEVINE

Judith D. Levine,
Vice President

Gentlemen: ACFB, Incorporated hereby accepts the appointment as the Statuary Agent of your corporation upon which process, tax notices and demands may be served.

ACFB, INCORPORATED.
Statutory Agent

By: /s/ JUDITH D. VEVINE

Judith D. Levine,
Vice President

QuickLinks

Exhibit 3.77

Articles of Incorporation
-OF-

DIXON HEALTH CARE CENTER, INC.

(Name of Corporation)

The undersigned, a majority of who are citizens of the United States, desiring to form a corporation, for profit, under Sections 1701.01 et seq. of the Revised Code of Ohio, do hereby certify:

FIRST. The name of said corporation shall be DIXON HEALTH CARE CENTER, INC.

SECOND. The place in Ohio where its principal office is to be located is 661 Weber Dr.,

Wadsworth , Medina County.

(City, Village or Township)

THIRD. The purposes for which it is formed are:

To engage in any lawful act, activity or business not contrary to and for which a corporation may be formed under the laws of the State of Ohio, and to have and exercise all powers, rights and privileges conferred by the laws of Ohio under corporations, including but not limited to buying, leasing, or otherwise acquiring and holding, using or otherwise enjoying and selling, leasing or otherwise disposing of any interest in any property, real or personal, of whatever nature and wheresoever situated and buying and selling stocks, bonds, or any other security of any issuer as the corporation by action of its Board of Directors may at any time and from time to time deem advisable.

FOURTH. The number of shares which the corporation is authorized to have outstanding is Five Hundred (500).

FIFTH. The amount of stated capital with which the corporation shall begin business is Five Hundred and no/100---------- Dollars ($500.00).

IN WITNESS WEHREOF, We have hereunto subscribed our names this 14th day of April, 1982.

DIXON HEALTH CARE CENTER, INC.

(Name of Corporation)

/s/ ROBERT LEATHERMAN

Robert Leatherman

QuickLinks

Articles of Incorporation -OF

Exhibit 3.78

ARTICLES OF INCORPORATION

OF

HANOVER HOUSE, INC.

The undersigned, desiring to form a corporation for profit under the Ohio General Corporation Law, does hereby certify:

FIRST: The name of said corporation shall be HANOVER HOUSE, INC.

SECOND: The place in the State of Ohio where its principal office is to be located is South Euclid in Cuyahoga County.

THIRD: The purpose or purposes for which it is formed are to engage in any lawful act or activity for which corporation may be formed under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code.

FOURTH: The Corporation shall be authorized to issue Five Hundred (500) shares of no par value common stock; all of which, when issued, shall be deemed fully paid and non-assessable.

FIFTH: The amount of stated capital with which the Corporation will begin business is Five Hundred DOLLARS ($500.00).

SIXTH: The Corporation, by its directors, may purchase or redeem shares of any class of stock issued by it at such price and upon such terms as may be agreed upon between the directors and the selling shareholder or shareholders.

SEVENTH: A director of the Corporation shall not be disqualified by his office from dealing or contracting with the Corporation either as a seller, purchaser or otherwise, nor shall any transaction or contract of the Corporation be void or voidable by reason of the fact that any director or any firm of which any director is a member, or any corporation of which any director is a shareholder, officer or director, is in any way interested in such transaction or contract; provided that such transaction or contract is or shall be authorized, ratified or approved either (1) by a vote of the majority of a quorum of directors or of the Executive Committee, without counting in such majority any director so interested or member of a firm or interested; or (2) by written consent, or by the vote at any shareholders' meeting of the holders of record of a majority of all the outstanding shares of stock of the Corporation entitled to vote. Nor shall any director be liable to account to the Corporation for any profits realized by or from or through any such transaction or contract of the Corporation authorized, ratified or approved as aforesaid by reason of the fact that he, or any firm of which he is a member, or any corporation of which he is a shareholder, officer or director, was interested in such truncation or traction or contract. Nothing herein contained shall create liability in the events above-described or prevent the authorization, ratification or approval of such contracts in any manner provided by law.

EIGHTH: Whenever, under the laws of the State of Ohio, now or hereafter in effect, action is authorized or required to be taken by the vote or consent of the holders of shares entitling them to exercise two-thirds ($^2/_3$) of the voting power of the Corporation or of any class or classes of shares thereof, such action shall be effected by the vote, consent or authorization of the holders of shares entitling them to exercise a majority of such voting power unless a greater proportion of votes is made mandatory for such particular action by the laws of the State of Ohio.

NINTH: The Articles of Incorporation may be amended at any time by a vote of the majority of the directors without shareholder approval to the extent permitted by law.

TENTH: No holder of shares of the Corporation shall have any pre-emptive right to subscribe for or to purchase any shares of the Corporation of any class whether such shares or such class be now or hereafter authorized.

ELEVENTH: The Corporation reserves the right at any time, and from time to time, substantially to change, alter, add to or diminish its purposes as specified in these Articles of Incorporation, in any manner now or hereafter permitted by law. Any such change in the purposes of the Corporation, if accomplished in a manner now or hereafter permitted by law, shall be binding and conclusive upon every shareholder of the Corporation as fully as if such shareholder had voted therefor at a meeting of the shareholders authorizing such change, and no shareholder, notwithstanding that he may have voted against such change or objected thereto in writing, shall be entitled to payment of the full or fair cash value of his shares or have any other rights of a dissenting shareholder.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 29th day of November, 1972.

/s/ SIDNEY GARFIELD

Sidney Garfield

ORIGINAL APPOINTMENT OF AGENT

KNOW ALL MEN BY THESE PRESENTS: That ALLAN D. KLEINMAN, of 1100 Citizens Building, in the City of Cleveland and the County of Cuyahoga, Ohio, a natural person and resident of said County, being the County in which the principal office of HANOVER HOUSE, INC. is located, is hereby appointed Statutory Agent: the person on whom process, tax notices and demands against said HANOVER HOUSE, INC. may be served.

/s/ SIDNEY GARFIELD

Sidney Garfield

INCORPORATOR
Cleveland, Ohio
November, 29th, 1972

HANOVER HOUSE, INC.

Gentlemen: I hereby accept the appointment as the Statutory Agent of your company upon whom process, tax notices and demands may be served.

/s/ ALLAN D. KLEINMAN

Allan D. Kleinman, Statutory Agent

QuickLinks

Exhibit 3.79

ARTICLES OF INCORPORATION
OF
[ENTITY NAME]

The undersigned, for purposes of forming a corporation, for profit in accordance with Chapter 1701 of the Ohio Revised Code, does hereby state the following:

I. *Name.* The name of the Corporation shall be [ENTITY NAME].

II. *Place of Business.* The place in Ohio where the principal office of the Corporation is to be located is 200 Smokerise Drive, Wadsworth, Medina County, Ohio 44281.

III. *Purpose.* The purposes for which the Corporation is formed shall be:

a. To engage in a lawful activity of business not contrary to and for which a corporation may be formed under the laws of the State of Ohio and to have and exercise all powers, rights and privileges conferred by the laws of Ohio on a corporation, including but not limited to buying, leasing or otherwise disposing of any interest in any property, real or personal, of whatever nature and wheresoever situated and buying and selling stocks, bonds or any other security of any issuer as the corporation by action of its Board of Directors may at any time and from time to time deem advisable.

b. To create a private corporation to construct or to acquire a housing project or projects, and to operate the same;

c. To enable the financing of the construction of such rental housing with the assistance of mortgage insurance under the National Housing Act;

d. To enter into, perform, and carry out contracts of any kind necessary to, or in connection with, or incidental to, the accomplishment of the purposes of the corporation, including, expressly, any contract or contracts with the Secretary of Housing and Urban Development which may be desirable or necessary to comply with the requirements of the National Housing Act, as amended, and the Regulations of the Secretary thereunder, relating to the regulation or restriction of mortgagors as to rents, sales, charges, capital structure, rate of return and methods of operation;

e. To acquire any property, real or personal, in fee or under lease, or any rights therein or appurtenant thereto, necessary for the construction and operation of such project;

f. To borrow money, and to issue evidence of indebtedness, and to secure the same by mortgage, deed of trust, pledge, or other lien, in furtherance of any or all of the objects of its business in connection with said project.

g. To carry on any or all of its operations and business, and to promote its objects within the State of Ohio, or elsewhere, without restriction as to place or amount.

h. To enter into limited partnerships; to act as a general or limited partner in limited partnerships.

i. To manage residential, commercial and industrial lands and buildings.

j. To engage in any lawful act or activity for which a corporation may be formed under sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code.

IV. *Powers.* The corporation shall have the power to do and perform all things whatsoever set out in Article III. above, and necessary or incidental to the accomplishment of said purposes. The corporation, specifically and particularly, shall have the power and authority to enter into a Regulatory Agreement setting out the requirements of the Secretary of Housing and Urban Development.

V. *Capital Stock.* The number of shares of capital stock which the Corporation is out authorized to have outstanding is Seven Hundred Fifty (750) shares, all of which shall be common shares without par value.

VI. *Stated Capital.* The amount of capital with which the Corporation will begin business s a not be less than Five Hundred Dollars ($500.00).

VII. *Certain Transactions.* No person shall be disqualified from being a director o the Corporation cause he or she is or may be a party to, and no director of the Corporation shall be disqualified from entering into, any contract or other transaction to which the Corporation is or may be a party. No contract or other transaction to which the Corporation is or may be a party shall be void or voidable for reason that any director or officer or other agent of the Corporation is a party thereto, or otherwise has any direct or indirect interest in such contract or transaction or in any other party thereto, or for reason that any interested director or officer or other agent of the Corporation authorizes or participates in authorization of such contract or transaction:

a. if the material facts as to such interest are disclosed or are otherwise known to the board of directors or applicable committee of directors at the time the contract or transaction is authorized, and at lease a majority of the disinterested directors or disinterested members of the committee vote for or otherwise take action authorizing such contract or transactions, even though such disinterested directors or members are less than a quorum; or

b. if the contract or transaction:

   i. is not less favorable to the Corporation than an arm's length contract or transaction in which no director or officer or other agent of the Corporation has any interest; or

   ii. is otherwise fair to the Corporation as of the time it is authorized. Any interested director may be counted in determining the presence of a quorum at any meeting of the board of directors or any committee thereof which authorizes the contract or transaction.

VIII. *Authority to Repurchase Capital stock.* The Corporation by its board of directors is authorized, except to the extent prohibited by law, to repurchase, redeem or otherwise acquire, from time to time and at any time, shares of any class of capital stock issued by it.

IX. *I.R.C. Section 1244 Stock.* The directors of the Corporation are authorized to issue unsubscribed capital stock of the Corporation at such times and in such amounts as it shall determine and to accept in payment thereof cash, labor done, personal property, real property or leases thereof, or such other property as the board may deem necessary for the business of the Corporation. Said stock to be issued may be in compliance with Section 1244 of the Internal Revenue Code of 1956 as amended.

Dated: 11-14-90

By: /s/ ROBERT LEATHERMAN

Rotbert Leatherman
Incorporator
200 Smokerise Drive
Wadsworth, Ohio 44281
(216) 336-6684

QuickLinks

Exhibit 3.80

ARTICLES OF INCORPORATION
OF
ORANGE VILLAGE CARE CENTER, INC.

The undersigned, a majority of whom are citizens of the United States, desiring to form a corporation, for profit, under the General Corporation Law of Ohio, do hereby certify:

FIRST The name of said Corporation shall be ORANGE VILLAGE CARE CENTER, INC.

SECOND The place in the State of Ohio where its principal office is located is 661 Weber Drive, Wadsworth, Ohio 44281, County of Medina.

THIRD The purpose or purposes for which it is formed are:

(a) 1. SPECIFICALLY, TO OWN, AND/OR OPERATE, LEASE AND MANAGE NURSING HOMES AND CARE CENTERS, CONVALESCENT CENTERS RETIREMENT CENTERS, APARTMENTS AND CENTERS FOR GOLDEN AGERS AND EXTENDED CARE FACILITIES AND ALL THINGS INCIDENTAL THERETO.

2. SPECIFICALLY, TO MANAGE, LEASE AND OWN APARTMENT BUILDINGS, CONDOMINIUMS AND INDIVIDUAL AND MULTI-FAMILY DWELLINGS.

(b) To acquire by purchase or otherwise, and to own, hold buy, sell, convey, lease, mortgage or encumber real estate or other properties; to sub-divide, plot, improve and develop lands and properties for the purpose of sale or otherwise and to do and perform all things needful and lawful for the development and improvement of real estate for residency, trade and business purposes.

(c) To transact a general real estate business, including the management of properties, to act as an agent, broker or attorney in fact for any person or corporation in buying, selling and dealing in real estate and any interest therein, with full power and authority to do all things necessary or incidental to the conduct of said business.

(d) To purchase or otherwise acquire, lease, assign, mortgage, pledge or otherwise dispose of any trade names, trademarks, concessions, inventions, formulas, improvements, processes of any nature whatsoever, copyrights, and letters patent of the United States and of foreign countries, and to accept and grant licenses thereunder.

(e) To carry on a business of buying, selling, leasing, holding and otherwise dealing with real and personal properties.

(f) To acquire by purchase, subscription and otherwise, and to own, hold for investment or otherwise, and to sell, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of shares of stock, bonds debentures, notes, scrip, securities, evidences of indebtedness, contracts, or obligations of this Corporation or of any corporation, association, firm or individual, and also to issue in exchange therefor stocks, bonds, or other securities or evidences of indebtedness of this Corporation, and while the owner or holder of any such property to receive, collect and dispose of the interest, dividends, income and other rights accruing on or from such property and to possess and exercise in respect thereof all of the rights, powers and privileges of ownership, including all voting powers connected therewith.

(g) To enter into, assist, promote, conduct, perform or participate in every kind of commercial, mercantile, mining, or industrial enterprise, business, or work, contract, undertaking, venture, or operation, in the United States or in any foreign country; and for such purpose to purchase or otherwise acquire, take over, hold, sell, liquidate, or otherwise dispose of, the real estate, plants, equipment, inventory, merchandise, materials, and other

assets, stock, good-will, rights, franchises, patents, trademarks, and trade names, other properties of domestic or foreign corporations, firms, associations, syndicates, individuals, and others; to continue, alter, extend or develop their business, assume their liabilities, guarantee or become surety for the performance of their obligations, reorganize their capital and participate in any way in their affairs; to take over as a going concern and continue, in its own name, any business so acquired, and to pay for any such business or properties in cash, stock, bonds, debentures, securities, or obligations of the Corporation, or otherwise.

In furtherance and not in limitation of the general powers conferred by the laws of the State of Ohio and in furtherance and not in limitation of the purposes hereinbefore stated, it is hereby expressly provided that this Corporation shall have also the following authorities and powers, to wit:

1. To do any or all things hereinabove or hereinafter set forth to the same extent and as fully as natural persons might or could do either as principal, agent, contractor or otherwise, and either alone or in conjunction with any other individuals, firms, associations, corporations, syndicates or bodies politic.

2. To borrow or raise money, without limit, upon terms, for any purpose of this Corporation or of any corporation, association, firm, syndicate or individual having a business or property which this corporation determines to finance, promote or become interest in; to issue, sell and dispose of this Corporations bonds, debentures, notes, certificates of indebtedness and other obligations, secured or unsecured, and however evidenced upon any terms, and as security therefor to mortgage, pledge or grant any charge or impose any lien upon all or any part of the real or personal property, rights, interests or franchises of this Corporation, whether owned by it at the time or thereafter acquired.

3. To make, execute, endorse and accept promissory notes, bills of exchange and other negotiable instruments and to redeem any debt or other obligation before the same shall fall due on any terms and on any advance or premium;

3.A To execute on any instrument or certificate required by the Federal Housing Authority in order to consummate and finalize the FHA transaction, including but not limited to Construction Contract, Lump Sum (Form 2442), Regulatory Agreement (Form 2466), Mortgager's Certificate (Form 2433), Owner-Architect Agreement (Form 2719-A), Agreement and Certification (Form 3305).

4. To guarantee the payment of dividends upon any capital stock and by endorsement or otherwise, to guarantee the payment of the principal or interest, or both on any bonds, debentures, notes, scrip, or contracts, leases or obligations of any other corporation or association or of any firm, individual or syndicate in which or in whose welfare this Corporation may have any interests;

5. To pay for any property, rights, or interest acquired by this Corporation in cash or other property, rights or interest held by this Corporation, or by issuing and delivering in exchange therefor its own stock, bonds, debentures, notes, certificates of indebtedness or otherwise acquire, hold, sell, pledge, transfer or otherwise dispose of and to reissue any shares of its own capital stock (so far as may be permitted by law) and its bonds, debentures, notes or other securities, or evidences of indebtedness.

6. To do all and everything necessary and proper for the accomplishment of the objects herein enumerated or necessary or incidental to the protection and benefit of this Corporation, and in general, to carry on such lawful businesses necessary or incidental to the attainment of the purposes of this Corporation, whether such businesses are similar in nature to the objects and powers hereinabove set forth or otherwise.

The Corporation shall have the power and authority to become a partner, either as a general partner or as a limited partner or otherwise, as the Board of Directors of the Corporation may approve, in any partnership or partnerships, whether now existing or hereafter organized with all the rights, privileges, duties, liabilities or obligations as such partner which would exist if the Corporation were a natural person. Without limitations of the foregoing, the Corporation may join with other corporations or with natural persons or both, as partner, either general or limited or otherwise, in any partnerships now or hereafter existing.

The foregoing clauses shall be construed as objects, purposes and powers, and nothing here shall be deemed to limit or excluse in any manner any power, right or privilege given to this Corporation by law or in authority which it is or might be permitted to exercise under the statutes of the State of Ohio.

FOURTH The maximum number of shares which the Corporation is authorized to have outstanding is 500 shares, all of which shall be shares of common stock without par value. The stock is to be issued in compliance with Section 1244 of the International Revenue Code of 1954, as amended.

FIFTH The amount of stated capital of the Corporation shall be not less than FIVE HUNDRED DOLLARS ($500.00).

SIXTH The Corporation may purchase its own shares when authorized to do so from time to time by its Board of Directors.

IN WITNESS WHEREOF, we have hereunto subscribed our names this 14th day of November, 1980.

/s/ ROBERT LEATHERMAN

Robert Leatherman

/s/ PHYLLIS C. LEATHERMAN

Phyllis C. Leatherman

/s/ KAREN FRIEDT

Karen Friedt

QuickLinks

Exhibit 3.81

Articles of Incorporation
-OF-
THE SUBURBAN PAVILION, INC.
(Name of Corporation)

The undersigned, a majority of who are citizens of the United States, desiring to form a corporation, for profit, under Sections 1701.01 et seq., Revised Code of Ohio, do hereby certify:

FIRST. The name of said corporation shall be THE SUBURBAN PAVILION, INC.

SECOND. The place in Ohio where the principal office of the corporation is to be located is

Cleveland, Ohio , Cuyahoga County.

(City, Village or Township)

THIRD. The purpose or purposes for which said corporation is formed are:

(a) To acquire by purchase, lease, exchange or otherwise, to hold, own, use, manage, improve, mortgage, and to sell, lease, mortgage, exchange, and otherwise deal in, real estate and any interest or right therein; to own, rebuild, repair, manage and control, lease, buy and sell, houses, apartments, offices, stores, and any and all other types of buildings and structures; and to make and obtain loans on real estate, and to sell, buy, hold, own, and otherwise deal in, mortgages, notes, land contracts, leases, and other evidences of indebtedness secured by real estate or by a lien thereon or any interest therein.

(b) To manufacture, purchase or otherwise acquire, sell, assign and transfer, exchange or otherwise dispose of, and to invest, trade, deal in or deal with goods, wares and merchandise and personal property of every class and description.

(c) To purchase, acquire, hold, mortgage, pledge, hypothecate, loan money upon, exchange, sell and otherwise deal in personal property and real property of every kind, character and description whatsoever and wheresoever situated, and any interest therein.

(d) To run, lease, manage or otherwise control a nursing home, rest home or convelescent home; to operate same in this corporation or using this as a holding company for operation of same.

Each purpose specified in any clause or paragraph contained in this Article THIRD shall be deemed to be independent of all other purposes therein specified and shall not be limited or restricted by reference to or inference from the terms of any other clause or paragraph of these Articles of Incorporation.

FOURTH. The number of shares which the corporation is authorized to have outstanding is Two Hundred Fifty (250) Shares, all of which shall be without par value.

FIFTH. The amount of stated capital with which the corporation shall begin business is Five Hundred No/100----------Dollars ($500.00).

IN WITNESS WHEREOF, We have hereunto subscribed our names, this 26th day of January, 1966.

THE SUBURBAN PAVILION, INC.

(Name of Corporation)

/s/ LINDY M. ADELSTEIN

Lindy M. Adelstein

/s/ HERBERT F. ZIPKIN

Herbert F. Zipkin

/s/ GILBERT EISENBERG

Gilbert Eisnberg

(INCORPORATORS' NAMES SHOULD BE TYPED OR PRINTED BENEATH SIGNATURES)

N. B. Articles will be returned unless accompanied by form designating statutory agent. See Section 1701.07, Revised Code of Ohio.

QuickLinks

Exhibit 3.82

AMENDED AND RESTATED CODE OF REGULATIONS

OF [ENTITY NAME]

Effective

I.
OFFICES

The principal office of [ENTITY NAME] (the "Company") shall be at such place within Ohio or Maryland as the Board of Directors of the Company (the "Board") shall from time to time determine. The Company also may have offices at such other places as the business of the Company may require.

II.
SEAL

The Company may have a seal in such form as the Board may from time to time determine. The seal, if so authorized, may be used by causing it or a facsimile to be impressed, affixed or copied.

III.
CAPITAL

3.1 ISSUANCE.

The shares of capital stock of the Company (the "Shares") shall be issued in such amounts, at such times, for such consideration and on such terms as the Board shall deem advisable, subject to the Company's Articles of Incorporation (the "Articles") and the laws of the State of Ohio.

3.2 CERTIFICATES.

The Shares shall be represented by certificates signed by the President and Secretary. Each such certificate shall state upon its face that the Company is formed under the laws of Ohio, the person to whom it is issued, the number and class of Shares, and the designation of the series, if any, that the certificate represents, and such other provisions as may be required by Ohio law.

3.3 TRANSFER.

The Shares are transferable only on the books of the Company upon surrender of the certificate therefor, properly endorsed for transfer, and the presentation of such evidences of ownership and validity of the assignment as the Company may require.

3.4 REGISTRATION.

The Company shall be entitled to treat the person in whose name any Share is registered as the owner thereof for purposes of dividends and other distributions in the course of business, or in the course of recapitalization, merger, plan of share exchange, reorganization, sale of assets, liquidation or otherwise and for the purpose of votes, approvals and consents by shareholders of the Company ("Shareholders"), and for the purpose of notices to Shareholders, and for all other purposes whatever, and shall not be bound to recognize any equitable or other claim to or interest in such Shares on the part of any other person, whether or not the Company shall have notice thereof, save as expressly required by the laws of Ohio.

3.5 REPLACEMENT.

Upon the presentation to the Company of a proper affidavit attesting the loss, destruction or mutilation of any certificate for Shares, the Board shall direct the issuance of a new certificate to replace the certificate so alleged to be lost, destroyed or mutilated. The Board may require as a

condition precedent to the issuance of a new certificate a bond or agreement of indemnity, in such form and amount, and with such sureties as the Board may direct or approve.

IV.
SHAREHOLDERS

4.1 MEETINGS.

Meetings of Shareholders shall be held at the principal office of the Company or at such other place as determined by the Board and stated in the notice of meeting. The annual meeting of Shareholders shall be held on the first Monday of March at 10:30 o'clock in the morning. Directors shall be elected at each annual meeting and such other business transacted as may come before the meeting. Special meetings of Shareholders may be called by the Board, the CEO (if such office is filled), the President or any Director, and shall be called by the Secretary at the written request of Shareholders holding a majority of the outstanding Shares and entitled to vote. The request shall state the purpose or purposes for which the meeting is to be called.

4.2 NOTICE.

Except as otherwise provided by statute or the Articles, written notice of the time, place and purposes of a meeting of Shareholders shall be given not fewer than ten nor more than 60 days before the date of the meeting to each Shareholder of record entitled to vote at the meeting, either personally or by mailing such notice to his last address as it appears on the books of the Company. No notice need be given of an adjourned meeting of the Shareholders provided the time and place to which such meeting is adjourned are announced at the meeting at which the adjournment is taken and at the adjourned meeting only such business is transacted as might have been transacted at the original meeting. However, if after the adjournment a new record date is fixed for the adjourned meeting a notice of the adjourned meeting shall be given to each Shareholder of record on the new record date entitled to notice as provided in this Bylaw.

4.3 DATES.

The Board may fix in advance a date as the record date for the purpose of determining Shareholders entitled to notice of and to vote at a meeting of Shareholders or an adjournment thereof, or to express consent or to dissent from a proposal without a meeting, or for the purpose of determining Shareholders entitled to receive payment of a dividend or allotment of a right, or for the purpose of any other action. The date fixed shall not be more than 60 nor less than ten days before the date of the meeting, nor more than 60 days before any other action. In such case only such Shareholders as shall be Shareholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting or adjournment thereof, or to express consent or to dissent from such proposal, or to receive payment of such dividend or to receive such allotment of rights, or to participate in any other action, as the case may be, notwithstanding any transfer of any stock on the books of the Company, or otherwise, after any such record date. Nothing in this Bylaw shall affect the rights of a Shareholder and his transferee or transferor as between themselves.

4.4 LISTS.

The Secretary of the Company or the agent of the Company having charge of the stock transfer records for Shares shall make and certify a complete list of the Shareholders entitled to vote at a Shareholders' meeting or any adjournment thereof. The list shall be arranged alphabetically within each class and series, with the address of, and the number of Shares held by, each Shareholder, be available for inspection by shareholders at the offices of the Company at least five days prior to the date of such meeting, be produced at the meeting, be subject to inspection by any Shareholder during the meeting, and be prima facie evidence of the Shareholders entitled to examine the list or vote.

4.5 QUORUM.

Unless a greater or lesser quorum is required in the Articles or by the laws of Ohio, the Shareholders present at a meeting in person or by proxy who, as of the record date for such meeting, were holders of a majority of the outstanding Shares entitled to vote at the meeting shall constitute a quorum. Whether or not a quorum is present, a meeting of Shareholders may be adjourned by a vote of the Shares present in person or by proxy. When the holders of a class or series of Shares are entitled to vote separately on an item of business, this Bylaw applies in determining the presence of a quorum of such class or series for transaction of such item of business.

4.6 PROXIES.

A Shareholder entitled to vote at a meeting of Shareholders or to express consent or dissent without a meeting may authorize other persons to act for the Shareholder by proxy. A proxy shall be signed by the Shareholder or the Shareholder's authorized agent or representative.

4.7 VOTING.

Each outstanding Share is entitled to one vote on each matter submitted to a vote, unless otherwise provided in the Articles. When an action, other than the election of directors, is to be taken by a vote of the Shareholders, it shall be authorized by a majority of the votes cast by the holders of Shares entitled to vote thereon, unless a greater vote is required by the Articles or by the laws of Ohio. Except as otherwise provided by the Articles, directors shall be elected by a plurality of the votes cast at any election.

V.
DIRECTORS

5.1 NUMBER.

The business and affairs of the Company shall be managed by a Board of one director. No director need be a resident of Ohio or Maryland or a Shareholder.

5.2 TENURE.

Directors shall be elected at each annual meeting of the Shareholders, each to hold office until the next annual meeting of Shareholders and until the director's successor is elected and qualified, or until the director's resignation or removal. A director may resign by written notice to the Company. The resignation is effective upon its receipt by the Company or a subsequent time as set forth in the notice of resignation. A director or the entire Board may be removed, with or without cause, by vote of the holders of a majority of the Shares entitled to vote at an election of directors.

5.3 VACANCIES.

Vacancies in the Board occurring by reason of death, resignation, removal, increase in the number of directors or otherwise shall be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board, unless filled by proper action of the Shareholders. Each person so elected shall be a director for a term of office continuing only until the next election of directors by the Shareholders. A vacancy that will occur at a specific date, by reason of a resignation effective at a later date or otherwise, may be filled before the vacancy occurs, but the newly elected director may not take office until the vacancy occurs.

5.4 MEETINGS.

The Board shall meet each year immediately after the annual meeting of the Shareholders, or within three days of such time excluding Sundays and legal holidays if such later time is deemed advisable, at the place where such meeting of the Shareholders has been held or such other place as

the Board may determine, for the purpose of election of officers and consideration of such business that may properly be brought before the meeting; provided, that if less than a majority of the directors appear for an annual meeting of the Board the holding of such annual meeting shall not be required and the matters which might have been taken up therein may be taken up at any later special or annual meeting, or by consent resolution. Regular meetings of the Board may be held at such times and places as the majority of the directors may from time to time determine at a prior meeting or as shall be directed or approved by the vote or written consent of all directors. Special meetings of the Board may be called by the President and shall be called by the Secretary upon the written request of any director.

5.5 NOTICES.

No notice shall be required for annual or regular meetings of the Board or for adjourned meetings, whether regular or special. Three days' written notice shall be given for special meetings of the Board, and such notice shall state the time, place and purposes of the meeting.

5.6 QUORUM.

A majority of the Board then in office, or of the members of a committee thereof, constitutes a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which there is a quorum shall be the acts of the Board or of the committee, except as a larger vote may be required by the laws of Ohio. A member of the Board or of a committee designated by the Board may participate in a meeting by means of conference telephone by means of which all persons participating in the meeting can communicate with each other. Participation in a meeting in this manner constitutes presence in person at the meeting.

5.7 COMMITTEES.

The Board may, by resolution passed by a majority of the whole Board, appoint three or more members of the Board as an executive committee to exercise all powers and authorities of the Board in management of the business and affairs of the Company, except that the committee shall not have power or authority to (a) amend the Articles; (b) adopt an agreement of merger or consolidation; (c) recommend to Shareholders the sale, lease or exchange of all or substantially all of the Company's property and assets; (d) recommend to Shareholders a dissolution of the Company or revocation of a dissolution; (e) amend these Bylaws; (f) fill vacancies in the Board; or (g) unless expressly authorized by the Board, declare a dividend or authorize the issuance of stock. The Board from time to time may, by like resolution, appoint such other committees of one or more directors to have such authority as shall be specified by the Board in the resolution making such appointments. The Board may designate one or more directors as alternate members of any committee who may replace an absent or disqualified member at any meeting thereof.

5.8 DISSENT.

A director who is present at a meeting of the Board, or a committee thereof of which the director is a member, at which action on a corporate matter is taken is presumed to have concurred in that action unless the director's dissent is entered in the minutes of the meeting or unless the director files a written dissent to the action with the person acting as secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Company promptly after the adjournment of the meeting. Such right to dissent does not apply to a director who voted in favor of such action. A director who is absent from a meeting of the Board, or a committee thereof of which the director is a member, at which any such action is taken is presumed to have concurred in the action unless the director files a written dissent with the Secretary of the Company within a reasonable time after the director has knowledge of the action.

5.9 COMPENSATION.

The Board, by affirmative vote of a majority of directors in office and irrespective of any personal interest of any of them, may establish reasonable compensation of directors for services to the Company as directors or officers.

VI.
PROCEDURES

6.1 NOTICE.

All notices of meetings to be given to Shareholders, directors or any committee of directors may be given by mail, overnight courier, telefax or e-mail to any Shareholder, director or committee member at his last address as it appears on the books of the Company. Such notice shall be deemed to be given at the time when the same shall be mailed or otherwise dispatched.

6.2 WAIVER.

Notice of the time, place and purpose of any meeting of Shareholders, directors or committee of directors may be waived by mail, overnight courier, telefax or e-mail, either before or after the meeting, or in such other manner as may be permitted by the laws of Ohio. Attendance of a person at any meeting of Shareholders, in person or by proxy, or at any meeting of directors or of a committee of directors, constitutes a waiver of notice of the meeting except as follows:

(a) In the case of a Shareholder, unless the Shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, or unless with respect to consideration of a particular matter at the meeting that is not within the purposes described in the meeting notice, the Shareholder objects to considering the matter when it is presented.

(b) In the case of a director, unless he or she at the beginning of the meeting, or upon his or her arrival, objects to the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to any action taken at the meeting.

6.3 CONSENT.

Any action required or permitted at any meeting of directors or committee thereof may be taken without a meeting, without prior notice and without a vote, if all directors or committee members entitled to vote thereon consent thereto in writing, before or after the action is taken. Any action required or permitted at any meeting of Shareholders may be taken without a meeting, without prior notice and without a vote, if all Shareholders entitled to vote thereon consent thereto in writing, before or after the action is taken or if such action otherwise satisfies the Articles and Ohio law.

VII.
OFFICERS

7.1 NUMBER.

The Board shall elect or appoint a President, a Secretary and a Treasurer, and may elect a Chief Executive Officer (the "CEO"), a Chief Operating Officer (the "COO"), and/or one or more Vice Presidents, Assistant Secretaries or Assistant Treasurers. Any two or more of the above offices, except those of President and Vice President, may be held by the same person. No officer shall execute or verify an instrument in more than one capacity if the instrument is required by law, the Articles or these Bylaws to be executed, acknowledged, or verified by one or more officers.

7.2 TERM.

An officer shall hold office for the term for which he is elected or appointed and until his successor is elected or appointed and qualified, or until his resignation or removal. An officer may resign by written notice to the Company. The resignation is effective upon its receipt by the Company or at a subsequent time specified in the notice of resignation. An officer may be removed by the Board with or without cause. The removal of an officer shall be without prejudice to his contract rights, if any. The appointment of an officer does not of itself create contract rights.

7.3 VACANCIES.

The Board may fill any vacancies in any office occurring for whatever reason.

7.4 AUTHORITY.

All officers, employees and agents of the Company shall have such authority and perform such duties in the conduct and management of the business and affairs of the Company as may be designated by the Board and these Bylaws.

VIII.
DUTIES

8.1 CEO.

The CEO, if any is appointed, shall preside at all meetings of the Shareholders at which the CEO is present. The CEO shall be the chief executive officer of the Company, shall see that all resolutions of the Board are carried into effect, and shall have the general powers of supervision usually vested in the chief executive officer of a corporation. Subject to any contrary directives by the Board, the CEO shall hold (a) authority to direct (and commit) the Company's resources toward the achievement of the Company's goals, (b) authority to vote all securities or other interests of other corporations and business organizations held by the Company, and (c) any further authority as may hereafter be vested in him by the Board.

8.2 PRESIDENT.

In the absence of the CEO, the President shall hold and exercise all authority ascribed to the CEO. In addition, the President shall exercise any and all authority as may be granted to him by the Board, and, subject only to the directives of the CEO, shall ensure that all resolutions of the Board are carried into effect. In the absence of the COO, the President shall also hold and exercise all authority ascribed to the COO. In the absence of the Secretary and any Assistant Secretary, the President may exercise the authority otherwise reserved to the Secretary.

8.3 COO.

The COO shall be the chief operating officer of the Company. The President shall have the general powers of management usually vested in the chief operating officer of a corporation, and, subject to any contrary directives by the Board, shall hold (a) authority to supervise corporation personnel and to implement the directives of the Board, the President and the CEO, and (b) any further authority as may hereafter be vested in him by the Board.

8.4 VICE PRESIDENTS.

The Vice Presidents, in order of their seniority, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President. The Vice Presidents shall in any event assume operating responsibility for those aspects of the Company's business referenced in any specific title of the particular Vice President, and shall perform such other duties as may be delegated by the Board, the CEO, the COO or the President. In any event, any Vice President whose title includes the

phrase chief financial officer shall be deemed to have been charged with the responsibility for the Company's finances, shall have been granted custody of corporate funds and securities, shall be obligated to keep full and accurate accounts of receipts and disbursements in books of the Company, and shall deposit all moneys and other value in the name and to the credit of the Company in such depositories as may be designated by the Board. Moreover, any Vice President whose title includes the phrase general counsel shall be deemed to have been charged with the responsibility for the Company's legal affairs and shall be deemed the Company's principal liaison with the Company's outside counsel and regulatory authorities.

8.5 SECRETARY.

The Secretary shall record all votes and minutes of all proceedings in a book to be kept for that purpose, shall give or cause to be given notice of all meetings of the Shareholders and of the Board, and shall keep in safe custody the seal of the Company and, when authorized by the Board, affix the same to any instrument requiring it, and when so affixed it shall be attested by the signature of the Secretary, or by the signature of the Treasurer or an Assistant Secretary. The Secretary may delegate any of the duties, powers and authorities of the Secretary to one or more Assistant Secretaries, unless such delegation is disapproved by the Board.

8.6 TREASURER.

Subject to the authority of any Vice President charged with the responsibility for the Company's finances, the Treasurer shall have the custody of corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements in books of the Company and shall deposit all moneys and other value in the name and to the credit of the Company in such depositories as may be designated by the Board. The Treasurer shall render to the President and directors, whenever they may require it, an account of his or her transactions as Treasurer and of the financial condition of the Company. The Treasurer may delegate any of his or her duties, powers and authorities to one or more Assistant Treasurers unless such delegation is disapproved by the Board.

8.7 ASSISTANTS.

The Assistant Secretaries, in order of their seniority, shall perform the duties and exercise the powers and authorities of the Secretary in case of the Secretary's absence or disability. The Assistant Treasurers, in the order of their seniority, shall perform the duties and exercise the powers and authorities of the Treasurer in case of the Treasurer's absence or disability. The Assistant Secretaries and Assistant Treasurers shall also perform such duties as may be delegated by the Secretary and Treasurer, respectively, and also such duties as the Board may prescribe.

IX.
ACTIONS

9.1 PAYMENT.

All checks, drafts, notes, bonds, bills of exchange and orders for payment of money of the Company may, subject to any contrary resolution adopted by the Board from time to time, be signed by the CEO, the President or any other officer as may be authorized by the Board.

9.2 CONTRACTS.

The Board may in any instance designate the officer and/or agent who shall have authority to execute any contract, conveyance, mortgage or other instrument on behalf of the Company, or may ratify or confirm any execution. When the execution of any instrument has been authorized without specification of the executing officers or agents, the CEO or President may execute the same in the name and on behalf of the Company and may affix the corporate seal thereto.

X.
RECORDS

10.1 MAINTENANCE.

The proper officers and agents of the Company shall keep and maintain such books, records and accounts of the Company's business and affairs, minutes of the proceedings of its Shareholders, Board and committees, if any, and such stock ledgers and lists of Shareholders, as the Board shall deem advisable, and as shall be required by the laws of Ohio and other states or jurisdictions empowered to impose such requirements. Books, records and minutes may be kept within or without Ohio in a place which the Board shall determine.

10.2 RELIANCE.

In discharging his or her duties, a director or an officer of the Company, when acting in good faith, may rely upon information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by (a) one or more directors, officers, or employees of the Company, or of a business organization under joint control or common control, whom the director or officer reasonably believes to be reliable and competent in the matters presented, (b) legal counsel, public accountants, engineers, or other persons as to matters the director or officer reasonably believes are within the person's professional or expert competence, or (c) a committee of the board of which he or she is not a member if the director or officer reasonably believes the committee merits confidence. A director or officer may not rely on any information if he or she has knowledge concerning the matter that makes reliance otherwise permitted unwarranted.

XI.
INDEMNIFICATION

11.1 PERSONAL.

Subject to all of the other provisions of this Article XI, the Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (other than an action by or in the right of the Company) by reason that the person is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer, partner, trustee, employee, or agent of another entity or enterprise, against expenses (including reasonable attorneys' fees), judgments, penalties and amounts paid in settlement reasonably incurred by him or her in connection with such action, suit or proceeding, if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Company or the Shareholders, and, with respect to any criminal action or proceeding, if the person had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Company or the Shareholders, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

11.2 DERIVATIVE.

Subject to all of the provisions of this Article XI, the Company shall indemnify any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that the person is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, whether for profit or not,

against expenses (including attorneys' fees) and amounts paid in settlement reasonably incurred by the person in connection with such action or suit, if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Company or the Shareholders. However, indemnification shall not be made for any claim, issue or matter in which such person has been found liable to the Company unless and only to the extent that the court in which such action or suit was brought has determined upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for the reasonable expenses incurred.

11.3 EXPENSES.

To the extent that a person has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 11.1 or 11.2 of these Bylaws, or in defense of any claim, issue or matter in the action, suit or proceeding, the person shall be indemnified against actual and reasonable expenses (including attorneys' fees) incurred by such person in connection with the action, suit or proceeding and any action, suit or proceeding brought to enforce the mandatory indemnification provided by this Section 11.3.

11.4 DEFINITIONS.

For purposes of Sections 11.1 and 11.2, "other enterprises" shall include employee benefit plans; "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and "serving at the request of the Company" shall include any service as a director, officer, employee, or agent of the Company that imposes duties on, or involves services by, the director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner the person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be considered to have acted in a manner "not opposed to the best interests of the Company or the Shareholders".

11.5 PARAMETERS.

The right to indemnification conferred in this Article XI shall be a contract right, and shall apply to services of a director or officer as an employee or agent of the Company as well as in such person's capacity as a director or officer. Except as provided in Section 11.3 of these Bylaws, the Company shall have no obligations under this Article XI to indemnify any person in connection with any proceeding, or part thereof, initiated by him or her without Board authorization.

11.6 DETERMINATION.

Any indemnification under Section 11.1 or 11.2 of these Bylaws (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the person is proper in the circumstances because the person has met the applicable standard of conduct set forth in Section 11.1 or 11.2, whichever is applicable, and upon an evaluation of the reasonableness of expenses and amount paid in settlement. Such determination and evaluation shall be made in any of the following ways:

(a) By a majority vote of a quorum of the Board consisting of directors who are not parties or threatened to be made parties to such proceeding.

(b) If the quorum described in clause (a) above is not obtainable, then by a majority vote of a committee of directors duly designated by the Board and consisting solely of two or more directors who are not at the time parties or threatened to be made parties to the proceeding.

(c) By independent legal counsel in a written opinion, so long as such counsel is selected (i) by the Board or its committee in the manner prescribed in subparagraph (a) or (b), or (ii) if a

quorum of the Board cannot be obtained under subparagraph (a) and a committee cannot be designated under subparagraph (b), by the Board.

(d) By the Shareholders, but Shares held by directors or officers who are parties or threatened to be made parties to the action, suit or proceeding may not be voted.

11.7 PROPORTIONALITY.

If a person is entitled to indemnification under Section 11.1 or 11.2 of these Bylaws for a portion of expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount thereof, the Company shall indemnify the person for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the person is entitled to be indemnified.

11.8 ADVANCES.

The Company may pay or reimburse the reasonable expenses incurred by a person referred to in Section 11.1 or 11.2 of these bylaws who is a party or threatened to be made a party to an action, suit, or proceeding in advance of final disposition of the proceeding if (a) the person furnishes the Company a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct set forth in Section 11.1 or 11.2, (b) the person furnishes the Company a written undertaking executed to personally repay the advance if it is ultimately determined that he or she did not meet the standard of conduct, (c) the authorization of payment is made in the manner specified in Section 11.6, and (d) a determination is made that the facts then known to those making the determination would not preclude indemnification under Section 11.1 or 11.2. The undertaking shall be a general obligation of the person, but need not be secured.

11.9 SCOPE.

The indemnification or advancement of expenses provided under this Article XI is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under a contractual arrangement with the Company. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses.

11.10 AGENTS.

The Company may, to the extent authorized from time to time by the Board, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Company to the fullest extent of the provisions of this Article XI with respect to the indemnification and advancement of expenses of directors and officers of the Company.

11.11 SUCCESSION.

The indemnification provided in this Article XI continues as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her successors.

11.12 INSURANCE.

The Company may buy and maintain insurance on behalf of any person who is or was a director, officer, partner, trustee, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another entity or enterprise against any liability asserted against the person and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Company would have power to indemnify the person against such liability under these Bylaws or the laws of Ohio.

11.13 LEGISLATION.

Upon any change of the Ohio statutory provisions relating to the subject matter of this Article XI, the indemnification to which any person shall be entitled hereunder shall be determined by such changed provisions, but only to the extent that any such change permits the Company to provide broader indemnification rights than before any such change. Subject to Section 11.14, the Board may amend these Bylaws to conform to any such changed statutory provisions.

11.14 AMENDMENT.

No amendment or repeal of this Article XI shall apply to any director or officer of the Company for or with respect to any prior acts or omissions of such director or officer.

XII.
AMENDMENT

The Bylaws of the Company may be amended, altered or repealed, in whole or in part, by the Shareholders or by the Board at any meeting duly held in accordance with these Bylaws.

QuickLinks

Exhibit 3.83

ORGANIZATION I REGISTRATION OF
LIMITED LIABILITY COMPANY
(Domestic or Foreign)
Filing Fee $125.00

THE UNDERSIGNED DESIRING TO FILE A:

(CHECK ONLY ONE (1) BOX)

(1) ☒ Articles of Organization for
Domestic Limited Liability Company
(115-LCA)
ORC1705

(2) ☐ Application for Registration of
Foreign Limited Liability Company
(106-LFA)
ORC1705

_____ _____
(Date of Formation) (State)

Complete the general information in this section for the box checked above.

Name [LLC NAME]

☐ **Check here if additional provisions are attached**

* If box (1) is checked, name must include one of the following endings, limited liability company, limited, Ltd., L.t.d., LLC, L.L.C.

Complete the general information in this section if box (1) is checked.

Effective Date (Optional) _____ Date specified can be no more than 90 days after date of filing. If date is specified, the date must be a date on or after the date of filing.

This limited liability company shall exist for (Optional) _____
(Period of existence)

Purpose (Optional) _____

_____

_____

The address to which interested persons may direct requests for copies of any operating agreement and any bylaws of this limited liability company is

(Optional)

_____
(Name)

_____
(Street) NOTE: P.O. Box Addresses are NOT acceptable.

_____ _____ _____
(City) (State) (Zip Code)

Complete the general information in this section if box (1) is checked Cont.

ORIGINAL APPOINTMENT OF AGENT

The Undersigned authorized member, manager or representative of

[LLC NAME]

(name of limited liability company)

hereby appoint the following to be statutory agent upon whom any process, notice or demand required or permitted by statute to be served upon the limited liability company may be served. The name and address of the agent is:

Robert L. Leatherman

(Name of Agent)

200 Smokerise Drive

(Street) NOTE: P.O. Box Addresses are NOT acceptable.

Waddsworth	Ohio	44281
(City)	(State)	(Zip Code)

Must be authenticated by an authorized representative

/s/ ROBERT L. LEATHERMAN — 9-16-04

Authorized Representative — Date

Authorized Representative — Date

ACCEPTANCE OF APPOINTMENT

The undersigned, named herein as the statutory agent for

[LLC NAME]

(name of limited liability company)

hereby acknowledges and accepts the appointment of agent for said limited liability Company.

/s/ ROBERT L. LEATHERMAN

(Agent's signature)

PLEASE SIGN PAGE (3) AND SUBMIT COMPLETED DOCUMENT

Complete the general information in this section if box (2) is checked.

The address to which interested persons may direct requests for copies of any operating agreement and any bylaws of this limited liability company is

(Optional)

(Name)

(Street) NOTE: P.O. Box Addresses are NOT acceptable.

(City) (State) (Zip Code)

The name under which the foreign limited liability company desires to transact business in Ohio is

The limited liability company hereby appoints the following to be agent upon whom any process against the limited liability company may be served in the state of Ohio. The name and address of the agent is

(Name of Agent)

(Street) NOTE: P.O. Box Addresses are NOT acceptable.

Ohio

(City) (State) (Zip Code)

The limited liability company irrevocable consent to service of process on the agent listed above as long as the authority of the agent continues, and to service of process upon the OHIO SECRETARY OF STATE if:

a. the agent cannot be found, or

b. the limited liability company fails to designate another agent when required to do so, or

c. the limited liability company's resignation to do business in Ohio expires or is cancelled.

REQUIRED
Must be authenticated **(signed)**
By an authorized representative
(See Instructions)

/s/ ROBERT L. LEATHERMAN 9-16-04

Authorized Representative Date

Robert L. Leatherman

(Print Name)

Authorized Representative Date

(Print Name)

QuickLinks

ORGANIZATION I REGISTRATION OF LIMITED LIABILITY COMPANY (Domestic or Foreign) Filing Fee $125.00

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 3.84

CERTIFICATE OF MERGER

In accordance with the requirements of Ohio law, the undersigned corporations, banks, savings banks, savings and loan, limited liability companies, limited partnerships and/or partnerships with limited liability, desiring to effect a merger, set forth the following facts:

I. SURVIVING ENTITY

A. The name of the entity surviving the merger is:
House of Hanover, LLC

B. Name Change: As a result of this merger, the name of the surviving entity has been changed to the following:
House of Hanover, Ltd.
(Complete only if name of surviving entity is changing through the merger)

C. The surviving entity is a: **(Please check the appropriate box and fill in the appropriate blanks)**

☐ Domestic (Ohio) for-profit corporation, charter number

☐ Domestic (Ohio) non-profit corporation, charter number

☐ Foreign (Non-Ohio) corporation incorporated under the laws of the state/country of _____
and licensed to transact business in the State of Ohio under license number _____

☐ Foreign (Non-Ohio) corporation incorporated under the laws of the state/country _____
of and NOT licensed to transact business in the state of Ohio,

☒ Domestic (Ohio) limited liability company, with registration number 1284098

☐ Foreign (Non-Ohio) limited liability company organized under the laws of the state/country of _____
and registered to do business in the State of Ohio under registration number _____

☐ Foreign (Non-Ohio) limited liability company organized under the laws of the state/country of _____
and NOT registered to do business in the State of Ohio.

☐ Domestic (Ohio) limited partnership, with registration number _____

☐ Foreign (Non-Ohio) limited partnership organized under the laws of the state/country of _____
and registered to do business in the state of Ohio under registration number _____

☐ Foreign (Non-Ohio) limited partnership organized under the laws of the state/country of _____
and NOT registered to do business in the state of Ohio.

☐ Domestic (Ohio) partnership having limited liability, with the registration number _____

J. Kenneth Blackwell
Secretary of State

☐ Foreign (Non-Ohio) partnership having limited liability organized under the laws of the state/country of _____ and registered to do business in the state of Ohio under registration number _____

☐ Foreign (Non-Ohio) non-profit incorporation under the law's of the state/county of _____

and licensed to transact business in the state of Ohio under license number _____

☐ Foreign (Non-Ohio) non-profit incorporation under the laws of the state/county of _____

and not licensed to transact business in the state of Ohio.

II. MERGING ENTITY

The name, charter/license/registration number, type of entity, state/country of incorporation or organization, respectively, of which is a party to the merger are as follows: **(If this is insufficient space to reflect all merging entities, please attach a separate sheet listing the merging entities)**

Name	State/Country of Organization	Type of Entity
House of Hanover, Ltd.	Ohio	Ltd. Partnership

III. MERGER AGREEMENT ON FILE

The name and mailing address of the person or entity from whom/which eligible persons may obtain a copy of the agreement of merger upon written request:

Hollis J. Garfield, c/o Emery Medical Management Co.		20255 Emery Road
(name)		**(street and number)**
North Randall	OH	44128-4122
(city, village or township)	**(state)**	**(zip code)**

IV. EFFECTIVE DATE OF MERGER

This merger is to be effective on: date of filing (if a date is specified, the date must be a date on or after the date of filing; the effective date of the merger cannot be earlier than the date of filing, if no date is specified, the date of filing will be the effective date of the merger).

V. MERGER AUTHORIZED

The laws of the state or country under which each constituent entity exists, permits this merger.

This merger was adopted, approved and authorized by each of the constituent entities in compliance with the laws of the state under which it is organized, and the persons signing this certificate on behalf of each of the constituent entities are duly authorized to do so.

VI. STATUTORY AGENT

The name and address of the surviving entity's statutory agent upon whom any process, notice or demand may be served is:

Emery Medical Management Co.		20255 Emery Road
(name)		**(street and number)**
North Randall	, Ohio	44128-4122
(city, village or township)		**(zip code)**

(This item MUST be completed if the surviving entity is a foreign entity which is not licensed, registered or otherwise authorized to conduct business in the state of Ohio)

VII. ACCEPTANCE OF AGENT

The undersigned, named herein as the statutory agent for the above referenced surviving entity, hereby acknowledges and accepts the appointment of statutory agent for said entity.

VII. ACCEPTANCE OF AGENT

The undersigned, named herein as the statutory agent for the above referenced surviving entity, hereby acknowledges and accepts the appointment of statutory agent for said entity.

Emery Medical Management Co.

/s/ A.M. WIGGINS, JR.

Vice President

(The acceptance of agent must be completed by domestic surviving entities if through this merger the statutory agent for the surviving entity has changed, or the named agent differs in any way from the name currently on record with the Secretary of State.)

VIII. STATEMENT OF MERGER

Upon filing, or upon such later date as specified herein, the merging entity/entities listed herein shall merge into the listed surviving entity

IX. AMENDMENTS

The articles of incorporation, articles of organization, certificate of limited partnership or registration of partnership having limited liability (circle appropriate term) of the surviving domestic entity have been amended. Please see attached "Exhibit A." (Please note, if there will be no change please state "no change")

X. QUALIFICATION OR LICENSURE OF FOREIGN SURVIVING ENTITY

A. The listed surviving foreign corporation, bank, savings bank, savings and loan, limited liability company, limited partnership, or partnership having limited liability desires to transact business in Ohio as a foreign corporation, bank, savings bank, savings and loan, limited liability company, limited partnership, or partnership having limited liability, and hereby appoints the following as its statutory agent upon whom process, notice or demand against the entity may be served in the state of Ohio. The name and complete address of the statutory agent is:

(name) (street and number)

(city, village or township) , Ohio (zip code)

The subject surviving foreign corporation, bank, savings bank, savings and loan, limited liability company, limited partnership, or partnership having limited liability irrevocably consents to service of process on the statutory agent listed above as long as the authority of the agent continues, and to service of process upon the Secretary of State of Ohio if the agent cannot be found, if the corporation, bank, savings bank, savings and loan, limited liability company, limited partnership, or partnership having limited liability fails to designate another agent when required to do so, or if the foreign corporation's, bank's, savings bank's, savings and loan's, limited liability company's, limited partnership's, or partnership having limited liability's license or registration to do business in Ohio expires or is canceled.

B. The qualifying entity also states as follows: (Complete only if applicable)

1. **Foreign Notice Under Section 1703.031**

(If the qualifying entity is a foreign bank, savings bank, or savings and loan, then the following information must be completed.)

(a.) The name of the Foreign Nationally/Federally chartered bank, savings bank, or savings and loan association is

(b.) The name(s) of any Trade Name(s) under which the corporation will conduct business:

(c.) The location of the main office (non-Ohio) shall be:

(street address)

(city, township, or village) (county) (state) (zip code)

(d.) The principal office location in the state of Ohio shall be:

(street address)

(city, township, or village) (county) (state) (zip code)

(Please note, if there will not be an office in the state of Ohio, please list none.)

(e.) The corporation will exercise the following purpose(s) in the state of Ohio:
(Please provide a brief summary of the business to be conducted; a general clause is not sufficient)

2. Foreign Qualifying Limited Liability Company

(If the qualifying entity is a foreign limited liability company, the following information must be completed.)

(a.) The name of the limited liability company in its state of organization/registration is

(b.) The name under which the limited liability company desires to transact business in Ohio is

(c.) The limited liability company was organized on

under the laws of the state/country of

(d.) The address to which interested persons may direct requests for copies of the articles of organization, operating agreement, bylaws, or other charter documents of the company is:

(street address)

(city, township, or village) (state) (zip code)

3. Foreign Qualifying Limited Partnership

(If the qualifying entity is a foreign limited partnership, the following information must be completed).

(a.) The name of the limited partnership is

_____

(b) The limited partnership was formed on _____

(c.) The address of the office of the limited partnership in its state/country of organization is:

_____
(street address)

_____ _____ _____ _____
(city, township, or village) (county) (state) (zip code)

(d) The limited partnership's principal office address is:

_____
(street address)

_____ _____ _____ _____
(city, township, or village) (county) (state) (zip code)

(e) The names and business or residence addresses of the General partners of the partnership are as follows:

Name	Address

(If insufficient space to cover this item, please attach a separate sheet listing the general partners and their respective addresses)

(f.) The address of the office where a list of the names and business or residence addresses of the limited partners and their respective capital contributions is to be maintained is:

_____
(street address)

_____ _____ _____ _____
(city, township, or village) (county) (state) (zip code)

The limited partnership hereby certifies that it shall maintain said records until the registration of the limited partnership in Ohio is canceled or withdrawn.

4. Foreign Qualifying Partnership Having Limited Liability

(a.) The name of the partnership shall be

_____

(b.) Please complete the following appropriate section (either item b(1) or b(2)):

(1.) The address of the partnership's principal office in Ohio is:

_____
(street address)

_____ , Ohio _____
(city, village or township) (zip code)

(If the partnership does not have a principal office its Ohio, then items b2 and item c must be completed)

(2.) The address of the partnership's principal office (Non-Ohio):

_____
(street address)

_____ _____ _____ _____
(city, township, or village) (county) (state) (zip code)

(c.) The name and address of a statutory agent for service of process in Ohio is as follows:

_____
(street address)

_____ , Ohio _____
(city, village or township) (zip code)

(d.) Please indicate the state or jurisdiction in which the Foreign Limited Liability Partnership has been formed

_____

(e.) The business which the partnership engages in is:

_____

_____

The undersigned constituent entities have caused this certificate of merger to be signed by its duly authorized officers, partners and representatives on the date(s) stated below.

House of Hanover, Ltd.	House of Hanover, LLC
(Exact name of entity)	**(Exact name of entity)**
By: /s/ HOLLIS J. GARFIELD	By: /s/ HOLLIS J. GARFIELD
Its: General Partner	Its: Member
Date: 12-26-01	Date: 12-25-01
(Exact name of entity)	(Exact name of entity)
By:	By:
Its:	Its:
Date:	Date:
(Exact name of entity)	(Exact name of entity)
By:	By:
Its:	Its:
Date:	Date:
(Exact name of entity)	(Exact name of entity)
By:	By:
Its:	Its:
Date:	Date:
(Exact name of entity)	(Exact name of entity)
By:	By:
Its:	Its:
Date:	Date:
(Exact name of entity)	(Exact name of entity)
By:	By:
Its:	Its:
Date:	Date:
(Exact name of entity)	(Exact name of entity)
By:	By:
Its:	Its:
Date:	Date:
(Exact name of entity)	(Exact name of entity)

By:		By:	
Its:		Its:	
Date:		Date:	

ARTICLES OF ORGANIZATION
(Under Section 1705.04 of the Ohio Revised Code)
Limited Liability Company

The undersigned, desiring to form a limited liability Company, tinder Chapter 1705 of the Ohio Revised Code, do hereby state the following:

FIRST: The name of said limited liability company shall be:

House of Hanover, LLC

(the name must include the words "limited liability company", "limited", "Ltd.", "Ltd", "LLC", or "L.L.C.")

SECOND: **(OPTIONAL)** This limited liability company shall exist for:: perpetual existence

THIRD: The address to which interested persons may direct requests for copies of any operating agreement and any bylaws of this limited liability company is **(OPTIONAL)**

c/o Emery Medical Management Co., 20255 Emery Road

(street address or post office box)

North Randall	OH	44128-4122
(city, village, or township)	(state)	(zip code)

☐ Please check this box if additional provisions are attached.

Provisions attached hereto are incorporated herein and made a part of these articles of organization.

J. Kenneth Blackwell
Secretary of State

FOURTH: Purpose (optional)
All lawful purposes

IN WITNESS WHEREOF, we have hereunto subscribed our names on 12/26/01
(date)

Signed:	/s/ HOLLIS J. GARFIELD	Signed:	
Name:	Hollis J. Garfield	Name:	
Signed:		Signed:	
Name:		Name:	
Signed:		Signed:	
Name:		Name:	
Signed:		Signed:	
Name:		Name:	
Signed:		Signed:	
Name:		Name:	

(If insufficient space for all signatures, please attach a separate sheet containing additional signatures)

Prescribed by: **J. Kenneth Blackwell**
J. Kenneth Blackwell Secretary of State
30 East Broad St. LL Columbus, Ohio 43266-0418

ORIGINAL APPOINTMENT OF AGENT
(for limited liability company)

The undersigned, being at least a majority of the members of House of Hanover, LLC ,
(name of limited liability company)

hereby appoint Emery Medical Management Co. to be the agent upon whom any process, notice or
(name of agent)

demand required or permitted by statute to be served upon the limited liability company may be served. The complete address of the agent is:

20255 Emery Road
(street address P.O. Boxes are not acceptable)

North Randall , Ohio 44128-4122
(city, village, toNwiship) (zip)

By: /s/ HOLLIS J. GARFIELD
(authorized member, manager, or representative)

Name: Hollis J. Garfield

By:
(authorized member, manager, or representative)

Name:

By:
(authorized member, manager, or representative)

Name:

By:
(authorized member, manager, or representative)

Name:

By:
(authorized member, manager, or representative)

Name:

By:
(authorized member, manager, or representative)

Name:

ACCEPTANCE OF APPOINTMENT

The undersigned, named herein as the statutory agent for House of Hanover, LLC
(name of limited liability company)

hereby acknowledges and accepts the appointment of agent for said limited liability Company.

Emery Medical Management Co

By:

Title:

QuickLinks

CERTIFICATE OF MERGER

Exhibit 3.85

AMENDED AND RESTATED
OPERATING AGREEMENT
OF
[LLC NAME]

This Amended and Restated Operating Agreement (the "Agreement") **[LLC NAME]** (the "Company"), is entered into by Omega Healthcare Investors, Inc., a Maryland corporation (the "Member"), as the sole member of the Company. As used in this Agreement, "Code" means the Ohio Revised Code, as the same may be amended from time to time.

RECITALS:

WHEREAS, the Member desires to amend and restate the Operating Agreement of the Company, dated as of [DATE] (the "Original Operating Agreement");

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Member hereby agrees as follows:

Section 1. *Name.* The name of the limited liability company is [LLC NAME].

Section 2. *Principal Business Office.* The principal business office of the Company shall be located at 9690 Deereco Road, Suite 100, Timonium, Maryland 21093.

Section 3. *Registered Office.* The address of the registered office of the Company in the State of Ohio is 1300 East 9 th Street, Cleveland, Ohio 44114.

Section 4. *Registered Agent.* The name and address of the registered agent of the Company for service of process on the Company in the State of Ohio is CT Corporation System.

Section 5. *Member.* The mailing address of the Member is set forth on *Schedule A* attached hereto. Upon its execution of a counterpart signature page to this Agreement, Omega Healthcare Investors, Inc. is hereby admitted to the Company as the sole member of the Company.

Section 6. *Purposes.* The Company has been formed for the purposes of (a) acquiring, selling, investing in, holding, owning, leasing, managing, operating, granting mortgages on and security interests in, and acquiring and making loans secured by, real property and personal property and all rights and interests in any manner appertaining or incidental thereto, and (b) engaging in any lawful business, action or activity in which a limited liability company organized formed pursuant to the Code may engage.

Section 7. *Powers.* The Company, and the Member and the Officers on behalf of the Company, (a) shall have and exercise all powers necessary, convenient or incidental to accomplish the Company's purposes as set forth in Section 6 and (b) shall have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Code.

Section 8. *Management.* In accordance with the Code, management of the Company shall be vested in the Member. The Member shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise, possessed by members of a limited liability company under the laws of the State of Ohio. The Member has the authority to bind the Company within the meaning of the Code.

Section 9. *Officers*.

(a) *Officers.* The Member may, from time to time, designate one or more persons to be officers of the Company (each an "Officer"). Any Officer so designated shall have such title and authority and perform such duties as the Member may, from time to time, delegate to them; *provided*, *however*, that except as otherwise delegated by the Member, the Officers shall have such authority and perform such

duties as officers with similar titles of business corporations organized under the Code. Each Officer shall hold office for the term for which such Officer is designated and until his or her qualified successor shall be duly designated or until such officer's death, resignation or removal as provided herein. Any Officer may be removed as such, with or without cause, by the Member at any time. Any Officer may resign at any time upon written notice to the Company. Such resignation shall be in writing and shall take effect at the time specified therein or, if no time is specified therein, at the time the Member receives such written resignation. The initial Officers of the Company designated by the Member are listed on *Schedule B* attached hereto. The Member may from time to time by resolution authorize a person who is not an Officer to act on behalf of the Company and to execute and/or attest documents as an authorized representative of the Company, subject to such specific authority and such specific limitations as the Member shall in its sole discretion determine and as shall be set forth in the resolution, and such person shall have such title as shall be set forth in the resolution. The action of such person taken in accordance with the authority granted to such person in the resolution shall bind the Company, and such person shall have the same fiduciary duty of loyalty and care as the Officers.

(b) *Officers as Agents.* The Officers, to the extent of their powers set forth in this Agreement or otherwise vested in them by the Member not inconsistent with this Agreement, are agents of the Company for the purpose of the Company's business, and the actions of the Officers taken in accordance with such powers shall bind the Company.

(c) *Duties of Officers.* Except to the extent otherwise provided herein, each Officer shall have a fiduciary duty of loyalty and care similar to that of officers of business corporations organized under the Code.

Section 10. *Limited Liability.* Except as otherwise expressly provided by the Code, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be the debts, obligations and liabilities solely of the Company, and the Member shall not be obligated personally for any such debt, obligation, or liability of the Company solely by reason of being a Member of the Company.

Section 11. *Capital Contributions.* Initial contributions were made pursuant to the Original Operating Agreement.

Section 12. *Additional Contributions.* The Member is not required to make any additional capital contribution to the Company. However, the Member may make additional capital contributions to the Company at any time at its sole discretion. To the extent that the Member makes an additional capital contribution to the Company, the Member shall revise *Schedule A* of this Agreement. The provisions of this Agreement, including this Section 12 are intended to benefit the Member and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Company and the Member shall not have any duty or obligation to any creditor of the Company to make any contribution to the Company or to issue any call for capital pursuant to this Agreement.

Section 13. *Allocation of Profits and Losses.* The Company's profits and losses shall be allocated to the Member.

Section 14. *Distributions.* Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member. Notwithstanding any other provision of this Agreement, the Company shall not be required to make a distribution to the Member on account of its limited liability company interests in the Company if such distribution would violate the Code or any other applicable law.

Section 15. *Exculpation and Indemnification*.

(a) Neither the Member nor any Officer, employee or agent of the Company nor any employee, representative, agent or Affiliate of the Member (collectively, the "Covered Persons") shall be liable to

the Company or any other Person who has an interest in or claim against the Company for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company.

(b) To the fullest extent permitted by applicable law, a Covered Person shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of such Covered Person's gross negligence or willful misconduct with respect to such acts or omissions; *provided*, *however*, that any indemnity under this Section 15 by the Company shall be provided out of and to the extent of Company assets only, and the Member shall not have personal liability on account thereof.

(c) To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Covered Person defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Covered Person to repay such amount if it shall be finally determined that the Covered Person is not entitled to be indemnified as authorized in this Section 14.

(d) A Covered Person shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, or any other facts pertinent to the existence and amount of assets from which distributions to the Member might properly be paid.

(e) To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any other Covered Person, a Covered Person acting under this Agreement shall not be liable to the Company or to any other Covered Person for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Member to replace such other duties and liabilities of such Covered Person.

(f) The foregoing provisions of this Section 15 shall survive any termination of this Agreement.

Section 16. *Resignation.* The Member has the right to resign from the Company at any time.

Section 17. *Dissolution*.

(a) The Company shall be dissolved, and its affairs shall be wound up upon the first to occur of the following: (i) the occurrence of any event that terminates the continued membership of the last remaining member of the Company in the Company unless the Company is continued without dissolution in a manner permitted by this Agreement or the Code, or (ii) the entry of a decree of judicial dissolution under the Code. Upon the occurrence of any event that causes the last remaining member of the Company to cease to be a member of the Company or that causes the Member to cease to be a member of the Company, to the fullest extent permitted by law, the personal representative of such member is hereby authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such member in the Company, agree (x) to continue the Company and (y) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining member of the Company or the Member in the Company.

(b) Notwithstanding any other provision of this Agreement, the Bankruptcy of the Member shall not cause the Member to cease to be a member of the Company and upon the occurrence of such an event, the Company shall continue without dissolution.

(c) In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order of priority, set forth in the Code.

(d) The Company shall terminate when (i) all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Member in the manner provided for in this Agreement and (ii) the Certificate of Formation shall have been canceled in the manner required by the Code.

(e) Upon the cancellation of the Articles of Formation by the filing of a certificate of cancellation or otherwise in accordance with the Code, this Agreement shall terminate.

Section 18. *Severability of Provisions.* Each provision of this Agreement shall be considered severable and if for any reason any provision or provisions herein are determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement which are valid, enforceable and legal.

Section 19. *Entire Agreement.* This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof.

Section 20. *Governing Law.* This Agreement shall be governed by and construed under the laws of the State of Ohio (without regard to conflict of laws principles), all rights and remedies being governed by said laws.

Section 21. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement and all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, have duly executed this Limited Liability Company Agreement as of the day of , 2006.

MEMBER:

Omega Healthcare Investors, Inc.,
a Maryland corporation

By: _____

Name: Robert O. Stephenson
Title: Chief Financial Officer

SCHEDULE A

Member

Name	Mailing Address	Membership Interest
Omega Healthcare Investors, Inc.	9690 Deereco Road Suite 100 Timonium, Maryland 21093	100%

SCHEDULE B

OFFICERS	TITLE
C. Taylor Pickett	President and Chief Executive Officer
Daniel J. Booth	Chief Operating Officer and Secretary
Robert O. Stephenson	Chief Financial Officer and Treasurer

QuickLinks

Exhibit 3.86

COMMONWEALTH OF PENNSYLVANIA

ARTICLES OF
INCORPORATION OF

BALDWIN HEALTH CENTER, INC.

TO THE HONORABLE, THE SECRETARY OF THE COMMONWEALTH:

In compliance with the requirements of section 204 of the Business Corporation Law of the Commonwealth of Pennsylvania, Act of May 5, 1933, P.L. 364, as amended, the undersigned, desiring to be incorporated as a business corporation, does hereby certify in these Articles of Incorporation as follows:

ARTICLE I

Name

The name of the corporation is BALDWIN HEALTH CENTER, INC. (hereinafter referred to as the "Corporation").

ARTICLE II

Registered Agent

The location and post office address of the initial registered agent of the Corporation in the Commonwealth of Pennsylvania is c/o Wiggins/Garfield Associates, Suite 1617, The Bigelow, Pittsburg, PA 15219.

ARTICLE III

Purposes

The purposes for which the Corporation is formed are to engage in and to do any lawful acts concerning any or all lawful business for which corporations may be incorporated under the Business Corporation Law of the Commonwealth of Pennsylvania.

ARTICLE IV

Terms of Existence

The term for which the Corporation is to exist is perpetual.

ARTICLE V

Authorized Shares

The aggregate number of shares of stock which the corporation shall have the authority to issue is one thousand (1000) shares of common stock, and the par value of each of such shares shall be one dollar ($1.00).

ARTICLE VI

Incorporator

The name and post office address of the incorporator of the Corporation and the number and class of shares subscribed to by such incorporator are as follows:

Name	Address	Number and Class of Shares
Hollis J. Garfield	Suite 1617 The Bigelow Pittsburgh, PA 15219	Two Hundred shares of common stock $1.00 par value

ARTICLE VII

Board of Directors

The business and affairs of the Corporation shall be managed by a Board of Directors which shall consist of such number of Directors, not less than three nor more than four, as shall from time to time be fixed by, or in the manner provided in, the Bylaws.

The names and addresses of those persons who are to act as Directors until the election and qualification of their respective successors, and who shall constitute the number of Directors of the Corporation until changed as provided in the Bylaws, are:

Name	Address
Sidney Garfield	26055-A Emery Road Cleveland, OH 44128
Evelyn Garfield	26055-A Emery Road Cleveland, OH 44128
Hollis Garfiled	Suite 1617, The Bigelow Pittsburgh, PA 15219

IN TESTIMONY WHEREOF, the incorporator has signed and sealed these Articles of Incorporation this 6 th day of June 1985.

/s/ HOLLIS J. GARFIELD (SEAL)

Hollis J. Garfiled

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
CORPORATION BUREAU

In compliance with the requirements of section 8.06 of the Business Corporation Law, act of May 5, 1933 (P.L. 364) (15 P.S. §1806), the undersigned corporation, desiring to amend its Articles, does hereby certify that:

1. The name of the corporation is

   BALDWIN HEALTH CENTER, INC.

2. The location of its registered office in this Commonwealth is (the Department of State is hereby authorized to correct the following statement to confirm to the records of the Department):

   c/o WIGGINS/GARFIELD ASSOCIATES, SUITE 1617, THE BIGELOW PITTSBURG, Pennsylvania 15219

3. The statute by or under which it was incorporated is: Pennsylvania Business Corporation Law Act of May 5, 1933, P.L. 364, as amended

4. The date of its incorporation is: June 6, 1985

5. (Check, and if appropriate, complete the following):

   ☐ The meeting of the shareholders of the corporation at which the amendment was adopted was held at the time and place and pursuant to the kind and period of notice herein stated.

   Time: The _____ day of _____, 19 ____.

   Place: _____

   Kind and period of notice _____

   ☒ The amendment was adopted by a consent in writing, setting forth the action so taken, signed by all of the shareholders entitled to vote thereon and filed with the Secretary of the corporation.

6. At the time of the action of shareholders:

   (a) The total number of shares outstanding was:

   1000 shares of common stock

   (b) The number of shares entitled to vote was:

   1000 shares of common stock

7. In the action taken by the shareholders:

   (a) The number of shares voted in favor of the amendment was:

   1000 shares

   (b) The number of shares voted against the amendment was:

   0

8. The amendment adopted by the shareholders, set forth in full, is as follows: The amendment is set forth in full on Exhibit A which is attached hereto and made a part hereof.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer and its corporate seal, duly attested by another officer, to be hereunto affixed this 4th day of April, 1986.

BALDWIN HEALTH CENTER, INC.

Attest: By: /s/ JOHN HUPP

/s/ HOLLIS GARFIELD Executive Vice President

Assistant Secretary

EXHIBIT A
TO
ARTICLES OF AMENDMENT
OF BALDWIN HEALTH CENTER, INC.

1. Article III of the Articles of Incorporation of Baldwin Health Center, Inc. is hereby amended so as to read in its entirety as follows:

ARTICLES III
PURPOSES

The purposes for which the Corporation is formed are to engage in and to do any lawful acts concerning any or all lawful business for which corporations may be incorporated under the Business Corporation Law of the Commonwealth of Pennsylvania, including by way of illustration and not limitation, (i) to create a private corporation to acquire and construct nursing home projects, and to operate the same; (ii) to enable the financing of the construction of any such nursing home projects with the assistance of mortgage insurance under the National Housing Act, as amended; (iii) to enter into, perform and carry out contracts of any kind necessary or desirable in connection with the accomplishment of the purposes of the Corporation, including, expressly, any contact or contracts with the Secretary of Housing and Urban Development which may be necessary or desirable to comply with the requirements of the National Housing Act, as amended, and the Regulations of the Secretary thereunder relating to the regulation or restriction of mortgagors as to rents, sales, charges, capital structure, rate of return and methods of operations; (iv) to acquire any property, real or personal, in fee or under lease, or any rights thereon or appurtenant thereto, necessary for the construction and operation of any such projects; and 9v) to borrow money, and to issue evidence of indebtedness, and to secure the same by mortgage, deed of trust, pledge or other lien in furtherance of any or all the objects of the Corporation's business in connection with said projects; and

2. Article V of the Articles of Incorporation of Baldwin Health Center, Inc. is hereby amended so as to read in its entirety as follows:

ARTICLE V
Authorized Shares

The aggregate number of shares of stock which the Corporation shall have the authority to issue is one hundred thousand (100,000) shares of common stock, and the par value of each of such shares shall be one dollar ($1.00); and

3. The articles of Incorporation of Baldwin Health Center, Inc. are hereby amended to add a new Article VIII, which shall read in its entirety as follows:

ARTICLE VIII
Powers

The Corporation shall have the power to do and perform all things necessary or incidental to the accomplishment of the purposes set forth in Article III hereof, including by way of illustration and not limitation, the power and authority to enter into a Regulatory Agreement with the Secretary of Housing and Urban Development.

QuickLinks

COMMONWEALTH OF PENNSYLVANIA

Exhibit 3.87

Articles of Incorporation
of
Pavillion North Partners, Inc.

1. The name of the corporation is

   Pavillion North Partners, Inc.

2. The address of the initial registered office of the corporation in Pennsylvania (which is located in Allegheny County) is:

   9800 Old Perry Highway
   Wexford, PA 15090

3. The corporation is incorporated under the Business Corporation Law of 1988, as amended.

4. The aggregate number of shares that the corporation shall have the authority to issue is 10,000 shares of common stock, $0.01 par value per share. The board of directors shall have the full authority permitted by law to divide the authorized and unissued shares into classes of series, or both, and to determine for any such class or series its designation and the number of shares of the class or series and the voting rights, preferences, limitations and special rights, if any of the shares of the class of series.

5. The shareholders shall not have the right to cumulate their votes for the election of directors.

6. Subject only to the limitations in 15 Pa.C.S. § 1713(b)(1), a director of the corporation shall not be personally liable, as such, for monetary damages for any action taken or failure to take any action unless:

   (1) the director has breached or failed to perform the duties of his or her office under 15 Pa.C.S. Subch. 17B; and

   (2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

7. These articles of incorporation may be amended in the manner prescribed at the time by statute, and all rights conferred upon shareholders herein are granted subject to this reservation.

8. The name and address of the incorporator are:

   Patricia A. Junker
   c/o Klett Rooney Lieber & Schorling
   One Oxford Centre, 40th Floor
   Pittsburgh, PA 15219

IN TESTIMONY WHEREOF, the Incorporator has signed these Articles of Incorporation on March 31, 2005.

/s/ PATRICIA A. JUNKER

Patricia A. Junker

QuickLinks

Exhibit 3.88

Commonwealth of Pennsylvania
Department of State
Corporation Bureau

ARTICLES
OF
INCORPORATION

In compliance with the requirements of the Business Corporation Law, approved the 5 th day of May, A.D. 1933, P.L. 394, as amended, the undersigned, all of whom are of full age* desiring that they may be incorporated as a business corporation, do hereby certify:

1. The name of the corporation is:

PAVILLION NURSING CENTER NORTH, INC.

2. The location and post office address of its initial registered office in this Commonwealth is:

North Hills Nursing Center,	9800 Old Perry Highway,	McCandless Township,	Allegheny County
Number	Street	City	County

3. The purpose or purposes of the corporation which shall be organized under this Act are as follows: (**)

(a) To acquire by purchase, lease, exchange or otherwise, to hold, own, use, manage, improve, mortgage, and to sell, lease, mortgage, exchange, and otherwise deal in, real estate and any interest or right therein; to own, rebuild, repaid, manage and control, lease, buy and sell, houses, apartments, offices, stores, and any and all other types of buildings and structures; and to make and obtain loans on real estate, and to sell, buy, hold, own, and otherwise deal in, mortgages, notes, land contracts, leases, and other evidences of indebtedness secured by real estate or by a lien thereon or any interest therein.

(b) To manufacture, purchase or otherwise acquire, sell, assign and transfer, exchange or otherwise dispose of, and to invest, trade, deal in or deal with goods, wares and merchandise and personal property of every class and description.

(continued on attached page)

4. The term of its existence is:

perpetual.

5. The aggregate number of shares which the corporation shall have the authority to issue is: (***)

250 shares—all of which shall be without par value.

The amount of state capital with which the corporation shall begin business is Five Hundred Dollars ($500.00).

(*) *One or more corporations or natural persons of full age may incorporate a business corporation under the provisions of this Act.*

(**) *It shall not be permissible or necessary to set forth any powers enumerated in Section 302 of the Act.*

(***) *There should be set forth the number and par value of all shares having par value; the number of shares without par value; and the state capital applicable thereto. If the shares are to be divided into classes, a description of each class and a statement of the preferences, qualifications, limitations, restrictions, and the special or relative rights granted to, or imposed upon, the shares of each class.*

FILING FEE—$40.00

NOTE: Excise Tax at the rate of 1/5th of 1% ($2.00 per $1,000) will be due and payable at the time of filing of the Articles, computed by multiplying the number of authorized shares having par value by their par value, or if shares of no par stock are authorized, then on the stated capital applicable thereto as well.

ONLY A CLEARLY LEGIBLE ORIGINAL SHOULD BE SUBMITTED. SIGNATURES SHOULD BE IN BLACK INK.

6. The names and addresses of each of the first directors, who shall serve until the first annual meeting, are:

NAME	ADDRESS (Including street and number, if any)
Evelyn Garfield	3743 Eastway, South Euclid, Ohio 44118
Sidney Garfield	3743 Eastway, South Euclid, Ohio 44118
Lindy M. Adelstein	24118 Baintree Rd., Beachwood, Ohio 44121

7. The names and addresses of each of the incorporators and the number and class of shares subscribed by each are:

NAME	ADDRESS (Including street and number, if any)	NUMBER AND CLASS OF SHARES
Lindy M. Adelstein	24118 Baintree Rd. Beachwood, Ohio 44121	12 1/2 Common, no par value
Mitzi Horiba	2870 South Moreland Cleveland, Ohio 44120	- -1-
Kathy O. Smith	3011 Ludlow Rd. Cleveland, Ohio 44120	- -1-

IN TESTIMONY WHEREOF, the incorporators have signed and sealed these Articles of Incorporation this 20th day of January, 1972.

/s/ LINDY M. ADELSTEIN (SEAL)

Lindy M. Adelstein

/s/ MITZI HORIBA (SEAL)

Mitzi Horiba

/s/ KATHY O. SMITH (SEAL)

Approved and filed in the Department of State on the 15th day of February A.D. 1972.

/s/ C. DELARES TUCKER

Secretary of the Commonwealth

NOTE: The Articles must be accompanied with registry statement, executed in triplicate, in the form prescribed by Section 206-B of the Act—all of which should be signed by an incorporator, as such.

(c) To purchase, acquire, hold, mortgage, pledge, hypothecate, loan money upon, exchange, sell and otherwise deal in personal property and real property of every kind, character and description whatsoever and wheresoever situated, and any interest therein.

(d) To run, lease, manage or otherwise control a nursing home, rest home or convalescent home; to operated same in this corporation using this as a holding company for operation of same.

EACH PURPOSE specified in any clause or paragraph as listed above shall be deemed to be independent of all other purposes therein specified and shall not be limited or restricted by reference to or reference form the terms of any other clause or paragraph of these Articles of Incorporation.

PROVIDED, HOWEVER, that all medical treatment will be provided by duly licensed physicians or surgeons and nurses.

QuickLinks

Commonwealth of Pennsylvania Department of State Corporation Bureau

Exhibit 3.89

AMENDED AND RESTATED BYLAWS

OF [ENTITY NAME]

Effective

I.
OFFICES

The principal office of [ENTITY NAME] (the "Company") shall be at such place within Pennsylvania or Maryland as the Board of Directors of the Company (the "Board") shall from time to time determine. The Company also may have offices at such other places as the business of the Company may require.

II.
SEAL

The Company may have a seal in such form as the Board may from time to time determine. The seal, if so authorized, may be used by causing it or a facsimile to be impressed, affixed or copied.

III.
CAPITAL

3.1 ISSUANCE.

The shares of capital stock of the Company (the "Shares") shall be issued in such amounts, at such times, for such consideration and on such terms as the Board shall deem advisable, subject to the Company's Articles of Incorporation (the "Articles") and the laws of the State of Pennsylvania.

3.2 CERTIFICATES.

The Shares shall be represented by certificates signed by the President and Secretary. Each such certificate shall state upon its face that the Company is formed under the laws of Pennsylvania, the person to whom it is issued, the number and class of Shares, and the designation of the series, if any, that the certificate represents, and such other provisions as may be required by Pennsylvania law.

3.3 TRANSFER.

The Shares are transferable only on the books of the Company upon surrender of the certificate therefor, properly endorsed for transfer, and the presentation of such evidences of ownership and validity of the assignment as the Company may require.

3.4 REGISTRATION.

The Company shall be entitled to treat the person in whose name any Share is registered as the owner thereof for purposes of dividends and other distributions in the course of business, or in the course of recapitalization, merger, plan of share exchange, reorganization, sale of assets, liquidation or otherwise and for the purpose of votes, approvals and consents by shareholders of the Company ("Shareholders"), and for the purpose of notices to Shareholders, and for all other purposes whatever, and shall not be bound to recognize any equitable or other claim to or interest in such Shares on the part of any other person, whether or not the Company shall have notice thereof, save as expressly required by the laws of Pennsylvania.

3.5 REPLACEMENT.

Upon the presentation to the Company of a proper affidavit attesting the loss, destruction or mutilation of any certificate for Shares, the Board shall direct the issuance of a new certificate to replace the certificate so alleged to be lost, destroyed or mutilated. The Board may require as a

condition precedent to the issuance of a new certificate a bond or agreement of indemnity, in such form and amount, and with such sureties as the Board may direct or approve.

IV.
SHAREHOLDERS

4.1 MEETINGS.

Meetings of Shareholders shall be held at the principal office of the Company or at such other place as determined by the Board and stated in the notice of meeting. The annual meeting of Shareholders shall be held on the first Monday of March at 10:30 o'clock in the morning. Directors shall be elected at each annual meeting and such other business transacted as may come before the meeting. Special meetings of Shareholders may be called by the Board, the CEO (if such office is filled), the President or any Director, and shall be called by the Secretary at the written request of Shareholders holding a majority of the outstanding Shares and entitled to vote. The request shall state the purpose or purposes for which the meeting is to be called.

4.2 NOTICE.

Except as otherwise provided by statute or the Articles, written notice of the time, place and purposes of a meeting of Shareholders shall be given not fewer than ten nor more than 60 days before the date of the meeting to each Shareholder of record entitled to vote at the meeting, either personally or by mailing such notice to his last address as it appears on the books of the Company. No notice need be given of an adjourned meeting of the Shareholders provided the time and place to which such meeting is adjourned are announced at the meeting at which the adjournment is taken and at the adjourned meeting only such business is transacted as might have been transacted at the original meeting. However, if after the adjournment a new record date is fixed for the adjourned meeting a notice of the adjourned meeting shall be given to each Shareholder of record on the new record date entitled to notice as provided in this Bylaw.

4.3 DATES.

The Board may fix in advance a date as the record date for the purpose of determining Shareholders entitled to notice of and to vote at a meeting of Shareholders or an adjournment thereof, or to express consent or to dissent from a proposal without a meeting, or for the purpose of determining Shareholders entitled to receive payment of a dividend or allotment of a right, or for the purpose of any other action. The date fixed shall not be more than 60 nor less than ten days before the date of the meeting, nor more than 60 days before any other action. In such case only such Shareholders as shall be Shareholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting or adjournment thereof, or to express consent or to dissent from such proposal, or to receive payment of such dividend or to receive such allotment of rights, or to participate in any other action, as the case may be, notwithstanding any transfer of any stock on the books of the Company, or otherwise, after any such record date. Nothing in this Bylaw shall affect the rights of a Shareholder and his transferee or transferor as between themselves.

4.4 LISTS.

The Secretary of the Company or the agent of the Company having charge of the stock transfer records for Shares shall make and certify a complete list of the Shareholders entitled to vote at a Shareholders' meeting or any adjournment thereof. The list shall be arranged alphabetically within each class and series, with the address of, and the number of Shares held by, each Shareholder, be available for inspection by shareholders at the offices of the Company at least five days prior to the date of such meeting, be produced at the meeting, be subject to inspection by any Shareholder during the meeting, and be prima facie evidence of the Shareholders entitled to examine the list or vote.

4.5 QUORUM.

Unless a greater or lesser quorum is required in the Articles or by the laws of Pennsylvania, the Shareholders present at a meeting in person or by proxy who, as of the record date for such meeting, were holders of a majority of the outstanding Shares entitled to vote at the meeting shall constitute a quorum. Whether or not a quorum is present, a meeting of Shareholders may be adjourned by a vote of the Shares present in person or by proxy. When the holders of a class or series of Shares are entitled to vote separately on an item of business, this Bylaw applies in determining the presence of a quorum of such class or series for transaction of such item of business.

4.6 PROXIES.

A Shareholder entitled to vote at a meeting of Shareholders or to express consent or dissent without a meeting may authorize other persons to act for the Shareholder by proxy. A proxy shall be signed by the Shareholder or the Shareholder's authorized agent or representative.

4.7 VOTING.

Each outstanding Share is entitled to one vote on each matter submitted to a vote, unless otherwise provided in the Articles. When an action, other than the election of directors, is to be taken by a vote of the Shareholders, it shall be authorized by a majority of the votes cast by the holders of Shares entitled to vote thereon, unless a greater vote is required by the Articles or by the laws of Pennsylvania. Except as otherwise provided by the Articles, directors shall be elected by a plurality of the votes cast at any election.

V.
DIRECTORS

5.1 NUMBER.

The business and affairs of the Company shall be managed by a Board of one director. No director need be a resident of Pennsylvania or Maryland or a Shareholder.

5.2 TENURE.

Directors shall be elected at each annual meeting of the Shareholders, each to hold office until the next annual meeting of Shareholders and until the director's successor is elected and qualified, or until the director's resignation or removal. A director may resign by written notice to the Company. The resignation is effective upon its receipt by the Company or a subsequent time as set forth in the notice of resignation. A director or the entire Board may be removed, with or without cause, by vote of the holders of a majority of the Shares entitled to vote at an election of directors.

5.3 VACANCIES.

Vacancies in the Board occurring by reason of death, resignation, removal, increase in the number of directors or otherwise shall be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board, unless filled by proper action of the Shareholders. Each person so elected shall be a director for a term of office continuing only until the next election of directors by the Shareholders. A vacancy that will occur at a specific date, by reason of a resignation effective at a later date or otherwise, may be filled before the vacancy occurs, but the newly elected director may not take office until the vacancy occurs.

5.4 MEETINGS.

The Board shall meet each year immediately after the annual meeting of the Shareholders, or within three days of such time excluding Sundays and legal holidays if such later time is deemed advisable, at the place where such meeting of the Shareholders has been held or such other place as

the Board may determine, for the purpose of election of officers and consideration of such business that may properly be brought before the meeting; provided, that if less than a majority of the directors appear for an annual meeting of the Board the holding of such annual meeting shall not be required and the matters which might have been taken up therein may be taken up at any later special or annual meeting, or by consent resolution. Regular meetings of the Board may be held at such times and places as the majority of the directors may from time to time determine at a prior meeting or as shall be directed or approved by the vote or written consent of all directors. Special meetings of the Board may be called by the President and shall be called by the Secretary upon the written request of any director.

5.5 NOTICES.

No notice shall be required for annual or regular meetings of the Board or for adjourned meetings, whether regular or special. Three days' written notice shall be given for special meetings of the Board, and such notice shall state the time, place and purposes of the meeting.

5.6 QUORUM.

A majority of the Board then in office, or of the members of a committee thereof, constitutes a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which there is a quorum shall be the acts of the Board or of the committee, except as a larger vote may be required by the laws of Pennsylvania. A member of the Board or of a committee designated by the Board may participate in a meeting by means of conference telephone by means of which all persons participating in the meeting can communicate with each other. Participation in a meeting in this manner constitutes presence in person at the meeting.

5.7 COMMITTEES.

The Board may, by resolution passed by a majority of the whole Board, appoint three or more members of the Board as an executive committee to exercise all powers and authorities of the Board in management of the business and affairs of the Company, except that the committee shall not have power or authority to (a) amend the Articles; (b) adopt an agreement of merger or consolidation; (c) recommend to Shareholders the sale, lease or exchange of all or substantially all of the Company's property and assets; (d) recommend to Shareholders a dissolution of the Company or revocation of a dissolution; (e) amend these Bylaws; (f) fill vacancies in the Board; or (g) unless expressly authorized by the Board, declare a dividend or authorize the issuance of stock. The Board from time to time may, by like resolution, appoint such other committees of one or more directors to have such authority as shall be specified by the Board in the resolution making such appointments. The Board may designate one or more directors as alternate members of any committee who may replace an absent or disqualified member at any meeting thereof.

5.8 DISSENT.

A director who is present at a meeting of the Board, or a committee thereof of which the director is a member, at which action on a corporate matter is taken is presumed to have concurred in that action unless the director's dissent is entered in the minutes of the meeting or unless the director files a written dissent to the action with the person acting as secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Company promptly after the adjournment of the meeting. Such right to dissent does not apply to a director who voted in favor of such action. A director who is absent from a meeting of the Board, or a committee thereof of which the director is a member, at which any such action is taken is presumed to have concurred in the action unless the director files a written dissent with the Secretary of the Company within a reasonable time after the director has knowledge of the action.

5.9 COMPENSATION.

The Board, by affirmative vote of a majority of directors in office and irrespective of any personal interest of any of them, may establish reasonable compensation of directors for services to the Company as directors or officers.

VI.
PROCEDURES

6.1 NOTICE.

All notices of meetings to be given to Shareholders, directors or any committee of directors may be given by mail, overnight courier, telefax or e-mail to any Shareholder, director or committee member at his last address as it appears on the books of the Company. Such notice shall be deemed to be given at the time when the same shall be mailed or otherwise dispatched.

6.2 WAIVER.

Notice of the time, place and purpose of any meeting of Shareholders, directors or committee of directors may be waived by mail, overnight courier, telefax or e-mail, either before or after the meeting, or in such other manner as may be permitted by the laws of Pennsylvania. Attendance of a person at any meeting of Shareholders, in person or by proxy, or at any meeting of directors or of a committee of directors, constitutes a waiver of notice of the meeting except as follows:

(a) In the case of a Shareholder, unless the Shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, or unless with respect to consideration of a particular matter at the meeting that is not within the purposes described in the meeting notice, the Shareholder objects to considering the matter when it is presented.

(b) In the case of a director, unless he or she at the beginning of the meeting, or upon his or her arrival, objects to the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to any action taken at the meeting.

6.3 CONSENT.

Any action required or permitted at any meeting of directors or committee thereof may be taken without a meeting, without prior notice and without a vote, if all directors or committee members entitled to vote thereon consent thereto in writing, before or after the action is taken. Any action required or permitted at any meeting of Shareholders may be taken without a meeting, without prior notice and without a vote, if all Shareholders entitled to vote thereon consent thereto in writing, before or after the action is taken or if such action otherwise satisfies the Articles and Pennsylvania law.

VII.
OFFICERS

7.1 NUMBER.

The Board shall elect or appoint a President, a Secretary and a Treasurer, and may elect a Chief Executive Officer (the "CEO"), a Chief Operating Officer (the "COO"), and/or one or more Vice Presidents, Assistant Secretaries or Assistant Treasurers. Any two or more of the above offices, except those of President and Vice President, may be held by the same person. No officer shall execute or verify an instrument in more than one capacity if the instrument is required by law, the Articles or these Bylaws to be executed, acknowledged, or verified by one or more officers.

7.2 TERM.

An officer shall hold office for the term for which he is elected or appointed and until his successor is elected or appointed and qualified, or until his resignation or removal. An officer may resign by written notice to the Company. The resignation is effective upon its receipt by the Company or at a subsequent time specified in the notice of resignation. An officer may be removed by the Board with or without cause. The removal of an officer shall be without prejudice to his contract rights, if any. The appointment of an officer does not of itself create contract rights.

7.3 VACANCIES.

The Board may fill any vacancies in any office occurring for whatever reason.

7.4 AUTHORITY.

All officers, employees and agents of the Company shall have such authority and perform such duties in the conduct and management of the business and affairs of the Company as may be designated by the Board and these Bylaws.

VIII.
DUTIES

8.1 CEO.

The CEO, if any is appointed, shall preside at all meetings of the Shareholders at which the CEO is present. The CEO shall be the chief executive officer of the Company, shall see that all resolutions of the Board are carried into effect, and shall have the general powers of supervision usually vested in the chief executive officer of a corporation. Subject to any contrary directives by the Board, the CEO shall hold (a) authority to direct (and commit) the Company's resources toward the achievement of the Company's goals, (b) authority to vote all securities or other interests of other corporations and business organizations held by the Company, and (c) any further authority as may hereafter be vested in him by the Board.

8.2 PRESIDENT.

In the absence of the CEO, the President shall hold and exercise all authority ascribed to the CEO. In addition, the President shall exercise any and all authority as may be granted to him by the Board, and, subject only to the directives of the CEO, shall ensure that all resolutions of the Board are carried into effect. In the absence of the COO, the President shall also hold and exercise all authority ascribed to the COO. In the absence of the Secretary and any Assistant Secretary, the President may exercise the authority otherwise reserved to the Secretary.

8.3 COO.

The COO shall be the chief operating officer of the Company. The President shall have the general powers of management usually vested in the chief operating officer of a corporation, and, subject to any contrary directives by the Board, shall hold (a) authority to supervise corporation personnel and to implement the directives of the Board, the President and the CEO, and (b) any further authority as may hereafter be vested in him by the Board.

8.4 VICE PRESIDENTS.

The Vice Presidents, in order of their seniority, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President. The Vice Presidents shall in any event assume operating responsibility for those aspects of the Company's business referenced in any specific title of the particular Vice President, and shall perform such other duties as may be delegated by the Board, the CEO, the COO or the President. In any event, any Vice President whose title includes the

phrase chief financial officer shall be deemed to have been charged with the responsibility for the Company's finances, shall have been granted custody of corporate funds and securities, shall be obligated to keep full and accurate accounts of receipts and disbursements in books of the Company, and shall deposit all moneys and other value in the name and to the credit of the Company in such depositories as may be designated by the Board. Moreover, any Vice President whose title includes the phrase general counsel shall be deemed to have been charged with the responsibility for the Company's legal affairs and shall be deemed the Company's principal liaison with the Company's outside counsel and regulatory authorities.

8.5 SECRETARY.

The Secretary shall record all votes and minutes of all proceedings in a book to be kept for that purpose, shall give or cause to be given notice of all meetings of the Shareholders and of the Board, and shall keep in safe custody the seal of the Company and, when authorized by the Board, affix the same to any instrument requiring it, and when so affixed it shall be attested by the signature of the Secretary, or by the signature of the Treasurer or an Assistant Secretary. The Secretary may delegate any of the duties, powers and authorities of the Secretary to one or more Assistant Secretaries, unless such delegation is disapproved by the Board.

8.6 TREASURER.

Subject to the authority of any Vice President charged with the responsibility for the Company's finances, the Treasurer shall have the custody of corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements in books of the Company and shall deposit all moneys and other value in the name and to the credit of the Company in such depositories as may be designated by the Board. The Treasurer shall render to the President and directors, whenever they may require it, an account of his or her transactions as Treasurer and of the financial condition of the Company. The Treasurer may delegate any of his or her duties, powers and authorities to one or more Assistant Treasurers unless such delegation is disapproved by the Board.

8.7 ASSISTANTS.

The Assistant Secretaries, in order of their seniority, shall perform the duties and exercise the powers and authorities of the Secretary in case of the Secretary's absence or disability. The Assistant Treasurers, in the order of their seniority, shall perform the duties and exercise the powers and authorities of the Treasurer in case of the Treasurer's absence or disability. The Assistant Secretaries and Assistant Treasurers shall also perform such duties as may be delegated by the Secretary and Treasurer, respectively, and also such duties as the Board may prescribe.

IX.
ACTIONS

9.1 PAYMENT.

All checks, drafts, notes, bonds, bills of exchange and orders for payment of money of the Company may, subject to any contrary resolution adopted by the Board from time to time, be signed by the CEO, the President or any other officer as may be authorized by the Board.

9.2 CONTRACTS.

The Board may in any instance designate the officer and/or agent who shall have authority to execute any contract, conveyance, mortgage or other instrument on behalf of the Company, or may ratify or confirm any execution. When the execution of any instrument has been authorized without specification of the executing officers or agents, the CEO or President may execute the same in the name and on behalf of the Company and may affix the corporate seal thereto.

X.
RECORDS

10.1 MAINTENANCE.

The proper officers and agents of the Company shall keep and maintain such books, records and accounts of the Company's business and affairs, minutes of the proceedings of its Shareholders, Board and committees, if any, and such stock ledgers and lists of Shareholders, as the Board shall deem advisable, and as shall be required by the laws of Pennsylvania and other states or jurisdictions empowered to impose such requirements. Books, records and minutes may be kept within or without Pennsylania in a place which the Board shall determine.

10.2 RELIANCE.

In discharging his or her duties, a director or an officer of the Company, when acting in good faith, may rely upon information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by (a) one or more directors, officers, or employees of the Company, or of a business organization under joint control or common control, whom the director or officer reasonably believes to be reliable and competent in the matters presented, (b) legal counsel, public accountants, engineers, or other persons as to matters the director or officer reasonably believes are within the person's professional or expert competence, or (c) a committee of the board of which he or she is not a member if the director or officer reasonably believes the committee merits confidence. A director or officer may not rely on any information if he or she has knowledge concerning the matter that makes reliance otherwise permitted unwarranted.

XI.
INDEMNIFICATION

11.1 PERSONAL.

Subject to all of the other provisions of this Article XI, the Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (other than an action by or in the right of the Company) by reason that the person is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer, partner, trustee, employee, or agent of another entity or enterprise, against expenses (including reasonable attorneys' fees), judgments, penalties and amounts paid in settlement reasonably incurred by him or her in connection with such action, suit or proceeding, if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Company or the Shareholders, and, with respect to any criminal action or proceeding, if the person had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Company or the Shareholders, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

11.2 DERIVATIVE.

Subject to all of the provisions of this Article XI, the Company shall indemnify any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that the person is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, whether for profit or not,

against expenses (including attorneys' fees) and amounts paid in settlement reasonably incurred by the person in connection with such action or suit, if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Company or the Shareholders. However, indemnification shall not be made for any claim, issue or matter in which such person has been found liable to the Company unless and only to the extent that the court in which such action or suit was brought has determined upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for the reasonable expenses incurred.

11.3 EXPENSES.

To the extent that a person has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 11.1 or 11.2 of these Bylaws, or in defense of any claim, issue or matter in the action, suit or proceeding, the person shall be indemnified against actual and reasonable expenses (including attorneys' fees) incurred by such person in connection with the action, suit or proceeding and any action, suit or proceeding brought to enforce the mandatory indemnification provided by this Section 11.3.

11.4 DEFINITIONS.

For purposes of Sections 11.1 and 11.2, "other enterprises" shall include employee benefit plans; "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and "serving at the request of the Company" shall include any service as a director, officer, employee, or agent of the Company that imposes duties on, or involves services by, the director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner the person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be considered to have acted in a manner "not opposed to the best interests of the Company or the Shareholders".

11.5 PARAMETERS.

The right to indemnification conferred in this Article XI shall be a contract right, and shall apply to services of a director or officer as an employee or agent of the Company as well as in such person's capacity as a director or officer. Except as provided in Section 11.3 of these Bylaws, the Company shall have no obligations under this Article XI to indemnify any person in connection with any proceeding, or part thereof, initiated by him or her without Board authorization.

11.6 DETERMINATION.

Any indemnification under Section 11.1 or 11.2 of these Bylaws (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the person is proper in the circumstances because the person has met the applicable standard of conduct set forth in Section 11.1 or 11.2, whichever is applicable, and upon an evaluation of the reasonableness of expenses and amount paid in settlement. Such determination and evaluation shall be made in any of the following ways:

(a) By a majority vote of a quorum of the Board consisting of directors who are not parties or threatened to be made parties to such proceeding.

(b) If the quorum described in clause (a) above is not obtainable, then by a majority vote of a committee of directors duly designated by the Board and consisting solely of two or more directors who are not at the time parties or threatened to be made parties to the proceeding.

(c) By independent legal counsel in a written opinion, so long as such counsel is selected (i) by the Board or its committee in the manner prescribed in subparagraph (a) or (b), or (ii) if a

quorum of the Board cannot be obtained under subparagraph (a) and a committee cannot be designated under subparagraph (b), by the Board.

(d) By the Shareholders, but Shares held by directors or officers who are parties or threatened to be made parties to the action, suit or proceeding may not be voted.

11.7 PROPORTIONALITY.

If a person is entitled to indemnification under Section 11.1 or 11.2 of these Bylaws for a portion of expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount thereof, the Company shall indemnify the person for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the person is entitled to be indemnified.

11.8 ADVANCES.

The Company may pay or reimburse the reasonable expenses incurred by a person referred to in Section 11.1 or 11.2 of these bylaws who is a party or threatened to be made a party to an action, suit, or proceeding in advance of final disposition of the proceeding if (a) the person furnishes the Company a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct set forth in Section 11.1 or 11.2, (b) the person furnishes the Company a written undertaking executed to personally repay the advance if it is ultimately determined that he or she did not meet the standard of conduct, (c) the authorization of payment is made in the manner specified in Section 11.6, and (d) a determination is made that the facts then known to those making the determination would not preclude indemnification under Section 11.1 or 11.2. The undertaking shall be a general obligation of the person, but need not be secured.

11.9 SCOPE.

The indemnification or advancement of expenses provided under this Article XI is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under a contractual arrangement with the Company. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses.

11.10 AGENTS.

The Company may, to the extent authorized from time to time by the Board, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Company to the fullest extent of the provisions of this Article XI with respect to the indemnification and advancement of expenses of directors and officers of the Company.

11.11 SUCCESSION.

The indemnification provided in this Article XI continues as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her successors.

11.12 INSURANCE.

The Company may buy and maintain insurance on behalf of any person who is or was a director, officer, partner, trustee, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another entity or enterprise against any liability asserted against the person and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Company would have power to indemnify the person against such liability under these Bylaws or the laws of Pennsylvania.

11.13 LEGISLATION.

Upon any change of the Pennsylvania statutory provisions relating to the subject matter of this Article XI, the indemnification to which any person shall be entitled hereunder shall be determined by such changed provisions, but only to the extent that any such change permits the Company to provide broader indemnification rights than before any such change. Subject to Section 11.14, the Board may amend these Bylaws to conform to any such changed statutory provisions.

11.14 AMENDMENT.

No amendment or repeal of this Article XI shall apply to any director or officer of the Company for or with respect to any prior acts or omissions of such director or officer.

XII.
AMENDMENT

The Bylaws of the Company may be amended, altered or repealed, in whole or in part, by the Shareholders or by the Board at any meeting duly held in accordance with these Bylaws.

QuickLinks

Exhibit 3.90

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU

Certificate of Amendment—Domestic
(15 Pa.C.S.)

Entity Number
682514

☒ Limited Partnership (§ 8512)

☐ Limited Liability Company (§ 8951)

Name
James D. Kraus, Esq. Buckingham, Doolittle & Burroughs, LLP

Document will be returned to the name and address you enter to the left

Address
50 S. D4ain Street, P. O. Box 1500

City	State	Zip Code
Akron	Ohio	44309-1500

Fee: $52

Filed in the Department of State on March 04 2002

In compliance with the requirements of the applicable provisions (relating to certificate of amendment), the undersigned, desiring to amend its Certificate of Limited Partnership/Organization, hereby certifies that:

1. The name of the limited partnership/limited liability company is:

Pavillion North, a Limited Partnership

2. The date of filing of the original Certificate of Limited Partnership/Organization:

February 9, 1972

3. Check, and if appropriate complete, one of the following:

☐ The amendment adopted by the limited partnership/limited liability company, set forth in full, is as follows:

☒ The amendment adopted by the limited partnership/limited liability company is set forth in full in Exhibit A attached hereto and made a part hereof.

4. Check, and if appropriate complete, one of the following:

☒ The amendment shall be effective upon filing this Certificate of Amendment in the Department of State.

☒ The amendment shall be effective on: _____ at _____ ..

Date Hour

5. Check if the amendment restates the Certificate of Limited Partnership/Organization:

☒ The restated Certificate of Limited Partnership/Organization supersedes the original Certificate of Limited Partnership/Organization and all previous amendments thereto.

IN TESTIMONY WHEREOF, the undersigned limited partnership/limited liability company has caused this Certificate of Amendment to be executed this 20th day of December 2001.

Pavillion North, a Limited Partnership

Name of Limited Partnership/Limited Liability Company

/s/ A.M. WIGGINS, JR.

Signature

Vice President

Title

Pavillion Nursing Center, North, Inc. General Partner

"EXHIBIT A"

The name and business address of the General Partner of the Partnership are as follows:

Pavillion Nursing Center North, Inc., a Pennsylvania corporation, with its principal place of business at 9800 Old Perry Highway, Wexford, Allegheny County, Pennsylvania 15090.

FIRST
AMENDED AND RESTATED
CERTIFICATE OF LIMITED PARTNERSHIP
OF PAVILLION NORTH, A LIMITED PARTNERSHIP

We, the undersigned, desiring to continue a limited partnership pursuant to the Pennsylvania Revised Uniform Limited Partnership Act ("Act"), state as follows:

WHEREAS, the General and Limited Partners of Pavillion North, a Limited Partnership (the "Partnership") organized pursuant to the Pennsylvania Limited Partnership Act of April 12, 1917, P.L. 55, as amended ("Prior Act") having executed an original Certificate of Limited Partnership on January 27, 1972 and having caused same to be filed with the Recorder of Deeds of Allegheny County, Pennsylvania on February 9, 1972, recorded in Limited Partnership Volume 15, Page 423; and

WHEREAS, on August 22, 1978, a First Amendment to Certificate of Limited Partnership was executed by the then current Partners of the Partnership and duly recorded; and

WHEREAS, on July 20, 1979, a Second Amendment to Certificate of Limited Partnership was executed by the then current Partners of the Partnership and duly recorded; and

WHEREAS, on November 3, 1980, a Third Amendment to Certificate of Limited Partnership was executed by the then current Partners of the Partnership and duly recorded; and

WHEREAS, on March 30, 1984, a Fourth Amendment to Certificate of Limited Partnership was executed by the then current Partners of the Partnership and duly recorded; and

WHEREAS, the Partners now desire to file a First Amended and Restated Certificate of Limited Partnership to reflect the terms and provisions of the First Amended and Restated Agreement of Limited Partnership dated as of December 13, 1993;

NOW, THEREFORE, the undersigned hereby certify as follows:

1. The name of the Partnership shall remain as Pavillion North, a Limited Partnership.

2. The registered office of the Partnership shall be 9800 Old Perry Highway, Wexford, Pennsylvania 15090.

3. The names and business addresses of each General Partner of the Partnership are as follows:

General Partners: Pavillion Nursing Center North, Inc. c/o Emery Medical Management Co. 26055-A Emery Road Cleveland, OH 44128-5780

and

Hollis J. Garfield

c/o Wiggins/Garfield Associates One Bigelow Square, Suite 2000 Pittsburgh, PA 15219-3030

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the dates set opposite their signatures below.

PAVILLION NURSING CENTER NORTH, INC.

Dated: 3/1/94 By: /s/ A.M. WIGGINS, JR.

Vice President Title

Dated: 3/1/94 /s/ HOLLIS J. GARFIELD

Hollis J. Garfield

"GENERAL PARTNERS"

QuickLinks

PENNSYLVANIA DEPARTMENT OF STATE CORPORATION BUREAU

Exhibit 5.1

Powell Goldstein LLP
One Atlantic Center—Fourteenth Floor
1201 West Peachtree Street, NW
Atlanta, GA 30309-3488

February 24, 2006

Omega Healthcare Investors, Inc.
9690 Deereco Road
Suite 100
Timonium, Maryland 21093

Re: Registration Statement on Form S-4 filed by Omega Healthcare Investors, Inc.

Ladies and Gentlemen:

In connection with the above-captioned Registration Statement on Form S-4 (the "Registration Statement") filed by Omega Healthcare Investors, Inc., a Maryland corporation (the "Company"), and certain of its subsidiaries named therein (collectively, the "Guarantors") with the Securities and Exchange Commission (the "Commission") on February 24, 2006 under the Securities Act of 1933, as amended (the "Act"), we have been requested to render our opinion with respect to the offering (the "Exchange Offer") of up to $175,000,000 in aggregate principal amount of the registered 7% Senior Notes due 2016 (the "Exchange Notes") of the Company in exchange for all of the outstanding unregistered 7% Senior Notes due 2016 (the "Initial Notes") of the Company. The Exchange Notes will be issued pursuant to the Indenture dated as of December 30, 2005, among the Company, the Guarantors and U.S. Bank National Association, as trustee (the "Trustee"). The Exchange Notes will be unconditionally guaranteed (the "Exchange Guarantees") by the Guarantors.

In rendering this opinion, we have examined such corporate records, documents, certificates and instruments as we have deemed necessary for purposes of this opinion. We have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents.

This opinion is limited to the Maryland General Corporation Law, the laws of the State of New York, and the federal laws of the United States, and we do not express any opinions herein concerning any other law. While our Firm does not maintain an office or an active practice in the State of New York, a member of our Firm is admitted to the Bar of the State of New York, and has reviewed this opinion letter and, to the extent the opinions expressed herein relate to the laws of the State of New York, we advise you that we have, with your permission, considered only those laws of the State of New York that are typically applicable to transactions similar to the transactions contemplated by the Indenture and the Exchange Guarantees, and we express no opinion with respect to any other laws of the State of New York. Except as otherwise indicated herein, we have not undertaken any independent investigation of factual matters.

Based upon the foregoing, and in reliance thereon, and subject to the assumptions, limitations and qualifications stated herein, we are of the opinion that upon exchange of the Initial Notes as contemplated by the prospectus constituting part of the Registration Statement, the Exchange Notes will constitute valid and legally binding obligations of the Company and the Exchange Guarantees will constitute valid and legally binding obligations of the Guarantors, enforceable against the Company and each such Guarantor, respectively, in accordance with their terms except as enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization or other laws of general applicability relating to or affecting creditors' rights and general principles of equity.

We consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement and to the reference to our firm under the heading "Legal Matters" in the prospectus constituting part of the

Registration Statement. Our consent to such reference does not constitute a consent under Section 7 of the Act and in consenting to such reference we have not certified any part of the Registration Statement and do not otherwise come within the categories of persons whose consent is required under Section 7 or under the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ POWELL GOLDSTEIN LLP

Powell Goldstein LLP

Exhibit 12.1

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges on a reported basis for the periods indicated. Earnings consist of income (loss) from continuing operations plus fixed charges. Fixed charges consist of interest expense and amortization of deferred financing costs. We have calculated the ratio of earnings to fixed charges by adding net income (loss) from continuing operations to fixed charges and dividing that sum by such fixed charges.

RATIO OF EARNINGS TO FIXED CHARGES	Year Ended December 31,				
	2001	2002	2003	2004	2005
(Loss) income from continuing operations	$ (22,253)	$ (4,335)	$ 27,396	$ 10,069	$ 30,151
Interest expense	33,204	34,381	23,388	44,008	34,771
Income before fixed charges	$ 10,951	$ 30,046	$ 50,784	$ 54,077	$ 64,922
Interest expense	$ 33,204	$ 34,381	$ 23,388	$ 44,008	$ 34,771
Total fixed charges	$ 33,204	$ 34,381	$ 23,388	$ 44,008	$ 34,771
Earnings / fixed charge coverage ratio	*	*	**2.2x**	**1.2x**	**1.9x**

* Our earnings were insufficient to cover fixed charges by $22,253 and $4,335 in 2001 and 2002, respectively. In addition, our ratio of earnings to fixed charges has been revised to reflect the impact of the implementation of the Statement of Accounting Standard No. 144, *Accounting for the Impairment and Disposal of Long-Lived Assets*.

QuickLinks

Exhibit 12.2

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our ratio of earnings to combined fixed charges and preferred stock dividends on a reported basis for the periods indicated. Earnings consist of income (loss) from continuing operations plus fixed charges. Fixed charges consist of interest expense and amortization of deferred financing costs. We have calculated the ratio of earnings to combined fixed charges and preferred stock dividends by adding net income (loss) from continuing operations to fixed charges and dividing that sum by such fixed charges plus preferred dividends, irrespective of whether or not such dividends were actually paid.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	Year Ended December 31,				
	2001	2002	2003	2004	2005
(Loss) income from continuing operations	$ (22,253)	$ (4,335)	$ 27,396	$ 10,069	$ 30,151
Interest expense	33,204	34,381	23,388	44,008	34,771
Income before fixed charges	$ 10,951	$ 30,046	$ 50,784	$ 54,077	$ 64,922
Interest expense	$ 33,204	$ 34,381	$ 23,388	$ 44,008	$ 34,771
Preferred stock dividends	19,994	20,115	20,115	15,807	11,385
Total fixed charges and preferred dividends	$ 53,198	$ 54,496	$ 43,503	$ 59,815	$ 46,156
Earnings / combined fixed charges and preferred dividends coverage ratio	*	*	**1.2x**	*	**1.4x**

* Our earnings were insufficient to cover combined fixed charges and preferred stock dividends by $42,247, $24,450 and $5,738 in 2001, 2002 and 2004, respectively. In addition, our ratio of earnings to combined fixed charges and preferred dividends has been revised to reflect the impact of the implementation of the Statement of Accounting Standard No. 144, *Accounting for the Impairment and Disposal of Long-Lived Assets* .

QuickLinks

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4 No. 333-00000) and related Prospectus of Omega Healthcare Investors, Inc. for the registration of $175,000,000 7% Senior Notes due 2016 and to the use of our reports included therein dated February 17, 2006, with respect to the consolidated financial statements and schedules of Omega Healthcare Investors, Inc., Omega Healthcare Investors, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Omega Healthcare Investors, Inc.

/s/ Ernst & Young LLP

McLean, Virginia
February 22, 2006

QuickLinks

Exhibit 25

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER
THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE
Check if an Application to Determine Eligibility of
a Trustee Pursuant to Section 305(b)(2)

U.S. BANK NATIONAL ASSOCIATION

(Exact name of Trustee as specified in its charter)

31-0841368
I.R.S. Employer Identification No.

800 Nicollet Mall **Minneapolis, Minnesota** (Address of principal executive offices)	**55402** (Zip Code)

Betty G. Bain
U.S. Bank National Association
1360 Peachtree Street, NE, Suite 1105
Atlanta, GA 30309
(404) 965-7229
(Name, address and telephone number of agent for service)

Omega Healthcare Investors, Inc.
(Issuer with respect to the Securities)

Maryland (State or other jurisdiction of incorporation or organization)	**38-3041398** (I.R.S. Employer Identification No.)
9690 Deereco Road, Suite 100 **Timonium, Maryland** (Address of Principal Executive Offices)	**21093** (Zip Code)

7% Senior Notes due 2016
(Title of the Indenture Securities)

FORM T-1

Item 1. **GENERAL INFORMATION.** Furnish the following information as to the Trustee.

a) *Name and address of each examining or supervising authority to which it is subject.*

Comptroller of the Currency
Washington, D.C.

b) *Whether it is authorized to exercise corporate trust powers.*

Yes

Item 2. **AFFILIATIONS WITH OBLIGOR.** *If the obligor is an affiliate of the Trustee, describe each such affiliation.*

None

Items 3-15 *Items 3-15 are not applicable because to the best of the Trustee's knowledge, the obligor is not in default under any Indenture for which the Trustee acts as Trustee.*

Item 16. **LIST OF EXHIBITS:** *List below all exhibits filed as a part of this statement of eligibility and qualification.*

1. A copy of the Articles of Association of the Trustee.*
2. A copy of the certificate of authority of the Trustee to commence business.*
3. A copy of the certificate of authority of the Trustee to exercise corporate trust powers.*
4. A copy of the existing bylaws of the Trustee.*
5. A copy of each Indenture referred to in Item 4. Not applicable.
6. The consent of the Trustee required by Section 321(b) of the Trust Indenture Act of 1939, attached as Exhibit 6.
7. Report of Condition of the Trustee as of September 30, 2005 published pursuant to law or the requirements of its supervising or examining authority, attached as Exhibit 7.

* Incorporated by reference to the exhibit of the same number to the Form T-1 filed with the registration statement number 333-67188.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the Trustee, U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Atlanta, State of Georgia, on the 24th of February, 2006.

By: /s/ BETTY G. BAIN

Betty G. Bain
Vice President

By: /s/ J. DAVID DEVER

J David Dever
Vice President

Exhibit 6

CONSENT

In accordance with Section 321(b) of the Trust Indenture Act of 1939, the undersigned, U.S. BANK NATIONAL ASSOCIATION hereby consents that reports of examination of the undersigned by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Dated: February 24, 2006

By: /s/ BETTY G. BAIN

Betty G. Bain
Vice President

By: /s/ J. DAVID DEVER

J. David Dever
Vice President

Exhibit 7

U.S. Bank National Association
Statement of Financial Condition
As of 9/30/2005
($000's)

		9/30/2005
Assets		
Cash and Due From Depository Institutions	$	6,913,461
Securities		41,305,628
Federal Funds		3,300,808
Loans & Lease Financing Receivables		132,797,940
Fixed Assets		1,767,618
Intangible Assets		10,366,321
Other Assets		10,215,546
Total Assets	**$**	**206,667,322**
Liabilities		
Deposits	$	130,337,423
Fed Funds		17,257,962
Treasury Demand Notes		0
Trading Liabilities		176,079
Other Borrowed Money		25,506,397
Acceptances		85,177
Subordinated Notes and Debentures		6,661,982
Other Liabilities		5,968,944
Total Liabilities	**$**	**185,993,964**
Equity		
Minority Interest in Subsidiaries	$	1,029,440
Common and Preferred Stock		18,200
Surplus		11,804,040
Undivided Profits		7,821,678
Total Equity Capital	**$**	**20,673,358**
Total Liabilities and Equity Capital	**$**	**206,667,322**

To the best of the undersigned's determination, as of the date hereof, the above financial information is true and correct.

U.S. Bank National Association

By: /s/ BETTY G. BAIN

Vice President

Date: February 24, 2006

Exhibit 99.1

OMEGA HEALTHCARE INVESTORS, INC.

OFFER TO EXCHANGE REGISTERED
7% SENIOR NOTES DUE 2016
FOR ANY AND ALL OUTSTANDING
UNREGISTERED 7% SENIOR NOTES DUE 2016

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON
2006, UNLESS EXTENDED (THE "EXPIRATION DATE")

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

Omega Healthcare Investors, Inc., ("we" or the "Company") are offering, upon the terms and subject to the conditions set forth in the prospectus dated , 2006 (as, the same maybe amended or supplemented from time to time, the "Prospectus"), to exchange (the "Exchange Offer") up to $175,000,000 aggregate principal amount of our 7% Senior Notes Due 2016 (the "Exchange Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of our outstanding 7% Senior Notes Due 2016 (the "Initial Notes"). The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement, dated December 30, 2005, by and among the Company, substantially all of the subsidiaries of the Company and the initial purchasers referred to therein. As set forth in the Prospectus, the terms of the Exchange Notes are identical in all material respects to the Initial Notes, except that the Exchange Notes have been registered under the Securities Act and therefore (1) will not be subject to certain restrictions on their transfer, (2) will not be entitled to registration rights and (3) will not contain provisions providing for an increase in the interest rate thereon under the circumstances set forth in the Registration Rights Agreement as described in the Prospectus.

The Exchange Offer is not conditioned on any minimum aggregate principal amount of Initial Notes being tendered, except that the Initial Notes may be tendered only in a principal amount of $1,000 and integral multiples of $1,000.

The Exchange Offer is subject to the conditions described in the section entitled "The Exchange Offer—Conditions of the Exchange Offer" of the Prospectus. Notwithstanding any other provisions of the Exchange Offer, or any extension of the Exchange Offer, the Company will not be required to accept for exchange, or to exchange any Exchange Notes for, any Initial Notes and may terminate the Exchange Offer (whether or not any Initial Notes have been accepted for exchange) or may waive any conditions to or amend the Exchange Offer, if any of the conditions described in the Prospectus under "The Exchange Offer—Conditions of the Exchange Offer" have occurred or exist or have not been satisfied.

We are requesting that you contact your clients for whom you hold Initial Notes regarding the Exchange Offer. Enclosed herewith for your information and forwarding to your clients for whom you hold Initial Notes registered in your name or in the name of your nominee, or who hold Initial Notes registered in their own names, are copies of the following documents:

1. The Prospectus, dated , 2006;

2. A form of letter which may be sent to your clients for whose accounts you hold Initial Notes registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer; and

3. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9.

Your prompt action is requested. Please note the Exchange Offer will expire at 5:00 p.m., New York City time, on , 2006, unless extended. Please furnish copies of the enclosed materials

to those of your clients for whom you hold Initial Notes registered in your name or in the name of your nominee as quickly as possible.

Depository Trust Company ("DTC") participants will be able to execute tenders through the DTC Automated Tender Offer Program.

In all cases (other than with respect to the guaranteed delivery procedures described below), exchanges of Initial Notes pursuant to the Exchange Offer will be made only after the Exchange Agent (as defined in the Prospectus) receives the following documents by 5:00 p.m., New York City time, on the Expiration Date: (1) a book-entry confirmation (as defined in the Prospectus), (2) an agent's message (as defined in the Prospectus) and (3) any other required documents.

We are not making the Exchange Offer to, nor will we accept tenders from or on behalf of, holders of Initial Notes residing in any jurisdiction in which the making of the Exchange Offer or the acceptance of tenders would not be in compliance with the laws of such jurisdiction.

We will not make any payments to brokers, dealers or other persons for soliciting acceptances of the Exchange Offer. We will, however, upon request, reimburse you for customary clerical and mailing expenses incurred by you in forwarding any of the enclosed materials to your clients. We will pay or cause to be paid any transfer taxes payable on the transfer of Initial Notes to us, except as otherwise provided in the Prospectus.

Questions and requests for assistance with respect to the Exchange Offer or for copies of the Prospectus may be directed to the Exchange Agent at its numbers and address set forth in the Prospectus.

Very truly yours,

OMEGA HEALTHCARE INVESTORS, INC.

Nothing contained in this letter or in the enclosed documents shall establish you or any other person as an agent of the Company, an affiliate of the Company or the Exchange Agent, or authorize you or any other person to make any statements or use any document on behalf of any of them in connection with the Exchange Offer other than the enclosed documents and the statements contained therein.

QuickLinks

Exhibit 99.2

OMEGA HEALTHCARE INVESTORS, INC.

OFFER TO EXCHANGE REGISTERED
7% SENIOR NOTES DUE 2016
FOR ANY AND ALL OUTSTANDING
UNREGISTERED 7% SENIOR NOTES DUE 2016

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M. NEW YORK CITY TIME, ON , 2006, UNLESS EXTENDED (THE "EXPIRATION DATE").

To Our Clients:

Enclosed for your consideration is a prospectus dated , 2006 (as the same may be amended or supplemented from time to time, the "Prospectus") relating to the offer (the "Exchange Offer") by Omega Healthcare Investors, Inc., a Maryland corporation (the "Company") to exchange an aggregate principal amount of up to $175,000,000 of its 7% Senior Notes due 2016 (the "Exchange Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of its outstanding 7% Senior Notes due 2016 (the "Initial Notes"). The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement, dated December 30, 2005, by and among the Company, substantially all of the subsidiaries of the Company and the initial purchasers referred to therein. As set forth in the Prospectus, the terms of the Exchange Notes are identical in all material respects to the Initial Notes, except that the Exchange Notes have been registered under the Securities Act and therefore (1) will not be subject to certain restrictions on their transfer, (2) will not be entitled to registration rights and (3) will not contain provisions providing for an increase in the interest rate thereon under the circumstances set forth in the Registration Rights Agreement as described in the Prospectus. Initial Notes may be tendered in a principal amount of $1,000 and integral multiples of $1,000.

We are forwarding the enclosed materials to you as the beneficial owner of Initial Notes held by us for your account or benefit but not registered in your name. We may tender Initial Notes in the Exchange Offer as the registered holder only if you so instruct us. Therefore, the Company urges you, as a beneficial owner of Initial Notes registered in our name, to contact us promptly if you wish to exchange Initial Notes in the Exchange Offer.

Accordingly, we request instructions as to whether you wish us to exchange any or all Initial Notes held by us for your account or benefit pursuant to the terms and conditions set forth in the Prospectus. We urge you to read carefully the Prospectus before instructing us to exchange your Initial Notes.

You should forward instructions to us as promptly as possible in order to permit us to exchange Initial Notes on your behalf in accordance with the terms of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., New York City time, on , 2006, unless extended (the "Expiration Date"). A tender of Initial Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

We call your attention to the following:

1. The Exchange Offer is for the exchange of $1,000 principal amount of Exchange Notes for each $1,000 principal amount of Initial Notes. $175,000,000 aggregate principal amount of the 7% Senior Notes due 2016 are outstanding as of the date of the Prospectus.

2. Based upon interpretations by the staff of the Securities and Exchange Commission (the "SEC") set forth in no action letters issued to unrelated third parties in other transactions, Exchange Notes issued pursuant to the Exchange Offer in exchange for Initial Notes may be offered for resale, resold and otherwise transferred by a holder thereof (other than a holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act

or a "broker" or "dealer" registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holder's business and such holder has not engaged in, does not intend to engage in, and has no arrangement or understanding with any person to participate in, the distribution of such Exchange Notes. See "Shearman & Sterling," SEC No-Action Letter (available July 2, 1993), "Morgan Stanley & Co., Inc.," SEC No-Action Letter (available June 5, 1991) and "Exxon Capital Holding Corporation," SEC No-Action Letter (available May 13, 1988). Accordingly, each broker or dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus meeting the requirements of the Securities Act, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

3. The Exchange Offer is subject to the conditions described in the section entitled "The Exchange Offer—Conditions to the Exchange Offer" of the Prospectus. Notwithstanding any other provisions of the Exchange Offer, or any extension of the Exchange Offer, the Company will not be required to accept for exchange, or to exchange any Exchange Notes for, any Initial Notes and may terminate the Exchange Offer (whether or not any Initial Notes have been accepted for exchange) or may waive any conditions to or amend the Exchange Offer, if any of the conditions described under "The Exchange Offer—Conditions of the Exchange Offer" in the Prospectus have occurred or exist or have not been satisfied.

4. The Exchange Offer is not conditioned on any minimum aggregate principal amount of Initial Notes being tendered. The Exchange Notes will be exchanged for the Initial Notes at the rate of $1,000 principal amount of Initial Notes.

5. The Company has agreed to pay certain of the expenses of the Exchange Offer, and will pay any transfer taxes incident to the transfer of Initial Notes from the tendering holder to the Company, except as provided in the Prospectus.

The Company is not making the Exchange Offer to, nor will it accept tenders from or on behalf of, holders of Initial Notes residing in any jurisdiction in which the making of the Exchange Offer or the acceptance of tenders would not be in compliance with the laws of that jurisdiction.

If you wish us to tender any or all of your Initial Notes held by us for your account or benefit, please so instruct us by completing, executing and returning to us the attached instruction form.

INSTRUCTIONS

The undersigned acknowledge(s) receipt of your letter and the materials relating to the Exchange Offer enclosed with and referred to in your letter.

These instructions describe the procedure to tender for exchange, pursuant to the terms and conditions set forth in the Prospectus, the aggregate principal amount of Initial Notes indicated below or, if no aggregate principal amount is indicated below, all Initial Notes held by you for the account or benefit of the undersigned.

The undersigned expressly agree(s) to be bound by the terms and subject to the conditions of the Prospectus and that such terms and conditions may be enforced against the undersigned, unless your instructions are withdrawn timely.

If the undersigned instruct(s) you to tender Initial Notes held by you for the account of the undersigned, it is understood that you are authorized to make, on behalf of the undersigned (and the undersigned, by its signature below, hereby make(s) to you), the representations and warranties contained in the Prospectus that are to be made with respect to the undersigned as a beneficial owner, including but not limited to the representations that (i) the Exchange Notes acquired pursuant to the

Exchange Offer are being obtained in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the undersigned, (ii) neither the undersigned nor any other person has engaged in, intends to engage in, or has any arrangement or understanding with any person to participate in the distribution of such Exchange Notes, (iii) the undersigned is not an "affiliate," as defined under Rule 405 of the Securities Act, of the Company. If any of the undersigned is a broker or dealer that will receive Exchange Notes for its own account in exchange for Initial Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a copy of a prospectus in connection with any resale of the Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

☐ Please tender the Initial Notes held by you for my account as indicated below:

Aggregate principal amount of Initial Notes to be tendered for exchange: $ _____*

* I (we) understand that if I (we) sign this instruction form without indicating an aggregate principal amount of Initial Notes in the space above, all Initial Notes held by you for my (our) account will be tendered for exchange.

☐ Please do not tender any Initial Notes held by you for my account.

Signature(s): _____

Name(s) (Please type or print): _____

Tax Identification or Social Security Number(s): _____

Capacity (full title), if signing in a fiduciary or representative capacity: _____

_____

Telephone Number(s) (including area code): Address(es) (including zip code(s)): _____

Date: _____

_____

QuickLinks

Exhibit 99.3

Omega Healthcare Investors, Inc.
9690 Deereco Road, Suite 100
Timonium, Maryland 21093

LETTER OF TRANSMITTAL
For 7% Senior Notes due 2016

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2006 UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

Exchange Agent:

U.S. Bank National Association

By Facsimile:
(651) 495-8158

Confirm by Telephone:
(800) 934-6802

By Mail, Hand or Courier:
U.S. Bank National Association
60 Livingston Street
St. Paul, MN 55107
Attention: Specialty Finance Group

For information on other offices or agencies of the Exchange Agent where Notes may be presented for exchange, please call the telephone number listed above.

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL, INCLUDING THE INSTRUCTIONS TO THIS LETTER, CAREFULLY BEFORE CHECKING ANY BOX BELOW.

Capitalized terms used in this Letter of Transmittal and not defined herein shall have the respective meanings ascribed to them in the Prospectus.

List in Box 1 below the Original Notes of which you are the holder. If the space provided in Box 1 is inadequate, list the certificate numbers and principal amount at maturity of Original Notes on a separate signed schedule and affix that schedule to this Letter of Transmittal.

BOX 1
TO BE COMPLETED BY ALL TENDERING HOLDERS

Name(s) and Address(es) of Registered Holder(s) (Please fill in if blank)	Certificate Number(s)(1)	Principal Amount of Original Notes	Principal Amount of Original Notes Tendered(2)
	Totals:		

(1) Need not be completed if Original Notes are being tendered by book-entry transfer.

(2) Unless otherwise indicated, the entire principal amount of Original Notes represented by a certificate or Book-Entry Confirmation delivered to the Exchange Agent will be deemed to have been tendered.

The undersigned acknowledges receipt of the Prospectus, dated , 2006 (the "Prospectus"), of Omega Healthcare Investors, Inc. (the "Issuer"), Arizona Lessor—Infinia, Inc., Baldwin Health Center, Inc., Bayside Alabama Healthcare Second, Inc., Bayside Arizona Healthcare Associates, Inc., Bayside Arizona Healthcare Second, Inc., Bayside Colorado Healthcare Associates, Inc., Bayside Colorado Healthcare Second, Inc., Bayside Indiana Healthcare Associates, Inc., Bayside Street II, Inc., Bayside Street, Inc., Canton Health Care Land, Inc., Center Healthcare Associates, Inc., Cherry Street—Skilled Nursing, Inc., Colonial Gardens, LLC, Colorado Lessor—Conifer, Inc., Copley Health Center, Inc., Dallas Skilled Nursing, Inc., Delta Investors, I, LLC, Delta Investors II, LLC, Dixon Health Care Center, Inc., Florida Lessor—Crystal Springs, Inc., Florida Lessor—Emerald, Inc., Florida Lessor—Lakeland, Inc., Florida Lessor—Meadowview, Inc., Florida Lessor—West Palm Beach and Southpoint, Inc., Georgia Lessor—Bonterra/Parkview, Inc., Hanover House, Inc., Heritage Texarkana Healthcare Associates, Inc., House of Hanover, Ltd., Hutton I Land, Inc., Hutton II Land, Inc., Hutton III Land, Inc., Indiana Lessor—Jeffersonville, Inc., Indiana Lessor—Wellington Manor, Inc., Jefferson Clark, Inc., Lake Park Skilled Nursing, Inc., Leatherman 90-1, Inc., Leatherman Partnership 89-1, Inc., Leatherman Partnership 89-2, Inc., Long Term Care—Michigan, Inc., Long Term Care—North Carolina, Inc., Long Term Care Associates—Illinois, Inc., Long Term Care Associates—Indiana, Inc., Long Term Care Associates—Texas, Inc., Meridian Arms Land, Inc., NRS Ventures, LLC, OHI (Connecticut), Inc., OHI (Florida), Inc., OHI (Illinois), Inc., OHI (Indiana), Inc., OHI (Iowa), Inc., OHI (Kansas), Inc., OHI Asset (CA), LLC, OHI Asset (CT) Lender, LLC, OHI Asset (FL), LLC, OHI Asset (ID), LLC, OHI Asset (IN), LLC, OHI Asset (LA), LLC, OHI Asset (MI/NC), LLC, OHI Asset (MO), LLC, OHI Asset (OH) Lender, LLC, OHI Asset (OH) New Philadelphia, LLC, OHI Asset (OH), LLC, OHI Asset (PA), LLC, OHI Asset (PA) Trust, OHI Asset (TX), LLC, OHI Asset II (CA), LLC, OHI Asset II (OH), LLC, OHI Asset II (PA) Trust, OHI Asset II (TX), LLC, OHI Asset III (PA) Trust, OHI Asset, LLC, OHI of Kentucky, Inc., OHI of Texas, Inc., OHI Sunshine, Inc., OHIMA, Inc., Omega (Kansas), Inc., Omega Acquisition Facility I, LLC, Omega TRS I, Inc., Orange Village Care Center, Inc., OS Leasing Company, Parkview—Skilled Nursing, Inc., Pavillion North, LLP, Pavillion North Partners, Inc., Pavillion Nursing Center North, Inc., Pine Texarkana Healthcare Associates, Inc., Reunion Texarkana Healthcare Associates, Inc., San Augustine Healthcare Associates, Inc., Skilled Nursing—Gaston, Inc., Skilled Nursing—Herrin, Inc., Skilled Nursing—Hicksville, Inc., Skilled Nursing—Paris, Inc., South Athens Healthcare Associates, Inc., St. Mary's Properties, Inc., Sterling Acquisition Corp., Sterling Acquisition Corp. II, The Suburban Pavilion, Inc., Texas Lessor—Stonegate GP, Inc., Texas Lessor—Stonegate Limited, Inc., Texas Lessor—Stonegate,

L.P., Texas Lessor—Treemont, Inc., Washington Lessor—Silverdale, Inc., Waxahachie Healthcare Associates, Inc., West Athens Healthcare Associates, Inc., and Wilcare, LLC (collectively, excluding the Issuer, the "Guarantors"), and this Letter of Transmittal for 7% Senior Notes due 2016, which may be amended from time to time (as amended, this "Letter"), which together constitute the offer of the Issuer and the Guarantors (the "Exchange Offer") to exchange, for each $1,000 in principal amount of the Issuer' outstanding 7% Senior Notes due 2016 (the "Original Notes") issued and sold in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), $1,000 in principal amount of the Issuer's 7% Senior Notes due 2016 (the "Exchange Notes").

The undersigned has completed, executed and delivered this Letter to indicate the action he or she desires to take with respect to the Exchange Offer.

All holders of Original Notes who wish to tender their Original Notes must, on or prior to the Expiration Date: (1) complete, sign, date and mail or otherwise deliver this Letter or a facsimile of this Letter to the Exchange Agent, in person or at the address set forth above; and (2) tender his or her Original Notes or, if a tender of Original Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (the "Book-Entry Transfer Facility"), confirm such book-entry transfer (a "Book-Entry Confirmation"), in accordance with the procedures for tendering described in the Instructions to this Letter. Holders of Original Notes whose certificates are not immediately available, or who are unable to deliver their certificates or Book-Entry Confirmation and all other documents required by this Letter to be delivered to the Exchange Agent on or prior to the Expiration Date, must tender their Original Notes according to the guaranteed delivery procedures set forth under the caption "The Exchange Offers—How to Tender" in the Prospectus. (See Instruction 1)

The Instructions included with this Letter must be followed in their entirety. Questions and requests for assistance or for additional copies of the Prospectus or this Letter may be directed to the Exchange Agent, at the address listed above, or Omega Healthcare Investors, Inc., 9690 Deereco Road, Suite 100, Timonium, Maryland 21093, Attention: Chief Financial Officer (telephone (410) 427-1700).

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned tenders to the Issuer and the Guarantors the principal amount of Original Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Original Notes tendered with this Letter, the undersigned exchanges, assigns and transfers to, or upon the order of, the Issuer and the Guarantors all right, title and interest in and to the Original Notes tendered.

The undersigned constitutes and appoints the Exchange Agent as his or her agent and attorney-in-fact (with full knowledge that the Exchange Agent also acts as the agent of the Issuer and the Guarantors) with respect to the tendered Original Notes, with full power of substitution, to: (a) deliver certificates for such Original Notes; (b) deliver Original Notes and all accompanying evidence of transfer and authenticity to or upon the order of the Issuer upon receipt by the Exchange Agent, as the undersigned's agent, of the Exchange Notes to which the undersigned is entitled upon the acceptance by the Issuer and the Guarantors of the Original Notes tendered under the Exchange Offer; and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of the Original Notes, all in accordance with the terms of the Exchange Offer. The power of attorney granted in this paragraph shall be deemed irrevocable and coupled with an interest.

The undersigned hereby represents and warrants that he or she has full power and authority to tender, exchange, assign and transfer the Original Notes tendered hereby and to acquire Exchange Notes issuable upon exchange of the tendered Original Notes, and that, when the tendered Original Notes are accepted for exchange, the Issuer and the Guarantors will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claims. The undersigned will, upon request, execute and deliver any additional documents deemed by the Issuer to be necessary or desirable to complete the exchange, assignment and transfer of the Original Notes tendered.

The undersigned agrees that acceptance of any tendered Original Notes by the Issuer and the Guarantors and the issuance of Exchange Notes in exchange therefor shall constitute performance in full by the Issuer and Guarantors, as guarantors, of their respective obligations under the registration rights agreement, dated as of December 30, 2005, that the Issuer and the Guarantors entered into with the initial purchaser of the Original Notes (the "Registration Agreement") and that, upon the issuance of the Exchange Notes, the Issuer and the Guarantors will have no further obligations or liabilities under the Registration Agreement (except in certain limited circumstances). By tendering Original Notes, the undersigned certifies that (i) any Exchange Notes received by it will be acquired in the ordinary course of its business, (ii) it has no arrangement or understanding with any person or entity to participate in a distribution (within the meaning of the Securities Act) of the Exchange Notes, (iii) it is not an "affiliate" (within the meaning of Rule 405 under the Securities Act) of any of the Issuer or the Guarantors nor is it a broker-dealer that acquired Original Notes directly from such persons or, if it is an affiliate (as so defined) of such persons or a broker-dealer that acquired Original Notes directly from such persons, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable, and (iv) if it is not a broker-dealer, it is not engaged in, and does not intend to engage in, a distribution of the Exchange Notes.

The undersigned acknowledges that, if it is a broker-dealer that will receive Exchange Notes in exchange for Original Notes that were acquired for its own account as a result of market-making activities or other trading activities, it will deliver a prospectus in connection with any resale of such Exchange Notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned understands that the Issuer and the Guarantors may accept the undersigned's tender by delivering written notice of acceptance to the Exchange Agent, at which time the undersigned's right to withdraw such tender will terminate.

All authority conferred or agreed to be conferred by this Letter shall survive the death or incapacity of the undersigned, and every obligation of the undersigned under this Letter shall be binding upon the undersigned's heirs, legal representatives, successors, assigns, executors and administrators of the undersigned. Tenders may be withdrawn only in accordance with the procedures set forth in the Instructions included with this Letter.

Unless otherwise indicated under "Special Delivery Instructions" below, the Exchange Agent will deliver Exchange Notes (and, if applicable, a certificate for any Original Notes not tendered but represented by a certificate also encompassing Original Notes which are tendered) to the undersigned at the address set forth in Box 1.

The undersigned acknowledges that the Exchange Offer is subject to the more detailed terms set forth in the Prospectus and, in case of any conflict between the terms of the Prospectus and this Letter, the Prospectus shall prevail.

☐ **CHECK HERE IF TENDERED ORIGINAL NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution: _____

Account Number: _____

Transaction Code Number: _____

☐ **CHECK HERE IF TENDERED ORIGINAL NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:**

Name(s) of Registered Owner(s): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Window Ticket Number (if available): _____

Name of Institution which Guaranteed Delivery: _____

☐ **CHECK HERE IF YOU ARE AN "AFFILIATE" (WITHIN THE MEANING OF RULE 405 UNDER THE SECURITIES ACT) OF ANY OF THE ISSUER OR THE GUARANTORS.**

Name: _____

☐ **CHECK HERE IF YOU ARE A BROKER-DEALER OR AN "AFFILIATE" (WITHIN THE MEANING OF RULE 405 UNDER THE SECURITIES ACT) OF ANY OF THE ISSUER OR THE GUARANTORS AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.**

Name: _____

Address: _____

_____

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

BOX 2

PLEASE SIGN HERE
WHETHER OR NOT ORIGINAL NOTES ARE BEING
PHYSICALLY TENDERED HEREBY

X _____ _____

X _____ _____

(Signature(s) of Owner(s) or Authorized Signatory) **(Date)**

Area Code and Telephone
Number: _____

This box must be signed by registered holder(s) of Original Notes as their name(s) appear(s) on certificate(s) for Original Notes, or by person(s) authorized to become registered holder(s) by endorsement and documents transmitted with this Letter. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below. (See Instruction 3)

Name(s): _____

_____

(Please Print)

Capacity: _____

Address(es): _____

_____

(Include Zip Code)

_____

Signature(s) Guaranteed
by an Eligible Institution: _____

(Authorized Signature)

(If required by Instruction 3)

_____

(Title)

_____

(Name of Firm)

BOX 3

TO BE COMPLETED BY ALL TENDERING HOLDERS

PAYOR'S NAME: U.S. Bank National Association

SUBSTITUTE **FORM W-9** **Department of the Treasury** **Internal Revenue Service**	**Part 1**—PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security Number or Employer Identification Number
	Part 2—Check the box if you are NOT subject to back-up withholding because (1) you have not been notified by the Internal Revenue Service that you are subject to back-up withholding as a result of failure to report all interest or dividends, or (2) the Internal Revenue Service has notified you that you are no longer subject to back-up withholding, or (3) you are exempt from back-up withholding. ☐	
Payor's Request for Taxpayer Identification Number (TIN) and Certification	CERTIFICATION—UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT AND COMPLETE.	**Part 3** Check if Awaiting TIN ☐

Signature: _____ Date: _____

BOX 4

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Original Notes in a principal amount not exchanged, or Exchange Notes, are to be issued in the name of someone other than the person whose signature appears in Box 2, or if Original Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue and deliver:
(check appropriate boxes)

☐ Original Notes not tendered

☐ Exchange Notes, to:

Name(s): _____

(Please Print)

Address(es): _____

Please complete the Substitute Form W-9 in Box 3 TIN or Social Security Number: _____

BOX 5

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Original Notes in a principal amount not exchanged, or Exchange Notes, are to be sent to someone other than the person whose signature appears in Box 2 or to an address other than that shown in Box 1.

Deliver:
(check appropriate boxes)

☐ Original Notes not Tendered

☐ Exchange Notes, to:

Name(s):

(Please Print)

Address(es):

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. **Delivery of this Letter and Certificates.** Certificates for Original Notes or a Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed copy of this Letter and any other documents required by this Letter, must be received by the Exchange Agent at its address set forth herein on or before the Expiration Date. The method of delivery of this Letter, certificates for Original Notes or a Book-Entry Confirmation, as the case may be, and any other required documents is at the election and risk of the tendering holder, but except as otherwise provided below, the delivery will be deemed made when actually received by the Exchange Agent. If delivery is by mail, the use of registered mail with return receipt requested, properly insured, is suggested.

Holders whose Original Notes are not immediately available or who cannot deliver their Original Notes or a Book-Entry Confirmation, as the case may be, and all other required documents to the Exchange Agent on or before the Expiration Date may tender their Original Notes pursuant to the guaranteed delivery procedures set forth in the Prospectus. Pursuant to such procedure: (i) tender must be made by or through a firm that is a member of a recognized signature guarantee medallion program within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934 (an "Eligible Institution"); (ii) on or prior to the Expiration Date, the Exchange Agent must have received from the Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by telegram, facsimile transmission, mail or hand delivery) (x) setting forth the name and address of the holder, the names in which the Original Notes are registered, the principal amount of Original Notes tendered and, if possible, the certificate numbers of the Original Notes to be tendered, (y) stating that the tender is being made thereby and (z) guaranteeing that within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery, the Original Notes, in proper form for transfer, will be delivered by the Eligible Institution together with this Letter, properly completed and duly executed, and any other required documents to the Exchange Agent; and (iii) the certificates for all tendered Original Notes or a Book-Entry Confirmation, as the case may be, as well as all other documents required by this Letter, must be received by the Exchange Agent within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in the Prospectus under the caption "The Exchange Offers—How to Tender—Guaranteed Delivery Procedure."

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Original Notes will be determined by the Issuer, whose determination will be final and binding. The Issuer reserves the absolute right to reject any or all tenders that are not in proper form or the acceptances for exchange of which may, in the opinion of counsel to the Issuer, be unlawful. The Issuer also reserves the right to waive any of the conditions of the Exchange Offer or any defect or irregularities in tenders of any particular holder of Original Notes whether or not similar defects or irregularities are waived in the cases of other holders of Original Notes. All tendering holders, by execution of this Letter, waive any right to receive notice of acceptance of their Original Notes.

None of the Issuer, the Exchange Agent nor any other person shall be obligated to give notice of defects or irregularities in any tender, nor shall any of them incur any liability for failure to give any such notice.

2. **Partial Tenders; Withdrawals.** If less than the entire principal amount of any Original Note evidenced by a submitted certificate or by a Book-Entry Confirmation is tendered, the tendering holder must fill in the principal amount tendered in the fourth column of Box 1 above. All of the Original

Notes represented by a certificate or by a Book-Entry Confirmation delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated. A certificate for Original Notes not tendered will be sent to the holder, unless otherwise provided in Box 5, as soon as practicable after the Expiration Date, in the event that less than the entire principal amount of Original Notes represented by a submitted certificate is tendered (or, in the case of Original Notes tendered by book-entry transfer, such non-exchanged Original Notes will be credited to an account maintained by the holder with the Book-Entry Transfer Facility).

If not yet accepted, a tender pursuant to the Exchange Offer may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To be effective with respect to the tender of Original Notes, a written or facsimile transmission notice of withdrawal must: (i) be received by the Exchange Agent at its address set forth above before 5:00 p.m., New York City time, on the Expiration Date; (ii) specify the person named in the applicable letter of transmittal as having tendered Original Notes to be withdrawn; (iii) specify the certificate numbers of Original Notes to be withdrawn; (iv) specify the principal amount of Original Notes to be withdrawn, which must be an authorized denomination; (v) state that the holder is withdrawing its election to have those Original Notes exchanged; (vi) state the name of the registered holder of those Original Notes; and (vii) be signed by the holder in the same manner as the original signature on the applicable letter of transmittal, including any required signature guarantees, or be accompanied by evidence satisfactory to the Issuer that the person withdrawing the tender has succeeded to the beneficial ownership of the Original Notes being withdrawn.

3. **Signatures on this Letter; Assignments; Guarantee of Signatures.** If this Letter is signed by the holder(s) of Original Notes tendered hereby, the signature must correspond with the name(s) as written on the face of the certificate(s) for such Original Notes, without alteration, enlargement or any change whatsoever.

If any of the Original Notes tendered hereby are owned by two or more joint owners, all owners must sign this Letter. If any tendered Original Notes are held in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are names in which certificates are held.

If this Letter is signed by the holder of record and (i) the entire principal amount of the holder's Original Notes are tendered; and/or (ii) untendered Original Notes, if any, are to be issued to the holder of record, then the holder of record need not endorse any certificates for tendered Original Notes, nor provide a separate bond power. If any other case, the holder of record must transmit a separate bond power with this Letter.

If this Letter or any certificate or assignment is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and proper evidence satisfactory to the Issuer of their authority to so act must be submitted, unless waived by the Issuer.

Signatures on this Letter must be guaranteed by an Eligible Institution, unless Original Notes are tendered: (i) by a holder who has not completed the Box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter; or (ii) for the account of an Eligible Institution. In the event that the signatures in this Letter or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantees must be by an eligible guarantor institution which is a member of The Securities Transfer Agents Medallion Program (STAMP), The New York Stock Exchanges Medallion Signature Program (MSP) or The Stock Exchanges Medallion Program (SEMP) (collectively, "Eligible Institutions"). If Original Notes are registered in the name of a person other than the signer of this Letter, the Original Notes surrendered for exchange must be endorsed by, or be accompanied by a written instrument or instruments of transfer or exchange, in satisfactory form as determined by the

Issuer, in their sole discretion, duly executed by the registered holder with the signature thereon guaranteed by an Eligible Institution.

4. **Special Issuance and Delivery Instructions.** Tendering holders should indicate, in Box 4 or 5, as applicable, the name and address to which the Exchange Notes or certificates for Original Notes not exchanged are to be issued or sent, if different from the name and address of the person signing this Letter. In the case of issuance in a different name, the tax identification number of the person named must also be indicated. Holders tendering Original Notes by book-entry transfer may request that Original Notes not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such holder may designate.

5. **Tax Identification Number.** Federal income tax law requires that a holder whose tendered Original Notes are accepted for exchange must provide the Exchange Agent (as payor) with his or her correct taxpayer identification number ("TIN"), which, in the case of a holder who is an individual, is his or her social security number. If the Exchange Agent is not provided with the correct TIN, the holder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, delivery to the holder of the Exchange Notes pursuant to the Exchange Offer may be subject to back-up withholding. (If withholding results in overpayment of taxes, a refund or credit may be obtained.) Exempt holders (including, among others, all corporations and certain foreign individuals) are not subject to these back-up withholding and reporting requirements. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 (the "Guidelines") for additional instructions.

Under federal income tax laws, payments that may be made by the Issuer and the Guarantors on account of Exchange Notes issued pursuant to the Exchange Offer may be subject to back-up withholding. In order to avoid being subject to back-up withholding, each tendering holder must provide his or her correct TIN by completing the "Substitute Form W-9" referred to above, certifying that the TIN provided is correct (or that the holder is awaiting a TIN) and that: (i) the holder has not been notified by the Internal Revenue Service that he or she is subject to back-up withholding as a result of failure to report all interest or dividends; (ii) the Internal Revenue Service has notified the holder that he or she is no longer subject to back-up withholding; or (iii) in accordance with the Guidelines, such holder is exempt from back-up withholding. If the Original Notes are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for information on which TIN to report.

6. **Transfer Taxes.** The Issuer and/or the Guarantors will pay all transfer taxes, if any, applicable to the transfer of Original Notes to them or their order pursuant to the Exchange Offer. If, however, the Exchange Notes or certificates for Original Notes not exchanged are to be delivered to, or are to be issued in the name of, any person other than the record holder, or if tendered certificates are recorded in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Original Notes to the Issuer and the Guarantors or their order pursuant to the Exchange Offer, then the amount of such transfer taxes (whether imposed on the record holder or any other person) will be payable by the tendering holder. If satisfactory evidence of payment of taxes or exemption from taxes is not submitted with this Letter, the amount of transfer taxes will be billed directly to the tendering holder.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the certificates listed in this Letter.

7. **Waiver of Conditions.** The Issuer reserve the absolute right to amend or waive any of the specified conditions in the Exchange Offer in the case of any Original Notes tendered.

8. **Mutilated, Lost, Stolen or Destroyed Certificates.** Any holder whose certificates for Original Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

9. **Requests for Assistance or Additional Copies.** Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus or this Letter, may be directed to the Exchange Agent.

IMPORTANT: This Letter (together with certificates representing tendered Original Notes or a Book-Entry Confirmation and all other required documents) must be received by the Exchange Agent on or before the Expiration Date of the Exchange Offer (as described in the Prospectus).

BOX 3 TO BE COMPLETED BY ALL TENDERING HOLDERS INSTRUCTIONS FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER