

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): January 29, 2004

OMEGA HEALTHCARE INVESTORS, INC.

(Exact name of registrant as specified in charter)

MARYLAND

1-11316

38-3041398

(State of incorporation)

(Commission File Number)

(IRS Employer
Identification No.)

9690 DEERECO ROAD, SUITE 100, TIMONIUM, MARYLAND 21093

(Address of principal executive offices / Zip Code)

410-427-1700

(Registrant's telephone number, including area code)

ITEM 12. Results of Operations and Financial Condition.

On January 29, 2004, Omega Healthcare Investors, Inc. (the "Company") issued a press release regarding its financial results for the quarter ended and year ended December 31, 2003. The Company's press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.

The information in this Current Report on Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, regardless of any general incorporation language in such filing.

SIGNATURES

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

OMEGA HEALTHCARE INVESTORS, INC.

Dated: January 29, 2004

By: /s/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
99.1	Press Release, dated January 29, 2004 of Omega Healthcare Investors, Inc.

PRESS RELEASE - FOR IMMEDIATE RELEASE

OMEGA ANNOUNCES 2003 FINANCIAL RESULTS AND
FFO OF \$0.20 PER SHARE FOR THE FOURTH QUARTER

TIMONIUM, MARYLAND - JANUARY 29, 2004 - Omega Healthcare Investors, Inc. (NYSE:OHI) today announced its results of operations for the quarter and fiscal year ended December 31, 2003. The Company also reported Funds From Operations ("FFO") on a diluted basis for the three months ended December 31, 2003 of \$11.0 million or \$0.20 per common share and \$43.9 million or \$0.80 per common share, respectively. The \$43.9 million of FFO for the year excludes the impact of \$8.9 million of non-cash impairment charges in accordance with the guidelines for the calculation and reporting of FFO issued by the National Association of Real Estate Investment Trusts ("NAREIT"). At December 31, 2003, the Company had 55.5 million diluted shares outstanding.

GAAP NET INCOME

After adjusting for the loss from discontinued operations of (\$2.1) million for the three months ended December 31, 2003, the Company reported net income available to common stockholders of \$154 thousand or \$0.00 per fully diluted common share on revenues of \$20.8 million. This compares to a net loss of (\$15.7) million or (\$0.42) per fully diluted common share for the same period in 2002. A breakout of discontinued operations is included in a schedule attached to this Press Release.

After adjusting for the loss from discontinued operations of (\$0.3) million for the twelve months ended December 31, 2003, the Company reported net income available to common stockholders of \$2.9 million or \$0.08 per diluted common share on revenues of \$86.3 million. This compares to a net loss of (\$34.8) million or (\$1.00) per diluted common share in 2002.

FOURTH QUARTER AND YEAR END RESULTS

Revenues, excluding nursing home revenues of owned and operated assets and one-time revenue items, for the three- and twelve-month periods ended December 31, 2003, totaled \$20.8 million and \$84.1 million, respectively, a decrease of \$3.1 million over the same periods in 2002. The decreases were primarily the result of operator restructurings during 2003, slightly offset by contractual lease escalations.

Expenses for the three and twelve months ended December 31, 2003 were \$12.7 million and \$63.6 million, respectively, versus \$29.6 million and \$139.9 million for the same periods in 2002. When excluding nursing home expenses of owned and operated assets, expenses were \$12.7 million and \$62.1 million, respectively, for the three and twelve months ended December 31, 2003 versus \$20.7 million and \$76.1 million for the same periods in 2002. The \$8.0 million favorable decrease in expenses for the three-month period resulted from a \$7.0 million refinancing expense and a \$1.0 million provision for impairment, both taken in the fourth quarter of 2002. The \$14.0 million favorable annual decrease for 2003 primarily resulted from \$4.0 million in reduced interest expense, \$0.9 million in reduced general, administrative and legal expenses, as well as the \$7.0 million refinancing expense and the \$8.8 million provisions for uncollectible notes and accounts receivable recorded in 2002. This favorable annual decrease was partially offset by \$8.9 million of impairment provisions taken in the first quarter and third quarter of 2003.

Nursing home expenses, net of nursing home revenues, for owned and operated assets for the three and twelve months ended December 31, 2003 were \$9 thousand and \$1.5 million, a decrease of \$5.4 million and \$18.0 million from the same periods in 2002. The decrease was primarily a result of the decrease in the number of owned and operated facilities from 33 at December 31, 2001, three at December 31, 2002 to one at December 31, 2003.

For the twelve months ended December 31, 2003, the Company recorded provisions for impairment totaling \$8.9 million. The provisions were taken in the first quarter and third quarter of 2003. The provisions reduced the carrying value of two facilities in the process of being closed to their estimated fair value less costs to dispose. The buildings are being actively marketed for sale; however, there can be no assurance if, or when, such sales will be completed or whether such sales will be completed on terms that allow the Company to realize the carrying value of the assets.

During the three-month period ended December 31, 2003, the Company sold one leased facility, four closed facilities and the remaining facility which was classified as asset held for sale in six separate transactions. The Company realized proceeds of approximately \$10.7 million, net of closing costs and other expenses, resulting in a loss of approximately \$3.0 million. The Company also sold its investment in Principal Healthcare Finance Trust realizing proceeds of approximately \$1.5 million, net of closing costs, resulting in a gain of approximately \$0.1 million.

The Company believes that presentation of the Company's revenues and

expenses, excluding nursing home owned and operated assets, provides a useful measure of the operating performance of the Company's core portfolio as a Real Estate Investment Trust ("REIT") in view of the disposition of all but one of the Company's owned and operated assets. For 2003, nursing home revenues, nursing home expenses, operating assets and operating liabilities for the Company's owned and operated properties are shown on a net basis on the face of the Company's consolidated financial statements. For 2002, nursing home revenues, nursing home expenses, operating assets and operating liabilities for the Company's owned and operated properties are shown separately on a gross basis on the face of the Company's consolidated financial statements.

FFO RESULTS

For the three and twelve months ended December 31, 2003, reportable diluted FFO was \$11.0 million or \$0.20 per share and \$43.9 million or \$0.80 per share, respectively, compared to \$2.0 million (diluted loss of \$0.02 per share) and \$8.9 million (diluted loss of \$0.05 per share) for the same periods in 2002 due to the factors mentioned above. The \$43.9 million of FFO excludes the impact of \$8.9 million of non-cash impairment charges in accordance with the guidelines for the calculation and reporting of FFO issued by NAREIT. For further information, see the attached "Funds From Operations" schedule and notes.

PORTFOLIO DEVELOPMENTS

Sun Healthcare Group, Inc. ("Sun"). Effective January 1, 2004, the Company re-leased five skilled nursing facilities ("SNFs") to an existing operator under a new Master Lease, which has a five-year term and has an initial annual lease rate of \$0.75 million. Four SNFs formerly leased by Sun, three located in Illinois and one located in Indiana, representing 449 total beds, were part of this transaction. The fifth SNF in the transaction, located in Illinois, representing 128 beds, was the last remaining owned and operated facility in the Company's portfolio.

Also on December 1, 2003 the Company re-leased one SNF, formerly leased by Sun, located in California and representing 59 beds, to a new operator under a lease, which has a ten-year term and has an initial annual lease rate of \$0.12 million.

As a result of the above-mentioned transitions of the five former Sun facilities, Sun now operates 35 of the Company's facilities, down from 51 facilities one year ago. On January 26, 2004, Sun and the Company jointly announced that they have reached an agreement in principle regarding the 51 properties owned by the Company that were leased to various affiliates of Sun. The agreement in principle has been memorialized in a non-binding term sheet, pursuant to which, among other things, Sun will continue to operate and occupy 23 long-term care facilities, five behavioral properties and two hospital properties. One property in the State of Washington, formerly operated by a Sun affiliate, has already been closed and the lease relating to that property will be terminated. With respect to the remaining 20 facilities, 15 have already been transitioned to new operators and five are in the process of being transferred to new operators. The non-binding term sheet executed by Sun and Omega anticipates execution and delivery of a new Master Lease with the following general terms:

- o Term: Through December 31, 2013
- o Base Rent: Commencing February 1, 2004, monthly base rent will be \$1,560,190, subject to annual increases not to exceed 2.5% per year.
- o Deferred Base Rent: \$7,761,000, representing a portion of the Base Rent that has not and will not be paid by Sun under the current leases (the "Deferred Base Rent"), will be deferred and shall bear interest at a floating rate with a floor of 6% per annum. That interest shall accrue but shall not be payable to Omega through January 3, 2008. Interest thereafter accruing shall be paid monthly. Omega is releasing all other claims for Base Rent which otherwise would be due under the current leases.
- o Conversion of Deferred Base Rent: Omega will have the right at any time to convert the Deferred Base Rent 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 Omega. If the value of the common stock exceeds 140% of the Deferred Base Rent, Sun may require Omega to convert the Deferred Base Rent.

Claremont Healthcare Holdings, Inc. ("Claremont"). Effective December 1, 2003, the Company sold one SNF formerly leased by Claremont, located in Illinois and representing 150 beds, for \$9.0 million. The Company received net proceeds of approximately \$6.0 million in cash and a \$3.0 million, five-year, 10.5% secured note for the balance. This transaction results in a non-cash, non-FFO accounting loss of approximately \$3.8 million, which was recorded in the fourth quarter of 2003.

On November 7, 2003, the Company re-leased two SNFs formerly leased by

Claremont, located in Ohio and representing 270 beds, to a new operator under a Master Lease, which has a ten-year term and has an initial annual lease rate of \$1.2 million.

Separately, the Company continues its ongoing restructuring discussions with Claremont regarding the five facilities Claremont currently leases from the Company. At the time of this press release, the Company cannot determine the timing or outcome of these discussions. Claremont failed to pay base rent due during the fourth quarter of 2003 in the amount of \$1.5 million. During the fourth quarter of 2003, the Company applied security deposits in the amount of \$1.0 million to pay Claremont's rent payments and the Company demanded that Claremont restore the \$1.5 million security deposit. As of the date of this press release, the Company has no additional security deposits with Claremont. The Company is recognizing revenue from Claremont on a cash-basis as it is received.

ACQUISITION LINE

Effective December 31, 2003, the Company closed on a four-year, \$50 million revolving acquisition line of credit arranged by GE Healthcare Financial Services. The acquisition line of credit will be secured by first liens on potential facilities acquired or assignments of mortgages made on new acquisitions. The interest rate of LIBOR plus 3.75% with a 6% floor on the revolving acquisition line of credit is identical to the Company's existing Credit Facility also arranged by GE Healthcare Financial Services.

DIVIDEND POLICY

On January 21, 2004, the Company's Board of Directors declared a common stock dividend of \$0.17 per share, increasing the quarterly common dividend by \$0.02 per share or 13%. The common stock dividend will be paid on February 13, 2004 to common stockholders of record on February 2, 2004. At the date of this press release, the Company had approximately 37.5 million outstanding common shares.

The Company's Board of Directors also declared its regular quarterly dividends for all classes of preferred stock, payable February 13, 2004 to preferred stockholders of record on February 2, 2004. Series A and Series B preferred stockholders of record on February 2, 2004 will be paid dividends in the amount of approximately \$0.578 and \$0.539, per preferred share, respectively, on February 13, 2004. The Company's Series C preferred stockholder will be paid a dividend of \$2.72 per Series C preferred share on February 13, 2004. The liquidation preference for the Company's Series A, B and C preferred stock is \$25.00, \$25.00 and \$100.00 per share, respectively. Regular quarterly preferred dividends represent dividends for the period November 1, 2003 through January 31, 2004. Total dividend payments for all classes of preferred stock are approximately \$5.2 million.

TAX TREATMENT FOR 2003 DIVIDENDS

On August 15, 2003 the Company paid dividends to the Preferred A, B and C stockholders in the approximate per share amounts of \$6.359, \$5.930 and \$27.307, respectively, for stockholders of record on August 5, 2003. Also, on November 17, 2003 the Company paid dividends to the Preferred A, B and C stockholders in the approximate per share amounts of \$0.578, \$0.539 and \$2.50, respectively, for stockholders of record on October 31, 2003. The Company has determined that 84.66% of all preferred dividends in 2003 should be treated for tax purposes as a return of capital, with the balance, 15.34%, treated as an ordinary dividend. On November 17, 2003 the Company paid a common dividend in the amount of \$0.15 per share to stockholders of record on October 31, 2003. The Company has determined that 100% of the common dividends paid in 2003 should be treated for tax purposes as a return of capital.

CONFERENCE CALL

The Company will be conducting a conference call on Thursday, January 29, 2004, at 10 a.m. EST to review the Company's 2003 fourth quarter and year end results and current developments. To listen to the conference call via webcast, log on to www.omegahealthcare.com and click the "earnings call" icon on the Company's home page. Webcast replays of the call will be available on the Company's website for two weeks following the call.

* * * * *

Omega is a Real Estate Investment Trust investing in and providing financing to the long-term care industry. At December 31, 2003, the Company owned or held mortgages on 211 skilled nursing and assisted living facilities with approximately 21,500 beds located in 28 states and operated by 39 third-party healthcare operating companies.

FOR FURTHER INFORMATION, CONTACT
Bob Stephenson, CFO at (410) 427-1722

This announcement includes forward-looking statements. All forward-looking statements included herein are based on information available to the Company on the date hereof. Such statements only speak as of the date hereof and the Company assumes no obligation to update such forward-looking statements. Actual results may differ materially from those reflected in such forward-looking statements as a result of a variety of factors, including, among other things: (i) uncertainties relating to the business operations of the operators of the Company's properties, including those relating to reimbursement by third-party payors, regulatory matters and occupancy levels; (ii) uncertainties relating to the restructuring of Sun's remaining obligations and payment of contractual rents, including without limitation the ability of the parties to execute and perform under definitive agreements reflecting the non-binding term sheet, and the potential that definitive agreements, if executed, may differ materially from the non-binding term sheet, (iii), regulatory and other changes in the healthcare sector, including without limitation, changes in Medicare reimbursement; (iv) changes in the financial position of the Company's operators; (v) the ability of operators in bankruptcy to reject unexpired lease obligations, modify the terms of the Company's mortgages, and impede the ability of the Company to collect unpaid rent or interest during the pendency of a bankruptcy proceeding and retain security deposits for the debtor's obligations; (vi) the availability and cost of capital; (vii) competition in the financing of healthcare facilities; and (viii) other factors identified in the Company's filings with the Securities and Exchange Commission.

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

<TABLE>
<CAPTION>

	DECEMBER 31,	
	2003	
2002	-----	
<S>	<C>	
<C>		
ASSETS		
Real estate properties		
Land and buildings at cost.....	\$ 692,454	\$
669,188		
Less accumulated depreciation.....	(134,477)	
(117,986)	-----	
Real estate properties--net.....	557,977	
551,202		
Mortgage notes receivable--net.....	119,815	
173,914	-----	
Other investments--net.....	677,792	
725,116		
36,887	29,787	
-----	-----	
Assets held for sale--net.....	707,579	
762,003		
2,324	--	
-----	-----	
Total investments.....	707,579	
764,327		
Cash and cash equivalents.....	3,094	
14,340		
Accounts receivable--net.....	1,893	
2,766		
Interest rate cap.....	5,537	
7,258		
Other assets.....	6,951	
5,597		
Operating assets for owned properties.....	--	
9,721	-----	

Total assets.....	\$ 725,054	\$
804,009		
=====		
LIABILITIES AND STOCKHOLDERS EQUITY		
Revolving lines of credit.....	\$ 177,074	\$
177,000		

Unsecured borrowings.....	100,000	
100,000		
Other long--term borrowings.....	3,520	
29,462		
Accrued expenses and other liabilities.....	6,583	
13,234		
Operating liabilities for owned properties.....	--	
4,612		
Operating assets and liabilities for owned properties--net.....	1,642	
--		

Total liabilities.....	288,819	
324,308		

Stockholders equity:		
Preferred stock \$1.00 par value; authorized--10,000 shares:		
Issued and outstanding--2,300 shares Class A with an		
aggregate liquidation preference of \$57,500.....	57,500	
57,500		
Issued and outstanding--2,000 shares Class B with an		
aggregate liquidation preference of \$50,000.....	50,000	
50,000		
Issued and outstanding--1,048 shares Class C with an		
aggregate liquidation preference of \$104,842.....	104,842	
104,842		
Common stock \$.10 par value; authorized--100,000 shares		
Issued and outstanding--37,291 shares in 2003 and 37,141		
shares in 2002.....	3,729	
3,714		
Additional paid-in capital.....	481,467	
481,052		
Cumulative net earnings.....	174,275	
151,245		
Cumulative dividends paid.....	(431,123)	
(365,654)		
Unamortized restricted stock awards.....	--	
(116)		
Accumulated other comprehensive loss.....	(4,455)	
(2,882)		

Total stockholders equity.....	436,235	
479,701		

Total liabilities and stockholders equity.....	\$ 725,054	\$
804,009		

</TABLE>

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

YEAR ENDED	THREE MONTHS ENDED		
	DECEMBER 31,		
DECEMBER 31,	2003	2002	2003
2002			
-----	-----	-----	-----
<S>	<C>	<C>	<C>
<C>			
REVENUES			
Rental income.....	\$ 16,536	\$ 16,755	\$65,121
\$ 61,346			
Mortgage interest income.....	3,401	5,056	14,747
20,922			
Other investment income - net.....	576	1,075	2,982
5,302			
Nursing home revenues of owned and operated assets.....	--	3,521	--
44,277			
Litigation settlement.....	--	--	2,187
--			
Miscellaneous.....	240	998	1,230
1,757			
-----	-----	-----	-----
	20,753	27,405	

86,267 133,604

EXPENSES

Nursing home expenses of owned and operated assets.....	--	8,884	--
63,778			
Nursing home revenues and expenses of owned and operated assets - net.....	9	--	1,466
--			
Depreciation and amortization.....	5,234	5,125	20,985
20,538			
Interest.....	5,425	5,613	23,388
27,381			
General and administrative.....	1,518	1,220	5,943
6,285			
Legal.....	421	606	2,301
2,869			
State taxes.....	141	220	614
490			
Refinancing expenses.....	--	7,000	--
7,000			
Provisions for impairment.....	--	1,000	8,894
3,657			
Provisions for uncollectible mortgages, notes and accounts receivable.....	--	(54)	--
8,844			
Adjustment of derivatives to fair value.....	--	--	-
- (946)			

12,748 29,614

63,591 139,896

Income (loss) before (loss) gain on assets sold.....	8,005	(2,209)	22,676
(6,292)			
(Loss) gain on assets sold - net.....	(764)	693	665
2,548			

Income (loss) from continuing operations.....	7,241	(1,516)	23,341
(3,744)			
Loss from discontinued operations.....	(2,058)	(9,185)	
(311) (10,902)			

Net income (loss).....	5,183	(10,701)	23,030
(14,646)			
Preferred stock dividends.....	(5,029)	(5,029)	
(20,115) (20,115)			

Net income (loss) available to common.....	\$ 154	\$ (15,730)	\$ 2,915
\$ (34,761)			

Income (loss) per common share:

Basic:			
Income (loss) from continuing operations.....	\$ 0.06	\$ (0.18)	\$ 0.09
\$ (0.69)			

Net income (loss).....	\$ --	\$ (0.42)	\$ 0.08
\$ (1.00)			

Diluted:			
Income (loss) from continuing operations.....	\$ 0.06	\$ (0.18)	\$ 0.08
\$ (0.69)			

Net income (loss).....	\$ --	\$ (0.42)	\$ 0.08
\$ (1.00)			

Dividends declared per common share.....	\$ 0.15	\$ --	\$ 0.15
\$ --			

Weighted-average shares outstanding, basic.....	37,264	37,140	37,189
34,739			

Weighted-average shares outstanding, diluted.....	38,699	37,140	38,154
34,739			
=====			
Components of other comprehensive income:			
Unrealized gain on Omega Worldwide, Inc.....	\$ --	\$ --	\$ --
- \$ 969			
=====			
Unrealized gain (loss) on hedging contracts.....	\$ 362	\$ (1,081)	
\$(1,572) \$ (2,033)			
=====			
Total comprehensive income (loss).....	\$ 5,545	\$ (11,782)	\$21,458
\$(15,710)			
=====			

OMEGA HEALTHCARE INVESTORS, INC.
FUNDS FROM OPERATIONS
UNAUDITED
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

YEAR ENDED DECEMBER 31, 2002	THREE MONTHS ENDED DECEMBER 31,		
	2003	2002	2003
NET INCOME (LOSS) AVAILABLE TO COMMON.....	\$ 154	\$ (15,730)	\$ 2,915
\$(34,761)			
Add back loss (deduct gain) from real estate dispositions.....	2,927	(693)	149
(2,548)			
Add back impairment charges.....	--	10,513	8,894
15,366			

Sub-total.....	3,081	(5,910)	11,958
(21,943)			
Elimination of non-cash items included in net income (loss):			
Depreciation.....	5,269	5,248	21,264
21,092			
Amortization.....	39	46	162
178			
Adjustment of derivatives to fair value.....	--	--	-
- (946)			

FUNDS FROM OPERATIONS, BASIC.....	8,389	(616)	33,384
(1,619)			
Series C Preferred Dividends.....	2,621	2,621	10,484
10,484			

FUNDS FROM OPERATIONS, DILUTED.....	\$ 11,010	\$ 2,005	\$43,868
\$ 8,865			

Weighted-average common shares outstanding, basic.....	37,264	37,140	37,189
34,739			
Assumed conversion of Series C Preferred Stock.....	16,775	16,775	16,775
16,775			
Assumed exercise of stock options.....	1,435	726	965
1,062			

Weighted-average common shares outstanding, diluted.....	55,474	54,641	54,929
52,576			

FFO PER SHARE, BASIC.....	\$ 0.23	\$ (0.02)	\$ 0.90
\$ (0.05)			
FFO PER SHARE, DILUTED *.....	\$ 0.20	\$ (0.02)	\$ 0.80

\$ (0.05)

ADJUSTED FUNDS FROM OPERATIONS:

Funds from operations, diluted.....	\$ 11,010	\$ 2,005	\$43,868
\$ 8,865			
Deduct legal settlement.....	--	--	
(2,187)			
Deduct nursing home revenues.....	(939)	(3,521)	
(4,601) (44,277)			
Deduct one-time revenue and other adjustments.....	--	(1,239)	--
(3,037)			
Add back one-time refinancing expense.....	--	7,000	--
7,000			
Add back nursing home expenses.....	948	8,884	6,067
65,746			
Add back provisions for uncollectible mortgages, notes and accounts receivable.....	--	(54)	--
8,844			
Add back write-off of deferred financing cost.....	--	--	2,586
--			
-----			-----
ADJUSTED FUNDS FROM OPERATIONS.....	\$ 11,019	\$ 13,075	\$45,733
\$ 43,141			
-----			-----

</TABLE>

* Lower of basic or diluted FFO per share.

The Company believes that Funds From Operations ("FFO") is an important supplemental measure of the Company's 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. The Company calculates and reports FFO in accordance with the definition and interpretive guidelines issued by the National Association of Real Estate Investment Trusts ("NAREIT"). The Company defines FFO as net income available to common stockholders, adjusted for the effects of asset dispositions and impairments and certain non-cash items, primarily depreciation and amortization. NAREIT's implementation guidance provides that impairment write-downs associated with previously depreciable operators' property should be added back to GAAP net income to calculate FFO. FFO herein is not necessarily comparable to FFO of other REITs that do not use the same definition or implementation guidelines or interpret the standards differently from the Company. Diluted FFO is adjusted for the assumed conversion of Series C preferred stock and the exercise of in-the-money stock options.

Adjusted FFO is calculated as diluted FFO less revenues and expenses related to nursing home operations and one-time revenue or expense items. The Company believes that adjusted FFO provides an enhanced measure of the operating performance of the Company's core portfolio as a REIT in view of the disposition of all but one of the Company's owned and operated assets.

Neither FFO nor adjusted FFO represents cash generated from operating activities in accordance with GAAP, and therefore, should not be considered alternatives to net income as indications of operating performance or to net cash flow from operating activities, as determined by GAAP, as a measure of liquidity, and such measures are not necessarily indicative of cash available to fund cash needs or dividends. The Company believes that in order to facilitate a clear understanding of the consolidated historical operating results of the Company, FFO and adjusted FFO should be examined in conjunction with net income as presented elsewhere in this press release.

In October 2003, NAREIT informed its member companies that the Securities and Exchange Commission ("SEC") has taken the position that asset impairment charges should not be excluded in calculating FFO. The SEC's interpretation is that recurring impairments on real property are not an appropriate adjustment. If the Company adopted the SEC's interpretation of FFO and did not adjust for asset impairment charges, the Company's basic FFO, diluted FFO and FFO per diluted share for historical periods would be different than the amounts reported in this release and in previous disclosures. According to NAREIT, there is inconsistency among NAREIT member companies as to the adoption of the SEC's interpretation of FFO. Therefore, a comparison of the Company's FFO results to another company's FFO results may not be meaningful.

The following table presents the Company's FFO results reflecting the impact of asset impairment charges (the SEC's interpretation) for the quarters and years ended December 31, 2003 and 2002:

<TABLE>
<CAPTION>

THREE MONTHS ENDED

YEAR ENDED

DECEMBER 31, 2002	DECEMBER 31,		2003	2002	2003
	<S>	<C>			

<S>	<C>	<C>			<C>
<C>					
FUNDS FROM OPERATIONS, BASIC.....	\$ 8,389	\$ (616)			\$33,384
\$ (1,619)					
Impairment charges.....	--	(10,513)			
(8,894) (15,366)					

FUNDS FROM OPERATIONS, BASIC INCLUDING IMPAIRMENT CHARGES.....	8,389	(11,129)			24,490
(16,985)					
Series C Preferred Dividends.....	2,621	2,621			10,484
10,484					

FUNDS FROM OPERATIONS, DILUTED INCLUDING IMPAIRMENT CHARGES.....	\$ 11,010	\$ (8,508)			\$34,974
\$ (6,501)					
=====					
Weighted-average common shares outstanding, basic.....	37,264	37,140			37,189
34,739					
Assumed conversion of Series C Preferred Stock.....	16,775	16,775			16,775
16,775					
Assumed exercise of stock options.....	1,435	726			965
1,062					

Weighted-average common shares outstanding, diluted.....	55,474	54,641			54,929
52,576					
=====					
FFO PER SHARE, BASIC INCLUDING IMPAIRMENT CHARGES.....	\$ 0.23	\$ (0.30)			\$ 0.66
\$ (0.49)					
=====					
FFO PER SHARE, DILUTED INCLUDING IMPAIRMENT CHARGES *.....	\$ 0.20	\$ (0.30)			\$ 0.64
\$ (0.49)					
=====					
ADJUSTED FUNDS FROM OPERATIONS INCLUDING IMPAIRMENT CHARGES:					
Funds from operations, diluted including impairment charges.....	\$ 11,010	\$ (8,508)			\$34,974
\$ (6,501)					
Deduct legal settlement.....	--	--			
(2,187) --					
Deduct nursing home revenues.....	(939)	(3,521)			
(4,601) (44,277)					
Deduct one-time revenue and other adjustments.....	--	(1,239)			--
(3,037)					
Add back one-time refinancing expense.....	--	7,000			--
7,000					
Add back nursing home expenses.....	948	8,884			6,067
65,746					
Add back provisions for uncollectible mortgages, notes and					
accounts receivable.....	--	(54)			--
8,844					
Add back write-off of deferred financing.....	--	--			2,586
--					

ADJUSTED FUNDS FROM OPERATIONS INCLUDING IMPAIRMENT CHARGES.....	\$ 11,019	\$ 2,562			\$36,839
\$ 27,775					
=====					

</TABLE>

* Lower of basic or diluted FFO per share.

Nursing home revenues and nursing home expenses in the Company's consolidated financial statements which relate to the Company's owned and operated assets are as follows:

THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
2003	2002	2003	2002
-----		-----	
(IN THOUSANDS)		(IN THOUSANDS)	

NURSING HOME REVENUES (1)

Medicaid.....	\$ 551	\$ 2,048	\$ 2,624	\$26,947
Medicare.....	101	645	747	9,307
Private & other.....	287	828	1,230	8,023
	-----		-----	
Total nursing home revenues (2)....	939	3,521	4,601	44,277
	-----		-----	

NURSING HOME EXPENSES

Patient care expenses.....	546	2,223	2,566	31,219
Administration.....	293	1,250	2,245	13,463
Property & related.....	61	316	389	3,861
Leasehold buyout expense.....	--	2,672	582	4,342
Management fees.....	48	173	257	2,465
Rent.....	--	579	28	2,536
Provision for uncollectible accounts.....	--	1,671	--	5,892
	-----		-----	
Total nursing home expenses (2)....	948	8,884	6,067	63,778
	-----		-----	

Nursing home revenues and expenses of owned and operated assets - net (2) ..	\$ (9)	\$ --	\$ (1,466)	\$ --
	=====		=====	

- (1) Nursing home revenues from these owned and operated assets are recognized as services are provided.
- (2) Nursing home revenues and expenses of owned and operated assets for the three and twelve months ended December 31, 2003 are shown on a net basis on the face of the Company's Consolidated Statements of Operations and are shown on a gross basis for the three and twelve months ended December 31, 2002.

The table below reconciles reported revenues and expenses to revenues and expenses excluding nursing home revenues and expenses of owned and operated assets. Nursing home revenues and expenses of owned and operated assets for the three and twelve months ended December 31, 2003 are shown on a net basis on the face of the Company's Consolidated Statements of Operations and are shown on a gross basis for the three and twelve months ended December 31, 2002. Since nursing home revenues are not included in reported revenues for the three and twelve months ended December 31, 2003, no adjustment is necessary to exclude nursing home revenues.

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2003	2002	2003	2002
	-----		-----	
	(IN THOUSANDS)		(IN THOUSANDS)	
Total revenues.....	\$20,753	\$27,405	\$86,267	\$133,604
Nursing home revenues of owned and operated assets.....	--	3,521	--	44,277
	-----		-----	
REVENUES EXCLUDING NURSING HOME REVENUES OF OWNED AND OPERATED ASSETS.....	\$20,753	\$23,884	\$86,267	\$ 89,327
	=====		=====	
Total expenses.....	\$12,748	\$29,614	\$63,591	\$139,896
Nursing home expenses of owned and operated assets.....	--	8,884	--	63,778
Nursing home revenues and expenses of owned and operated assets - net.....	9	--	1,466	--
	-----		-----	
EXPENSES EXCLUDING NURSING HOME EXPENSES OF OWNED AND OPERATED ASSETS.....	\$12,739	\$20,730	\$62,125	\$ 76,118
	=====		=====	

The assets and liabilities in the Company's financial statements which relate to the Company's owned and operated assets are as follows:

	DECEMBER 31,	
	2003	2002

	(IN THOUSANDS)	
ASSETS		
Cash	\$ 624	\$ 838
Accounts receivable - net.....	1,412	7,491
Other current assets.....	253	1,207

Total current assets (1).....	2,289	9,536

Investment in leasehold - net (1).....	--	185

Land and buildings.....	5,295	5,571
Less accumulated depreciation.....	(681)	(675)
Land and buildings - net.....	4,614	4,896
Assets held for sale - net.....	--	2,324
Total assets.....	\$ 6,903	\$16,941
LIABILITIES		
Accounts payable.....	\$ 98	\$ 389
Other current liabilities.....	3,833	4,223
Total current liabilities.....	3,931	4,612
Total liabilities (1).....	\$ 3,931	4,612
Operating assets and liabilities for owned properties - net (1).....	\$ (1,642)	\$ --

(1) Operating assets and liabilities for owned properties as of December 31, 2003 are shown on a net basis on the face of our Consolidated Balance Sheet and are shown on a gross basis as of December 31, 2002.

The following table summarizes the results of operations of the sold and held for sale facilities during the three and twelve months ended December 31, 2003 and 2002, respectively.

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2003	2002	2003	2002
	(IN THOUSANDS)		(IN THOUSANDS)	
REVENUES				
Rental income.....	\$ 179	\$ 496	\$ 944	\$ 3,474
Mortgage interest income.....	--	--	--	33
	179	496	944	3,507
EXPENSES				
Operating.....	--	--	--	(1,968)
Depreciation and amortization.....	(74)	(169)	(441)	(732)
Provision for impairment.....	--	(9,512)	--	(11,709)
	(74)	(9,681)	(441)	(14,409)
Income (loss) before loss on sale of assets.....	105	(9,185)	503	(10,902)
Loss on assets sold - net.....	(2,163)	--	(814)	--
LOSS FROM DISCONTINUED OPERATIONS.....	\$ (2,058)	\$ (9,185)	\$ (311)	\$ (10,902)

The table below summarizes the Company's number of properties and investment by category for the quarter ended December 31, 2003:

<TABLE>
<CAPTION>

ASSETS						TOTAL
HELD		PURCHASE /	MORTGAGES	OWNED &	Closed	Healthcare
FOR	FACILITY COUNT	LEASEBACK	RECEIVABLE	OPERATED	FACILITIES	FACILITIES
SALE	TOTAL					
<S>		<C>	<C>	<C>	<C>	<C>
<C>	<C>					
Balance at September 30, 2003.....	155	51	1	9	216	
1	217					
Properties closed.....	(1)	-	-	1	-	
Properties sold/mortgages paid.....	(1)	-	-	(4)	(5)	
(1)	(6)					
Transition leasehold interest.....	-	-	-	-	-	
Properties leased/mortgages placed.....	-	-	-	-	-	

-	-	-	-	-	-
Properties transferred to purchase/leaseback.....	-	-	-	-	-
-	-	-	-	-	-

Balance at December 31, 2003.....	153	51	1	6	211
- 211					
=====					

INVESTMENT (\$000'S)

-	-	-	-	-	-	-
Balance at September 30, 2003.....	\$698,362	\$120,314	\$ 5,295	\$ 6,168	\$830,139	\$
2,091 \$832,230						
Properties transferred to assets held for sale.....	-	-	-	-	-	-
-	-	-	-	-	-	-
Properties closed.....	(1,297)	-	-	1,297	-	-
-	-	-	-	-	-	-
Properties sold/mortgages paid.....	(14,700)	-	-	(2,868)	(17,568)	-
(2,091) (19,659)						
Transition leasehold interest.....	-	-	-	-	-	-
-	-	-	-	-	-	-
Properties leased/mortgages placed.....	-	-	-	-	-	-
-	-	-	-	-	-	-
Properties transferred to purchase/leaseback.....	-	-	-	-	-	-
-	-	-	-	-	-	-
Impairment on properties.....	-	-	-	-	-	-
-	-	-	-	-	-	-
Capex and other.....	197	(499)	-	-	(302)	-
- (302)						

Balance at December 31, 2003.....	\$682,562	\$119,815	\$ 5,295	\$ 4,597	\$812,269	\$
- \$812,269						
=====						

</TABLE>