

OMEGA HEALTHCARE INVESTORS INC  
Form S-11/A  
January 18, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 18, 2002

REGISTRATION NO. 333-72750

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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AMENDMENT NO. 3 TO  
FORM S-11  
REGISTRATION STATEMENT

UNDER  
THE SECURITIES ACT OF 1933  
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OMEGA HEALTHCARE INVESTORS, INC.

(Exact name of Registrant as specified in its charter)

MARYLAND  
(State or Other Jurisdiction  
of  
Incorporation or Organization)

6798  
(Primary Standard Industrial  
Classification Number)

-----  
900 VICTORS WAY  
SUITE 350  
ANN ARBOR, MICHIGAN 48108  
(734) 887-0200  
(Address, including zip code, and telephone number, including  
area code, of Registrant's principal executive offices)

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C. TAYLOR PICKETT  
CHIEF EXECUTIVE OFFICER  
OMEGA HEALTHCARE INVESTORS, INC.  
9690 DEERECO ROAD  
SUITE 100  
TIMONIUM, MARYLAND 21093  
(410) 561-5726

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

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COPIES OF COMMUNICATIONS TO:

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191 PEACHTREE STREET, N.E.  
ATLANTA, GEORGIA 30303  
(404) 572-6600  
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) 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. / /

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

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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 THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.  
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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES, OR ACCEPT ANY OFFER TO BUY THESE SECURITIES, UNTIL THE REGISTRATION STATEMENT WE HAVE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BECOMES EFFECTIVE AND WE DELIVER THIS PROSPECTUS TO YOU IN FINAL FORM. WE ARE NOT USING THIS PROSPECTUS TO OFFER TO SELL THESE SECURITIES OR TO SOLICIT OFFERS TO BUY THESE SECURITIES IN ANY STATE OR OTHER JURISDICTION WHERE THEIR OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JANUARY 18, 2002

PRELIMINARY PROSPECTUS

[LOGO]

OMEGA HEALTHCARE INVESTORS, INC.  
NONTRANSFERABLE RIGHTS OFFERING  
TO PURCHASE UP TO 9,350,000 SHARES OF  
COMMON STOCK AT \$2.92 PER SHARE

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If you held our common stock on January 22, 2002, you will receive rights to purchase additional shares of common stock for a subscription price of \$2.92 per share. You will receive one right for every 2.15 shares of common stock you held on that date. Each right entitles you to purchase one share of common stock at the subscription price. The number of rights allocated to you is based on the percentage of our voting stock you own on the record date on an as converted basis. These rights represent your pro rata portion of the aggregate \$50 million in new equity capital we propose to raise in this rights offering together with a concurrent private placement. There is no minimum number of shares that must be subscribed for by stockholders in the rights offering.

Explorer Holdings, L.P., which owns all of our outstanding Series C preferred stock and 553,850 shares of our common stock, representing 47.1% of our voting stock, will not purchase common stock in this rights offering. Instead, Explorer has agreed to purchase \$23.6 million of our stock in a private placement concurrent with the closing of the rights offering at the same price per common share as in this rights offering. The \$23.6 million that Explorer has agreed to invest represents its pro rata portion of the \$50 million we seek to raise, based on Explorer's ownership of our Series C preferred stock and common stock. Explorer has also committed to invest in the concurrent private placement an additional amount equal to the aggregate subscription price of the shares of common stock that are not subscribed for by other stockholders in this rights offering. As a result, we are assured of receiving an aggregate of \$50 million upon the completion of this rights offering and the private placement.

You may exercise your rights beginning on the date of this prospectus until 5:00 p.m., New York City time, on February 14, 2002. We can extend subscription period but in no event will the subscription period be extended beyond February 28, 2002. However, we do not presently intend to extend the subscription period. Rights not exercised by the end of the subscription period will expire and have no value.

The closing of the rights offering and the issuance of the shares of common stock are conditioned upon certain conditions. All subscriptions will be held in escrow pending satisfaction of these conditions. If the conditions are not satisfied on or before the expiration of the subscription period, as it may be extended, we will terminate this offering. If we terminate the offering, we will return your money to you, without interest, within approximately 10 business days following termination.

We will not issue fractional rights or fractional shares, and you may not exercise rights other than in whole numbers. If the number of shares of common stock you held on the record date would result in your receipt of fractional rights, the number of rights issued to you has been rounded up to the nearest whole right.

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Our common stock is traded on the New York Stock Exchange under the symbol OHI. On January 17, 2002, the last reported sale price for our common stock was \$5.74 per share.

The rights generally may not be sold, transferred or assigned and will not be listed for trading on any stock exchange, quotation system or the over-the-counter market. Holders who wish to exercise their rights must certify that they have held the shares of common stock to which the rights relate continuously from January 22, 2002 through the exercise date. IF YOU SELL YOUR COMMON STOCK DURING THE PERIOD BETWEEN THE RECORD DATE AND THE EXERCISE DATE, YOU WILL FORFEIT THE RIGHTS YOU RECEIVE IN THIS OFFERING WITH RESPECT TO SUCH STOCK. ONCE YOU EXERCISE YOUR RIGHTS, YOU MAY NOT REVOKE OR CHANGE THE EXERCISE EVEN IF YOU LATER CHANGE YOUR MIND.

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INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 8.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION 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.

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The shares of common stock are being offered for sale directly by us without the services of an underwriter or selling agent. We expect to deliver the shares as soon as practicable following the expiration of the subscription period.

The date of this prospectus is January , 2002

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You should rely only on the information contained in this prospectus and the information to which we have referred you. We have not authorized anyone else to provide you with information different from the information contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front page of this prospectus. Also, you should not assume that there has been no change in our business, financial position or results of operations since the date of this prospectus.

No action is being taken in any jurisdiction outside the United States to permit a public offering of any securities or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable in that jurisdiction.

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## PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS IMPORTANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS IN MORE DETAIL. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY.

### QUESTIONS AND ANSWERS ABOUT THE RIGHTS OFFERING

WHAT ARE THE RIGHTS AND TO WHAT DO THE RIGHTS ENTITLE ME?

The rights give you the opportunity to purchase additional shares of our common stock for \$2.92 per share. On January 17, 2002, the last reported sale price for our common stock on the New York Stock Exchange was \$5.74 per share.

If you owned our common stock as of 5:00 p.m. on January 22, 2002, you will receive one right for every 2.15 shares of common stock owned by you at that time. Each right entitles you to purchase one share of common stock at the subscription price. For example, if you owned 100 shares of common stock on the record date, you would have the right to purchase 47 additional shares of common stock for \$2.92 per share.

The aggregate number of rights you are entitled to receive, if exercised by you in full, represents your pro rata portion of the \$50 million in additional equity capital we are seeking to raise. Your pro rata portion is based on the number of shares of common stock you owned on the record date assuming, solely for this purpose, conversion of all of our outstanding Series C preferred stock, all of which is held by Explorer. There is no minimum number of shares that must be subscribed for by stockholders in the rights offering.

WILL I RECEIVE FRACTIONAL RIGHTS OR SHARES?

No. We are not issuing fractional rights or shares, and you may not exercise rights in fractional amounts. If the number of shares of common stock you held on the record date would result in your receipt of fractional rights, the number

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of rights distributed to you has been rounded up to the nearest whole right.

### WHY IS OMEGA DISTRIBUTING THE RIGHTS AND OFFERING STOCK?

We are distributing the rights to purchase common stock as part of our plan to raise up to \$50 million in additional equity capital to satisfy the conditions to the modification of our credit facilities and to enhance our ability to repay approximately \$98 million in debt maturing during the first half of 2002. The equity investment consists of two components--this rights offering and a concurrent private placement of equity pursuant to our October 29, 2001 investment agreement with Explorer. We are distributing the rights to give all our common stockholders the opportunity to participate in our issuance of \$50 million in additional equity in proportion to their ownership interest in our voting stock. The rights offering affords our existing common stockholders an opportunity to subscribe for new shares of common stock, at the same price per common share as the Explorer private placement, and to maintain their proportionate interest in us. In addition, since no underwriting or sales commission will be paid in respect of the shares purchased in the rights offering, we believe the rights offering will be a low-cost method for raising additional capital.

### HOW DID OMEGA ARRIVE AT THE \$2.92 PRICE PER SHARE?

Our Board of Directors sought and obtained a written opinion from Shattuck Hammond Partners LLC, an independent financial advisor, that as of October 29, 2001, the date of their opinion, the financial terms of the investment agreement with Explorer, taken as a whole, are fair to us from a financial point of view. The subscription price to be paid by stockholders in the rights offering will be the same price per common share paid by Explorer in the concurrent private placement. For purposes of the opinion, our financial advisor assumed a subscription price of \$2.92 per share.

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We have attached the full text of Shattuck Hammond's opinion as Annex A to this prospectus. You should read the entire opinion to understand the assumptions made, matters considered and limitations on the review undertaken by our financial advisor. The opinion is also summarized under "Determination of Subscription Price." The opinion does not constitute a recommendation as to whether you should exercise your rights in the rights offering.

In recommending a price at which a share of common stock may be purchased in this rights offering, a special committee of our Board of Directors, which did not include affiliates of Explorer, considered several factors, including the fairness opinion delivered by our financial advisor, the historic and current market price of our common stock as of the date of the opinion, our financial condition, challenges facing us, anticipated cash flows, general conditions in the securities markets, our need for additional capital, available alternate sources of financing, prices offered to stockholders in other rights offerings and the need to offer the shares at a price that would be attractive to investors relative to the then current trading price for our common stock, among other things. Shattuck Hammond's opinion relates solely to the fairness to Omega Healthcare of the financial terms of the investment agreement, and does not address the fairness of either the investment agreement to unaffiliated stockholders or the subscription price in the rights offering.

### HAS THE BOARD OF DIRECTORS MADE A RECOMMENDATION REGARDING THE RIGHTS OFFERING?

Our Board of Directors is not making any recommendation about whether or not you should exercise any rights. Although our Board of Directors has obtained a fairness opinion and both the Board of Directors and the special committee approved our proceeding with the rights offering, you should make your own

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decision as to whether or not to exercise your rights and, if so, how many rights to exercise. You should make this decision only after reading this entire prospectus and consulting with your own financial advisors. Your decision should be based upon your own assessment of your best interests.

HOW SOON MUST I ACT?

The rights expire on February 14, 2002, at 5:00 p.m., New York City time. The subscription agent must actually receive all required documents and payments before that date and time. We recommend that you send all of your subscription documents, together with payment of the subscription price, to the subscription agent several days in advance of the expiration date. Any personal checks used to pay for shares must timely clear payment prior to the expiration date. The clearing process can take five business days or more. We can extend the expiration date, but in no event will the expiration date be extended beyond February 28, 2002. We do not presently intend to extend the expiration date.

MAY I TRANSFER MY RIGHTS OR THE SHARES TO WHICH THEY RELATE?

No. The rights are nontransferable, even by gift. However, rights may be transferred by will, devise or operation of law in the case of death, dissolution, liquidation, or bankruptcy of the holder or pursuant to an order of an appropriate court. In addition, you must certify that you have held the common stock to which your rights relate continuously from January 22, 2002 through the exercise date. If you sell your common stock during the period between the record date and the exercise date, you will forfeit the rights you receive in this offering.

WILL I BE ENTITLED TO AN OVER-SUBSCRIPTION PRIVILEGE?

No stockholder will have an over-subscription privilege in the rights offering. To the extent that shares of common stock are not subscribed for in this offering, Explorer has committed to increase the size of its private placement investment in our company by an additional amount equal to the aggregate subscription price relating to the unsubscribed shares on the closing of the rights offering.

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WILL EXPLORER PARTICIPATE IN THE RIGHTS OFFERING OR OTHERWISE INVEST IN OMEGA?

No. Explorer will not purchase common stock in this rights offering. Although Explorer will not participate in the rights offerings, Explorer has agreed to purchase \$23.6 million of our stock, in a private placement concurrent with the closing of the rights offering, at the same price per common share available in this rights offering. The amount that Explorer has agreed to invest in the private placement represents its pro rata portion, based on Explorer's ownership of our Series C preferred stock and common stock, of the \$50 million in additional equity capital we are seeking to raise. Explorer has also agreed to increase the size of its private placement investment in our company by an additional amount equal to the aggregate subscription price of any shares that are not subscribed for in this offering. As a result of this commitment, we are assured of receiving a total of \$50 million in gross proceeds upon the completion of the rights offering and Explorer's investment. The shares to be issued to Explorer are not registered as part of the rights offering and will be restricted securities under the Securities Act.

As a condition to Explorer's private placement investment, we have agreed to amend certain of the agreements relating to Explorer's July 2000 investment in our company effective as of the closing of Explorer's new investment. The effect

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of these amendments is generally to remove those provisions in our agreements that prohibit Explorer from voting in excess of 49.9% of our stock and from taking certain actions without the prior approval of our Board. These agreements are described in more detail under "Modifications to Agreements with Explorer" on page 46 of this prospectus. The private placement to Explorer is subject to the satisfaction of the same closing conditions to which the rights offering is subject.

The rules of the New York Stock Exchange require that stockholders approve the sale of voting capital stock to an affiliate such as Explorer. If the issuance of common stock to Explorer has not been approved by our stockholders at the time we close the rights offering and Explorer's investment, we will issue to Explorer, in lieu of common stock, non-voting Series D preferred stock, which will have greater rights and preferences than common stock. The Series D preferred stock will automatically convert into common stock upon receipt of stockholder approval or the waiver by the New York Stock Exchange of its stockholder approval requirement.

We have scheduled a special meeting of stockholders to be held on February 18, 2002 at which stockholders will be asked to vote on a proposal to approve the issuance of common stock to Explorer. Explorer has committed to vote its existing shares, representing 47.1% of our voting capital stock, in favor of this proposal. We will provide separate proxy solicitation materials to our stockholders in connection with the special meeting. We recommend that you read both the prospectus and the proxy materials completely. Your vote will not affect your ability to exercise rights received in this offering. Stockholders may vote to approve the issuance of the shares of common stock to Explorer and still decline to exercise their subscription rights. Conversely, stockholders can vote against the issuance of shares to Explorer yet still exercise their subscription rights if the closing conditions to which the rights offering is subject are met. This prospectus relates solely to the rights offering and is not a solicitation for proxies. The proxy solicitation will only be made pursuant to the separate proxy materials that you will receive.

### AM I REQUIRED TO PARTICIPATE IN THE RIGHTS OFFERING?

No. You are not required to exercise any rights, purchase any new shares, or otherwise take any action in response to this rights offering.

### WHAT WILL HAPPEN IF I DO NOT EXERCISE MY RIGHTS?

If you do not exercise any rights, the number of shares you own will not change, but your percentage ownership of our total outstanding common stock will decline following the rights offering and Explorer's investment. There is no minimum number of shares that must be subscribed for by

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stockholders in the rights offering. If no other stockholders subscribe for shares in the rights offering, Explorer has committed to invest \$50 million if the closing conditions are satisfied.

### IS THE RIGHTS OFFERING SUBJECT TO ANY CLOSING CONDITIONS?

Yes, the closing of the rights offering is subject to conditions relating to modifications to our credit facilities and the absence of any governmental order or litigation that is reasonably likely to render it impossible or unlawful to complete the rights offering and/or Explorer's investment, or that could reasonably be expected to have a material adverse effect on our business, results of operations, or financial condition, or materially restrict the the



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rights of Explorer under the documents relating to its investment.

We have entered into amendments to our credit facilities that are satisfactory to us and Explorer that become effective concurrently with the closing of the rights offering. We believe that these amendments will satisfy the closing conditions relating to our credit facilities. See "Modification of Bank Credit Agreements." While there currently exists no governmental order or litigation with respect to this offering, we cannot assure you that such governmental order or litigation will not arise prior to closing the rights offering. If a governmental order or litigation arises prior to the closing of the rights offering, we may not be able to complete the rights offering and/or the private placement to Explorer.

If these conditions are not satisfied by the expiration of the subscription period, as it may be extended by us from time to time, in our sole discretion, we will terminate the rights offering. All subscriptions will be held in escrow pending satisfaction of these conditions. If we terminate the rights offering, we will return your money to you, without interest, within approximately 10 business days following termination.

### HOW DO I EXERCISE MY RIGHTS?

You must properly complete and sign the enclosed subscription agreement and deliver it, together with payment in full for the rights you are exercising, to the subscription agent before expiration of the subscription period. For the address to which the subscription agreement should be mailed and payment forwarded, see "The Rights Offering--Procedures To Exercise Rights."

### AFTER I EXERCISE MY RIGHTS, CAN I CHANGE MY MIND?

No. Once you send in your subscription agreement and payment, you may not revoke the exercise of your rights, even if you later learn information about us that you consider to be unfavorable, or if our stock price declines. You should not exercise your rights unless you are certain that you wish to purchase additional shares of our common stock in this rights offering.

### IS THERE RISK IN OWNING OUR COMMON STOCK

Yes. Exercising your rights means making a decision to make an additional investment in our common stock. You should carefully consider this decision as you would any other equity investment. Among other things, you should carefully consider the risks described under "Risk Factors" beginning on page 8 of this prospectus.

### CAN OMEGA TERMINATE THE RIGHTS OFFERING?

Yes. We may terminate the rights offering at any time before the expiration of the subscription period for any reason or promptly following expiration of the subscription period if the closing conditions are not satisfied at expiration. If we terminate the rights offering, your money will be refunded, without interest, within approximately 10 business days following termination.

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### WHAT SHOULD I DO IF I WANT TO PARTICIPATE IN THE RIGHTS OFFERING, BUT MY COMMON STOCK IS HELD IN THE NAME OF MY BROKER, DEALER OR OTHER NOMINEE?

If you hold your shares of our common stock through a broker, dealer or other nominee, for example, through a custodian bank, then your broker, dealer or other nominee is the record holder of the shares you own. This record holder must exercise the rights on your behalf for shares you wish to purchase. Therefore, you will need to have your broker, dealer or other nominee act for

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you.

If you wish to participate in the rights offering and purchase new shares, please promptly contact the record holder of your shares. To indicate your decision with respect to your rights, you should follow the instructions provided by your broker, dealer or other nominee. You should receive these instructions from the record holder with the other rights offering materials.

WHAT FEES OR CHARGES APPLY IF I PURCHASE SHARES?

We are not charging any fee or sales commission to issue rights to you or to issue shares to you if you exercise rights. If you exercise rights through a record holder of your shares, you are responsible for paying any fees that the record holder may charge you.

WHAT HAPPENS IF I SELL OR TRANSFER THE SHARES OF COMMON STOCK TO WHICH THE RIGHTS RELATE AFTER THE RECORD DATE?

You may exercise rights only to the extent that you have held the shares of common stock to which the rights relate continuously from the record date of January 22, 2002 through and including the date of exercise. If you sell, gift or otherwise transfer the shares to which the rights relate after the record date but prior to exercising your rights, the rights relating to the transferred shares will be forfeited, even if you later repurchase those shares or other shares of our common stock before expiration of the subscription period. However, rights may be transferred by will, devise or operation of law in the case of death, dissolution, liquidation or bankruptcy of the holder, or pursuant to an order of an appropriate court. We intend to monitor transfers of shares during the subscription period for this purpose. If you have delivered to the subscription agent a properly completed and signed subscription agreement together with the subscription price, you may thereafter sell your shares of common stock to which the rights relate without forfeiting the associated rights. You should note, however, that if your exercise of rights is determined to be defective and you have transferred the associated shares, you will forfeit the rights associated with the transferred shares.

WHAT ARE THE FEDERAL INCOME TAX CONSEQUENCES OF EXERCISING MY SUBSCRIPTION RIGHTS?

The receipt and exercise of your subscription rights are intended to be nontaxable. However, you should seek specific tax advice from your personal tax advisor with respect to your particular circumstances and tax situation. See "Material United States Federal Income Tax Considerations."

HOW MANY SHARES OF COMMON STOCK WILL BE OUTSTANDING AFTER THE RIGHTS OFFERING AND THE EXPLORER INVESTMENT? HOW MUCH OF OMEGA WILL EXPLORER OWN?

Following the rights offering and Explorer's investment, we will have 53,897,075 shares of common stock outstanding assuming the conversion of the Series C preferred stock and assuming we issue shares of common stock to Explorer in connection with its investment. If, at the time of Explorer's investment, we have not obtained the requisite stockholder approval to issue common stock to Explorer, Explorer will instead purchase shares of Series D preferred stock rather than common stock, and the number of shares of common stock outstanding would be reduced by the number of shares of common stock reserved for issuance upon conversion of the Series D preferred stock. The number of additional shares to be purchased by Explorer depends on the number of shares that are purchased by other stockholders in the rights offering. If no shares are subscribed for in the rights offering, following completion of the rights offering and the concurrent private placement Explorer would own approximately 63.9% of our voting stock on an as converted basis. If all of the

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shares are subscribed

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for in the rights offering, Explorer would continue to own approximately 47.1% of our voting stock on an as converted basis.

WHO IS THE SUBSCRIPTION AGENT?

EquiServe Trust Company, N.A. is the subscription agent for this rights offering. EquiServe is also the transfer agent for our common stock.

WHAT IF MY PAYMENT IS INCONSISTENT WITH THE NUMBER OF RIGHTS BEING EXERCISED?

If you send a payment that is insufficient to purchase the number of shares for which you are exercising rights, or if the number of shares is not indicated in the forms you return, the subscription agent will apply the payment received to exercise rights on your behalf up to the amount of the payment received. If your payment exceeds the subscription price for the maximum number of rights that you are eligible to exercise, the excess will be refunded to you, without interest within approximately 10 business days following the expiration date.

WILL MANAGEMENT PARTICIPATE IN THE RIGHTS OFFERING?

Our executive officers and directors that own shares of our common stock have indicated that they intend to participate in the rights offering, although they are not bound to do so and may change their mind at any time. These executive officers and directors are eligible to subscribe for an aggregate of 448,950 additional shares of our common stock in the rights offering.

WHEN WILL SHARES BE ISSUED?

Shares of common stock purchased in the rights offering will be issued as soon as practicable after satisfaction of the closing conditions, not to exceed 10 business days after the expiration date.

WHAT SHOULD I DO IF I HAVE OTHER QUESTIONS?

If you have questions, need additional copies of offering documents or otherwise need assistance, you should contact Georgeson Shareholder Communications, Inc. Georgeson's address and phone number appear on page 28. You may also contact us at the address and telephone number shown on page 7. We also file annual and quarterly reports and other information with the Securities and Exchange Commission. You may obtain copies of these reports by contacting us, the Securities and Exchange Commission or the New York Stock Exchange, as applicable, as described in "Where You Can Find More Information" also on page 118.

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OUR COMPANY

We are a self-administered real estate investment trust, or REIT, investing in and providing financing to the long-term care industry in the United States. At September 30, 2001, we owned or had mortgages on 246 skilled nursing and assisted living facilities with approximately 25,400 beds located in 29 states and operated by 32 independent healthcare operating companies.

We have historically financed investments through borrowings under our

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revolving credit facilities, private placements or public offerings of debt or equity securities, the assumption of secured debt or a combination of these methods. We also finance acquisitions through the exchange of properties or the issuance of shares of our capital stock when the transactions otherwise satisfy our investment criteria.

We prefer to make equity investments in our properties. We do this by purchasing the property and leasing it back to the operator. However, due to regulatory, tax or other considerations, we sometimes pursue alternative investment structures, including convertible participating and participating mortgages, that we believe achieve returns comparable to equity investments. We also provide traditional fixed-rate mortgages.

We are currently unable to borrow under our revolving credit facilities because we are not in compliance with certain financial covenants contained in the loan agreements relating to our two revolving credit facilities. On December 21, 2001, we reached agreements with the bank groups under both of our revolving credit facilities. These agreements include modifications and/or waivers to the financial covenants with which we were not in compliance. In addition, certain other financial covenants will be either modified or eliminated going forward. The effectiveness of these agreements is subject to the completion of the rights offering and private placement to Explorer. See "Modifications of Bank Credit Agreements."

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Our executive offices are located at 9690 Deereco Road, Suite 100, Timonium, Maryland 21093. Our telephone number is (410) 561-5726.

We also maintain a website at [www.omegahealthcare.com](http://www.omegahealthcare.com). However, the information on our website is not part of this prospectus and you should consider only the information contained in this prospectus when making a decision as to whether or not to exercise your rights.

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### RISK FACTORS

You should carefully consider the risks described below and the other information in this prospectus before deciding to purchase shares in the rights offering. Many factors, including the risks described below and other risks we have not recognized, could cause our operating results to be different from our current expectations and plans.

#### RISKS RELATED TO THE RIGHTS OFFERING

YOU CANNOT REVOKE YOUR EXERCISE OF SUBSCRIPTION RIGHTS FOR ANY REASON.

You may not revoke or change your exercise of rights after you send your subscription forms and payment to the subscription agent. If you later learn information about us that you consider to be unfavorable, if our stock price declines, or if you simply change your mind, you will not be entitled to revoke your subscription or obtain a refund of your subscription price. If we terminate the rights offering, you are only entitled to a refund of your subscription price. We will not pay any interest on the subscription price while it is held in escrow. If the market value of your shares declines during the period in which you are required to hold the shares, you will not receive any compensation for such loss in market value.

IF YOU DO NOT EXERCISE YOUR RIGHTS, YOUR PERCENTAGE OWNERSHIP INTEREST WILL BE DILUTED.

If you choose not to exercise your subscription rights in full, your

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percentage ownership interest will be diluted following the rights offering and private placement to Explorer. In addition, because the subscription price represents a discount from the prevailing market price of our common stock, stockholders who choose not to exercise their subscription rights will experience dilution of their economic interest in us.

THE SUBSCRIPTION RIGHTS ARE NONTRANSFERABLE.

Only our stockholders of record as of the record date who continuously hold the shares to which the rights relate between the record date and the exercise date may exercise rights. You may not sell, give away, or otherwise transfer your rights. However, rights may be transferred by will, devise or operation of law in the case of death, dissolution, liquidation or bankruptcy of the holder or pursuant to an order of an appropriate court. If you have delivered to the subscription agent a properly completed and signed subscription agreement together with the subscription price, you may thereafter sell your shares of common stock to which the rights relate without forfeiting the associated rights. You should note, however, that if your exercise of rights is determined to be defective and you have transferred the associated shares, you will forfeit the rights associated with the transferred shares. If you sell your common stock during the period between the record date and the exercise date, you will forfeit the rights you receive in this offering. Rights that are forfeited due to improper transfer will be null and void and no shares will be issued with respect thereof.

YOU NEED TO ACT PROMPTLY AND FOLLOW SUBSCRIPTION INSTRUCTIONS.

If you decide to exercise your rights, you will need to follow the instructions contained in this prospectus and the subscription agreement. If you do not, your subscription may be rejected. Stockholders who desire to purchase shares in the rights offering must act promptly to ensure that all required forms and payments are actually received by EquiServe, the subscription agent, prior to the expiration date. If you fail to complete and sign the required subscription forms, send an incorrect payment amount, or otherwise fail to follow the subscription procedures we may, depending on the circumstances, reject your subscription or accept it to the extent of the payment received. Neither we nor EquiServe undertakes to contact you concerning, or to attempt to correct, an incomplete or

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incorrect subscription form. We have the sole discretion to determine whether a subscription exercise properly follows the subscription procedures.

In addition, any personal check used to pay for shares must clear prior to the expiration date, and the clearing process may require five or more business days.

THE SERIES D PREFERRED STOCK THAT MAY BE ISSUED TO EXPLORER WILL HAVE GREATER RIGHTS, PREFERENCES AND PRIVILEGES THAN THOSE ALLOCATED TO OUR COMMON STOCK.

If we have not obtained the approval of our stockholders to issue common stock to Explorer as required by the rules of the New York Stock Exchange prior to the closing of the private placement to Explorer, we will issue to Explorer a new series of preferred stock that will have greater rights, preferences and privileges than our common stock, although this preferred stock would be non-voting. The Series D preferred stock has dividend rights and rights upon liquidation, dissolution or winding up of our company that rank senior to our common stock. Accordingly, if Explorer receives Series D preferred stock and it cannot be converted into common stock, Explorer will have, in some instances, greater rights, preferences and privileges than the holders of our common stock.

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YOUR SUBSCRIPTION PRICE WILL BE RETURNED WITHOUT INTEREST IF THE RIGHTS OFFERING IS NOT COMPLETED.

If we terminate the rights offering, you are only entitled to a refund of your subscription price. We will not pay any interest on the subscription price while it is held in escrow. If the market value of your shares declines during the period in which you are required to hold the shares, you will not receive any compensation for such loss in market value.

The closing of the rights offering is subject to conditions relating to modifications to our credit facilities and the absence of any governmental order or litigation that is reasonably likely to render it impossible or unlawful to complete the rights offering and/or Explorer's investment, or that could reasonably be expected to have a material adverse effect on our business, results of operations, or financial condition, or materially restrict the rights of Explorer under the documents relating to its investment.

We have entered into amendments to our credit facilities that are satisfactory to us and Explorer that become effective concurrently with the closing of the rights offering. We believe that these amendments will satisfy the closing conditions relating to our credit facilities. While there currently exists no governmental order or litigation with respect to this offering, we cannot assure you that such governmental order or litigation will not arise prior to closing the rights offering. If a governmental order or litigation arises prior to the closing of the rights offering, we may not be able to complete the rights offering and/or the private placement to Explorer. As a result, we cannot assure you that the rights offering will be completed.

### RISKS RELATED TO OUR COMMON STOCK

THE PRICE OF OUR COMMON STOCK MAY DECLINE BELOW THE SUBSCRIPTION PRICE.

The subscription price in this rights offering represents a discount to the market price of our common stock on the date it was determined. The trading price for our common stock may decline below the subscription price during or after the rights offering. We cannot assure you that the subscription price will remain below the trading price for our common stock.

THE FUTURE MARKET PRICE OF OUR COMMON STOCK MAY FLUCTUATE SUBSTANTIALLY.

Future prices of our stock may be affected positively or negatively by our future revenues and earnings, changes in estimates by analysts, our ability to meet analysts' estimates, speculation in the

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trade or business press about our company, and overall conditions affecting our business, economic trends and the securities markets.

In addition, the stock market has recently experienced significant price and volume fluctuations, which have been further exacerbated by the events of September 11, 2001. We cannot assure you that the market for our common stock will not continue to be volatile or that any additional terrorist attacks would not further disrupt the market generally or our common stock in particular.

ALTHOUGH OUR COMMON STOCK IS LISTED ON THE NEW YORK STOCK EXCHANGE, IT IS THINLY TRADED. OUR STOCK PRICE MAY FLUCTUATE MORE THAN THE STOCK MARKET AS A WHOLE.

As a result of the thin trading market or "float" for our stock, the market price for our common stock may fluctuate significantly more than the stock market as a whole. In addition, sales of a substantial amount of common stock in the public market, or the perception that these sales may occur, could adversely

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affect the market price of our common stock. Explorer owns approximately 47.1% of our voting stock and will likely acquire additional shares as a result of its new investment and stockholders not exercising their rights in the rights offering. Without a large float, our common stock is less liquid than the stock of companies with broader public ownership, and as a result, the trading prices for our common stock may be more volatile. Among other things, trading of a relatively small volume of our common stock may have a greater impact on the trading price for our stock than would be the case if our public float were larger. Explorer has the right to require us to register for resale the shares of our capital stock that it owns and can transfer any or all of its shares without our consent. As a result, Explorer has the ability to sell a substantial amount of our stock. Sales by Explorer, or the perception that such sales may occur, could negatively impact the market for and trading price of our common stock.

### RISKS RELATED TO OUR COMPANY

#### OUR SUBSTANTIAL INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION.

We have substantial indebtedness and will continue to have substantial indebtedness after the completion of the rights offering. In addition, we may increase our indebtedness in the future. Our level of indebtedness could have important consequences to our stockholders. For example, it could:

- make us more vulnerable to economic downturns;
- potentially limit our ability to withstand competitive pressures;
- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general corporate purposes; and
- make us more susceptible to the above risks because borrowings under our credit facilities will bear interest at fluctuating rates.

We are dependent on third party financing for our investments. We have historically obtained such financing by accessing the public and private debt capital markets. Cash provided by our operating activities and/or proceeds from asset sales or additional equity issuances may be insufficient to meet required payments of principal and interest. In addition, we are also subject to risks related to rising interest rates on our floating rate debt that is not hedged, and our ability to repay or refinance existing indebtedness, which generally will not have been fully amortized at maturity and the terms of which may not be as favorable as the terms of existing indebtedness. In the event we are unable to refinance outstanding indebtedness as it matures on acceptable terms, we might be forced to dispose of properties upon disadvantageous terms, which might result in losses to us, or to obtain financing at unfavorable terms either of which might adversely affect the cash flow available to meet debt service obligations. In addition, if a property or properties are mortgaged to secure payment of indebtedness

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and we are unable to meet required mortgage payments, the mortgage securing the property could be foreclosed upon by, or the property could be otherwise transferred to, the mortgagee with a consequent loss of income and asset value to us.

At September 30, 2001, on a consolidated basis, we had outstanding indebtedness of approximately \$426.0 million, and the ratio of our debt to total assets was 46.7%. On a pro forma basis at September 30, 2001, after giving effect to the rights offering, Explorer's investment and the application of the

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estimated net proceeds therefrom and certain other adjustments, we would have had outstanding indebtedness of approximately \$381.0 million and had a ratio of debt to total assets of 41.8%.

OUR FAILURE TO COMPLY WITH CERTAIN FINANCIAL COVENANTS IN OUR TWO CREDIT FACILITIES CURRENTLY PREVENTS US FROM BORROWING UNDER THOSE FACILITIES AND COULD CAUSE THAT AND OTHER DEBT TO BECOME IMMEDIATELY PAYABLE.

We are currently unable to borrow under our revolving credit facilities because we are not in compliance with certain of the financial covenants contained in the loan documents relating to our two revolving credit facilities. These covenant violations currently prevent us from drawing upon the remaining availability under these credit facilities.

On December 21, 2001 we reached agreements with the bank groups amending both of our revolving credit facilities. These agreements include modifications and/or waivers to certain financial covenants with which we were not in compliance. In addition, certain other financial covenants will be either modified or eliminated going forward.

Each of the amendments to our credit facilities is conditioned upon the closing of the rights offering and Explorer's investment. If the rights offering does not close, both amendments will be null and void and we will remain in violation of our credit facilities. These violations would permit the lenders to declare any or all of the amounts due under the respective credit facilities to be immediately due and payable. If the lenders declare such amounts due and payable, we will not have sufficient funds to repay the borrowings or other debt obligations that may come due in the near future.

THE SALE OF UNSUBSCRIBED SHARES IN THE RIGHTS OFFERING TO EXPLORER OR FUTURE STOCK PURCHASES BY EXPLORER MAY VEST CONTROL OF OUR COMPANY IN EXPLORER.

Explorer presently owns 47.1% of our voting stock through the ownership of our Series C preferred stock and 553,850 shares of common stock. The number of additional shares Explorer has agreed to purchase in the concurrent private placement depends on how many rights are exercised in the rights offering. If all of the rights are exercised by our stockholders in the rights offering, Explorer would continue to own 47.1% of our voting stock following the rights offering and private placement to Explorer. If none of the rights are exercised, Explorer would own 63.9% of our voting stock following the rights offering and private placement to Explorer.

As a condition to the private placement to Explorer, we have agreed to amend the agreements we have with Explorer to remove restrictions that currently limit the right of Explorer to purchase additional shares of our stock or to vote shares of our stock that it owns in excess of 49.9% of our total voting stock. As a result, if Explorer acquires beneficial ownership of more than 50% of our common stock, Explorer will have the right to designate a majority of our directors and the voting power to cause the election of all our directors. Explorer will be able to control, through our Board, the management and affairs of our company. It will also be able to control the vote on all matters submitted to our stockholders, including transactions involving an actual or potential change in our control. This could prevent transactions in which the holders of our common stock might otherwise receive a premium for their shares over then current market prices. The interests of Explorer may not coincide with the interests of the other holders of our common stock.

OUR ASSETS MAY NOT BE ADEQUATE TO SATISFY OUR DEBT OBLIGATIONS IN THE EVENT OF A LIQUIDATION AND WE MAY NOT HAVE ANY ASSETS AVAILABLE FOR DISTRIBUTION TO STOCKHOLDERS.



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If the lenders under our credit facilities were to declare any or all of the amounts outstanding under those facilities to be immediately payable, we will not have sufficient funds to repay the borrowings or other debt obligations that may come due in the near future. In the event of a bankruptcy or liquidation of our company, the lenders under our credit facilities and the holders of our debt securities would be entitled to payment of all amounts due to them before the holders of our common stock would receive anything. In addition, the holders of our preferred stock are entitled to liquidation preferences. We cannot assure you that the value of our assets will be sufficient to meet all of our obligations. If they are not sufficient, the holders of our common stock may not receive anything in the event of a liquidation or reorganization of our company.

WE HAVE SIGNIFICANT PRINCIPAL AND DIVIDEND PAYMENTS COMING DUE; WE MAY BE UNABLE TO PAY THESE AMOUNTS OR REFINANCE MATURING INDEBTEDNESS.

We have significant principal and dividend payments due on our indebtedness and preferred stock over the next several years. We are presently required to make the following principal payments on our current outstanding debt:

- \$99.4 million in 2002;
- \$131.0 million in 2003;
- \$2.2 million in 2004; and
- \$180.5 million thereafter.

Additionally, dividends on Series A, B and C preferred stock accrue at \$20.1 million annually. As of December 31, 2001, we had \$19.9 million of accumulated and unpaid preferred dividends.

Although we intend to use a portion of the proceeds of this offering to repay our indebtedness, it will not be enough to satisfy all of these obligations. Our ability to meet these obligations will depend upon our future operating performance and our ability to dispose of properties currently held for sale, which in turn will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control.

We cannot assure you that our business will continue to generate sufficient cash flow from operations or that there will be sufficient proceeds from asset sales or additional equity issuances to repay our substantial indebtedness. If we are unable to generate sufficient cash from these sources, we may be required to sell additional assets, to refinance all or a portion of our indebtedness or to obtain additional financing. We cannot assure you that any such refinancing will be possible or that any additional financing will be available on terms acceptable to us.

OUR DEBT AGREEMENTS IMPOSE SIGNIFICANT OPERATING AND FINANCIAL RESTRICTIONS, WHICH MAY PREVENT US FROM CAPITALIZING ON BUSINESS OPPORTUNITIES.

Our debt agreements impose significant operating and financial restrictions on us. These restrictions affect, and in certain cases limit, among other things, our ability to:

- incur additional indebtedness and liens;
- make capital expenditures;
- make investments and acquisitions and sell assets; or

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- consolidate, merge or sell all or substantially all of our assets.

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We cannot assure you that these restrictions will not adversely affect our ability to finance our future operations or capital needs or to engage in other business activities that may be in the interest of stockholders.

OUR INDUSTRY IS SUBJECT TO SIGNIFICANT GOVERNMENT REGULATION.

Nearly all of our properties are used as healthcare facilities; therefore, we are directly affected by the risks associated with the healthcare industry. The healthcare industry is highly regulated by federal, state and local laws, rules and regulations and is directly affected by state and local licensure, fines and loss of certification to participate in the Medicare and Medicaid programs, as well as potential criminal penalties. These laws, rules and regulations are complex and constantly evolving, and subject to considerable interpretation and discretion on the part of regulators and courts. We cannot assure you that government investigations will not result in interpretations that are inconsistent with industry practices.

The Balanced Budget Act of 1997 enacted a number of anti-fraud and abuse provisions and contains civil monetary penalties for an operator's violation of the anti-kickback laws. The Balanced Budget Act also imposes an affirmative duty on operators to ensure they do not employ or contract with persons excluded from the Medicare or other governmental programs. It also provides a minimum ten-year period for exclusion from participation in federal healthcare programs for operators convicted of a prior healthcare offense. Additionally, the Health Insurance Portability and Accountability Act of 1996, which became effective January 1, 1997, broadened the scope of fraud and abuse laws, such as the anti-kickback law, and related enforcement activities.

Governmental investigations and enforcement of healthcare laws have increased dramatically and are expected to continue to increase. There are heightened coordinated civil and criminal enforcement efforts by both federal and state government agencies relating to the healthcare industry, including the skilled nursing segment. There is increasing scrutiny by law enforcement authorities, the Office of Inspector General, the Department of Health and Human Services, the U.S. Department of Justice, the courts and Congress of arrangements between healthcare providers and potential referral sources to ensure that arrangements are not designed as a mechanism to exchange remuneration for patient care referrals and opportunities. Investigators have also demonstrated a willingness to look behind the formalities of a business transaction to determine the underlying purpose of payments between healthcare providers and potential referral sources. Additionally, federal and state enforcement authorities have used the federal False Claims Act with increasing frequency in quality of care cases. In addition to investigations and enforcement actions initiated by governmental agencies, healthcare companies may also be the subject of qui tam or whistleblower actions brought under the False Claims Act by private individuals on behalf of the government. Whistleblowers receive a portion of any amounts collected by the government in those types of actions as a reward for bringing the action to the government's attention. Actions under the False Claims Act are generally filed under seal to allow the government adequate time to investigate and determine whether or not it will intervene in the lawsuit, and defendant healthcare providers are often without knowledge of these actions until the government has completed its investigation and the seal is lifted. This process can take several years. Over the past few years, a number of False Claims Act or fraud and abuse suits have been brought against nursing home facilities or operators based on quality of care issues, staffing levels, submitting falsely inflated costs reports, billing for services never rendered, billing of labor costs, and upcoding of claims.

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The increase in governmental investigations, the Balanced Budget Act, Health Insurance Portability and Accountability Act, future healthcare legislation or other changes in administration or interpretation of governmental healthcare programs may have a material adverse effect on the amounts we receive with respect to our owned and operated portfolio and the liquidity, financial condition or

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results of operations of our operators, which could also have a material adverse effect on their ability to make rent and interest payments to us.

OUR LESSEES/MORTGAGORS RELY ON THIRD PARTY PAYORS FOR PAYMENT.

Based on information provided by the operators of our facilities, the following table sets forth the approximate payor mix for our facilities for the most recently reported twelve-month period:

Medicaid.....	52.5%
Medicare.....	22.5
Private.....	12.0
Other.....	13.0
	-----
Total.....	100.0%
	=====

Our lessees and mortgagors, as well as the facilities owned and operated for our account, derive a substantial portion of their net operating revenues from third-party payors, including the Medicare and Medicaid programs. These programs are highly regulated and subject to frequent and substantial changes. The Balanced Budget Act significantly reduced spending levels for the Medicare and Medicaid programs. Due to the implementation of the terms of the Balanced Budget Act, effective July 1, 1998, the majority of skilled nursing facilities shifted from payments based on reimbursable cost to a prospective payment system for services provided to Medicare beneficiaries. Under the prospective payment system, skilled nursing facilities are paid on a per diem prospective case mix adjusted payment 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 it derives from Medicare patients. Long-term care facilities have had to attempt to restructure their operations to operate profitably under the new Medicare prospective payment system reimbursement policies. Although Congress amended the Balanced Budget Act in 1999 and 2000 to restore some monies to skilled nursing facilities that were cut as a result of the implementation of the Balanced Budget Act, we cannot assure you that there will be any future legislation to increase payment rates for skilled nursing facilities. If payment rates for skilled nursing facilities are not increased in the future, our lessees and mortgagors may have difficulty meeting their payment obligations to us.

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 its citizens. The Balanced Budget Act repealed the federal payment standard, also known as the Boren Amendment, for hospitals and nursing facilities under Medicaid, increasing states' discretion over the administration of Medicaid programs. A number of states are considering legislation designed to reduce their Medicaid expenditures which could result in decreased revenues for our lessees and mortgagors.

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In addition, private payors, including managed care payors, are increasingly 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 which reduce reimbursement levels could adversely affect the amounts we receive with respect to our owned and operated portfolio and the revenues of our lessees and mortgagors and thereby adversely affect those lessees' and mortgagors' abilities to make their monthly lease or debt payments to us.

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OUR LESSEES/MORTGAGORS MAY NOT GENERATE SUFFICIENT INCOME TO MEET THEIR PAYMENT OBLIGATIONS TO US.

The possibility that the healthcare facilities will not generate income sufficient to meet operating expenses or will yield returns lower than those available through investments in comparable real estate or other investments are additional risks of investing in healthcare-related real estate. Income from properties and yields from investments in such properties may be affected by many factors, including changes in governmental regulation, such as zoning laws, general or local economic conditions, such as fluctuations in interest rates and adequacy of local labor supply, the available local supply and demand for improved real estate, a reduction in rental income as the result of an inability to maintain occupancy levels, natural disasters, such as earthquakes and floods or similar factors.

Other changes in the healthcare industry that may adversely affect the incomes of lessees and mortgagors include continuing trends toward shorter lengths of stay, increased use of outpatient services, increased federal, state and third-party regulation and oversight of healthcare company operations and business practices and increased demand for capitated healthcare services, defined as the delivery of services at a fixed price per capita basis to a defined group of covered parties. The entrance of insurance companies into managed care programs is also accelerating the introduction of managed care in new localities, and states and insurance companies continue to negotiate actively the amounts they will pay for services. Moreover, the percentage of healthcare services that are reimbursed under Medicare and Medicaid programs continues to increase as the population ages and as states expand their Medicaid programs. Continued eligibility to participate in these programs is crucial to a provider's financial strength. Finally, healthcare regulation through Certificates of Need has tended to limit construction of new long-term care facilities in many states because states that have enacted Certificate of Need legislation require the issuance of a Certificate of Need prior to the construction of a new healthcare facility. A Certificate of Need is issued by the applicable health planning agency in a state only after the health planning agency makes a determination that a need exists in a particular area in the state for a particular service or facility. Several states in which we have investments have repealed Certificates of Need legislation, including California and Texas, opening up opportunities for additional competition for our facilities. As a result of the foregoing, the revenues and margins of the operators of our facilities may decrease, resulting in a reduction of our rent/interest coverage from investments

OUR LESSEES/MORTGAGORS MAY EXPERIENCE A REDUCTION IN REVENUES DUE TO HEALTHCARE REFORM.

The Health Insurance Portability and Accountability Act, enacted in 1996, focused on assuring portability of employee healthcare benefits and increasing enforcement powers of federal agencies that investigate and prosecute fraud and abuse in federally funded healthcare programs. Ongoing federal budget constraints will continue to place priority on the need to slow the growth rate

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in federal healthcare expenditures. We anticipate that further debate on overall structural reform of federal healthcare programs will affect additional legislative action on cost-containment. We also anticipate that private payor efforts to contain or reduce healthcare costs will continue. These trends are likely to lead to reduced or slower growth in reimbursement for certain services provided by some of our lessees and mortgagors. We cannot assure you that the implementation of any reforms will not have a material adverse effect on our financial condition or results of operations.

Additionally, portions of the Health Insurance Portability and Accountability Act required the Department of Health and Human Services to adopt standards governing electronic transmission of healthcare information. The purpose of this law is to promote efficiency and effectiveness in the healthcare system through the establishment of standards and requirements for the electronic transmission of certain healthcare information. The entities covered under this law are health plans, healthcare clearinghouses, and healthcare providers that transmit health information electronically. Pursuant to this authority, the Department of Health and Human Services published final regulations

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on August 17, 2000 setting standardized transaction forms and code sets for several common healthcare transactions, including healthcare claims, remittance advice, coordination of benefits, referral certification and authorization, health plan enrollments and disenrollments, health plan premium payments, and health plan eligibility. The use of these standardized formats for the covered transactions is expected to be mandated within 24 months of the effective date of these regulations for providers such as our lessees and mortgagors that engage in these types of transactions through electronic transmissions.

Pursuant to other Administrative Simplification provisions of the Health Insurance Portability and Accountability Act, the Department of Health and Human Services published final regulations governing privacy and security of health information on December 28, 2000, which became effective April 14, 2001. These privacy regulations will likely require substantial review of and revisions to our lessees' and mortgagors' current policies and procedures regarding the storage, use and disposition of health information, as well as require them to engage in "business partners" agreements regarding these practices with any third party to which they disclose health information in order to carry out their business and operate their facilities. These privacy regulations would also require publication of our lessees' and mortgagors' policies regarding privacy of health information and would confer enumerated rights upon residents with respect to access to their own health information, requests to correct such information, and accounting for particular disclosures of the information by our lessees and mortgagors, and under our agreements with business partners.

Compliance with the regulations issued by the Department of Health and Human Services under the Administrative Simplification provisions of the Health Insurance Portability and Accountability Act will require our lessees and mortgagors to assure that their information systems, as well as their operating policies and procedures, are sufficient to accommodate the final standardized transactions and code sets, as well as the security and privacy standards in the privacy regulations published by the Department of Health and Human Services. As a result of compliance with the foregoing, the revenues and margins of the operators of our facilities may decrease, resulting in a reduction of our rent/interest coverage from investments.

MEDICAID MAY NOT ADEQUATELY REIMBURSE US OR OUR LESSEES AND MORTGAGORS WHICH COULD IMPACT THEIR ABILITY TO MEET THEIR PAYMENT OBLIGATIONS TO US.

We cannot assure you that the Medicaid reimbursement programs in each of the

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states where we own and operate facilities or where our lessees' and mortgagors' facilities are located will adequately reimburse us for our operating costs or the rent or interest costs of our lessees and mortgagors. Failure by these state Medicaid programs to provide reimbursement at current or increased levels could have an adverse effect upon the cash flow of the facilities and, hence, on the ability of our lessees and mortgagors to meet their respective payment obligations to us. Additionally, Medicare regulations provide that, effective December 1, 1997, when a facility changes ownership, by sale or under certain lease transactions, reimbursement for depreciation and interest will be based on the cost to the owner of record as of August 5, 1997, less depreciation allowed. Previously, the buyer would use its cost of purchase up to the original owner's historical cost before depreciation. Such changes could adversely affect the resale value of our healthcare facilities.

### THE LONG-TERM CARE INDUSTRY MAY EXPERIENCE INCREASED LIABILITY COSTS.

General liability and professional liability costs in the long-term care industry have significantly increased over the past several years, with increases in the number and average size of claims. Excluding Florida, where recent experience is materially inconsistent with most other states, the number of claims in the long-term care industry has been increasing annually at a rate of approximately 8%, while the size of such claims has increased 14%. In Florida, the number of claims has been increasing annually at a rate of approximately 23%, while the size of such claims has increased 18%.

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The increased frequency and magnitude of losses have led a number of insurance companies to exit from the long-term care industry, resulting in dramatically increased premiums and increased difficulties in obtaining coverage.

### WE MAY BE EXPOSED TO UNINSURED LOSSES.

We currently require, and it is our intention to continue to require, all lessees and mortgagors to secure adequate comprehensive property and liability insurance that covers us as well as the lessee and mortgagor. Certain risks may, however, be uninsurable or not economically insurable and we cannot assure you that we or a lessee will have adequate funds to cover all contingencies.

### 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

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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, 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, an owner of real property or a secured lender, such as us, may be liable in certain circumstances for the costs of removal or remediation 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 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 the owner's ability to sell or rent such property or to borrow using such property as collateral which, in turn, would reduce our revenues.

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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, and we cannot assure you that any such borrower or lessee would be able to fulfill its indemnification obligations.

WE RELY ON THIRD PARTY OPERATORS OF HEALTHCARE FACILITIES.

As of September 30, 2001, our portfolio of domestic investments consisted of 246 facilities located in 29 states and operated by 32 independent healthcare operating companies. Our gross investments in these facilities totalled \$887.2 million at September 30, 2001. This portfolio is made up of 129 long-term care facilities and two rehabilitation hospitals owned and leased to third parties, fixed rate, participating and convertible participating mortgages on 55 long-term healthcare facilities and 48 long-term care facilities that were recovered from customers and are currently operated through third-party management contracts for our own account. In addition, 12 facilities are subject to third-party leasehold interests. Approximately 73.7% of our real estate investments were operated by seven public companies, including Sun Healthcare Group, Inc. (24.6%), Integrated Health Services, Inc. (18.1%, including 10.7% as the manager for and 50% owner of Lyric Health Care LLC), Advocat Inc. (12.0%), Mariner Post-Acute Network, Inc. (6.7%), Kindred Healthcare, Inc. (formerly known as Vencor Operating, Inc.) (5.7%), Alterra Healthcare Corporation (3.8%) and Genesis Health Ventures, Inc. (2.8%). Kindred and Genesis manage facilities for our own account, including "owned and operated" assets. The two largest private operators represent 3.5% and 2.5%, respectively, of investments. No other operator represents more than 2.5% of investments. The three largest states in which we had investments were Florida (16.0%), California (7.5%) and Illinois (7.5%).

WE ARE EXPOSED TO POTENTIAL RISKS FROM BANKRUPTCIES OF OUR LESSEES AND MORTGAGORS.

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Our financial position and our ability to service our debt may be adversely affected by financial difficulties experienced by any of our operators and the related potential for a bankruptcy filing.

Our lease arrangements with operators who operate more than one of our facilities are generally made pursuant to a single master lease covering all of that operator's facilities. Although each lease or master lease provides that we may terminate the master lease upon the bankruptcy or insolvency of the tenant, the Bankruptcy Reform Act of 1978 provides that a trustee in a bankruptcy or reorganization proceeding under the Bankruptcy Act, or a debtor-in-possession in a reorganization, has the power and the option to assume or reject the unexpired lease obligations of a debtor-lessee. In the event that the unexpired lease is assumed on behalf of the debtor-lessee, all the rental obligations thereunder generally would be entitled to a priority over other unsecured claims. However, the court also has the power to modify a lease if a debtor-lessee in a reorganization were required to perform certain provisions of a lease that the court determined to be unduly burdensome. It is not possible to determine at this time whether or not any of our leases or master lease contains any such provision. If a lease is rejected, the lessor has a general unsecured claim 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 or 15% of the remaining term of such lease, not to exceed three years.

Generally, with respect to our mortgage loans, the imposition of an automatic stay under the Bankruptcy Act precludes us from exercising foreclosure or other remedies against the debtor. Pre-petition creditors generally do not have rights to the cash flows from the properties underlying the mortgages. The timing of the collection from mortgagors in bankruptcy depends on negotiating an acceptable settlement with the mortgagor (and subject to approval of the bankruptcy court) or 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 or rejection because it is not an executory contract or a lease. Second, the mortgagee's loan may be divided into (1) a secured loan for the portion of the mortgage debt that does not exceed the value of the property and (2) a general unsecured loan for the portion of the mortgage debt that

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exceeds the value of the property. A secured creditor such as ourselves is entitled to the recovery of interest and costs 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 and allowed costs may not be paid during the bankruptcy proceeding but accrue until confirmation of a plan of reorganization or such other time as the court orders. If the value of the collateral held by a senior creditor is less than the secured debt, 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 rejected or assumed with all of its benefits and burdens intact, the terms of a mortgage, including the rate of interest and timing of principal payments, may be modified if the debtor is able to effect a "cramdown" under the Bankruptcy Act.

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,



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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 successorship liability to government programs 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 these events occur, our income and cash flows from operations would be adversely affected.

WE ARE EXPOSED TO POTENTIAL RISKS RELATED TO OWNED AND OPERATED ASSETS.

As a consequence of the financial difficulties encountered by a number of our operators, we have recovered various long-term care assets, pledged as collateral for the operators' obligations, either in connection with a restructuring or settlement with certain operators or pursuant to foreclosure proceedings. During 2000, \$24.3 million of assets previously classified as held for sale were reclassified to "owned and operated assets" as the timing and strategy for sale or, alternatively, re-leasing, were revised in light of then prevailing market conditions.

We are typically required to hold applicable licenses and are responsible for the regulatory compliance at our owned and operated facilities. Our management contracts with third party operators for these properties provide that the third party operator is responsible for regulatory compliance, but we could be sanctioned for violation of regulatory requirements. In addition, the risk of third party claims such as patient care and personal injury claims may be higher with respect to our owned and operated properties as compared to the our leased and mortgaged assets.

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

WE ARE SUBJECT TO SIGNIFICANT ANTI-TAKEOVER PROVISIONS.

In addition to the potential anti-takeover effects resulting from Explorer's significant investment in our company, our certificate 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 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, other than Explorer and its affiliates, acquires more than 9.9% of our common stock or announces a tender 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 common

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stock.

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 and our stockholders' best interests. The methods of implementing our investment strategies and policies may vary as new investments and financing techniques are developed.

WE ARE ORGANIZED AS A SELF-ADMINISTERED REAL ESTATE INVESTMENT TRUST.

We were organized to qualify for taxation as a real estate investment trust, or 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. For example, in order to qualify as a REIT, each year we must distribute to our stockholders at least 90% (95% for taxable years before 2001) of our taxable income, other than any net capital gain. 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. 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 reduce our net earnings and cash flow available for investment, debt service or distribution to stockholders because of our additional tax liability for the years involved. In addition, distributions to stockholders would no longer be required to be made.

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### THE RIGHTS OFFERING

#### THE RIGHTS

If you owned our common stock as of 5:00 p.m. on January 22, 2002, you will receive one right for every 2.15 shares of common stock owned by you at that time. Each right entitles you to purchase one share of common stock at the subscription price. For example, if you owned 100 shares of common stock on the record date, you would have the right to purchase 47 additional shares of common stock for \$2.92 per share. The aggregate number of rights you are entitled to receive, if exercised by you in full, represents your pro rata portion of the \$50 million in additional equity capital we are seeking to raise in the rights offering and private placement. Your pro rata portion is based on the number of shares of common stock you owned on the record date, assuming solely for this purpose the conversion of all of our outstanding Series C preferred stock, all of which is held by Explorer. There is no minimum number of shares that must be subscribed for by stockholders in the rights offering. If no stockholders subscribe for shares in the rights offering, Explorer will purchase \$50 million of additional equity assuming the closing conditions are satisfied.

We will not issue fractional rights, and you may not exercise rights other than in whole numbers. If the number of shares of common stock you held on the record date would result in your receipt of fractional rights, the number of

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rights distributed to you has been rounded up to the nearest whole right.

### EXPIRATION TIME AND DATE

The rights expire on February 14, 2002, at 5:00 p.m., New York City time. Our subscription agent must actually receive all required documents and payments before that date and time. We recommend that you send all of your subscription documents, together with payment of the subscription price, to the subscription agent several days in advance of the expiration date. We can extend the expiration date, but in no event will the date be extended beyond February 28, 2002. We do not presently intend to extend the expiration date. Rights not exercised by the expiration date will be null and void and will have no value, and the shares of common stock associated with those rights will not be issued.

### SUBSCRIPTION PRICE

The subscription price is \$2.92 per share, payable in cash. All payments must clear on or before the expiration date. The market price of our common stock may increase or decrease during the rights offering. On January 17, 2002, the last reported sale price for our common stock on the New York Stock Exchange was \$5.74 per share.

The subscription price is the same price that is being offered to Explorer in the private placement concurrent with this offering. Our Board of Directors sought and obtained a written opinion from Shattuck Hammond Partners LLC, an independent financial advisor, that as of October 29, 2001, the date of their opinion, the financial terms of the investment agreement with Explorer taken as a whole are fair to Omega from a financial point of view. For purposes of the opinion, our financial advisor assumed a subscription price of \$2.92 per share.

We have attached the full text of Shattuck Hammond's opinion as Annex A to this prospectus. You should read the entire opinion to understand the assumptions made, matters considered and limitations on the review undertaken by our financial advisor. The opinion does not constitute a recommendation as to whether you should exercise your rights in the rights offering. Shattuck Hammond's opinion relates solely to the fairness to Omega Healthcare of the financial terms of the investment agreement, and does not address the fairness of either the investment agreement to unaffiliated stockholders or the subscription price in the rights offering. A summary of the opinion is also set forth below under "Determination of Subscription Price."

In determining whether to pursue the rights offering as well as setting the price at which a share of common stock may be purchased in this rights offering, a special committee of our Board of Directors, which did not include affiliates of Explorer, considered several factors, including the fairness

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opinion delivered by our financial advisor, the historic and current market price of our common stock as of the date of the opinion, our financial condition, challenges facing us, anticipated cash flows, general conditions in the securities markets, our need for additional capital, available alternate sources of financing, prices offered to stockholders in other rights offerings and the need to offer the shares at a price that would be attractive to investors relative to the then current trading price for our common stock, among other things.

### CLOSING CONDITIONS

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The closing of the rights offering is subject to conditions relating to modifications to our credit facilities and the absence of any governmental order or litigation that is reasonably likely to render it impossible or unlawful to complete the rights offering and/or Explorer's investment, or that could reasonably be expected to have a material adverse effect on our business, results of operations, or financial condition, or materially restrict the the rights of Explorer under the documents relating to its investment.

We have entered into amendments to our credit facilities that are satisfactory to us and Explorer that become effective concurrently with the closing of the rights offering. See "Modification of Bank Credit Agreements" for a discussion of the general terms of the proposed amendment to our two credit facilities and any conditions to the effectiveness of such amendments. We believe that these amendments will satisfy the closing conditions relating to our credit facilities. While there currently exists no governmental order or litigation with respect to this offering, we cannot assure you that such governmental order or litigation will not arise prior to closing the rights offering. If a governmental order or litigation arises prior to the closing of the rights offering, we may not be able to complete the rights offering and/or the private placement to Explorer.

All subscriptions will be held in escrow until expiration of the subscription period and the satisfaction of the closing conditions. If the closing conditions are not satisfied on or before expiration of the subscription period as it may be extended by us, we will terminate the rights offering and return your money to you, without interest, within approximately 10 business days following the termination.

### ESCROW ARRANGEMENT

Until the closing conditions have been satisfied and the expiration of the subscription period, your money will be held in a non-interest-bearing account maintained by Bank One Trust Company, NA, the escrow agent. If we terminate the offering, we will return your money to you, without interest, within approximately 10 business days following termination. We will pay the fees and expenses of the escrow agent, which we estimate to be approximately \$4,000.

### EXPLORER PRIVATE PLACEMENT

Explorer Holdings, L.P., which owns all of our outstanding Series C preferred stock and 553,850 shares of our common stock, representing 47.1% of our voting stock, will not purchase common stock in this rights offering. Although Explorer will not participate in the rights offering, Explorer has agreed to purchase \$23.6 million of our stock in a private placement concurrent with the closing of the rights offering, at the same price per common share as in this rights offering. The amount that Explorer has committed to invest in the private placement represents its pro rata portion, with respect to shares of our Series C preferred stock and common stock it holds, of the \$50 million in additional equity capital we are seeking to raise. Explorer has also agreed to increase the size of its private placement investment in our company by an additional amount equal to the aggregate subscription price of any shares that are not subscribed for in this offering. As a result of this commitment, we are assured of receiving a total of \$50 million in gross proceeds upon the completion of the rights offering and the private placement to Explorer. The shares to be issued to Explorer are not registered as a part of the rights offering and will be restricted securities under the Securities Act of 1933.

As a condition to Explorer's private placement investment, we have agreed to amend certain of the agreements relating to Explorer's July 2000 investment in our company effective as of the closing of

Explorer's new investment. The effect of these amendments is generally to remove those provisions in our agreements that prohibit Explorer from voting in excess of 49.9% of our stock and from taking certain actions without the prior approval of our Board. These agreements are described in more detail under "Modifications to Agreements with Explorer" on page 46 of this prospectus. The private placement to Explorer is subject to the satisfaction of the same closing conditions to which the rights offering is subject. In addition, prior to the closing of the rights offering, the private placement to Explorer is subject to the condition that our existing stockholder rights plan has not been triggered and that the amendment to the stockholder rights plan in connection with the Explorer investment remains in effect.

The rules of the New York Stock Exchange require that stockholders approve the sale of voting capital stock to an affiliate such as Explorer. If the issuance of common stock to Explorer has not been approved by our stockholders at the time we close the rights offering and Explorer's investment, we will issue to Explorer, in lieu of common stock, non-voting Series D preferred stock, which will have greater rights and preferences than common stock. The Series D preferred stock will automatically convert into common stock upon receipt of stockholder approval or the waiver by the New York Stock Exchange of its stockholder approval requirement.

We have scheduled a special meeting of stockholders to be held on February 18, 2002 at which stockholders will be asked to vote on a proposal to approve the issuance of common stock to Explorer. We will provide separate proxy solicitation materials to stockholders in connection with the special meeting. We recommend that you read both the prospectus and the proxy materials completely. Your vote will not affect your ability to exercise rights received in this offering. Stockholders may vote to approve the issuance of the shares of common stock to Explorer and still decline to exercise their subscription rights. Conversely, stockholders can vote against the issuance of shares to Explorer yet still exercise their subscription rights if the closing conditions to which the rights offering is subject are met. This prospectus relates solely to the rights offering and is not a solicitation for proxies. The proxy solicitation is made pursuant to the separate proxy materials that you will receive.

#### REASONS FOR THE RIGHTS OFFERING

We are distributing the rights to purchase common stock as part of our plan to raise up to \$50 million in additional equity capital to satisfy the conditions to the modification of our credit facilities and to enhance our ability to repay approximately \$98 million in debt maturing during the first half of 2002. Our equity offering consists of two components--this rights offering and a concurrent private placement of equity pursuant to our October 29, 2001 investment agreement with Explorer. We are distributing the rights to give all our common stockholders the opportunity to participate in proportion to their ownership interest in our voting stock.

The rights offering affords our existing stockholders an opportunity to subscribe for new shares of common stock, at the same price per common share as the Explorer private placement, and to maintain their proportionate interest in us. Some of the factors considered by our Board of Directors in deciding to proceed with the rights offering include:

- our need for capital;
- the alternative methods available to us for raising capital;

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- the pro rata nature of a rights offering to our stockholders;
- the terms of the investment agreement with Explorer;
- the time period available in which to raise the needed capital and the uncertainty of closure associated with various alternative methods for raising capital;
- the market price of our common stock; and
- conditions of the capital markets in general.

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In addition, since no underwriting or sales commission will be paid in respect of the shares purchased in the rights offering, we believe the rights offering will be a low-cost method for raising additional capital.

### NO BOARD INVESTMENT RECOMMENDATION TO STOCKHOLDERS

Our Board of Directors is not making any recommendation to you about whether or not you should exercise any rights. Although our Board of Directors has obtained a fairness opinion and the Board of Directors approved proceeding with the rights offering based on the recommendation of the special committee, you should make your own decision as to whether or not to exercise your rights and, if so, how many rights to exercise. You should make this decision only after reading this entire prospectus and consulting with your own financial advisors. Your decision should be based upon your own assessment of your best interests.

### CONSEQUENCES OF FAILURE TO EXERCISE RIGHTS

If you choose not to exercise your subscription rights in full, your relative percentage ownership interest will be diluted. There is no minimum number of shares that must be subscribed for by stockholders in the rights offering. If no other stockholders subscribe for shares in the rights offering, Explorer has committed to invest \$50 million if the closing conditions are satisfied.

### NO REVOCATION

You may not revoke or change your exercise of rights after you send in your subscription agreement and payment even if you later learn information about us that you deem to be unfavorable, or if our stock price declines. You should not exercise your rights unless you are certain that you wish to purchase additional shares of our common stock in this rights offering.

### OVER-SUBSCRIPTION PRIVILEGE

There will be no over-subscription privilege for unexercised rights. To the extent that shares of common stock are not subscribed for in this offering, Explorer has committed to increase the size of its private placement investment in our company by an amount equal to the aggregate subscription price relating to the unsubscribed shares on the closing of the rights offering.

### EXTENSION, WITHDRAWAL AND AMENDMENT

We have the option of extending the rights offering and the period for exercising your rights until February 28, 2002 (but not beyond February 15, 2002 without Explorer's written consent), although we presently do not intend to do so.

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We also reserve the right to terminate the rights offering at any time for any reason including the failure of the closing conditions to occur. In the event that the offering is terminated, money received from subscriptions will be returned, without interest.

We reserve the right to amend the terms of the rights offering. If we make an amendment that we consider significant, we will:

- mail notice of the amendment to all stockholders of record as of the record date;
- extend the expiration date by at least ten days; and
- offer all subscribers no less than ten days to revoke any subscription already submitted.

The extension of the expiration date will not, in and of itself, be treated as a significant amendment for these purposes.

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### MAILING OF SUBSCRIPTION AGREEMENTS AND EXERCISE OF RIGHTS

We are sending a subscription agreement and the proxy statement to each record holder as of the record date along with this prospectus and related instructions. To exercise rights, you must complete and sign the subscription agreement and deliver it, along with full payment for the shares to be purchased, to EquiServe before the expiration of the subscription period. See "--Procedures to Exercise Rights."

### SHARES HELD FOR OTHERS

Only holders of record of common stock at the close of business on the record date may exercise rights. You are a record holder for this purpose only if your name is registered as a stockholder with our transfer agent, EquiServe, as of the record date.

A depository bank, trust company or securities broker or dealer which is a record holder for more than one beneficial owner of shares may divide or consolidate subscription agreements to represent shares held on the record date by their beneficial owners, upon proper showing to EquiServe.

If you own shares held in a brokerage, bank or other custodial or nominee account, you should promptly send the proper instruction form to the person holding your shares in order to exercise your rights. Your broker, dealer, depository or custodian bank or other person holding your shares is the record holder of your shares and will have to act on your behalf in order for you to exercise rights. We have asked your broker, dealer or other nominee holders of our stock to contact the beneficial owners to obtain instructions concerning rights the beneficial owners are entitled to exercise.

### RIGHT TO BLOCK EXERCISE DUE TO REGULATORY ISSUES

We do not anticipate that the laws of any state or local U.S. jurisdiction will restrict the exercise of rights or require any prior clearance or approval. However, holders in non-U.S. jurisdictions who receive rights may not be eligible to exercise their rights and participate in the offer if applicable law in such non-U.S. jurisdiction restricts or regulates such exercise.

We reserve the right to refuse the exercise of rights by any holder of

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rights who would, in our opinion, be required to obtain prior clearance or approval from any regulatory authorities for the exercise of rights or ownership of additional shares if, at the expiration date, this clearance or approval has not been obtained. We are not undertaking to pay any expenses incurred in seeking that clearance or approval.

### PROCEDURES TO EXERCISE RIGHTS

Rights may be exercised by delivering to EquiServe, the subscription agent, on or prior to 5:00 p.m., New York City time, on February 14, 2002, the properly completed and executed subscription agreement, together with payment in full of the exercise price for each right exercised. IF YOU ARE NOT A BROKER, BANK OR OTHER ELIGIBLE INSTITUTION, YOU MUST OBTAIN A SIGNATURE GUARANTEE ON THE SUBSCRIPTION AGREEMENT FROM A BROKER, BANK OR OTHER INSTITUTION ELIGIBLE TO GUARANTEE SIGNATURES. Please do not send subscription agreements or related forms to us. The subscription price may be paid by:

- a personal check, which must have timely cleared payment on or before expiration of the subscription period; or
- a certified or cashier's check or bank draft drawn upon a U.S. bank or a U.S. postal money order.

FUNDS PAID BY UNCERTIFIED PERSONAL CHECK MAY TAKE AT LEAST FIVE BUSINESS DAYS TO CLEAR. ACCORDINGLY, IF YOU PAY THE SUBSCRIPTION PRICE BY MEANS OF UNCERTIFIED PERSONAL CHECK, YOU SHOULD MAKE PAYMENT SUFFICIENTLY IN ADVANCE OF THE EXPIRATION TIME TO ENSURE THAT YOUR CHECK ACTUALLY CLEARS AND THE PAYMENT IS RECEIVED BEFORE THAT TIME. WE ARE NOT RESPONSIBLE FOR ANY DELAY IN PAYMENT BY YOU AND SUGGEST THAT YOU CONSIDER PAYMENT BY MEANS OF CERTIFIED OR CASHIER'S CHECK, MONEY ORDER OR WIRE TRANSFER OF FUNDS.

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All subscription agreements, payments of the subscription price and nominee holder certifications, to the extent applicable to your exercise of rights, must be delivered to EquiServe as follows:

By Regular Mail:	By Overnight Courier:
EquiServe Trust Company, N.A.	EquiServe Trust Company, N.A.
P.O. Box 43025	40 Campanelli Drive
Providence, RI 02940-3025	Braintree, MA 02184

By Hand:  
EquiServe Trust Company, N.A.  
c/o Securities Transfer and Reporting Services, Inc.  
100 William Street--Galleria  
New York, NY 10038

Eligible institutions may also deliver documents by facsimile transaction. EquiServe's facsimile number is (781) 575-4826 or (781) 575-4827. You should confirm receipt of all facsimiles by calling (781) 575-4816.

You should read carefully the forms of subscription agreement and related instructions and forms which accompany this prospectus. You should call Georgeson Shareholder Communications, Inc. at (800) 223-2064 promptly with any questions you may have.



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### LIMITATIONS ON YOUR ABILITY TO EXERCISE YOUR RIGHTS

The rights may be exercised only to the extent that you held the shares of common stock to which the rights relate continuously from January 22, 2002 through the date of exercise of the rights. Any transfers of those shares before exercising your rights will correspondingly reduce the number of rights that you may exercise. For example:

- If you beneficially owned 100 shares on January 22, 2002 you will receive 47 rights.
- If, between January 22, 2002 and the date of exercise of the rights, you transfer beneficial ownership of 14 out of the 100 shares, then you may only exercise 40 rights.
- If, between January 22, 2002 and the date of exercise of the rights, you transfer beneficial ownership of 15 out of the 100 shares, then you still may exercise 40 of the rights because fractional rights will be rounded up to the nearest whole right.

If you are both the record holder and beneficial owner of the shares of common stock to which the rights relate you must certify as to the number of shares you beneficially owned on January 22, 2002. You must also certify as to the number of shares that, as of the date of exercise, continue to be beneficially owned, having not been transferred since January 22, 2002.

If you hold shares of common stock for the account of others, such as a broker, a trustee or a depository for securities, you must certify as to the number of shares beneficially owned on January 22, 2002 by each beneficial owner for which you hold shares. You must also certify as to the corresponding number of shares that, as of the date of exercise, continue to be beneficially owned, having not been transferred since January 22, 2002.

We intend to monitor beneficial ownership by rightsholders who elect to exercise all or a portion of their rights.

### INCOMPLETE FORMS; INSUFFICIENT PAYMENT

If you do not specify the number of rights being exercised in your subscription agreement, or do not forward sufficient payment to pay for the number of rights that you indicate are being exercised, then we will accept the subscription forms and payment only for the maximum number of rights that may be exercised based on the amount of the payment received. If you do not forward sufficient payment and as a result not all of your rights are exercised, your relative percentage ownership interest

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will be diluted. If your payment exceeds the aggregate subscription price for the number of common shares indicated on your subscription agreement or the maximum number of common shares for which you are eligible to subscribe, your payment will be applied to the maximum number of common shares for which you are eligible to subscribe. We will return any payment not applied to the purchase of shares under the rights offering procedures to those who made these payments as soon as practicable by mail. Interest will not be payable on amounts refunded.

### INSTRUCTIONS TO NOMINEE HOLDERS

If you are a broker, trustee or depository for securities or other nominee holder of common stock for beneficial owners of the stock, we are requesting you to contact the beneficial owners as soon as possible to obtain instructions and related certifications concerning their rights. Our request to you is further

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explained in the suggested form of letter of instructions from nominee holders to beneficial owners accompanying this prospectus.

To the extent so instructed, nominee holders should complete appropriate subscription agreements on behalf of beneficial owners and submit them on a timely basis to EquiServe with the proper payment.

### RISK OF LOSS ON DELIVERY OF SUBSCRIPTION AGREEMENT FORMS AND PAYMENTS

Each holder of rights bears all risk of the method of delivery to EquiServe of subscription agreements and payments of the subscription price.

IF SUBSCRIPTION AGREEMENTS AND PAYMENTS ARE SENT BY MAIL, YOU ARE URGED TO SEND THESE BY REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, AND TO ALLOW A SUFFICIENT NUMBER OF DAYS TO ENSURE DELIVERY TO EQUISERVE AND CLEARANCE OF PAYMENT PRIOR TO THE EXPIRATION TIME.

BECAUSE UNCERTIFIED PERSONAL CHECKS MAY TAKE AT LEAST FIVE BUSINESS DAYS TO CLEAR, YOU ARE STRONGLY URGED TO PAY, OR ARRANGE FOR PAYMENT, BY MEANS OF CERTIFIED OR CASHIER'S CHECK, MONEY ORDER OR WIRE TRANSFER OF FUNDS.

### PROCEDURES FOR DTC PARTICIPANTS

If you hold your shares of common stock through the Depository Trust Company or one of its participants, you may exercise your rights through the facilities of the Depository Trust Company. You should contact the Depository Trust Company or the participant through which you hold your shares for further instructions.

### TRANSFERABILITY OF RIGHTS

The rights may not be sold, transferred or assigned, even by gift. However, rights may be transferred by will, devise or by operation of law in the case of death, dissolution, liquidation, or bankruptcy of the holder, or pursuant to an order of an appropriate court. To the extent you sell, gift or otherwise transfer the shares of common stock to which the rights relate prior to exercising your right, the rights related to those shares will be forfeited, even if you later repurchase those shares or other shares of our common stock before expiration of the subscription period. Rights that are forfeited due to improper transfer will be null and void and no shares will be issued in respect thereof. If your rights are forfeited, your relative percentage ownership interest will be diluted. If you have delivered to the subscription agent a properly completed and signed subscription agreement together with the subscription price, you may thereafter sell your shares of common stock to which the rights relate without forfeiting the associated rights. You should note, however, that if your exercise of rights is determined to be defective and you have transferred the associated shares, you will forfeit the rights associated with the transferred shares.

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### HOW PROCEDURAL AND OTHER QUESTIONS ARE RESOLVED

We are entitled to resolve all questions concerning the timeliness, validity, form and eligibility of any exercise of rights and our determinations of such questions will be final and binding. We, in our sole discretion, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as we may determine, or reject the purported exercise of any right because of any defect or irregularity in the exercise.

Subscription agreements will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as we determine, in our sole discretion. Neither we nor EquiServe will have any duty

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to notify you of any defect or irregularity in connection with the submission of subscription agreements or any other required document and neither we nor EquiServe will incur any liability for failure to so notify you.

We reserve the right to reject any exercise of rights if the exercise does not comply with the terms of this rights offering or is not in proper form or if the exercise of rights would be unlawful or materially burdensome.

### MANAGEMENT PARTICIPATION

Our executive officers and directors that own shares of our common stock have indicated that they intend to participate in the rights offering, although they are not bound to do so and may change their mind at any time. These executive officers and directors are eligible to subscribe for an aggregate of 448,950 additional shares of our common stock in the rights offering.

### FEDERAL INCOME TAX CONSIDERATIONS

For United States federal income tax purposes, we believe that holders of our common stock will not recognize taxable income upon receipt or exercise of the rights. If you sell the common stock you acquire upon exercise of your rights, you will recognize gain or loss equal to the difference between the amount realized and your basis in the common stock. You should consult your own tax advisor concerning the tax consequences of this offering with respect to your particular circumstances and tax situation.

### ISSUANCE OF STOCK CERTIFICATES

Stock certificates for shares of common stock purchased in the rights offering will be issued as soon as practicable after the expiration date. EquiServe will deliver subscription payments to us at the same time as it delivers stock certificates to those exercising rights. Unless otherwise instructed in your subscription agreement form, shares purchased by the exercise of rights will be registered in the name of the person exercising the rights.

### SUBSCRIPTION AGENT

EquiServe is the subscription agent for the rights offering. It is also the transfer agent for our common stock. We will pay the fees and expenses of EquiServe, which we estimate to be approximately \$37,500. We have also agreed to indemnify EquiServe from any liability which it may incur in connection with the rights offering.

### QUESTIONS AND ANSWERS CONCERNING THE RIGHTS

You should direct any questions, requests for assistance concerning the rights or requests for additional copies of this prospectus to:

Georgeson Shareholder Communications, Inc.  
17 State Street  
New York, New York 10004

Banks and brokers..... (212) 440-9800  
All others..... (800) 223-2064

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We estimate that the net proceeds of this offering and Explorer's investment will be approximately \$48 million. We intend to use the proceeds to repay a portion of our outstanding debt maturing in 2002, as well as for debt service, working capital needs and other general corporate purposes. We have not determined the exact amount of proceeds that we will use for each of these purposes. The allocation of the net proceeds for a particular purpose, including a determination as to which outstanding debt we repay, is subject to numerous factors, which can be expected to change over the short term. These factors include:

- economic conditions generally and in the healthcare industry in particular, including the financial situation of our operators and the resulting effect on our revenues and cash flows;
- our ability to negotiate appropriate modifications to the terms of our credit facilities;
- developments in the capital markets affecting our ability to refinance all or a portion of our outstanding debt;
- our ability to dispose of assets held for sale and other property at appropriate prices;
- re-leasing of owned and operated assets and recoupment of working capital investments; and
- the other factors discussed under "Risk Factors," which begin on page 8.

We will have broad discretion over the use of proceeds. Pending application, we intend to invest the net proceeds from this offering and Explorer's investment in interest-bearing deposit accounts, certificates of deposit, government securities or short-term and investment-grade financial instruments of varying maturities.

As of the date of this prospectus, we had approximately \$129 million of loans outstanding under one of our secured revolving credit facilities, which bears interest at a weighted average rate of 6.72% at that date. As of the date of this prospectus, we had approximately \$64.6 million of loans outstanding under our other senior revolving credit facility, which bears interest at a weighted average rate per annum of 6.88% at that date. Our 6.95% senior notes also mature in June 2002. As of the date of this prospectus, we had approximately \$97.5 million aggregate principal amount of these notes outstanding. We are currently unable to borrow under our revolving credit facilities because we are not in compliance with certain financial covenants contained in the loan agreements relating to our two revolving credit facilities. See "Modification of Bank Credit Agreements."

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### MODIFICATION OF BANK CREDIT AGREEMENTS

On December 21, 2001, we reached agreements with the bank groups under both of our revolving credit facilities. These agreements include modifications and/or waivers to certain financial covenants with which we were not in compliance. In addition, certain other financial covenants will be either modified or eliminated going forward. The effectiveness of these agreements is subject to the completion of the rights offering and private placement to Explorer, which we anticipate to occur within 10 business days of the expiration of the rights offer. Explorer has approved the amendments, and therefore the effectiveness of the amendments will satisfy the conditions to the rights offering and Explorer investment related to our credit facilities. See "The

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Rights Offering--Closing Conditions."

For the quarter ended June 30, 2001, we were not in compliance with the maximum leverage covenant ratio of funded indebtedness to earnings before interest, taxes, depreciation and amortization, or EBITDA, in each of our credit facilities. For the quarter ended September 30, 2001, we were not in compliance with the maximum leverage covenant and the minimum EBITDA to interest expense covenants in each of our credit facilities. Recent amendments to our credit facilities waive these covenant violations and will modify the following covenants effective as of the closing of the rights offering and the private placement to Explorer:

- The minimum tangible net worth covenant will be reduced from \$445 million plus 50% of net proceeds from any equity issuances to \$425 million (increasing to \$435 million in the third quarter of 2002) plus 50% of proceeds from any equity issuances (after reflecting the rights offering and the private placement to Explorer).
- Minimum EBITDA/interest expense covenant will be increased from 200% to 225% beginning in the second quarter of 2002, 250% in the fourth quarter of 2002 and 275% thereafter.
- The requirement for no loss in a fiscal year beginning December 31, 2001 has been removed.
- The maximum leverage ratio covenant has been reduced to 5.0 times EBITDA in the second quarter of 2002 and 4.75 times EBITDA thereafter.

In addition, adjusted EBITDA under the loan agreements has been redefined to exclude certain one-time charges including, but not limited to, the \$10 million litigation settlement recognized in June 2001 and associated legal fees of up to \$1 million and up to \$5 million for relocation of our corporate headquarters to Maryland, for which we recognized a charge of \$4.3 million in September 2001.

As of the closing of the rights offering and the private placement to Explorer and the effectiveness of the amendments, we will be in compliance with all covenants under our credit facilities as amended.

As part of the amendment regarding our \$75 million revolving credit facility we prepaid \$10 million originally scheduled to mature in March 2002. This voluntary prepayment results in a permanent reduction in the total commitment, thereby reducing the credit facility to \$65 million. The agreement regarding our \$175 million revolving credit facility includes a one-year extension in maturity from December 31, 2002 to December 31, 2003, and a reduction in the total commitment from \$175 million to \$160 million. Amounts up to \$150 million may be drawn upon to repay the maturing 6.95% Notes due in June 2002.

The effectiveness of these amendments as of the completion of the rights offering will reduce our outstanding debt maturing in 2002 to \$97.5 million. Upon completion of the private placement and rights offering, we expect to have approximately \$17.7 million available to draw upon under our revolving credit facilities.

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DETERMINATION OF SUBSCRIPTION PRICE

The subscription price is \$2.92 per share, payable in cash. Our Board of Directors sought and obtained a written opinion from Shattuck Hammond Partners LLC, an independent financial advisor, that as of October 29, 2001, the date of their opinion, the financial terms of the investment agreement with Explorer, taken as a whole, are fair to Omega from a financial point of view. We have attached the full text of their opinion as Annex A to this prospectus. You should read the entire opinion to understand the assumptions made, matters considered and limitations on the review undertaken by our financial advisor. The opinion does not constitute a recommendation as to whether you should exercise your rights in the rights offering. Shattuck Hammond's opinion relates solely to the fairness to Omega Healthcare of the fin