OMEGA HEALTHCARE INVESTORS INC
Form DEF 14A
April 30, 2010

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

SCHEDULE 14A

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. __)

Filed by Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:
[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Rule 14a-12

Omega Healthcare Investors, Inc.
(Name of Registrant as Specified in Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:___________________________

(2) Aggregate number of securities to which transaction applies:___________________________

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):____

(4) Proposed maximum aggregate value of transaction:__________________________________

(5) Total fee paid:____

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form of Schedule and the date of its filing.

(1) Amount previously paid:____

(2) Form, Schedule or Registration Statement No.:________________________________

(3) Filing party:____

(4) Date filed:____

OMEGA HEALTHCARE INVESTORS, INC.
200 International Circle, Suite 3500
Hunt Valley, Maryland 21030
(410) 427-1700

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
June 9, 2010

To our Stockholders:

The Annual Meeting of Stockholders of Omega Healthcare Investors, Inc. ("Omega" or the "Company") will be held at the Embassy Suites, 213 International Circle, Hunt Valley, Maryland on Wednesday, June 9, 2010, at 10:00 A.M.EDT, for the following purposes:

1. To elect two members to Omega's Board of Directors;

2. To ratify the selection of Ernst & Young LLP as our independent auditor for fiscal year 2010; and

3. To amend Omega's Charter to:

a. revise various provisions regarding real estate investment trust ("REIT") ownership limits in our Charter to protect the Company's status as a qualified REIT and to otherwise modernize our Charter based on developments in REIT law and industry practice; and

b. grant authority to our Board of Directors to amend our Charter, from time to time, to increase or decrease the aggregate number of authorized shares of the Company's common and preferred stock.

4. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The nominees for election as directors are Edward Lowenthal and Stephen D. Plavin, each of whom presently serves as a director of Omega.

Our Board of Directors has fixed the close of business on April 30, 2010 as the record date for the determination of stockholders who are entitled to notice of and to vote at our Annual Meeting or any adjournments or postponements thereof.

We encourage you to attend our Annual Meeting. Whether you are able to attend or not, we urge you to indicate your vote on the enclosed proxy card FOR (i) the election of directors, (ii) the ratification of the selection of Ernst & Young LLP as our independent auditor and (iii) the proposed amendments to Omega's Charter. Please complete, sign, date and return the proxy card promptly in the enclosed envelope. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card.

By order of Omega's Board of Directors,

C. Taylor Pickett
Chief Executive Officer

May 6, 2010
Hunt Valley, Maryland

YOUR VOTE IS IMPORTANT. Please complete, sign, date and mail the proxy card promptly in the enclosed envelope whether or not you plan to attend the meeting. It is important that you return the proxy card promptly whether or not you plan to attend the meeting, so that your shares are properly voted.

If you hold shares through a broker, bank or other nominee (in "street name"), you may receive a separate voting instruction form with this Proxy Statement, or you may need to contact your broker, bank or other nominee to determine whether you will be able to vote electronically using the Internet or telephone.

OMEGA HEALTHCARE INVESTORS, INC.

200 International Circle, Suite 3500
Hunt Valley, Maryland 21030
(410) 427-1700

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
June 9, 2010

The accompanying proxy is solicited by the Board of Directors to be voted at the Annual Meeting of Stockholders of Omega Healthcare Investors, Inc. to be held at the Embassy Suites, 213 International Circle, Hunt Valley, Maryland at 10:00 A.M. EDT on Wednesday, June 9, 2010, and any adjournments or postponements of the meeting. It is anticipated that these proxy materials will be mailed beginning on or about May 6, 2010, to our common stockholders of record on April 30, 2010.

A copy of our Annual Report for the year ended December 31, 2009, including financial statements, is enclosed.

Important notice regarding the availability of proxy materials for our Annual Meeting of Stockholders to be held on June 9, 2010. This Proxy Statement, and our Annual Report to Stockholders for fiscal year 2009, which includes our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 1, 2010, are available electronically at http://www.omegahealthcare.com/annuals.cfm.

Additional copies of our Annual Report for fiscal year 2009 will be provided, without charge, upon written request addressed to Robert O. Stephenson, our Chief Financial Officer at our principal executive offices at 200 International Circle, Suite 3500, Hunt Valley, Maryland 21030.

RECORD DATE

Our Board of Directors has fixed April 30, 2010 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof. As of the close of business on the record date, there were 92,984,027 shares of our common stock, par value $0.10 per share, outstanding and entitled to vote.

As of the record date, our directors and executive officers beneficially owned 1,419,685 shares of our common stock (representing 1.5% of the votes entitled to be cast at the meeting).

QUORUM AND VOTING

Quorum. Holders of a majority of the outstanding shares of our common stock entitled to vote at the Annual Meeting as of the record date must be present in person or represented by proxy at the Annual Meeting to constitute a quorum for the conduct of business at the Annual Meeting. Proxies marked as abstaining and "broker non-votes" will be treated as shares present for purposes of determining the presence of a quorum.

Voting. Each holder of record of common stock on the record date will be entitled to one vote for each share held on all matters to be voted upon at the Annual Meeting. We urge stockholders to vote promptly either by completing, signing, dating and returning the enclosed proxy card in the enclosed envelope, or for stockholders who own their

shares in “street name” through a broker, in accordance with the telephone or internet voting instructions your broker may include with this mailing.

If you vote by proxy, the individuals named on the enclosed proxy card will vote your shares in the manner you indicate. If you do not specify voting instructions, then the proxy will be voted in accordance with recommendations of the Board of Directors, as described in this Proxy Statement. If any other matter properly comes before the Annual Meeting, the designated proxies will vote on that matter in their discretion.

Ability to Revoke Proxies. A stockholder voting by proxy has the power to revoke it at any time before it is exercised. A proxy may be revoked by filing with our Secretary (i) a signed instrument revoking the proxy or (ii) a duly executed proxy bearing a later date. A proxy also may be revoked if the person executing the proxy is present at the meeting and elects to vote in person. If the proxy is not revoked, it will be voted by those named in the proxy.

Broker Non-Votes. A “broker non-vote” occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions with respect to that proposal from the beneficial owner.

The vast majority of our stockholders hold their shares through a broker, trustee or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

- Stockholder of Record — If your shares are registered directly in your name with our transfer agent, you are considered, with respect to those shares, the “stockholder of record.” As the stockholder of record, you have the right to grant your voting proxy directly to us or to a third party, or to vote in person at the Annual Meeting.

- Beneficial Owner — If your shares are held in a brokerage account, by a trustee or by another nominee, you are considered, with respect to those shares, the “beneficial owner.” As the beneficial owner of those shares, you have the right to direct your broker, trustee or nominee how to vote, and you also are invited to attend the Annual Meeting in person. Because a beneficial owner is not the stockholder of record, however, you may not vote these shares in person at the Annual Meeting unless you obtain a “legal proxy” from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the Annual Meeting.

In previous years, under applicable SEC and NYSE rules, your broker had discretionary authority to vote your shares “for” or “against” the election of directors without direction from you. Due to recent changes in applicable SEC and NYSE rules, your broker may no longer vote your shares in director elections unless you have specifically directed him or her to do so. As a result, it is expected that fewer shares will be cast in this year’s election of directors as compared to prior years.

It is imperative that each stockholder instruct his/her/its broker on how to vote on the issues presented for consideration. Brokers who do not receive instructions are entitled to vote those shares ONLY with respect to the ratification of the selection of Ernst & Young LLP as our independent auditor for fiscal year 2010, but not with respect to any other matter to be presented at the Annual Meeting, including the election of directors or the amendment of our Charter.

VOTES REQUIRED

Election of Directors. You may vote either “FOR” or “WITHHELD” with respect to each nominee for the Board of Directors. Directors are elected by plurality voting, which means that the two director nominees who receive the highest number of votes will be elected to the Board. Votes of “WITHHELD” and broker non-votes, if any, will have no effect on the outcome of the election of directors.

Amendments to Charter. The approval of the amendments to our Charter set forth in Proposal 3(a) requires the affirmative vote of 80% of the outstanding shares of our common stock entitled to vote thereon as of the record date. The approval of the amendments to our Charter set forth in Proposal 3(b) requires the affirmative vote of a majority of the outstanding shares of our common stock entitled to vote thereon as of the record date. For purposes of the vote on Proposals 3(a) and 3(b), abstentions and broker non-votes will have the same effect as votes “AGAINST” such proposals.

Ratification of Selection of Ernst & Young LLP as Our Independent Auditor. The ratification of the selection of Ernst & Young LLP as our independent auditor for fiscal year 2010 will require the affirmative vote of a majority of the votes cast by all stockholders entitled to vote. Abstentions and broker non-votes, if any, will have no effect on the outcome of the vote on this proposal.

PROPOSAL 1 — ELECTION OF DIRECTORS

Director Nominees and Voting Requirements

Our Board of Directors currently consists of six members. Pursuant to our Charter, the directors have been divided into three groups. At this year's Annual Meeting, two directors will be elected by the holders of our common stock to hold office for a term of three years or, in each case, until their respective successors have been duly elected and qualified.

Our Nominating and Corporate Governance Committee of the Board of Directors has nominated Edward Lowenthal and Stephen D. Plavin for election as directors.

Unless authority to vote for the election of directors has been specifically withheld, the persons named in the accompanying proxy card intend to vote FOR the election of the nominees named above to hold office for the term indicated above or until their respective successors have been duly elected and qualified.

If any nominee becomes unavailable for any reason (which event is not anticipated), the shares represented by the enclosed proxy may (unless the proxy contains instructions to the contrary) be voted for such other person or persons as may be determined by the holders of the proxies. In no event would the proxy be voted for more than two nominees.

Due to recent changes in applicable SEC and NYSE rules, your broker may not vote your shares in the election of directors unless you have specifically directed your broker how to vote your shares. As a result, we urge you to instruct your broker how to vote your shares.

Information Regarding Directors

Information about each director nominee, and the other individuals who currently serve on our Board of Directors, is set forth below. Individuals not standing for election at the Annual Meeting are presented under the heading "Continuing Directors."

Director Nominees

Director (age as of April 19)	Year First Became a Director	Business Experience During Past 5 Years	Term to Expire in
Edward Lowenthal (65)	1995	Mr. Lowenthal brings to our Board years of experience in the development and operation of real estate. Mr. Lowenthal also serves as a director of REIS, Inc. (a provider of real estate market information and valuation technology) (NASDAQ:REIS), American Campus Communities (NYSE:ACC) (a public developer, owner and operator of student housing at the university level), Desarrolladora Homex (NYSE: HXM) (a Mexican homebuilder) and serves as a trustee of the Manhattan School of Music. From January 1997 to March 2002, Mr. Lowenthal served as President and Chief Executive Officer of Wellsford Real Properties, Inc. (AMEX:WRP) (a real estate merchant bank) and was President of the predecessor of Wellsford Real Properties, Inc. since 1986. He has also	2013

		served as a director of Ark Restaurants Corp (NASDAQ: ARKR).	
Stephen D. Plavin (50)	2000	Mr. Plavin brings to our Board management experience in the banking and mortgage-based REIT sector, as well as significant experience in real estate capital markets transactions. Mr. Plavin is the Chief Executive Officer and a director of Capital Trust, Inc., (NYSE:CT) a New York City-based mortgage REIT and investment management company. He has served as CEO since 2009. From 1998 until 2009, Mr. Plavin was Chief Operating Officer of Capital Trust and was responsible for all of the lending, investing and portfolio management activities of Capital Trust, Inc. Prior to that time, Mr. Plavin was employed for 14 years with Chase Manhattan Bank and its securities affiliate, Chase Securities Inc. Mr. Plavin held various positions within the real estate finance unit of Chase, including the management of: loan origination and execution, loan syndications, portfolio management, banking services and real estate owned sales. He served as managing director responsible for real estate client management for Chase's major real estate relationships and in 1997 he became co-head of global real estate for Chase. Mr. Plavin is also a director of WCI Communities, a privately-held developer of residential communities.	2013

Continuing Directors

Director (age as of April 19)	Year First Became a Director	Business Experience During Past 5 Years	Term to Expire in
Thomas F. Franke (80)	1992	Mr. Franke brings to our Board years of experience in the operation of real estate companies, including long-term care providers. Mr. Franke is Chairman and a principal owner of Cambridge Partners, Inc., an owner, developer and manager of multifamily housing in Grand Rapids, Michigan. He is also a principal owner of Laurel Healthcare (a private healthcare firm operating in the United States) and is a principal owner of Abacus Hotels LTD. (a private hotel firm in the United Kingdom). Mr. Franke was a founder and previously a director of Principal Healthcare Finance Limited and Omega Worldwide, Inc.	2012
Bernard J. Korman (78)	1993	Mr. Korman brings to our Board extensive experience in healthcare, experience as a director of a REIT, and from his former role as chairman of Pep Boys. Mr. Korman has served as Chairman of the Board since March 8, 2004. Mr. Korman has been Chairman of the Board of Trustees of Philadelphia Health Care Trust, a private healthcare foundation, since December 1995. Mr. Korman is also a director of The New America High Income Fund, Inc. (NYSE:HYB) (financial services) and Medical Nutrition USA, Inc. (OTC:MDNU.OB) (develops and distributes nutritional products). He was formerly President, Chief Executive Officer and Director of MEDIQ Incorporated (OTC:MDDQP) (health care services) from 1977 to 1995 and a past director of and NutraMax Products, Inc. (OTC:NUTP) (consumer health care products). Mr. Korman served as a trustee of Kramont Realty Trust (NYSE:KRT) (real estate investment trust) from June 2000 until its merger in April 2005. Mr.	2012

		Korman also served as a director of The Pep Boys, Inc. (NYSE:PBY) and as The Pep Boys, Inc.'s Chairman of the Board from May 28, 2003 until his retirement from such board in September 2004. Mr. Korman was previously a director of Omega Worldwide, Inc.	
Harold J. Kloosterman (68)	1992	Mr. Kloosterman brings to our Board years of experience in the development and management of real estate. Mr. Kloosterman has served as President since 1985 of Cambridge Partners, Inc., a company he formed in 1985. He has been involved in the development and management of commercial, apartment and condominium projects in Grand Rapids and Ann Arbor, Michigan and in the Chicago area. Mr. Kloosterman was formerly a Managing Director of Omega Capital from 1986 to 1992. Mr. Kloosterman has been involved in the acquisition, development and management of commercial and multifamily properties since 1978. He has also been a senior officer of LaSalle Partners, Inc. (now Jones Lang LaSalle).	2011
C. Taylor Pickett (48)	2002	As Chief Executive Officer of our Company, Mr. Pickett brings to our Board a depth of understanding of our business and operations, as well as financial expertise in long-term healthcare services, mergers and acquisitions. Mr. Pickett has served as the Chief Executive Officer since June 2001. Prior to joining our Company, Mr. Pickett served as the Executive Vice President and Chief Financial Officer from January 1998 to June 2001 of Integrated Health Services, Inc., a public company specializing in post-acute healthcare services. He also served as Executive Vice President of Mergers and Acquisitions from May 1997 to December 1997 of Integrated Health Services. Prior to his roles as Chief Financial Officer and Executive Vice President of Mergers and Acquisitions, Mr. Pickett served as the President of	2011

Symphony Health Services, Inc. from
January 1996 to May 1997.

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Recommendation

The Board of Directors unanimously recommends a vote FOR the election of Messrs. Lowenthal and Plavin.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our capital stock as of March 31, 2010 for:

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

Beneficial ownership of our common stock, for purposes of this Proxy Statement, includes shares of our common stock as to which a person has voting and/or investment power. The number of shares shown in the table below includes shares of restricted stock as reported in the footnotes below because the holders have the right to vote restricted stock. Except for shares of restricted stock as to which the holder does not have investment power until vesting and as indicated in the footnotes, the persons named in the table have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them, subject to community property laws where applicable. The business address of the directors and executive officers is 200 International Circle, Suite 3500, Hunt Valley, Maryland 21030. As of April 9, 2010, there were 92,704,687 shares of our common stock outstanding and 4,339,500 shares of our Series D Preferred Stock outstanding.

	Common Stock				Series D Preferred	
Beneficial Owner	Number of Shares		Percent of Class		Number of Shares	Percent of Class (10)
C. Taylor Pickett	248,654		0.3	%	—	—
Daniel J. Booth	135,034		0.1	%	—	—
Michael D. Ritz	9,245		*		144	*
R. Lee Crabill, Jr.	44,757		*		—	—
Robert O. Stephenson	138,118		0.1	%	—	—
Thomas F. Franke	89,192	(1)	0.1	%	4,000	*
Harold J. Kloosterman	52,329	(2)	0.1	%	—	—
Bernard J. Korman	624,671	(3)	0.7	%	—	—
Edward Lowenthal	30,661	(4)	*		—	—
Stephen D. Plavin	43,644	(5)	*		—	—
Directors and executive officers as a group (10 persons)	1,416,305	(6)	1.5	%	4,144	
5% Beneficial Owners:						

ING Clarion Real Estate Securities, LLC	8,797,421	(7)	9.5	%
BlackRock, Inc.	8,267,153	(8)	8.9	%
The Vanguard Group, Inc.	7,718,068	(9)	8.3	%

* Less than 0.1%

(1) Includes (a) 47,141 shares owned by a family limited liability company (Franke Family LLC) of which Mr. Franke is a member, (b) 6,700 shares of restricted stock (c) 4,000 preferred shares owned by a family limited liability company (Franke Family LLC).

(2) Includes (a) shares owned jointly by Mr. Kloosterman and his wife, and 2,558 shares held solely in Mr. Kloosterman's wife's name, (b) 2,500 shares of restricted stock. Does not include 6,179 deferred common stock units, which represent the deferral of director stock grants under the Company's Deferred Stock Plan. The deferred common stock units will not be converted into shares of common stock until certain events or dates as specified in the Deferred Stock Agreement.

(3) Includes (a) stock options that are exercisable within 60 days to acquire 1,000 shares, and (b) 12,501 shares of restricted stock.

(4) Includes (a) stock options that are exercisable within 60 days to acquire 1,000 shares, and (b) 6,700 shares of restricted stock.

(5) Includes (a) stock options that are exercisable within 60 days to acquire 14,000 shares, and (b) 6,700 shares of restricted stock.

(6) Includes (a) stock options that are exercisable within 60 days to acquire 16,000 shares, and (b) 158,408 shares of restricted stock.

(7) Based on a Schedule 13G/A filed by ING Clarion Real Estate Securities LLC on February 12, 2010. ING. Clarion Real Estate Securities LLC is located at 201 King of Prussia Road, Suite 600, Radnor, PA 19087. Includes 3,717,630 shares of common stock over which ING Clarion Real Estate Securities LLC has sole voting power or power to direct the vote and 3,900 shares of shared voting power.

(8) Based on a Schedule 13G filed by BlackRock, Inc. on January 29, 2010. BlackRock, Inc. is located at 40 East 52nd street, New York, NY 10022. Includes 8,267,153 shares of common stock over which BlackRock, Inc. has sole voting power.

(9) Based on a Schedule 13G/A filed by The Vanguard Group, Inc. on February 5, 2010. The Vanguard Group, Inc. is located at 100 Vanguard Blvd. Malvern, PA 19355. Includes 120,660 shares of common stock over which The Vanguard Group, Inc. has sole voting power or power to direct the vote.

(10) Based on 4,339,500 shares of Series D preferred stock outstanding at April 9, 2010.

DIRECTORS AND OFFICERS OF OUR COMPANY

Board of Directors and Committees of the Board

The members of the Board of Directors on the date of this Proxy Statement and the Committees of the Board on which they serve are identified below.

Director	Audit Committee	Compensation Committee	Investment Committee	Nominating and Corporate Governance Committee
Thomas F. Franke		XX		X
Harold J. Kloosterman	X	X	XX	XX
Bernard J. Korman *		X	X	X
Edward Lowenthal	X	X		X
C. Taylor Pickett			X	
Stephen D. Plavin	XX	X		X

* Chairman of the Board
XX Chairman of the Committee
X Member

The Board of Directors held seven meetings during 2009. All members of the Board of Directors attended more than 75% of the Board of Directors or Committee meetings held during 2009. Mr. Korman, as Chairman of the Board, presides over any meeting, including regularly scheduled executive sessions of the non-management directors. If Mr. Korman is not present at such a session, the presiding director is chosen by a vote of those present at the session. Except for Mr. Pickett, all of the members of the Board of Directors meet the NYSE listing standards for independence. While the Board of Directors has not adopted any categorical standards of independence, in making these independence determinations, the Board of Directors noted that no director other than Mr. Pickett (a) received direct compensation from our Company other than director annual retainers and meeting fees, (b) had any relationship with our Company or a third party that would preclude independence, or (c) had any business relationship with our Company and its management, other than as a director of our Company. Each of the members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee meets the NYSE listing standards for independence. While we invite our directors to attend our Annual Meeting of Stockholders, we currently do not have a formal policy regarding director attendance. Mr. Pickett was the only director who attended the Annual Meeting last year.

Board Leadership Structure and Risk Oversight

Since 2001, an independent non-employee director has served as the Chairman of the Board of Directors, rather than our Chief Executive Officer. We separated the roles of Chief Executive Officer and Chairman of the Board in recognition of the difference between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day-to-day management and operations of the Company, while the Chairman of the Board provides guidance to the Chief Executive Officer, and sets the agenda for and presides over meetings of the Board.

The Board of Directors, as a whole and at the committee level, plays an important role in overseeing the management of risk. Management is responsible for the identifying the significant risks facing the Company, implementing risk management strategies that are appropriate for the Company’s business and risk profile, integrating consideration of risk and risk management into the Company’s decision-making process, and communicating information with respect

to material risks to the Board or the appropriate committee.

Portfolio and investment risk is one of principal risks faced by the Company. We manage portfolio and investment risk by seeking, among other factors, Investment Committee and/or Board approval for new investments over designated thresholds, and providing detailed underwriting information on such proposed investments to the Investment Committee or the Board, as the case may be. In addition, our full Board regularly reviews the performance, credit information, and coverage ratios of our operators.

Consistent with the rules of the NYSE, the Audit Committee provides oversight with respect to risk assessment and risk management, the Company’s financial statements, and internal control over financial reporting. The Compensation Committee reviews risks associated with the Company’s compensation plans and arrangements. While each committee monitors certain risks and the management of such risks, the full Board is regularly informed about such matters. The full Board generally oversees risk and risk management issues otherwise arising in the Company’s business and operations

Audit Committee

The Audit Committee met six times in 2009. Its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to: (i) the financial information to be provided to stockholders and the SEC; (ii) the system of internal controls that management has established; and (iii) the external independent audit process. In addition, the Audit Committee selects our Company's independent auditors and provides an avenue for communication between the independent auditors, financial management and the Board of Directors.

Each of the members of the Audit Committee is independent and financially literate, as required of audit committee members by the NYSE. The Board of Directors has determined that Mr. Plavin is qualified to serve as an "audit committee financial expert" as such term is defined in Item 401(h) of Regulation S-K promulgated by the SEC. The Board of Directors made a qualitative assessment of Mr. Plavin's level of knowledge and experience based on a number of factors, including his formal education and his experience as Chief Executive Officer of Capital Trust, Inc., a New York City-based mortgage REIT and investment management company, where he is responsible for all management activities. Mr. Plavin holds an M.B.A. from J.L. Kellogg Graduate School of Management at Northwestern University.

Compensation Committee

The Compensation Committee met five times during 2009 and has responsibility for the compensation of our key management personnel and administration of our equity incentive plans. The responsibilities of the Compensation Committee are more fully described in its Charter, which is available on our website at www.omegahealthcare.com.

Investment Committee

The Investment Committee has responsibility for developing strategies in growing our portfolio and authority to approve investments up to established thresholds. The Investment Committee met once during 2009 on a stand-alone basis. In addition, the full Board of Directors held two special meetings to review and discuss proposed investments for which full Board of Directors consideration was appropriate in view of the size and importance of such proposed investments.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee met twice during 2009 and has responsibility for identifying potential nominees to the Board of Directors and reviewing their qualifications and experience. The process for identifying and evaluating nominees to the Board is initiated by identifying candidates who meet the criteria for selection as a nominee and have the specific qualities or skills being sought based on input from members of the Board of Directors and, if the Nominating and Corporate Governance Committee deems appropriate, a third-party search firm. Nominees for director are selected based on their depth and breadth of experience, industry experience, financial background, integrity, ability to make independent analytical inquiries and willingness to devote adequate time to director duties, among other criteria. The Company does not have a policy with regard to consideration of diversity in identifying nominees, and historically diversity has not been a material factor in selecting nominees to the Board. The Nominating and Corporate Governance Committee also develops and implements policies and practices relating to corporate governance.

The Nominating and Corporate Governance Committee will consider written proposals from stockholders for nominees as director. Any such nomination should be submitted to the Nominating and Corporate Governance Committee through our Secretary in accordance with the procedures and time frame described in our Bylaws and as set forth under "Stockholder Proposals" below.

Communicating with the Board of Directors and the Audit Committee

The Board of Directors and our Audit Committee have established procedures to enable anyone who has a concern about our conduct, or any employee who has a concern about our accounting, internal controls or auditing matters, to communicate that concern directly to the non-management members of the Board of Directors or the Audit Committee, as applicable. These communications may be confidential or anonymous, and may be submitted in writing or through the Internet. The employees have been provided with direct and anonymous access to each of the members of the Audit Committee. Our Company's Code of Business Conduct and Ethics prohibits any employee of our Company from retaliating or taking adverse action against anyone raising or helping resolve a concern about our Company.

Interested parties may contact our non-management directors by writing to them at our headquarters: Omega Healthcare Investors, Inc., 200 International Circle, Suite 3500, Hunt Valley, Maryland 21030, or by contacting them through our website at www.omegahealthcare.com. Communications addressed to the non-management members of the Board of Directors will be reviewed by our corporate communications liaison, which is our outside legal counsel, and will be directed to the appropriate director or directors for their consideration. The corporate communications liaison may not "filter out" any direct communications from being presented to the non-management members of the Board of Directors and Audit Committee members without instruction from the directors or committee members. The corporate communications liaison is required to maintain a record of all communications received that were addressed to one or more directors, including those determined to be inappropriate communications. Such record will include the name of the addressee, the disposition by the corporate communications liaison and, in the case of communications determined to be inappropriate, a brief description of the nature of the communication. The corporate communications liaison is required to provide a copy of any additions to the record upon request of any member of the Board of Directors.

Conflicts of Interest Policies and Code of Business Conduct

We have a written policy regarding related party transactions under which we have determined that we will not engage in any purchase, sale or lease of property or other business transaction in which our officers or directors have a direct or indirect material interest without the approval by resolution of a majority of those directors who do not have an interest in such transaction. It is generally our policy to enter into or ratify related party transactions only when our Board of Directors, acting through our Audit Committee, determines that the related person transaction in question is in, or is not inconsistent with, our best interests and the interests of our stockholders. We are currently unaware of any transactions with our Company in which our directors or officers have a material interest.

We have adopted a written Code of Business Conduct and Ethics ("Code of Ethics") that applies to all of our directors and employees, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. A copy of our Code of Ethics is available on our website at www.omegahealthcare.com and print copies are available upon request without charge. You can request print copies by contacting our Chief Financial Officer in writing at Omega Healthcare Investors, Inc., 200 International Circle, Suite 3500, Hunt Valley, Maryland 21030 or by telephone at 410-427-1700. Any amendment to our Code of Ethics or any waiver of our Code of Ethics will be disclosed on our website at www.omegahealthcare.com promptly following the date of such amendment or waiver.

Corporate Governance Materials

The Corporate Governance Guidelines, Code of Ethics and the charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are available free of charge through our website at www.omegahealthcare.com and are available in print to any stockholder who requests them.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our Compensation Discussion and Analysis ("CD&A") addresses the following topics:

- the members and role of our Compensation Committee (the "Committee");
- our compensation-setting process;
- our philosophy and objectives regarding executive compensation;
- the components of our executive compensation program; and

- our compensation decisions for fiscal years 2010 and 2009.

The Compensation Committee

Thomas F. Franke, Harold J. Kloosterman, Bernard J. Korman, Edward Lowenthal, and Stephen D. Plavin are the members of the Committee. Mr. Franke, is the Chairman of the Committee. Each member of the Committee qualifies as an independent director under the NYSE listing standards and under our Board of Directors' standards of independence.

The Committee's responsibilities and function are governed by its charter, which the Board of Directors has adopted and a copy of which is available at our website at www.omegahealthcare.com. The Committee determines the compensation of our executive officers and reviews with the Board of Directors all aspects of compensation for our executive officers. The Committee also periodically reviews the compensation of our directors and makes recommendations regarding possible adjustments for consideration by the Board of Directors. To the extent not otherwise inconsistent with its obligations and responsibilities, the Committee may form subcommittees (which shall consist of one or more members of the Committee) and delegate authority to such subcommittees hereunder as it deems appropriate. The Committee reports to the Board of Directors as it deems appropriate and as the Board of Directors may request.

The Committee is also responsible for the following activities as well as the other activities listed in the Committee's charter:

- determining and approving the compensation for the Chief Executive Officer and our other named executive officers following an evaluation of their performance in respect of goals and objectives established by the Committee and such other factors as the Committee deems appropriate;

- reviewing and recommending for the Board of Directors' approval (or approving, where applicable) the adoption and amendment of our director and executive officer incentive compensation and equity-based plans;

- administering our incentive compensation and equity-based plans and approving such awards thereunder as the Committee deems appropriate;

- reviewing and monitoring succession plans for the Chief Executive Officer and our other senior executives;

- preparing, reviewing and discussing with management the CD&A required by SEC rules and regulations, recommending to the Board of Directors whether the CD&A should be included in our proxy statement or other applicable SEC filings;

- overseeing and administering any employment agreements, severance agreements or change of control agreements that are entered into between us and any executive officer; and

- performing such other activities consistent with its charter, our Bylaws, governing law, the rules and regulations of the NYSE and such other requirements applicable to us as the Committee or the Board of Directors deems necessary or appropriate.

Committee Meetings

The Committee meets as often as necessary to perform its duties and responsibilities. The Committee met five times during the year ended December 31, 2009, and has met 8 times from January 1 through April 15, 2010. The Chairman of the Committee works, from time to time, with the Chief Executive Officer and other members of the Committee to establish the agenda for the Committee's meetings. The Committee meets in one or more executive sessions each year to evaluate the performance of our named executive officers, to determine their bonuses for the prior year, to establish bonus metrics for the current year, to set their salaries for the current year, and to approve any grants to them of equity incentive compensation, as the case may be. Additionally, the Committee meets with Omega's legal counsel and from time to time with other outside advisors as the Committee determines appropriate.

The Committee receives and reviews materials in advance of its meetings. These materials include information that management believes will be helpful to the Committee as well as materials that the Committee may from time to time request. Depending upon the agenda for the particular meeting, these materials may include, among other things:

- reports from compensation consultants or legal counsel;
- a comparison of the compensation of our executives and directors compared to our competitors prepared by members of the Committee, by management at the Committee’s request or by a compensation consultant engaged by the Committee;
- financial reports on year-to-date performance versus budget and compared to prior year performance, as well as other financial data regarding us and our performance;
- reports on our strategic plan and budgets for future periods;
- information on the executive officers’ stock ownership and holdings of options, performance restricted stock units and other equity-based incentives; and
- reports on the levels of achievement by each named executive officer of individual and corporate objectives.

The Committee also annually evaluates its own performance and the adequacy of its charter and reports this evaluation to our Board of Directors.

Committee Advisors

The Compensation Committee charter grants the Committee the sole and direct authority to engage and terminate advisors and compensation consultants and to approve their fees and retention terms. These advisors and consultants report directly to the Committee, and we are responsible for paying their fees.

In 2009, neither the Compensation Committee nor management used a compensation consultant in connection with evaluating and setting compensation for our named executive officers and directors. However, in early 2010, in connection with a comprehensive review of the compensation system for our named executive officers and our directors, the Compensation Committee engaged FPL Associates, L.P. ("FPL") as a consultant to the Committee. FPL has not performed any work for us other than work for which it is engaged by the Committee. During early 2010, FPL presented to the Committee FPL's analysis that included, but was not limited to, recommendations regarding the composition of a peer group of companies which would be the basis for a benchmarking evaluation of the Company's compensation programs, the status of our current compensation program as compared to those of our peer companies, the methodologies behind the research and analysis it used to prepare the comparisons, the techniques it used to standardize the compensation programs of peer companies in order to permit more accurate comparisons against our programs, and a proposed plan covering all aspects of the compensation for our named executive officers. The Committee also requested that FPL evaluate our current director compensation program (benchmarked against our peer companies) and prepare a proposal with respect to compensation for our directors in 2010.

Based on the analysis provided by FPL and with the input of the members of the Committee, the Committee determined that the group of peer companies upon which FPL's analysis would be benchmarked would consist of BioMed Realty Trust, Corporate Office Properties Trust Inc., Digital Realty Trust, Inc., Entertainment Properties Trust, Health Care REIT, Inc., Healthcare Realty Trust, LTC Properties, Inc., Medical Properties Trust Inc., Nationwide Health Properties, Inc., National Retail Properties, Inc., Realty Income Corporation and Ventas, Inc. These companies were selected based on several criteria including, but not limited to, asset focus (healthcare and/or triple net lease companies), size (taking into consideration the effect on the Company of the CapitalSource transaction and defined by market capitalization, portfolio size and/or the number of employees) and performance (emphasizing total shareholder return). Analyses performed included a comparison of salaries, annual bonus programs, short term equity based incentive compensation and multi-year equity based incentive compensation of comparable officers for each company as well as total compensation over a three year period as compared to total shareholder return generated over such period.

The Committee regularly reviews executive compensation to ensure that its compensation goals and objectives are being met. The Committee has historically engaged in a comprehensive review approximately every three years in connection with establishing the performance goals for multi-year incentive awards and implementing new employment agreements with our named executive officers. Our Chief Executive Officer meets with the Committee at least annually and upon the Committee's request to provide information to the Committee regarding management's views regarding its performance as well as other factors the Chief Executive Officer believes should impact the compensation of our executive officers. In addition, the Chief Executive Officer provides recommendations to the Committee regarding the compensation for each of the named executive officers and the business and performance targets for incentive awards and bonuses.

Compensation Policy and Objectives

Our executive compensation programs are designed to attract and retain the highest quality executive talent possible and, more importantly, to provide meaningful incentives for our executives to strive to enhance shareholder value over both near and longer term periods in a manner that balances potentially competing incentives that could create risk. The Committee's executive compensation philosophy is based on three fundamental principles: (i) all compensation should be referenced and validated based primarily on an analysis of the practices of our peer group as well as industry surveys and, (ii) compensation grants and changes to compensation should be performance and responsibility based and (iii) if the Company's financial and operational performance exceeds peer group and industry performance levels, the compensation of our named executive officers (for all of the incentive components of compensation discussed below) should be targeted at the 75th percentile of the peer group utilized by the Committee (although the actual compensation on an individual basis often falls below, and can sometimes exceed, such 75th percentile).

In addition to the foregoing, historically, the policy and the guidelines followed by the Committee have been directed toward providing compensation and incentives to our executive officers in order to achieve the following objectives:

- reward performance and initiative;
- be competitive with other healthcare real estate investment trusts viewed as competitors for executive talent;
- be significantly related to accomplishments and our short-term and long-term successes, particularly measured in terms of growth in adjusted funds from operations on a per share basis and total shareholder return;
- structure incentive programs utilizing various performance metrics to minimize the potential for risk associated with over-weighting any particular performance metric;
- align the interests of our executive officers with the interests of our stockholders; and
- encourage and facilitate our executives' ability to achieve meaningful levels of ownership of our stock.

Elements of Compensation

The following is a discussion of each element of our executive compensation:

Annual Base Salary

Our approach to base compensation levels has been to offer competitive salaries in comparison with prevailing market practices for comparable positions at our peer group companies. Prior to the process undertaken by the Committee in early 2010, the Committee had last examined market compensation levels and trends in connection with the preparation of the executive employment agreements during 2007. In connection with the 2007 evaluation, the Committee hired a consultant to conduct a review and analysis of our peer group companies and to provide the Committee with executive base salaries of individuals then employed in similar positions in such companies. The employment agreements for each of the executive officers established a base annual salary in 2007 and provided that the base salary would be reviewed on an annual basis to determine if increases are warranted.

In subsequent years, the Committee has evaluated and established the annual executive officer base salaries in connection with its annual review of management's performance and based on input from our Chairman of the Board and our Chief Executive Officer. In undertaking the annual review, the Committee considers the decision-making responsibilities of each position and the experience, work performance and team-building skills of each incumbent officer, as well as our overall performance and the achievement of our strategic objectives and budgets. The Committee generally views work performance as the single most important measurement factor, followed by team-building skills and decision-making responsibilities.

In December 2008, the Committee approved a 1.5% increase in executive officer base salaries for 2009, noting that a 1.1% increase was reported in the Consumer Price Index over the 12 months ended November 2008. As noted above, the Committee generally targets base salaries, short term incentive and multi-year incentives for named executive officers at the 75th percentile when financial and operational performance exceeds peer group and industry results. The Committee also reviews internal pay equity in the context of the target percentile objectives when making base salary decisions, although neither internal equity nor any percentile target is a dispositive factor. The Committee also considers the effect of increasing base salary on other aspects of the overall compensation program. As a result of the analysis by FPL of base salaries for comparable positions among our peer group companies, as well as the analysis of Omega's financial and operating performance during 2009 as compared to the peer group, the Committee determined that the 75th percentile target was a relevant target for base salaries in general and, as a result, determined

to increase base salaries generally to either achieve approximate parity with the 75th percentile of our peer group or to move toward lessening the differential. With respect to Messrs Pickett and Booth, it was determined that their base salaries would be increased effective January 1, 2010 to a level viewed as comparable to the 75th percentile of our peer group for similar positions. However, with respect to our other named executive officers, the Committee determined that while targeting the 75th percentile is a relevant benchmark, it is not dispositive and, accordingly, determined to increase salaries over the next one to three years with a goal to ultimately reach the 75th percentile for such positions as established by the FPL analysis assuming performance, responsibility and the other factors referenced above that are considered in setting base salaries continue to warrant such an approach. The base salaries for our named executive officers for 2010 are set forth below.

Named Executive Officer	2009 Base Salary	2010 Base Salary	% Increase in Base Salary	$ Increase in Base Salary
C. Taylor Pickett	$558,000	$600,000	7.5 %	$42,000
Daniel J. Booth	$344,000	$380,000	10.5 %	$36,000
Robert O. Stephenson	$276,500	$305,000	10.3 %	$28,500
R. Lee Crabill	$266,500	$295,000	10.7 %	$28,500
Michael D. Ritz	$184,500	$205,000	11.1 %	$20,500
Totals	$1,629,500	$1,785,000	9.5 %	$155,500

We accrue salaries as they are earned by our officers, and thus all salaries earned during the year are expensed in the year earned. Each officer must include his salary in his taxable income in the year during which he receives it. We withhold appropriate tax withholdings from the salaries of the named executive officers.

Annual Cash Bonus Opportunity

Our historical compensation practices have embodied the principle that annual cash bonuses that are based primarily on achieving objectives that enhance long-term stockholder value are desirable in aligning stockholder and management interests.

The Committee considers our overall financial performance for the fiscal year and the performance of the specific areas of our Company under each incumbent officer's direct control. It is the Committee's view that this balance supports the accomplishment of overall objectives and rewards individual contributions by executive officers. The Committee strives to award individual annual bonuses for each named executive officer consistent with market practices for positions with comparable decision-making responsibilities and in accordance with the terms of each executive officer's employment agreement as discussed below.

2009 Annual Cash Bonuses. Under their respective employment agreements, the Company's executive officers are entitled to earn cash bonuses as set forth in the table below.

Named Executive Officer	2009 Bonus Opportunity As Percentage of Base Salary
C. Taylor Pickett	100%
Daniel J. Booth	50%
Robert O. Stephenson	50%
R. Lee Crabill	50%
Michael D. Ritz	35%

In early 2009, in light of the challenging prevailing economic environment and the disruptions then existing in the capital markets, the Committee determined that the entire bonus opportunity for 2009 would be based on the subjective assessment of corporate and individual performance. In connection with determining the actual level of bonus (as a percentage of base salary) earned with respect to 2009 performance, the Chief Executive Officer provided the Committee with an assessment of each executive officer's performance in 2009 and their respective contribution to the Company's success in addressing the uncertain economy and challenging conditions in the capital markets. The Committee, after consultation with the Chief Executive Officer, determined to award each named executive officer the full amount of his target bonus for 2009. The principal factors noted in the assessment of the executive officers' performance included:

- earning budgeted adjusted FFO of $1.47 per share;
- the sourcing, negotiation and initial closing of the transaction with CapitalSource Inc.;
- the negotiation of a new revolving credit facility;
- the sale of 1.4 million shares of common stock during the course of 2009 pursuant to the Company's equity shelf program at prices ranging from $15.55 to $18.78 per share;
- maintaining modest leverage and significant liquidity, which positioned the Company to take advantage of growth opportunities;
- prudent investment underwriting and deployment of capital;
- favorable lease extensions and re-leases; and
- success in portfolio restructurings and workouts.

FPL also noted that the Company's financial performance ranked 5th out of 140 publicly-held real estate companies tracked by FPL in terms of annualized three year total shareholder return for the three year period ending December 2009. Accordingly, the Committee approved the following cash bonuses relating to 2009 performance:

Named Executive Officer	Total Cash Bonus
C. Taylor Pickett	$558,000
Daniel J. Booth	$172,000
Robert O. Stephenson	$138,250
R. Lee Crabill	$133,250
Michael D. Ritz	$64,575

2010 Annual Cash Bonus Opportunity. As a result of the analysis performed by FPL, the Committee decided to modify the annual cash bonus program to reflect practices in place at our peer group and to also benchmark the 75th percentile target for superior performance. As a result, for 2010 and future years until modified by the Compensation Committee, each executive has bonus opportunities at the Threshold, Target and Maximum level which are quantified in terms of the percentages of base salary set forth in the table below.

Named Executive Officer	2010 Bonus Opportunity As Percentage of Base Salary		
	Threshold	Target	Maximum
C. Taylor Pickett	100%	125%	150%
Daniel J. Booth	50%	75%	100%
Robert O. Stephenson	50%	62.5%	75%
R. Lee Crabill	25%	45%	65%
Michael D. Ritz	25%	35%	45%

In view of continuing uncertain economic and capital market conditions and the resulting challenges faced by the Company in general and its operators in particular, the Committee determined that executive officer bonuses for 2010 will be based on multifaceted metrics and has weighted each metric in an amount deemed appropriate by the Committee. The metrics that will be applied and the relative weightings are as follows:

Metric	Weighting
Adjusted FFO per Share	40%
Tenant Quality (Uncollected Rents)	20%
Leverage (Coverage Ratio)	20%
Individual/Subjective Measures	20%

FFO and adjusted FFO are non-GAAP financial measures. The Company calculates and reports FFO in accordance with the definition and interpretive guidelines issued by the National Association of Real Estate Investment Trusts ("NAREIT"), and consequently, FFO is defined as net income available to common stockholders, adjusted for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization. Investors and potential investors in the Company's securities should not rely on non-GAAP financial measures as a substitute for any GAAP measure, including net income.

Adjusted FFO is calculated as FFO available to common stockholders less non-cash stock-based compensation, litigation settlements, nursing home revenues and expenses, FIN 46 adjustments, and other non-recurring revenue and expense items as more fully set forth in the reconciliation in the Company's earnings release included as Exhibit 99.1 to the Form 8-K furnished on February 23, 2010. The Company believes that adjusted FFO provides an enhanced measure of the operating performance of the Company's core portfolio as a REIT. The Company's computation of adjusted FFO is not comparable to the NAREIT definition of FFO or to similar measures reported by other REITs.

We accrue estimated bonuses for our executive officers throughout the year service is performed relating to such bonuses, and thus bonuses are expensed in the year they are earned, assuming they are approved by our Board of Directors. Each officer must include his bonus in his taxable income in the year during which he receives it, which is generally in the year following the year it is earned. We withhold appropriate tax withholdings from the bonus amounts awarded.

Stock Incentives

2007 Awards. Following its comprehensive review in the spring of 2007 of executive compensation and the analyses provided by a compensation consultant, the Committee determined to utilize three types of long-term executive incentives: (1) restricted stock awards for retention purposes and to encourage meaningful stock ownership, (2) PRSUs based on annualized performance to motivate and reward short-term performance, and (3) PRSUs based on cumulative performance through December 31, 2010 to motivate and reward long-term performance. These awards are shown below in the Outstanding Equity Awards at Fiscal Year End for 2009 table. As more thoroughly described below, the PRSUs are designed to align executive compensation with the interests of stockholders by tying vesting to achievement of an 11% total shareholder return hurdle rate (cumulative from May 2007 through each annual vesting date and over the three year period ending December 31, 2010).

2007 Restricted Stock Awards. On May 7, 2007 we granted restricted stock awards to each of our five executive officers. Each restricted stock award vests one-seventh on December 31, 2007 and two-sevenths on each of December 31, 2008, December 31, 2009, and December 31, 2010, subject to continued employment on the vesting date. In addition, all restricted stock vests upon the officer's death, disability, termination of employment by us without cause (as defined in the employment agreement), or if the officer voluntary quits for good reason (as defined in the employment agreement). Dividends are paid currently on unvested and vested shares. If unvested shares are forfeited, dividends that are paid after the date of the forfeiture are not paid on these shares.

2007 Performance Restricted Stock Unit Awards. On May 7, 2007, we also awarded two types of PRSUs to our executive officers. The two types of PRSU awards differ in the manner in which each award vests, as described below in greater detail.

- Vesting for both types of Awards Based on Total Shareholder Return. One-half of the total number of PRSUs granted to each executive officer are subject to ratable annual vesting one-third on December 31 of each of 2008, 2009 and 2010 per year based on achievement of total shareholder return (as described below) of 11% annualized through the applicable vesting date. The other half vests 100% on December 31, 2010 based on achievement of total shareholder return of 11% annualized through the end of the three-year period. Total shareholder return is determined by reference to the total aggregate increase in the stock price

per share over the applicable performance period plus dividends per share paid during the performance period. In calculating total shareholder return, the beginning of the performance period stock value will be based on the twenty day trailing average closing price prior to May 7, 2007, and the end of the performance period stock value will normally be based on the twenty day trailing average closing price as of the last day of the performance period.

- Mechanics of Annual PRSU Vesting. The PRSUs with annual vesting vest at the rate of one-third on each of December 31, 2008, December 31, 2009, and December 31, 2010, but only if the Company has achieved a total shareholder return on an annualized basis of at least 11%, compounded as of each December 31, for the period commencing on May 7, 2007 and ending on the applicable vesting date. The officer may catch-up on vesting that does not occur in a given year because of a missed hurdle if an 11% cumulative total shareholder return is achieved from May 7, 2007 through the next applicable vesting date ending with December 31, 2010.

- Mechanics of Three Year PRSU Vesting. The Company must achieve cumulative total shareholder return of 11% over the period from May 7, 2007 through December 31, 2010 for the PRSUs to vest.

- Termination of Employment. In the event of the officer's death, disability, termination of employment by the Company without cause, or voluntary resignation for good reason, the performance period for measuring total shareholder return will end. If the Company has achieved a total shareholder return of 11% per year compounded annually from May 7, 2007 through the date the performance period is so ended, all the unforfeited PRSUs will then vest. If the total shareholder return target has not been satisfied as of such date the PRSUs will be forfeited.

- Change in Control. If a change of control occurs before December 31, 2010, then the performance period for determining whether the total shareholder return hurdle of 11%, annualized, has been achieved will end on the change in control date. The officer must be employed on the applicable vesting date for each type of PRSU award set forth above to vest. If the Company's stock is bought for cash in the change in control transaction, the PRSUs will be converted to a cash obligation, which will bear interest at a rate equal to the annual dividend yield of the Company for the last four quarters as of the date of the change in control until the date the shares attributable to vested PRSUs are distributable.

- Dividend Equivalents. Dividend equivalents based on dividends paid to stockholders during the applicable performance period accrue on unvested and vested PRSUs. Unpaid dividend equivalents accrue interest at a quarterly rate of interest equal to the Company's average borrowing rate for the preceding quarter. Accrued dividend equivalents plus interest are paid to the officer at the date the shares attributable to vested PRSUs are distributable.

- Distribution of Shares. Shares attributable to vested PRSU's are distributable upon the earliest of January 2, 2011, the officer's death or disability, or termination of the officer's employment by the Company without cause or resignation by the officer for good reason. However, the distribution of shares attributable to PRSUs with annual vesting will be delayed for six months after any termination of the officer's employment by the Company without cause or his resignation for good reason to the extent required to comply with 409A of the Internal Revenue Code.

Vesting of PRSUs for 2009. Annualized total shareholder return for the period from May 7, 2007 through December 31, 2009 was approximately 9.8%. Accordingly, pursuant to the terms of the PRSU awards, none of the PRSUs vested as of December 31, 2009. However, on March 29, 2010, the Committee determined that, based on the 26.0% total shareholder return actually achieved for the twelve month period ending December 31, 2009, and in light of the challenging economic and capital market conditions that prevailed generally during 2009, it was appropriate to exercise its discretion under the plan, as permitted under the plan, to vest that portion of the PRSUs that were available to be earned in respect of 2009 had a cumulative total shareholder return of 11% been achieved. The waiver of the vesting criteria did not apply, however, to the PRSUs that failed to vest on December 31, 2008 because a cumulative total shareholder return of 11% was not achieved through that date. Accordingly, the number of shares of common stock issuable in connection with the PRSUs that the Committee elected to vest on March 29, 2010 with respect to performance during 2009 is as follows:

Named Executive Officer	Shares of Common Stock Issuable
C. Taylor Pickett	16,342
Daniel J. Booth	9,789
Robert O. Stephenson	6,756
R. Lee Crabill	6,032
Michael D. Ritz	2,413
Total	41,332

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Determinations Regarding 2011 Annual and Multi-Year Incentive Awards. Since the performance period for the PRSUs granted in May 2007 will run through December 31, 2010, the Committee did not make any equity incentive awards in 2009 or to date in 2010. However, the Committee determined to implement a similarly structured program for the period of January 1, 2011 through December 31, 2013 with certain modifications recommended by FPL that were based on an assessment of practices among the companies in our peer group. Specifically, the Committee determined that it would structure equity-based awards in a manner similar to the new annual cash program in that each named executive would have a threshold, target and maximum award level with the maximum level targeting the 75th percentile of our peer group. The Committee also determined that while basing the annual incentive award on absolute (Company specific) total shareholder return realized by the Company's shareholders over the twelve-month period, commencing with the awards to be made for the three-year period beginning in January 2011, the metrics for earning an award under the multi-year program would be based on both absolute (Company specific) total shareholder return and relative total shareholder return as compared to the average total shareholder return generated by the companies comprising the MSCI US REIT Index. The Committee determined to assign the absolute (Company specific) total shareholder return a 75% weighting while the relative total shareholder return will be given a 25% weighting. For both programs, the threshold, target and maximum awards levels will be achieved if absolute total shareholder return is 8%, 10% and 12% respectively, and, in the case of the multi-year program, the relative total shareholder-return at the threshold, target and maximum level is equal to the 50th, 65th and 80th percentile of the companies comprising the MSCI US REIT Index over the three-year vesting period. Awards will not be made until early 2011 when the Company's stock price can be determined for purposes of establishing the baseline from which total shareholder return will be measured over the three-year performance period. Such price will be the volume weighted average price ("VWAP") for the Company's common stock for the month of December 2010. Once the initial baseline stock price has been established, the number of shares eligible to be earned at each award level will be determined utilizing the same methodology that was employed to quantify the awards under the program established in May 2007. Once that price has been determined, the Committee currently intends to make the awards to the named executive officers in the amounts set forth below although the Committee has the discretion to modify such awards as well as the performance metrics in the event then prevailing circumstances warrant such modifications.

Annual Incentive Equity Award	Metric	Weighting	Threshold	Target	Maximum
	Absolute total shareholder return	100 %	8 %	10 %	12 %
Named Executive Officer					
C. Taylor Pickett			$660,000	$1,100,000	$1,430,000
Daniel J. Booth			$375,000	$625,000	$850,000
Robert O. Stephenson			$300,000	$500,000	$600,000
R. Lee Crabill			$208,500	$347,500	$417,000
Michael D. Ritz			$55,500	$92,500	$111,000

Multi-Year Incentive Award (Annual Expense)	Absolute total shareholder return	75 %	8 %	10 %	12 %
Named Executive Officer					
C. Taylor Pickett			$495,000	$825,000	$1,072,500
Daniel J. Booth			$281,250	$468,750	$637,500
Robert O. Stephenson			$225,000	$375,000	$450,000
R. Lee Crabill			$156,375	$260,625	$312,750
Michael D. Ritz			$41,625	$69,375	$83,250

Multi-Year Incentive Award (Annual Expense)	Relative total shareholder return	25 %	50th %-ile	65th %-ile	80th %-ile
Named Executive Officer					
C. Taylor Pickett			$165,000	$275,000	$357,500
Daniel J. Booth			$93,750	$156,250	$212,500
Robert O. Stephenson			$75,000	$125,000	$150,000
R. Lee Crabill			$52,152	$86,875	$104,250
Michael D. Ritz			$13,875	$23,125	$27,750

It is expected that similar provisions will be made in the various awards relating to vesting upon termination of employment without cause or resignation for good reason, death, disability and change of control as are in the 2007 awards under the Company's current annual and multi-year equity incentive programs. However, the Committee determined that awards earned under the multi-year program that will be effective in January 2011 will require an additional one year of service (time based with no performance metrics) before vesting in order to enhance the retention effect of such awards. As a result, awards earned for the three-year period ended December 2013 will not vest until December 31, 2014. Furthermore, the Committee determined to eliminate commencing in 2011 the "catch-up" provision that exists in the current annual incentive program that enables participants to earn awards from prior periods that did not previously vest if the cumulative total shareholder return threshold is ultimately achieved by the end of the relevant annual period. Finally, the Committee also determined that dividend equivalents based on dividends paid to stockholders during the applicable performance period will accrue on unvested and vested PRSUs. However, unlike the dividend equivalents under the current program that ends on December 31, 2010, unpaid dividend equivalents will not accrue interest. Accrued dividend equivalents are paid to the officer at the date the shares attributable to vested PRSUs are distributable.

Other Benefits

All employees may participate in our 401(k) Retirement Savings Plan (the "401(k) Plan"). We provide this plan to help our employees save some amount of their cash compensation for retirement in a tax efficient manner. Under the 401(k) Plan, employees are eligible to make contributions, and we, at our discretion, may match contributions and make a profit sharing contribution. We do not provide an option for our employees to invest in our stock in the 401(k) plan.

We provide a competitive benefits package to all full-time employees which includes health and welfare benefits, such as medical, dental, disability insurance, and life insurance benefits. The plans under which these benefits are offered do not discriminate in scope, terms or operation in favor of officers and directors and are available to all salaried employees. We have no structured executive perquisite benefits (e.g., club memberships or company vehicles) for any executive officer, including the named executive officers, and we currently do not provide supplemental pensions to our employees, including the named executive officers.

Tax Deductibility of Executive Compensation

The SEC requires that this report comment upon our policy with respect to Section 162(m) of the Internal Revenue Code. Section 162(m) disallows a federal income tax deduction for compensation over $1.0 million to any of the named executive officers unless the compensation is paid pursuant to a plan that is performance-related, non-discretionary and has been approved by our stockholders. We believe that, because we qualify as a REIT under the Internal Revenue Code and therefore are not subject to federal income taxes on our income to the extent distributed, the payment of compensation that does not satisfy the requirements of Section 162(m) will not generally affect our net income, although to the extent that compensation does not qualify for deduction under Section 162(m), a larger portion of stockholder distributions may be subject to federal income taxation as dividend income rather than return of capital. We do not believe that Section 162(m) will materially affect the taxability of stockholder distributions, although no assurance can be given in this regard due to the variety of factors that affect the tax position of each stockholder. For these reasons, Section 162(m) does not directly govern the Compensation Committee's compensation policy and practices.

Risk Associated with Compensation

We believe that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company. In addition, the Compensation Committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks.

The Compensation Committee considered various factors that have the affect of mitigating risk and, with assistance of FPL, reviewed the elements of executive compensation to determine whether any portion of executive compensation encourages excessive risk taking. The Committee concluded that the following risk oversight and compensation design features guard against excessive risk-taking:

- The Company has developed and adheres to effective processes for developing strategic and annual operating plans and approval of portfolio and capital investments;
- The Company has strong internal financial controls;
- Base salaries are consistent with each executive's responsibilities so that they are not motivated to take excessive risks to achieve a reasonable level of financial security;
- The determination of incentive awards is based on a review of a variety of indicators of performance as well as a meaningful subjective assessment of personal performance, thus diversifying the risk associated with any single indicator of performance;
- The design of our multi-year compensation plan rewards executives for driving sustainable growth for shareholders since the final valuation period in December 2010 for determining total shareholder return for the May 2007 – December 2010 period under the current multi-year plan will also be the baseline for the new three year performance period that will commence in January 2011;
- The vesting periods for equity compensation awards encourage executives to focus on sustained stock price appreciation;
- The mix between fixed and variable, annual and long-term, and cash and equity compensation is designed to encourage balanced strategies and actions that are in the Company's long-term best interests;
- Our incentive plans are not overly leveraged and cap the maximum payment; and
- The Committee has retained discretionary authority to adjust annual awards and payments, which further reduces any business risk associated with our plans.

Compensation Committee Report

The Committee reviewed and discussed the CD&A with management, and based on this review and discussion, the Committee recommended to the Board of Directors that the CD&A be included in this Proxy Statement and incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2009.

Compensation Committee of the Board of Directors

Thomas F. Franke, Chairman
Harold J. Kloosterman
Bernard J. Korman
Edward Lowenthal
Stephen D. Plavin

Summary Compensation Table

The following table summarizes the compensation of our "named executive officers" for the years ended December 31, 2009 and 2008. Our named executive officers are our Chief Executive Officer, our Chief Financial Officer, and the three other most highly compensated executive officers. With respect to stock awards, compensation in the table below includes not only compensation earned for services in the years indicated, but also compensation earned for services in prior years but recognized as an expense for financial reporting purposes in the years indicated.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compen-sation ($)	Total ($)
			(1)	(2)(3)			(4)	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(I)	(J)
C. Taylor Pickett	2009	558,000	558,000	--	--	--	14,700	1,130,700
Chief Executive	2008	549,500	549,500	--	--	--	13,800	1,112,800
Officer	2007	$530,500	$663,125	$2,665,380	$--	$ --	$6,750	$3,865,755
Robert O. Stephenson	2009	276,500	138,250	--	--	--	14,700	429,450
Chief Financial	2008	272,000	156,000	--	--	--	13,800	441,800
Officer	2007	$262,700	$157,620	$1,101,904	$ --	$ --	$6,750	$1,528,974
Daniel J. Booth	2009	344,000	172,000	--	--	--	14,700	530,700
Chief Operating	2008	338,500	169,250	--	--	--	13,800	521,550
Officer	2007	$326,500	$244,875	$1,596,520	$ --	$ --	$6,750	$2,174,645
R. Lee Crabill Senior	2009	266,500	133,250	--	--	--	14,700	414,450
Vice-President of	2008	262,500	131,250	--	--	--	13,800	407,550
Operations	2007	$253,400	$136,840	$983,851	$ --	$ --	$6,750	$1,380,841
Michael D. Ritz (5)	2009	184,500	64,575	--	--	--	14,700	263,775
Chief Accounting	2008	181,500	73,526	--	--	--	13,800	268,826
Officer	2007	$145,833	$111,250	$352,377	$--	$ --	$5,346	$614,806

(1) Bonuses are reported in the year earned, whether or not paid before year end.

(2) Represents the fair market value dollar amount on the grant date for the years indicated with respect to restricted stock and PRSU awards in accordance with current SEC rules. Proxy statements for prior years reflected the amount expensed for financial reporting purposes in accordance with the then-applicable rules of the Securities and Exchange Commission rather than the fair value on the grant date.

(3) On March 29, 2010, the Compensation Committee determined to waive the vesting requirement with respect to the PRSUs that would have vested on December 31, 2009 had a cumulative, annualized Total Shareholder Return of 11% been achieved. See "Vesting of PRSUs for 2009" on page 19.

(4) All other compensation includes the following:

Name	Year	401(k) Matching Contribution
	2009	14,700
	2008	13,800
C. Taylor Pickett	2007	$ 6,750
	2009	14,700
	2008	13,800
Robert O. Stephenson	2007	$ 6,750
	2009	14,700
	2008	13,800
Daniel J. Booth	2007	$ 6,750
	2009	14,700
	2008	13,800
R. Lee Crabill	2007	$ 6,750
	2009	14,700
	2008	13,800
Michael D. Ritz	2007	$ 5,346

(5) Mr. Ritz began employment with the Company on February 28, 2007.

The Company did not grant any plan-based awards to executive officers in 2009, and accordingly the Grants of Plan-Based Awards table is intentionally omitted.

Outstanding Equity Awards at Fiscal Year End for 2009

	Option Awards					Stock Awards			
Name (A)	Number of Securities Underlying Unexercised Options (#) Exercisable (B)	Number of Securities Underlying Unexercised Options (#) Unexercisable (C)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (D)	Option Exercise Price ($) (E)	Option Expiration Date (F)	Number of Shares or Units of Stock That Have Not Vested (#) (G)	Market Value of Shares or Units of Stock That Have Not Vested ($) (H)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (I)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1) (J)
C. Taylor								32,684(2)	635,704
Pickett								98,052(3)	$1,907,112

Robert O.	13,512 (2)	262,808
Stephenson	40,536 (3)	$788,426
Daniel J.	19,577 (2)	380,773
Booth	58,732 (3)	$1,142,338
R. Lee	12,065 (2)	234,664
Crabill	36,194 (3)	$703,974
Michael D.	4,136 (2)	80,445
Ritz	14,478 (3)	$281,598

(1) The market value is based on the closing price per share of our common stock on December 31, 2009 of $19.45.

(2) Restricted stock awards vesting one-seventh on December 31, 2007 and two-sevenths on each of December 31, 2008, December 31, 2009, and December 31, 2010, subject to continued employment on the vesting date. In addition, all restricted stock vests upon the officer's death, disability, termination of employment by us without cause (as defined in the employment agreement), or if the officer voluntary quits for good reason (as defined in the employment agreement). Dividends are paid currently on unvested and vested shares. If unvested shares are forfeited, dividends that are paid after the date of the forfeiture are not paid on these shares.

(3) PRSUs vesting December 31, 2010 subject to achieving cumulative Total Shareholder Return of at least 11% annualized from the date of grant through the vesting date. See "2007 Performance Restricted Stock Unit Awards" under "CD&A" above for further information. On March 29, 2010, the Compensation Committee determined to waive the vesting requirement with respect to the PRSUs that would have vested on December 31, 2009 had a cumulative, annualized Total Shareholder Return of 11% been achieved. See "Vesting of PRSUs for 2009" on page 19.

Option Exercises and Stock Vested for 2009

	Option Awards		Stock Awards	
Name (A)	Number of Shares Acquired on Exercise (#) (B)	Value Realized on Exercise ($) (1) (C)	Number of Shares Acquired on Vesting (#) (D)	Value Realized on Vesting ($) (2) (E)
C. Taylor Pickett	--	$--	32,684	$635,704
Robert O. Stephenson	--	$--	13,512	$262,808
Daniel J. Booth	--	$--	19,577	$380,773
R. Lee Crabill	--	$--	12,064	$234,645
Michael D. Ritz	--	$--	4,136	$80,445

(1) This amount represents the gain to the employee based on the market price of underlying shares at the date of exercise less the exercise price.

(2) The market value is based on the closing price per share of our common stock on December 31, 2009 of $19.45.

Compensation and Severance Agreements

C. Taylor Pickett Employment Agreement

We entered into an employment agreement with C. Taylor Pickett, dated as of September 1, 2004, to be our Chief Executive Officer. We amended the agreement with the consent of Mr. Pickett, effective May 7, 2007. The amendment extended the term of the agreement set to expire on December 31, 2007 for an additional three-year-period until December 2010.

Mr. Pickett's current base salary is $600,000 per year, subject to increase by us and his employment agreement provides that he will be eligible for an annual bonus of up to 100% of his base salary based on criteria determined by the Compensation Committee of our Board of Directors. For a discussion of bonus arrangements going forward, see "Compensation Discussion and Analysis – Annual Cash Bonus Opportunity" on page 16 above.

If we terminate Mr. Pickett's employment without "cause" or if he resigns for "good reason," we will pay him severance equal to three times the sum of his then current annual base salary plus his average annual bonus over the last three completed calendar years, which amount will be paid in installments over the 36-month-period following his termination. "Cause" is defined in the employment agreement to include events such as willful refusal to perform duties, willful misconduct in performance of duties, unauthorized disclosure of confidential company information, or fraud or dishonesty against us. "Good reason" is defined in the employment agreement to include events such as our material breach of the employment agreement or our relocation of Mr. Pickett's employment to more than 50 miles away without his consent.

Mr. Pickett is required to execute a release of claims against us as a condition to the payment of severance benefits. Severance is not paid if the term of the employment agreement expires. If Mr. Pickett dies during the term of the employment agreement, his estate is entitled to a prorated bonus for the year of his death.

Mr. Pickett is restricted from using any of our confidential information during his employment and for two years thereafter or from using any trade secrets during his employment and for as long thereafter as permitted by applicable law. During the period of employment and for one year thereafter, Mr. Pickett is obligated not to provide within the states where Omega owns property as of May 7, 2007, managerial services or management consulting services to a “competing business.” Competing business is defined to include a list of named competitors and any other business with the primary purpose of leasing assets to healthcare operators or financing ownership or operation of senior, retirement or healthcare - related real estate. In addition, during the period of employment and for one year thereafter, Mr. Pickett agrees not to solicit clients or customers with whom he had material contact or to solicit our management level employees. If the term of the employment agreement expires at December 31, 2010 and as a result no severance is paid, then these provisions also expire at December 31, 2010.

Daniel J. Booth Employment Agreement

We entered into an employment agreement with Daniel J. Booth, dated as of September 1, 2004, to be our Chief Operating Officer. We amended the agreement with the consent of Mr. Booth, effective May 7, 2007. The amendment extended the term of the agreement set to expire on December 31, 2007 for an additional three-year-period until December 31, 2010.

Mr. Booth’s current base salary is $380,000 per year, subject to increase by us and his employment agreement provides that he will be eligible for an annual bonus of up to 50% of his base salary based on criteria determined by the Compensation Committee of our Board of Directors. However, in a separate letter, we provided that, for 2007, his percentage bonus opportunity was up to 75% of his base salary. For a discussion of bonus arrangements going forward, see “Compensation Discussion and Analysis – Annual Cash Bonus Opportunity” on page 16 above.

If we terminate Mr. Booth’s employment without “cause” or if he resigns for “good reason,” we will pay him severance equal to two times the sum of his then current annual base salary plus his average annual bonus over the last three completed calendar years, which amount will be paid in installments over the 24-month-period following his termination. “Cause” is defined in the employment agreement to include events such as willful refusal to perform duties, willful misconduct in performance of duties, unauthorized disclosure of confidential company information, or fraud or dishonesty against us. “Good reason” is defined in the employment agreement to include events such as our material breach of the employment agreement or our relocation of Mr. Booth’s employment to more than 50 miles away without his consent.

Mr. Booth is required to execute a release of claims against us as a condition to the payment of severance benefits. Severance is not paid if the term of the employment agreement expires. If Mr. Booth dies during the term of the employment agreement, his estate is entitled to a prorated bonus for the year of his death.

Mr. Booth is restricted from using any of our confidential information during his employment and for two years thereafter or from using any trade secrets during his employment and for as long thereafter as permitted by applicable law. During the period of employment and for one year thereafter, Mr. Booth is obligated not to provide within the states where Omega owns property as of May 7, 2007, managerial services or management consulting services to a “competing business.” Competing business is defined to include a list of named competitors and any other business with the primary purpose of leasing assets to healthcare operators or financing ownership or operation of senior, retirement or healthcare - related real estate. In addition, during the period of employment and for one year thereafter, Mr. Booth agrees not to solicit clients or customers with whom he had material contact or to solicit our management level employees. If the term of the employment agreement expires at December 31, 2010 and as a result no severance is paid, then these provisions also expire at December 31, 2010.

Robert O. Stephenson Employment Agreement

We entered into an employment agreement with Robert O. Stephenson, dated as of September 1, 2004, to be our Chief Financial Officer. We amended the agreement with the consent of Mr. Stephenson, effective May 7, 2007. The amendment extended the term of the agreement set to expire on December 31, 2007 for an additional three-year-period until December 31, 2010.

Mr. Stephenson's current base salary is $305,000 per year, subject to increase by us and his employment agreement provides that he will be eligible for an annual bonus of up to 50% of his base salary based on criteria determined by the Compensation Committee of our Board of Directors. However, in a separate letter, we provided that, for 2007, his percentage bonus opportunity was up to 60% of his base salary. For a discussion of bonus arrangements going forward, see "Compensation Discussion and Analysis – Annual Cash Bonus Opportunity" on page 16 above.

If we terminate Mr. Stephenson's employment without "cause" or if he resigns for "good reason," we will pay him severance equal to one and one-half times the sum of his then current annual base salary plus his average annual bonus over the last three completed calendar years, which amount will be paid in installments over the 18-month-period following his termination. "Cause" is defined in the employment agreement to include events such as willful refusal to perform duties, willful misconduct in performance of duties, unauthorized disclosure of confidential company information, or fraud or dishonesty against us. "Good reason" is defined in the employment agreement to include events such as our material breach of the employment agreement or our relocation of Mr. Stephenson's employment to more than 50 miles away without his consent.

Mr. Stephenson is required to execute a release of claims against us as a condition to the payment of severance benefits. Severance is not paid if the term of the employment agreement expires. If Mr. Stephenson dies during the term of the employment agreement, his estate is entitled to a prorated bonus for the year of his death.

Mr. Stephenson is restricted from using any of our confidential information during his employment and for two years thereafter or from using any trade secrets during his employment and for as long thereafter as permitted by applicable law. During the period of employment and for one year thereafter, Mr. Stephenson is obligated not to provide within the states where Omega owns property as of May 7, 2007, managerial services or management consulting services to a "competing business." Competing business is defined to include a list of named competitors and any other business with the primary purpose of leasing assets to healthcare operators or financing ownership or operation of senior, retirement or healthcare - related real estate. In addition, during the period of employment and for one year thereafter, Mr. Stephenson agrees not to solicit clients or customers with whom he had material contact or to solicit our management level employees. If the term of the employment agreement expires at December 31, 2010 and as a result no severance is paid, then these provisions also expire at December 31, 2010.

R. Lee Crabill, Jr. Employment Agreement

We entered into an employment agreement with R. Lee Crabill, dated as of September 1, 2004, to be our Senior Vice President of Operations. We amended the agreement with the consent of Mr. Crabill, effective May 7, 2007. Then amendment extended the term of the agreement set to expire on December 31, 2007, for an additional three-year-period until December 31, 2010.

Mr. Crabill's current base salary is $295,000 per year, subject to increase by us and his employment agreement provides that he will be eligible for an annual bonus of up to 50% of his base salary based on criteria determined by the Compensation Committee of our Board of Directors. However, in a separate letter, we provided that, for 2007, his percentage bonus opportunity was up to 60% of his base salary. For a discussion of bonus arrangements going forward, see "Compensation Discussion and Analysis – Annual Cash Bonus Opportunity" on page 16 above.

If we terminate Mr. Crabill's employment without "cause" or if he resigns for "good reason," we will pay him severance equal to one and one-half times the sum of his then current annual base salary plus his average annual bonus over the last three completed calendar years, which amount will be paid in installments over the 18-month-period following his termination. "Cause" is defined in the employment agreement to include events such as willful refusal to perform duties, willful misconduct in performance of duties, unauthorized disclosure of confidential company information, or fraud or dishonesty against us. "Good reason" is defined in the employment agreement to include events such as our material breach of the employment agreement or our relocation of Mr. Crabill's employment to more than 50 miles away without his consent.

Mr. Crabill is required to execute a release of claims against us as a condition to the payment of severance benefits. Severance is not paid if the term of the employment agreement expires. If Mr. Crabill dies during the term of the employment agreement, his estate is entitled to a prorated bonus for the year of his death.

Mr. Crabill is restricted from using any of our confidential information during his employment and for two years thereafter or from using any trade secrets during his employment and for as long thereafter as permitted by applicable law. During the period of employment and for one year thereafter, Mr. Crabill is obligated not to provide within the states where Omega owns property as of May 7, 2007, managerial services or management consulting services to a "competing business." Competing business is defined to include a list of named competitors and any other business with the primary purpose of leasing assets to healthcare operators or financing ownership or operation of senior, retirement or healthcare - related real estate. In addition, during the period of employment and for one year thereafter, Mr. Crabill agrees not to solicit clients or customers with whom he had material contact or to solicit our management level employees. If the term of the employment agreement expires at December 31, 2010 and as a result no severance is paid, then these provisions also expire at December 31, 2010.

Michael D. Ritz Employment Agreement

We entered into an employment agreement with Michael D. Ritz, dated as of May 7, 2007, to be our Chief Accounting Officer. The term of the agreement expires on December 31, 2010.

Mr. Ritz' current base salary is $205,000 per year, subject to increase by us, and his employment agreement provides that he will be eligible for an annual bonus of up to 35% of his base salary based on criteria determined by the Compensation Committee of our Board of Directors plus, for 2007 only, a guaranteed bonus of $40,000, subject to his continued employment on the date the bonus is paid. For a discussion of bonus arrangements going forward, see "Compensation Discussion and Analysis – Annual Cash Bonus Opportunity" on page 16 above.

If we terminate Mr. Ritz' employment without "cause" or if he resigns for "good reason," we will pay him severance equal to one times the sum of his then current annual base salary plus his average annual bonus over the last three completed calendar years, which amount will be paid in installments over the 12-month-period following his termination. "Cause" is defined in the employment agreement to include events such as willful refusal to perform duties, willful misconduct in performance of duties, unauthorized disclosure of confidential company information, or fraud or dishonesty against us. "Good reason" is defined in the employment agreement to include events such as our material breach of the employment agreement or our relocation of Mr. Ritz' employment to more than 50 miles away without his consent.

Mr. Ritz is required to execute a release of claims against us as a condition to the payment of severance benefits. Severance is not paid if the term of the employment agreement expires. If Mr. Ritz dies during the term of the employment agreement, his estate is entitled to a prorated bonus for the year of his death.

Mr. Ritz is restricted from using any of our confidential information during his employment and for two years thereafter or from using any trade secrets during his employment and for as long thereafter as permitted by applicable law. During the period of employment and for one year thereafter, Mr. Ritz is obligated not to provide, within the states where Omega owns property as of May 7, 2007, managerial services or management consulting services to a "competing business." Competing business is defined to include a list of named competitors and any other business with the primary purpose of leasing assets to healthcare operators or financing ownership or operation of senior, retirement or healthcare-related real estate. In addition, during the period of employment and for one year thereafter, Mr. Ritz agrees not to solicit clients or customers with whom he had material contact or to solicit our management level employees. If the term of the employment agreement expires at December 31, 2010 and as a result no severance is paid, then these provisions also expire at December 31, 2010.

Each of the employment agreements listed above were amended in December 2008 to comply with Section 409(a) of the Internal Revenue Code. However, the amendments did not result in any material changes to the employment agreements.

Potential Payments Upon Termination or Change of Control

The table below illustrates the incremental compensation that would have been payable in the event of termination events identified below, as if they had occurred as of December 31, 2009. Accordingly, the information in the table below does not give effect to the adjustments to compensation for 2010 described under "Compensation Discussion and Analysis" above.

In general, the occurrence of a change of control does not increase benefits that would otherwise be payable upon termination without cause or resignation for good reason. If a change of control occurs before the end of a performance period under the outstanding PRSUs, then the performance period for the applicable PRSU will end on the change in control date. However, the PRSUs only vest if the officer is employed at the original vesting date, or the officer is terminated for cause or resigns for good reason. For a description of the vesting of restricted stock and PRSUs, see "Stock Incentives" on page 18 above. For a description of circumstances constituting "cause" and "good reason", and further detail regarding the estimated payments and benefits upon the occurrence of certain triggering events, see the discussion of each officer's employment agreement above.