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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

or

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

For the transition period from _____ to _____

Commission file number 1-11316

OMEGA HEALTHCARE
INVESTORS, INC.
(Exact name of Registrant as specified in its charter)

Maryland
(State of incorporation)

38-3041398
(IRS Employer
Identification No.)

200 International Circle, Suite 3500, Hunt Valley, MD 21030
(Address of principal executive offices)

(410) 427-1700
(Telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one:)

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of October 29, 2010.

Common Stock, \$.10 par value 98,488,048
(Class) (Number of shares)

OMEGA HEALTHCARE INVESTORS, INC.
FORM 10-Q
September 30, 2010

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PART I – FINANCIAL INFORMATION**Item 1 - Financial Statements**

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	September 30, 2010	December 31, 2009
	(Unaudited)	
ASSETS		
Real estate properties		
Land and buildings	\$ 2,352,372	\$ 1,669,843
Less accumulated depreciation	(355,274)	(296,441)
Real estate properties – net	1,997,098	1,373,402
Mortgage notes receivable – net	90,252	100,223
	2,087,350	1,473,625
Other investments – net	31,340	32,800
	2,118,690	1,506,425
Assets held for sale – net	670	877
Total investments	2,119,360	1,507,302
Cash and cash equivalents	1,192	2,170
Restricted cash	21,151	9,486
Accounts receivable – net	90,780	81,558
Other assets	60,440	50,778
Operating assets for owned and operated properties	635	3,739
Total assets	<u>\$ 2,293,558</u>	<u>\$ 1,655,033</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Revolving line of credit	\$ 143,000	\$ 94,100
Secured borrowings	302,210	159,354
Unsecured borrowings – net	702,947	484,695
Accrued expenses and other liabilities	122,739	49,895
Operating liabilities for owned and operated properties	1,579	1,762
Total liabilities	<u>1,272,475</u>	<u>789,806</u>
Stockholders' equity:		
Preferred stock issued and outstanding – 4,340 shares Series D with an aggregate liquidation preference of \$108,488	108,488	108,488
Common stock \$.10 par value authorized – 200,000 shares issued and outstanding – 98,236 shares as of September 30, 2010 and 88,266 as of December 31, 2009	9,824	8,827
Common stock – additional paid-in-capital	1,358,564	1,157,931
Cumulative net earnings	575,855	522,388
Cumulative dividends paid	(1,031,648)	(932,407)
Total stockholders' equity	<u>1,021,083</u>	<u>865,227</u>
Total liabilities and stockholders' equity	<u>\$ 2,293,558</u>	<u>\$ 1,655,033</u>

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF INCOME
Unaudited
(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Revenue				
Rental income	\$ 66,299	\$ 41,226	\$ 165,028	\$ 123,626
Mortgage interest income	2,576	2,915	7,709	8,686
Other investment income – net	746	694	3,282	1,844
Miscellaneous	103	160	3,852	364
Nursing home revenues of owned and operated assets	-	4,758	7,336	13,545
Total operating revenues	69,724	49,753	187,207	148,065
Expenses				
Depreciation and amortization	27,742	11,093	58,880	33,014
General and administrative	4,376	2,675	11,758	8,920
Acquisition costs	78	-	1,490	-
Impairment loss on real estate properties	-	89	155	159
Nursing home expenses of owned and operated assets	480	4,899	7,849	15,750
Total operating expenses	32,676	18,756	80,132	57,843
Income before other income and expense	37,048	30,997	107,075	90,222
Other income (expense):				
Interest income	11	2	88	19
Interest expense	(19,070)	(9,171)	(47,350)	(26,656)
Interest – amortization of deferred financing and refinancing costs	(978)	(690)	(6,342)	(2,216)
Litigation settlements	-	-	-	4,527
Total other expense	(20,037)	(9,859)	(53,604)	(24,326)
Income before loss on assets sold	17,011	21,138	53,471	65,896
Loss on assets sold – net	(4)	-	(4)	(24)
Net income	17,007	21,138	53,467	65,872
Preferred stock dividends	(2,271)	(2,271)	(6,814)	(6,814)
Net income available to common	\$ 14,736	\$ 18,867	\$ 46,653	\$ 59,058
Income per common share available to common shareholders:				
Basic:				
Net income	\$ 0.15	\$ 0.23	\$ 0.50	\$ 0.71
Diluted:				
Net income	\$ 0.15	\$ 0.22	\$ 0.50	\$ 0.71
Dividends declared and paid per common share	\$ 0.36	\$ 0.30	\$ 1.00	\$ 0.90
Weighted-average shares outstanding, basic	95,698	83,740	92,523	82,903
Weighted-average shares outstanding, diluted	95,987	83,858	92,700	83,004
Components of other comprehensive income:				
Net income	\$ 17,007	\$ 21,138	\$ 53,467	\$ 65,872
Total comprehensive income	\$ 17,007	\$ 21,138	\$ 53,467	\$ 65,872

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited
(in thousands, except per share amounts)

	<u>Preferred Stock</u>	<u>Common Stock Par Value</u>	<u>Additional Paid-in Capital</u>	<u>Cumulative Net Earnings</u>	<u>Cumulative Dividends</u>	<u>Total</u>
Balance at December 31, 2009 (88,266 common shares)	\$ 108,488	\$ 8,827	\$ 1,157,931	\$ 522,388	\$ (932,407)	\$ 865,227
Issuance of common stock:						
Grant of restricted stock (13 shares at \$20.00 per share)	—	1	(1)	—	—	—
Amortization of restricted stock	—	—	1,732	—	—	1,732
Dividend reinvestment plan (2,154 shares at \$20.00 per share)	—	216	42,853	—	—	43,069
Exercised options (15 shares at an average exercise price of \$6.12 per share)	—	1	88	—	—	89
Grant of stock as payment of directors fees (6 shares at an average of \$19.60 per share)	—	1	112	—	—	113
Equity Shelf Program (6,789 shares at \$20.72 per share, net of issuance costs)	—	679	136,255	—	—	136,934
Issuance of common stock for acquisition (995 shares at \$19.80 per share)	—	99	19,594	—	—	19,693
Net income	—	—	—	53,467	—	53,467
Common dividends (\$1.00 per share).	—	—	—	—	(92,427)	(92,427)
Preferred dividends (Series D of \$1.57 per share)	—	—	—	—	(6,814)	(6,814)
Balance at September 30, 2010 (98,236 common shares)	<u>\$ 108,488</u>	<u>\$ 9,824</u>	<u>\$ 1,358,564</u>	<u>\$ 575,855</u>	<u>\$ (1,031,648)</u>	<u>\$ 1,021,083</u>

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited (in thousands)

	Nine Months Ended	
	September 30,	
	2010	2009
Cash flows from operating activities		
Net income	\$ 53,467	\$ 65,872
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	58,880	33,014
Impairment loss on real estate properties	155	159
Amortization of deferred financing and refinancing costs	6,342	2,216
Restricted stock amortization expense	1,756	1,439
Loss (gain) on assets sold – net	4	24
Amortization of other non-cash interest charges	27	—
Amortization of in-place leases	(1,852)	—
Other	(113)	(129)
Gain on sale of securities	(789)	—
Change in operating assets and liabilities – net of amounts assumed/acquired:		
Accounts receivable, net	(2,033)	219
Straight-line rent	(6,928)	(6,987)
Lease inducement	(261)	532
Other operating assets and liabilities	(1,132)	10,117
Operating assets and liabilities for owned and operated properties	2,921	7,959
Net cash provided by operating activities	<u>110,444</u>	<u>114,435</u>
Cash flows from investing activities		
Acquisition of real estate – net of liabilities assumed and escrows acquired	(343,180)	—
Placement of mortgage loans	(2,372)	—
Proceeds from sale of real estate investments	81	85
Capital improvements and funding of other investments	(25,658)	(14,640)
Proceeds from other investments	18,720	39,515
Investments in other investments	(16,436)	(39,075)
Collection of mortgage principal – net	60	403
Net cash used in investing activities	<u>(368,785)</u>	<u>(13,712)</u>
Cash flows from financing activities		
Proceeds from credit facility borrowings	314,000	138,500
Payments on credit facility borrowings	(265,100)	(193,000)
Receipts of other long-term borrowings	196,556	—
Payments of other long-term borrowings	(59,882)	—
Payment of financing related costs	(9,231)	(4,574)
Receipts from dividend reinvestment plan	43,069	17,073
Net proceeds from issuance of common stock	136,934	23,095
Payments from exercised options – net	89	—
Dividends paid	(99,072)	(81,380)
Net cash provided by (used in) financing activities	<u>257,363</u>	<u>(100,286)</u>
(Decrease) increase in cash and cash equivalents	(978)	437
Cash and cash equivalents at beginning of period	2,170	209
Cash and cash equivalents at end of period	<u>\$ 1,192</u>	<u>\$ 646</u>
Interest paid during the period, net of amounts capitalized	<u>\$ 41,764</u>	<u>\$ 24,508</u>
Non-cash investing activities		
Assumed debt obligations	\$ 202,015	\$ —
Non-cash settlement of mortgage obligations	(12,395)	—
Non-cash acquisition of real estate properties	12,395	—
Stock consideration issued for acquisition	19,693	—
Net non-cash investing activities	<u>\$ 221,708</u>	<u>\$ —</u>

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
September 30, 2010

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Overview

Omega Healthcare Investors, Inc. (“Omega” or the “Company”) has one reportable segment consisting of investments in healthcare related real estate properties. Our core business is to provide financing and capital to the long-term healthcare industry with a particular focus on skilled nursing facilities (“SNFs”) located in the United States. Our core portfolio consists of long-term leases and mortgage agreements. All of our leases are “triple-net” leases, which require the tenants to pay all property-related expenses. Our mortgage revenue derives from fixed-rate mortgage loans, which are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor.

On July 7, 2008, we took ownership and/or possession of 15 facilities through bankruptcy court proceedings which were previously operated by Haven Eldercare (Haven). Prior to July 7, 2008, we had (i) leased eight facilities to Haven under a master lease agreement and (ii) provided mortgage financing to a Haven entity for seven facilities that we had previously consolidated according to accounting rules regarding variable interest entities then in place. As a result of the bankruptcy court judgment, the bankruptcy court retired the mortgage on the seven facilities in exchange for ownership of the facilities and awarded us certain other operational assets of Haven as well. Accordingly, effective July 7, 2008, we were no longer required to consolidate the Haven entity for which we had provided the mortgage because all of the assets of the Haven entity were transferred to us and we no longer had a variable interest in the Haven entity. In addition to receiving title to the seven facilities and certain other operational assets, on July 7, 2008, we assumed operating responsibility for the 15 Haven facilities. In July 2008, a new entity (TC Healthcare) was formed to operate these properties on our behalf through the use of an independent contractor. TC Healthcare’s managing member and sole voting member, an individual with experience in operating these types of facilities, has no equity investment at risk and is unrelated to Omega. Omega and TC Healthcare entered into an agreement that requires Omega to provide the working capital requirements for TC Healthcare and to absorb the operating losses of TC Healthcare. The agreement also provides Omega with the right to receive the economic benefits of the entity. TC Healthcare is a variable interest entity as the entity does not have sufficient equity investment at risk to support its operations without subordinated financial support. Additionally, Omega has the power to direct the activities of TC Healthcare as Omega has the unilateral right to replace the shareholder. Omega is deemed the primary beneficiary of TC Healthcare as Omega has the controlling economic interest in the entity and therefore, consolidated the operations of TC Healthcare.

Basis of Presentation

The accompanying unaudited consolidated financial statements for Omega have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles (“GAAP”) for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. We have evaluated all subsequent events through the date of the filing of this Form 10-Q. These unaudited consolidated financial statements should be read in conjunction with the financial statements and the footnotes thereto included in our latest Annual Report on Form 10-K.

Our consolidated financial statements include the accounts of Omega, all direct and indirect wholly owned subsidiaries of Omega, and TC Healthcare, an entity and interim operator created to operate the 15 facilities we assumed as a result of the bankruptcy of one of our former tenants/operators. We consolidate the financial results of TC Healthcare into our financial statements based on the applicable consolidation accounting literature. We include the operating results and assets and liabilities of these facilities for the period of time that TC Healthcare was responsible for the operations of the facilities. Thirteen of these facilities were transitioned from TC Healthcare to a new tenant/operator on September 1, 2008. The two remaining facilities were transitioned to the new tenant/operator on June 1, 2010 upon approval by state regulators of the operating license transfer and as of such date, TC Healthcare no longer operates these facilities. The operating revenues and expenses and related operating assets and liabilities of the two facilities through September 30, 2010 are shown on a gross basis in our Consolidated Statements of Income and Consolidated Balance Sheets, respectively. TC Healthcare is responsible for the collection of the accounts receivable earned and the liabilities incurred prior to the date of the transition to the new tenant/operator. All inter-company accounts and transactions have been eliminated in consolidation of the financial statements.

Accounts Receivable

Accounts receivable includes: contractual receivables, straight-line rent receivables and lease inducements, net of an estimated provision for losses related to uncollectible and disputed accounts. Contractual receivables relates to the rents currently owed to us under the terms of the lease agreement. Straight-line receivables relates to the difference between the rental revenue recognized on a straight-line basis and the amounts due to us contractually. Lease inducements result from value provided by us to the lessee of the lease and will be amortized as a reduction of rental revenue over the lease term. On a quarterly basis, we review the collection of our contractual payments and determine the appropriateness of our allowance for uncollectible contractual rents. In the case of a lease recognized on a straight-line basis, we generally provide an allowance for straight-line accounts receivable when certain conditions or indicators of adverse collectability are present.

A summary of our net receivables by type is as follows:

	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
	(in thousands)	
Contractual receivables	\$ 6,107	\$ 2,818
Straight-line receivables	58,185	52,395
Lease inducements	29,281	29,020
Allowance	(2,793)	(2,675)
Accounts receivable – net	<u>\$ 90,780</u>	<u>\$ 81,558</u>

We continuously evaluate the payment history and financial strength of our operators and have historically established allowance reserves for straight-line rent adjustments for operators that do not meet our requirements. We consider factors such as payment history, the operator's financial condition as well as current and future anticipated operating trends when evaluating whether to establish allowance reserves.

Accounts receivable from owned and operated assets consist of amounts due from Medicare and Medicaid programs, other government programs, managed care health plans, commercial insurance companies and individual patients. Amounts recorded include estimated provisions for loss related to uncollectible accounts and disputed items. For additional information, see Note 3 – Owned and Operated Assets.

Implementation of New Accounting Pronouncements

In January 2010, the FASB issued guidance on fair value measurements and disclosures. This guidance specifies that a reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. In addition, a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number) related to Level 3 fair value measurements as part of a reconciliation of the beginning and ending balances. The guidance further clarifies the disclosure regarding the level of disaggregation and input and valuation techniques. The adoption of this guidance did not impact our financial position or results of operations.

In February 2010, the FASB issued guidance on subsequent events. This guidance provides a definition for SEC filers and eliminates the requirement to disclose the date through which subsequent events have been evaluated. The adoption of this guidance did not impact our financial position or results of operations.

In June 2009, the FASB issued guidance to significantly amend the consolidation guidance applicable to variable interest entities ("VIEs"). The consolidation model was modified to one based on control and economics, and replaces the current quantitative primary beneficiary analysis with a qualitative analysis. The primary beneficiary of a VIE will be the entity that has (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. If multiple unrelated parties share such power, as defined, no party will be required to consolidate the VIE. Further, the guidance requires continual reconsideration of the primary beneficiary of a VIE and adds an additional reconsideration event for determination of whether an entity is a VIE. The amendments also require expanded disclosures related to VIEs which are largely consistent with the disclosure framework currently applied by us. The new guidance was effective January 1, 2010 for us. The adoption of this guidance did not impact our financial position or results of operations.

NOTE 2 – PROPERTIES AND INVESTMENTS

In the ordinary course of our business activities, we periodically evaluate investment opportunities and extend credit to customers. We also regularly engage in lease and loan extensions and modifications. Additionally, we actively monitor and manage our investment portfolio with the objectives of improving credit quality and increasing investment returns. In connection with our portfolio management, we may engage in various collection and foreclosure activities.

If we acquire real estate pursuant to a foreclosure or bankruptcy proceeding, the assets will initially be included on the consolidated balance sheet at the lower of cost or estimated fair value (see Note 3– Owned and Operated Assets).

Leased Property

Our leased real estate properties, represented by 370 SNFs, 10 assisted living facilities ("ALFs") and five specialty facilities at September 30, 2010, are leased under provisions of single leases and master leases with initial terms typically ranging from 5 to 15 years, plus renewal options. Substantially all of our leases contain provisions for specified annual increases over the rents of the prior year and are generally computed in one of three methods depending on specific provisions of each lease as follows: (i) a specific annual percentage increase over the prior year's rent, generally 2.5%; (ii) an increase based on the change in pre-determined formulas from year to year (i.e., such as increases in the Consumer Price Index ("CPI")); or (iii) specific dollar increases over prior years. Under the terms of the leases, the lessee is responsible for all maintenance, repairs, taxes and insurance on the leased properties.

143 Facility CapitalSource Acquisitions

In November 2009, we entered into a securities purchase agreement (the "CapitalSource Purchase Agreement") with CapitalSource Inc. (NYSE: CSE) ("CapitalSource") and several of its affiliates, pursuant to which we agreed to purchase CapitalSource subsidiaries owning 80 long term care facilities, plus an option to purchase CapitalSource subsidiaries owning an additional 63 facilities (the "Option"), for approximately \$565 million. The purchase price for the CapitalSource subsidiaries subject to the Option was approximately \$295 million. We accounted for these acquisitions as business combinations.

First Closing

On December 22, 2009, we purchased CapitalSource entities owning 40 facilities and an Option to purchase CapitalSource entities owning 63 additional facilities for an aggregate purchase price of approximately \$294.1 million. The consideration consisted of: (i) approximately \$184.2 million in cash; (ii) 2,714,959 shares of Omega common stock and (iii) the assumption of approximately \$59.4 million of 6.8% mortgage debt maturing on December 31, 2011. We incurred approximately \$1.8 million in transaction costs, of which \$1.6 million was recognized during 2009. We valued the 2,714,959 shares of our common stock at approximately \$52.8 million on December 22, 2009.

The 40 facilities represent 5,264 available beds located in 12 states, and are part of 15 in-place triple net leases among 12 operators. The 12 leases generate approximately \$31 million of annualized revenue.

We are in the process of gathering the information necessary to complete the purchase price allocation of the December 22, 2009 acquisition. As of September 30, 2010, we have allocated approximately \$277.6 million to land (\$22.5 million), building and site improvements (\$239.7 million) and furniture and fixtures (\$15.4 million). In addition, we allocated approximately \$10.2 million to in-place above market leases assumed at the first closing and approximately \$16.2 million to in-place below market leases assumed at the first closing. We estimate the net impact to revenue of amortizing the assumed in-place above and below market leases associated with the December 22, 2009 acquisition as follows (in millions):

Less than 1 year	1-3 years	3-5 years	Thereafter
1.6	2.3	1.9	(0.6)

The fair value of the debt assumed approximated face value. We have not recorded goodwill in connection with this transaction.

HUD Portfolio Closing

On June 29, 2010, we purchased CapitalSource entities owning 40 facilities for an aggregate purchase price of approximately \$271 million. We also paid consideration of approximately \$15 million for escrow accounts transferred to us at closing. The 40 facilities are encumbered by approximately \$182 million in long-term mortgage financing guaranteed by the U.S. Department of Housing and Urban Development ("HUD") and \$20 million in subordinated notes. The following summarizes the consideration paid at closing:

- \$65 million in cash,
- \$202 million face value of assumed debt, which includes \$20 million of 9.0% unsecured debt maturing in December 2021, \$53 million of HUD debt at a 6.61% weighted average annual interest rate maturing between January 2036 and May 2040, and \$129 million of new HUD Debt at a 4.85% annual interest rate maturing between January 2040 and January 2045, and
- 995 thousand shares of our common stock valued at approximately \$19 million on June 29, 2010.

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The 40 facilities represent 4,882 available beds located in two states, and are part of 13 in-place triple net leases among two operators. The 13 leases generate approximately \$30 million of annualized revenue.

We are in the process of gathering the information necessary to complete the purchase price allocation of the June 29, 2010 acquisition. As of September 30, 2010, we have allocated approximately \$312.4 million to land (\$32.7 million), building and site improvements (\$267.1 million) and furniture and fixtures (\$12.6 million). In addition, we allocated approximately \$5.7 million to in-place above market leases assumed at the HUD portfolio closing and approximately \$24.0 million to in-place below market leases assumed at the HUD portfolio closing. We estimate the net impact to revenue of amortizing the assumed in-place above and below market leases associated with the June 29, 2010 acquisition as follows (in millions):

Less than 1 year	1-3 years	3-5 years	Thereafter
3.6	6.2	4.9	2.7

In addition, we recorded approximately \$22.5 million of fair value adjustment related to the above market debt assumed based on the terms of comparable debt. We estimate amortization will average approximately \$1.3 million per year for the next five years. We have not recorded goodwill in connection with this transaction.

Option Exercise and Closing

On April 20, 2010, we provided notice of our intent to exercise our Option to acquire CapitalSource entities owning 63 facilities. On June 9, 2010, we completed our purchase of the 63 CapitalSource facilities for an aggregate purchase price of approximately \$293 million in cash. We used a combination of cash and borrowings of under our \$320 million revolving senior secured credit facility to fund the acquisition.

The 63 facilities represent 6,607 available beds located in 19 states, and are part of 30 in-place triple net leases among 18 operators. The 30 leases generate approximately \$34 million of annualized revenue.

We are in the process of gathering the information necessary to complete the purchase price allocation of the June 9, 2010 acquisition. As of September 30, 2010, we have allocated approximately \$330.1 million to land (\$35.0 million), building and site improvements (\$275.8 million) and furniture and fixtures (\$19.3 million). In addition, we allocated approximately \$13.0 million to in-place above market leases assumed at the Option portfolio closing and approximately \$24.8 million to in-place below market leases assumed at the Option portfolio closing. We estimate the net impact to revenue of amortizing the assumed in-place above and below market leases associated with the June 9, 2010 acquisition as follows:

Less than 1 year	1-3 years	3-5 years	Thereafter
0.6	2.6	3.3	5.2

We have not recorded goodwill in connection with this transaction. We incurred approximately \$1.2 million in transaction costs associated with the HUD portfolio and Option portfolio closings.

The facilities acquired from CapitalSource on December 22, 2009, June 9, 2010 and June 29, 2010 are included in our results of operations from the date of acquisition. The following unaudited pro forma results of operation reflect each of the CapitalSource transactions as if they occurred on January 1, 2009. In the opinion of management, all significant necessary adjustments to reflect the effect of the acquisition have been made. The following pro forma information is not indicative of future operations.

	Pro Forma			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in thousands, except per share amount, unaudited)			
Revenues	\$ 69,724	\$ 74,575	\$ 218,420	\$ 222,532
Net income available to common	\$ 14,736	\$ 23,652	\$ 52,746	\$ 73,412
Earnings per share – diluted:				
Net income available to common – as reported	\$ 0.15	\$ 0.22	\$ 0.50	\$ 0.71
Net income available to common – pro forma	\$ 0.15	\$ 0.27	\$ 0.56	\$ 0.85

Held for Sale

At September 30, 2010, we owned one SNF classified as held-for-sale with an aggregate net book value of approximately \$0.7 million.

Ciena Construction Mortgage Loan

In August 2010, we agreed to a Construction Mortgage Loan for an aggregate of \$5.6 million to affiliates of Ciena Health Care Management Inc. for the purpose of constructing a new skilled nursing facility in Michigan. The loan is an interest only loan and bears interest at an annual rate of 12.5% and mature on the 10th anniversary of the completion of construction of the facility. During the third quarter of 2010, we funded approximately \$2.4 million for the construction of the 120 bed facility.

Purchase of Mortgage Backed Certificate Securities

In March 2010, we purchased, in the open market, two series of mortgage backed certificates with a face value of \$14 million for approximately \$12.9 million. The securities yield, including the amortization of the discount, is approximately 10% annually. The certificates were part of a \$250 million trust that was secured by 65 SNFs owned by CapitalSource, 63 of which we acquired on June 9, 2010 as part of the Option closing. On June 21, 2010, these mortgage back certificates were retired at par for approximately \$14.0 million, generating a gain of approximately \$0.8 million which is included in the accompanying consolidated statement of income.

Mortgage Notes Receivable

Our mortgage notes receivable relate to 10 long-term care facilities. The mortgage notes are secured by first mortgage liens on the borrowers' underlying real estate and personal property. The mortgage notes receivable relate to facilities located in three (3) states, operated by two (2) independent healthcare operating companies. We monitor compliance with mortgages and when necessary have initiated collection, foreclosure and other proceedings with respect to certain outstanding loans. As of September 30, 2010, none of our mortgages were in default or in foreclosure proceedings. The mortgage properties are cross-collateralized with the master lease agreement.

In late 2009, we began discussion with a mortgagee regarding final payment of the \$12.4 million balance due on a mortgage that relates to four facilities and that matured February 28, 2010. The mortgagee was current on all interest and other obligations. Through these discussions, we determined that the mortgagee was not likely to raise the capital necessary to repay the mortgage. We evaluated the mortgage for impairment due to the mortgagee's likely inability to repay the amount due. Our evaluation indicated that although the loan was impaired, no impairment reserve was required because the collateral supporting the loan exceeds the net mortgage balance due to us. In February 2010, the mortgagee surrendered ownership of the properties to us in exchange for the payment of the mortgage note due. We have leased these facilities to an existing operator.

Mortgage interest income is recognized as earned over the terms of the related mortgage notes. Allowances are provided against earned revenues from mortgage interest when collection of amounts due becomes questionable or when negotiations for restructurings of troubled operators lead to lower expectations regarding ultimate collection. When collection is uncertain, mortgage interest income on impaired mortgage loans is recognized as received after taking into account application of security deposits.

NOTE 3 – OWNED AND OPERATED ASSETS

On June 1, 2010, the remaining two owned and operated facilities were transitioned to a third party operator/tenant and are now part of a master lease agreement with Formation. As a result of the transition to Formation, we no longer operate any owned and operated facilities, effective June 1, 2010.

Since November 2007, affiliates of Haven Healthcare ("Haven"), one of our operators/lessees/mortgagors, operated under Chapter 11 bankruptcy protection. Commencing in February 2008, the assets of the Haven facilities were marketed for sale via an auction process to be conducted through proceedings established by the bankruptcy court. The auction process failed to produce a qualified buyer. As a result, and pursuant to our rights as ordered by the bankruptcy court, Haven moved the bankruptcy court to authorize us to credit bid certain of the indebtedness that it owed to us in exchange for taking ownership of and transitioning certain of its assets to a new entity in which we have a substantial ownership interest, all of which was approved by the bankruptcy court on July 4, 2008. Effective July 7, 2008, we took ownership and/or possession of 15 facilities previously operated by Haven. TC Healthcare, a new entity and an interim operator, in which we have a substantial economic interest, began operating these facilities on our behalf through an independent contractor.

On August 6, 2008, we entered into a Master Transaction Agreement ("MTA") with affiliates of Formation whereby Formation agreed (subject to certain closing conditions, including the receipt of licensure) to lease 14 SNFs and one ALF facility under a master lease. These facilities were formerly leased to Haven.

Effective September 1, 2008, we completed the operational transfer of 12 SNFs and one ALF to affiliates of Formation, in accordance with the terms of the MTA. The 13 facilities are located in Connecticut (5), Rhode Island (4), New Hampshire (3) and Massachusetts (1). As part of the transaction, Genesis Healthcare ("Genesis") has entered into a long-term management agreement with Formation to oversee the day-to-day operations of each of these facilities. The two remaining facilities in Vermont, which were operated by TC Healthcare until May 31, 2010, have been transferred to Formation/Genesis. Our consolidated financial statements include the results of operations of Vermont facilities from July 7, 2008 to May 31, 2010.

Nursing home revenues and expenses, included in our consolidated financial statements that relate to such owned and operated assets are set forth in the tables below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in thousands)			
Nursing home revenues	\$ —	\$ 4,758	\$ 7,336	\$ 13,545
Nursing home expenses	480	4,899	7,849	15,750
Loss from nursing home operations	<u>\$ (480)</u>	<u>\$ (141)</u>	<u>\$ (513)</u>	<u>\$ (2,205)</u>

NOTE 4 – CONCENTRATION OF RISK

As of September 30, 2010, our portfolio of real estate investments consisted of 396 healthcare facilities, located in 35 states and operated by 49 third-party operators. Our gross investment in these facilities, net of impairments and before reserve for uncollectible loans, totaled approximately \$2.4 billion at September 30, 2010, with approximately 99% of our real estate investments related to long-term care facilities. This portfolio is made up of 370 SNFs, 10 ALFs, five specialty facilities, fixed rate mortgages on 10 SNFs, and one SNF that is currently held for sale. At September 30, 2010, we also held miscellaneous investments of approximately \$31.3 million, consisting primarily of secured loans to third-party operators of our facilities.

At September 30, 2010, approximately 15% of our real estate investments were leased to and operated by two public companies: Sun Healthcare Group, Inc (“Sun”) (9%) and Advocat Inc. (“Advocat”) (6%). Our largest private company operators and/or managers (by investment) were CommuniCare Health Services (“CommuniCare”) (13%), Airamid Health Management, LLC through its subsidiaries, (“Airamid”) (11%) and Signature Holdings II, LLC (“Signature”) (9%). No other operator represents more than 6% of our investments. The three states in which we had our highest concentration of investments were Florida (24%), Ohio (14%) and Pennsylvania (7%) at September 30, 2010.

For the three-month period ended September 30, 2010, our revenues from operations totaled \$69.7 million, of which approximately \$8.8 million were from CommuniCare (13%), \$8.0 million from Sun (12%) and \$6.3 million from Airamid (9%). No other operator generated more than 9% of our revenues from operations for the three-month period ended September 30, 2010.

For the nine-month period ended September 30, 2010, our revenues from operations totaled \$187.2 million, of which approximately \$26.4 million were from CommuniCare (14%), \$23.7 million from Sun (13%) and \$16.7 million from Advocat (9%). No other operator generated more than 8% of our revenues from operations for the nine-month period ended September 30, 2010.

Sun and Advocat are subject to the reporting requirements of the SEC and are required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited interim financial information. Sun and Advocat’s filings with the SEC can be found at the SEC’s website at www.sec.gov. We are providing this data for information purposes only, and you are encouraged to obtain Sun’s and Advocat’s publicly available filings from the SEC.

NOTE 5 – DIVIDENDS

Common Dividends

On October 14, 2010, the Board of Directors declared a common stock dividend of \$0.37 per share, increasing the quarterly common dividend by \$0.01 per share over the prior quarter. The common dividends are to be paid November 15, 2010 to common stockholders of record on October 29, 2010.

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On July 15, 2010, the Board of Directors declared a common stock dividend of \$0.36 per share, increasing the quarterly common dividend by \$0.04, or 12.5%, per share over the prior quarter. The common dividends were paid August 16, 2010 to common stockholders of record on July 30, 2010.

On April 15, 2010, the Board of Directors declared a common stock dividend of \$0.32 per share that was paid May 17, 2010 to common stockholders of record on April 30, 2010.

On January 20, 2010, the Board of Directors declared a common stock dividend of \$0.32 per share, increasing the quarterly common dividend by \$0.02 per share over the prior quarter. The common dividends were paid on February 16, 2010 to common stockholders of record on January 29, 2010.

Series D Preferred Dividends

On October 14, 2010, the Board of Directors declared the regular quarterly dividends for the 8.375% Series D Cumulative Redeemable Preferred Stock ("Series D Preferred Stock") to stockholders of record on October 29, 2010. The stockholders of record of the Series D Preferred Stock on October 29, 2010 will be paid dividends in the amount of \$0.52344 per preferred share on November 15, 2010. The liquidation preference for our Series D Preferred Stock is \$25.00 per share. Regular quarterly preferred dividends for the Series D Preferred Stock represent dividends for the period August 1, 2010 through October 31, 2010.

On July 15, 2010, the Board of Directors declared regular quarterly dividends of approximately \$0.52344 per preferred share on the Series D Preferred Stock that were paid August 16, 2010 to preferred stockholders of record on July 30, 2010.

On April 15, 2010, the Board of Directors declared regular quarterly dividends of approximately \$0.52344 per preferred share on the Series D Preferred Stock that were paid May 17, 2010 to preferred stockholders of record on April 30, 2010.

On January 20, 2010, the Board of Directors declared regular quarterly dividends of approximately \$0.52344 per preferred share on the Series D Preferred Stock that were paid February 16, 2010 to preferred stockholders of record on January 29, 2010.

NOTE 6 – TAXES

So long as we qualify as a real estate investment trust ("REIT") under the Internal Revenue Code (the "Code"), we generally will not be subject to federal income taxes on the REIT taxable income that we distribute to stockholders, subject to certain exceptions. On a quarterly and annual basis, we test our compliance within the REIT taxation rules to ensure that we were in compliance with the rules.

Subject to the limitation under the REIT asset test rules, we are permitted to own up to 100% of the stock of one or more taxable REIT subsidiary ("TRSs"). Currently, we have one TRS that is taxable as a corporation and that pays federal, state and local income tax on its net income at the applicable corporate rates. The TRS had a net operating loss carry-forward as of September 30, 2010 of \$1.1 million. The loss carry-forward is fully reserved with a valuation allowance as we concluded it was more-likely-than-not that the deferred tax asset would not be realized.

NOTE 7 – STOCK-BASED COMPENSATION

The following is a summary of our stock based compensation expense for the three- and nine- month periods ended September 30, 2010 and 2009, respectively:

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2010	2009	2010	2009
	(in thousands)			
Restricted stock expense	\$ 450	\$ 480	\$ 1,756	\$ 1,439

2007 Stock Awards

In May 2007, we granted 286,908 shares of restricted stock and 247,992 performance restricted stock units ("PRSU") to five executive officers under the 2004 Plan Stock Incentive Plan.

Restricted Stock Award

The restricted stock awards vest one-seventh on December 31, 2007 and two-sevenths on December 31, 2008, December 31, 2009, and December 31, 2010, respectively, subject to continued employment on the vesting date (as defined in the agreements filed with the SEC on May 8, 2007). As of September 30, 2010, 204,935 shares of restricted stock have vested under the restricted stock award.

Performance Restricted Stock Units

We awarded two types of PRSUs (annual and cliff vesting awards) to the five executives. One half of the PRSU awards vest annually in equal increments on December 31, 2008, December 31, 2009, and December 31, 2010, respectively. The other half of the PRSU awards cliff vest on December 31, 2010. Vesting on both types of awards requires achievement of total shareholder return (as defined in the agreements filed with the SEC on May 8, 2007).

On March 29, 2010, the Compensation Committee of Omega's Board of Directors (the "Committee") determined that, based on the 26% Total Shareholder Return actually achieved for the twelve month period ended December 31, 2009 and in light of the challenging economic and capital market conditions that prevailed generally during 2009, it was appropriate to waive the vesting requirement solely with respect to the PRSUs that would have vested on December 31, 2009 had a cumulative, annualized Total Shareholder Return of 11% been achieved. As a result of the modification to the 2009 PRSUs, we recorded approximately \$0.4 million of additional expense which was recorded during the first quarter of 2010 and accrued dividends of approximately \$0.1 million related to this vesting.

Each PRSU represents the right to one share of common stock and dividend equivalents based on dividends paid to stockholders during the applicable performance period. The following table summarizes our total unrecognized compensation cost associated with the restricted stock awards and PRSUs awarded in May 2007 as of September 30, 2010:

	<u>Shares/ Units</u>	<u>Grant Date Fair Value Per Unit/ Share</u>	<u>Total Compensation Cost</u>	<u>Weighted Average Period of Expense Recognition (in months)</u>	<u>Unrecognized Compensation Cost</u>
	(in thousands, except share and per share amounts)				
Restricted stock	286,908	\$ 17.06	\$ 4,895	44	\$ 334
2008 Annual performance restricted stock units	41,332	8.78	363	20	-
2009 Annual performance restricted stock units, including modification	41,332	19.10	789	32	-
2010 Annual performance restricted stock units	41,332	8.14	255	44	17
3 year cliff vest performance restricted stock units	123,996	6.17	765	44	52
Total	<u>534,900</u>		<u>\$ 7,067</u>		<u>\$ 403</u>

As of September 30, 2010, we had 1,995 stock options and 26,267 shares of restricted stock outstanding to directors. The stock options were fully vested as of January 1, 2007 and the directors' restricted shares are scheduled to vest over the next three years. As of September 30, 2010, the unrecognized compensation cost associated with the directors is approximately \$0.3 million.

NOTE 8 – FINANCING ACTIVITIES AND BORROWING ARRANGEMENTS
Secured and Unsecured Borrowings

The following is a summary of our long-term borrowings:

	<u>Maturity</u>	<u>Current Rate</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
(in thousands)				
Secured borrowings:				
Revolving lines of credit	2014	4.26%	\$ 143,000	\$ 94,100
GECC Term loan	2014	6.50%	100,000	100,000
CapitalSource mortgage	2011	6.80%	—	59,354
HUD Berkadia mortgages ⁽¹⁾	2036 - 2040	6.61%	53,088	—
HUD Capital Funding mortgage	2040 - 2045	4.85%	128,399	—
			<u>281,487</u>	<u>159,354</u>
Fair value adjustment at assumption date ⁽²⁾			20,723	—
Total secured borrowings			<u>302,210</u>	<u>159,354</u>
Unsecured borrowings:				
2014 Notes	2014	7.0%	\$ 310,000	\$ 310,000
2016 Notes	2016	7.0%	175,000	175,000
2020 Notes	2020	7.5%	200,000	—
HUD subordinated debt	2021	9.0%	20,000	—
			<u>705,000</u>	<u>485,000</u>
Discount			(3,504)	(305)
Fair value adjustment at assumption date ⁽²⁾			1,451	—
Total unsecured borrowings			<u>702,947</u>	<u>484,695</u>
Totals - net			<u>\$ 1,148,157</u>	<u>\$ 738,149</u>

(1) Reflects the weighted average interest rate on the Berkadia mortgages.

(2) Adjustment to reflect assumption of debt to fair market value. The debt was assumed as part of the HUD Portfolio closing on June 29, 2010.

Bank Credit Agreements

At September 30, 2010, we had \$143.0 million outstanding under our new \$320 million revolving senior secured credit facility (the “2010 Credit Facility”), and no letters of credit outstanding, leaving availability of \$177.0 million.

On April 13, 2010, we entered into our 2010 Credit Facility and concurrently terminated our \$200 million revolving senior secured credit facility (the “2009 Credit Facility”). The 2010 Credit Facility matures in four years, on April 13, 2014; provided, we have refinanced or repaid our \$310 million, 7% senior notes due April 2014 (the “2014 Notes”) prior to December 31, 2013. In the event the 2014 Notes have not been refinanced or repaid on or prior to December 31, 2013, the maturity date of the 2010 Credit Facility will become December 31, 2013. The 2010 Credit Facility includes an “accordion feature” that permits us to expand our borrowing capacity to \$420 million during our first three years. At March 31, 2010, deferred financing fees associated with the 2009 Credit Facility were \$3.5 million. These fees were written-off in April 2010.

The 2010 Credit Facility is priced at LIBOR plus an applicable percentage (ranging from 325 basis points to 425 basis points) based on the consolidated leverage and is not subject to a LIBOR floor. Our applicable percentage above LIBOR is currently 350 basis points.

\$200 Million Senior Notes

On February 9, 2010, we issued and sold \$200 million aggregate principal amount of 7.5% senior notes due 2020 (the "2020 Notes"). The 2020 Notes mature on February 15, 2020 and pay interest semi-annually on August 15th and February 15th.

We may redeem the 2020 Notes, in whole at any time or in part from time to time, at redemption prices of 103.75%, 102.5% and 101.25% of the principal amount thereof if the redemption occurs during the respective 12-month periods beginning on February 15 of the years 2015, 2016 and 2017, respectively, and at a redemption price of 100% of the principal amount thereof on and after February 15, 2018, in each case, plus any accrued and unpaid interest to the redemption date. In addition, until February 15, 2013 we may redeem up to 35% of the 2020 Notes with the net proceeds of one or more public equity offerings at a redemption price of 107.5% of the principal amount of the 2020 Notes to be so redeemed, plus any accrued and unpaid interest to the redemption date. If we undergo a change of control, we may be required to offer to purchase the notes from holders at a purchase price equal to 101% of the principal amount plus accrued interest.

The 2020 Notes were sold at an issue price of 98.278% of the principal amount, resulting in gross proceeds of approximately \$197 million. We used the net proceeds from the sale of the 2020 Notes, after discounts and expenses, to (i) repay outstanding borrowings of approximately \$59 million of debt assumed in connection with our December 22, 2009 CapitalSource acquisition, (ii) repay outstanding borrowings under our 2009 Credit Facility, and (iii) for working capital and general corporate purposes, including the acquisition of healthcare-related properties such as the CapitalSource acquisitions. The 2020 Notes are guaranteed by substantially all of our subsidiaries as of the date of issuance. The entities we acquired on June 29, 2010 from CapitalSource which own 40 facilities (see "Completed HUD Portfolio Closing" in Note 2) and the entities created to effect the acquisition are not guarantors of our 2020 Notes, or our outstanding 2014 or 2016 Notes. As of September 30, 2010, our subsidiaries that are not guarantors of these Notes accounted for approximately \$343.5 million of our total assets.

On October 20, 2010, we commenced an offer to exchange \$200 million of our 7½% Senior Notes due 2020 (the "Exchange Notes"), which were issued in February of 2010 in a private placement (the "Private Notes"). The exchange offer is being conducted upon the terms and subject to the conditions set forth in our prospectus dated October 20, 2010, and the related letter of transmittal.

The terms of the Exchange Notes are substantially identical to the terms of the Private Notes, including subsidiary guarantees, except that provisions relating to transfer restrictions, registration rights and additional interest will not apply to the Exchange Notes.

The exchange offer is scheduled to expire at 5:00 p.m., New York City time, on November 22, 2010, unless extended. Private Notes tendered pursuant to the exchange offer may be withdrawn at any time prior to the expiration date by following the procedures set forth in the exchange offer prospectus and the related letter of transmittal.

\$59 Million Mortgage Debt

In connection with the December 22, 2009 closing under the CapitalSource Purchase Agreement, we assumed \$59.4 million of 6.8% mortgage debt maturing on December 31, 2011 with a one year extension right. The mortgage debt was secured by 12 facilities per the terms of the mortgage debt agreement. On February 16, 2010, we used proceeds from the offering of our \$200 million 7.5% Senior Notes due 2020 to repay the assumed mortgage debt.

HUD Mortgage Loans and Subordinate Notes

In connection with the June 29, 2010, acquisition of the HUD Portfolio from CapitalSource, we assumed 29 HUD mortgage loans from CapitalSource. The face value of eleven of the HUD loans assumed was \$53.2 million with a weighted average annual interest rate of 6.61% and mature between January 2036 and May 2040. The face value for the other eighteen HUD loans assumed was \$128.8 million, and mature between January 2040 and January 2045 and all have an annual interest rate of 4.85%. We also assumed five separate \$4.0 million subordinated notes that mature in December 2021 with an annual interest rate of 9%.

In accordance with the guidance for a business combination, we are required to allocate the fair value of the assets purchased and liabilities assumed, including identifiable intangible in the CapitalSource transaction at their fair values. Our preliminary estimate of the fair value of the HUD mortgage loans assumed is approximately \$21.0 million greater than the face value of the loans as market rates for comparable loans at the acquisition date were less than the stated rates on the loans. Our preliminary estimate of the fair value of the subordinated notes assumed is approximately \$1.5 million greater than the face value of the subordinated notes as market rates for comparable notes at the acquisition date were less than the stated rates on the notes. We will amortize the impact of the fair value adjustment for the mortgage loans and subordinated notes over their terms, respectively, utilizing an effective interest method. We estimate amortization of the fair value adjustment to average approximately \$1.3 million per year over the next five years.

Our long-term borrowings require us to meet certain property level financial covenants and corporate financial covenants, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. As of September 30, 2010, we were in compliance with all property level and corporate financial covenants.

Equity Issuance and Programs

1.0 Million Share Common Stock Issuance

On June 29, 2010, in connection with our acquisition of certain subsidiaries of CapitalSource, we issued approximately 1.0 million shares of our common stock to the selling stockholder. The closing price of the common stock was \$19.80 per share.

\$140 Million Equity Shelf Program

On June 25, 2010, we entered into separate equity distribution agreements (the "Agreements") to sell shares of our common stock having an aggregate gross sales price of up to \$140,000,000 (the "2010 ESP") with each of BofA Merrill Lynch, Credit Agricole Securities (USA) Inc., Deutsche Bank Securities, Jefferies & Company, Inc., RBS Securities Inc., Stifel Nicolaus & Company, Incorporated and UBS Securities LLC, each as sales agents and/or principal (collectively, the "Managers"). Under the terms of the Agreements, we may from time to time offer and sell shares of our common stock, having an aggregate gross sales price of up to \$140,000,000 through or to the Managers. We will pay each Manager compensation from the sales of the shares equal to 2% of the gross sales price per share of shares sold through such Manager under the applicable Agreement. During the three months ended September 30, 2010, 3.0 million shares of our common stock were issued through the 2010 ESP for net proceeds of approximately \$63.4 million, net of \$1.3 million of commissions.

\$100 Million Equity Shelf Program

We issued a total of 5.2 million shares of common stock, generating a total of \$97.6 million of net proceeds under our \$100 million Equity Shelf Program, which was terminated in April of 2010.

NOTE 9 - FINANCIAL INSTRUMENTS

At September 30, 2010 and December 31, 2009, the carrying amounts and fair values of our financial instruments were as follows:

	September 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in thousands)				
Assets:				
Cash and cash equivalents	\$ 1,192	\$ 1,192	\$ 2,170	\$ 2,170
Restricted cash	21,151	21,151	9,486	9,486
Mortgage notes receivable – net	90,252	88,413	100,223	98,251
Other investments – net	31,340	27,772	32,800	29,725
Totals	<u>\$ 143,935</u>	<u>\$ 138,528</u>	<u>\$ 144,679</u>	<u>\$ 139,632</u>
Liabilities:				
Revolving lines of credit	\$ 143,000	\$ 143,000	\$ 94,100	\$ 94,100
6.50% GECC Term loan	100,000	103,862	100,000	100,000
6.80% CapitalSource Mortgage Note	—	—	59,354	59,354
7.00% Notes due 2014 – net	310,554	350,100	310,673	315,196
7.00% Notes due 2016 – net	174,171	185,264	174,022	175,710
7.50 % Notes due 2020 – net	196,771	209,557	—	—
HUD debt ⁽¹⁾	202,210	212,296	—	—
Subordinated debt ⁽¹⁾	21,451	23,314	—	—
Totals	<u>\$ 1,148,157</u>	<u>\$ 1,227,393</u>	<u>\$ 738,149</u>	<u>\$ 744,360</u>

(1) The carrying value of debt includes a fair value adjustment to reflect value of the debt assumed as part of the June 29, 2010 acquisition of the HUD portfolio.

Fair value estimates are subjective in nature and are dependent on a number of important assumptions, including estimates of future cash flows, risks, discount rates and relevant comparable market information associated with each financial instrument (see Note 2 – Summary of Significant Accounting Policies of our 2009 Annual Report on Form 10-K). The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented above are not necessarily indicative of the amounts we would realize in a current market exchange.

The following methods and assumptions were used in estimating fair value disclosures for financial instruments.

- Cash and cash equivalents and restricted cash: The carrying amount of cash and cash equivalents and restricted cash reported in the balance sheet approximates fair value because of the short maturity of these instruments (i.e., less than 90 days).

- Mortgage notes receivable: The fair values of the mortgage notes receivables are estimated using a discounted cash flow analysis, using interest rates being offered for similar loans to borrowers with similar credit ratings.
- Other investments: Other investments are primarily comprised of: (i) notes receivable; and (ii) an investment in redeemable non-convertible preferred security of an unconsolidated business accounted for using the cost method of accounting. The fair values of notes receivable are estimated using a discounted cash flow analysis, using interest rates being offered for similar loans to borrowers with similar credit ratings. The fair value of the investment in the unconsolidated business is estimated using discounted cash flow and volatility assumptions or, if available, quoted market value and considers the terms of the underlying arrangement.
- Revolving lines of credit: The fair value of our borrowings under variable rate agreements are estimated using an expected present value technique based on expected cash flows discounted using the current market rates.
- Senior notes and other long-term borrowings: The fair value of our borrowings under fixed rate agreements are estimated based on open market trading activity provided by a third party.

NOTE 10 – LITIGATION

On January 7, 2010, LCT SE Texas Holdings, L.L.C. (“LCT”), an affiliate of Mariner Health Care and the lessee of four facilities located in the Houston area (the “LCT Facilities”), filed a petition in the District Court of Harris County, Texas (No. 2010-01120) against four landlord entities (the “CSE Entities”), the member interests of which we purchased as part of the December 2009 CapitalSource acquisition. The petition relates to a right of first refusal (“ROFR”) under the master lease between LCT and the CSE Entities. The petition alleges, among other things, that (i) the notice of the acquisition of the member’s interests of the CSE Entities was not proper under the ROFR provision in the master lease, (ii) the purchase price allocated to the member’s interests of the CSE Entities (or the LCT Facilities) pursuant to the CapitalSource Purchase Agreement and specified in the notice to LCT of its ROFR, if any, was not a bona fide offer, did not represent “true market value”, and failed to trigger the ROFR, and (iii) we tortiously interfered with LCT’s right to exercise the ROFR. The petition seeks a declaratory adjudication with respect to the identified claims above, a claim for specific performance permitting LCT to exercise its ROFR, and unspecified actual and punitive damages relating to breach of the master lease by the CSE Entities and tortious interference against us. We believe that the litigation is defensible. In addition, under the CapitalSource Purchase Agreement and related transaction documents, CapitalSource has agreed to indemnify us for any losses, including reasonable legal expenses, incurred by us in connection with this litigation.

During the first quarter of 2010, we agreed to settle a lawsuit for approximately \$3.7 million in cash with a prior tenant for breach of contract related to failure to pay rent owed to us. We recorded the settlement as miscellaneous income in the accompanying consolidated statements of income.

NOTE 11– EARNINGS PER SHARE

The computation of basic Earnings Per Share (“EPS”) is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the relevant period. Diluted EPS is computed using the treasury stock method, which is net income divided by the total weighted-average number of common outstanding shares plus the effect of dilutive common equivalent shares during the respective period. Dilutive common shares reflect the assumed issuance of additional common shares pursuant to certain of our share-based compensation plans, including stock options, restricted stock and performance restricted stock units.

The following tables set forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in thousands, except per share amounts)			
Numerator:				
Income from continuing operations	\$ 17,007	\$ 21,138	\$ 53,467	\$ 65,872
Preferred stock dividends	(2,271)	(2,271)	(6,814)	(6,814)
Numerator for net income available to common per share - basic and diluted	<u>\$ 14,736</u>	<u>\$ 18,867</u>	<u>\$ 46,653</u>	<u>\$ 59,058</u>
Denominator:				
Denominator for basic earnings per share	95,698	83,740	92,523	82,903
Effect of dilutive securities:				
Restricted stock	281	107	168	89
Stock option incremental shares	—	11	3	11
Deferred stock	8	—	6	1
Denominator for diluted earnings per share	<u>95,987</u>	<u>83,858</u>	<u>92,700</u>	<u>83,004</u>
Earnings per share – basic:				
Net income – basic	<u>\$ 0.15</u>	<u>\$ 0.23</u>	<u>\$ 0.50</u>	<u>\$ 0.71</u>
Earnings per share – diluted:				
Net income – diluted	<u>\$ 0.15</u>	<u>\$ 0.22</u>	<u>\$ 0.50</u>	<u>\$ 0.71</u>

NOTE 12– CONSOLIDATING FINANCIAL STATEMENTS

As of September 30, 2010, we had outstanding (i) \$200 million 7.50% Senior Notes due 2020, (ii) \$175 million 7.00% Senior Notes due 2016 and (iii) \$310 million 7.00% Senior Notes due 2014, which we collectively refer to as the senior notes. The senior notes are fully and unconditionally guaranteed, jointly and severally, by each of our subsidiaries that guarantee other indebtedness of Omega or any of the subsidiary guarantors. Any subsidiary that we properly designate as an “unrestricted subsidiary” under the indentures governing the senior notes will not provide guarantees of the senior notes. As of and prior to March 31, 2010, the non-subsidiary guarantors were minor and insignificant. On June 29, 2010, we designated as “unrestricted subsidiaries” the 39 subsidiaries acquired from CapitalSource at the HUD Portfolio Closing (see Note 2). For the nine months ended September 30, 2010, the operating cash flow of the non-guarantor subsidiaries approximated net income of the non-guarantor subsidiaries, adjusted for depreciation and amortization expense. The non-guarantor subsidiaries have not engaged in investing or financing activities since their acquisition on June 29, 2010, other than the principal payment of \$0.5 million for the HUD mortgages. All of the subsidiary guarantors of our outstanding senior notes are 100 percent owned by Omega.

The following summarized condensed consolidating financial information segregates the financial information of the non-guarantor subsidiaries from the financial information of Omega Healthcare Investors, Inc. and the subsidiary guarantors under the senior note. The results and financial position of acquired entities are included from the dates of their respective acquisitions.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATING BALANCE SHEETS
Unaudited
(in thousands, except per share amounts)

	September 30, 2010			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination Company	Consolidated
Land and buildings	\$ 2,039,975	\$ 312,397	\$ —	\$ 2,352,372
Less accumulated depreciation	(351,230)	(4,044)	—	(355,274)
Real estate properties – net	1,688,745	308,353	—	1,997,098
Mortgage notes receivable – net	90,252	—	—	90,252
	1,778,997	308,353	—	2,087,350
Other investments – net	31,340	—	—	31,340
	1,810,337	308,353	—	2,118,690
Assets held for sale – net	670	—	—	670
Total investments	1,811,007	308,353	—	2,119,360
Cash and cash equivalents	1,192	—	—	1,192
Restricted cash	8,982	12,169	—	21,151
Accounts receivable – net	90,233	547	—	90,780
Investment in affiliates	81,815	—	(81,815)	—
Other assets	38,044	22,396	—	60,440
Operating assets for owned and operated properties	635	—	—	635
Total assets	\$ 2,031,908	\$ 343,465	(81,815)	\$ 2,293,558
LIABILITIES AND STOCKHOLDERS' EQUITY				
Revolving line of credit	\$ 143,000	\$ —	\$ —	\$ 143,000
Secured borrowings	100,000	202,210	—	302,210
Unsecured borrowings – net	681,496	21,451	—	702,947
Accrued expenses and other liabilities	84,750	37,989	—	122,739
Intercompany payable	—	80,609	(80,609)	—
Operating liabilities for owned and operated properties	1,579	—	—	1,579
Total liabilities	1,010,825	342,259	(80,609)	1,272,475
Stockholders' equity:				
Preferred stock issued and outstanding – 4,340 shares Series D with an aggregate liquidation preference of \$108,488	108,488	—	—	108,488
Common stock \$.10 par value authorized – 200,000 shares issued and outstanding – 98,236 shares as of September 30, 2010 and 88,266 as of December 31, 2009	9,824	—	—	9,824
Common stock – additional paid-in-capital	1,358,564	—	—	1,358,564
Cumulative net earnings	575,855	1,206	(1,206)	575,855
Cumulative dividends paid	(1,031,648)	—	—	(1,031,648)
Total stockholders' equity	1,021,083	1,206	(1,206)	1,021,083
Total liabilities and stockholders' equity	\$ 2,031,908	\$ 343,465	\$ (81,815)	\$ 2,293,558

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATING STATEMENTS OF INCOME
 Unaudited
 (in thousands, except per share amounts)

	Three Months Ended September 30, 2010				Nine Months Ended September 30, 2010			
	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Consolidated	Issuer & Subsidiary Guarantors	Non – Guarantor Subsidiaries	Elimination	Consolidated
Revenue								
Rental income	\$ 57,992	\$ 8,307	\$ -	\$ 66,299	\$ 156,569	\$ 8,459	\$ -	\$ 165,028
Mortgage interest income	2,576	-	-	2,576	7,709	-	-	7,709
Other investment income – net	746	-	-	746	3,282	-	-	3,282
Miscellaneous	103	-	-	103	3,852	-	-	3,852
Nursing home revenues of owned and operated assets	-	-	-	-	7,336	-	-	7,336
Total operating revenues	61,417	8,307	-	69,724	178,748	8,459	-	187,207
Expenses								
Depreciation and amortization	23,772	3,970	-	27,742	54,836	4,044	-	58,880
General and administrative	4,146	230	-	4,376	11,525	233	-	11,758
Acquisition costs	78	-	-	78	1,490	-	-	1,490
Impairment loss on real estate properties	-	-	-	-	155	-	-	155
Nursing home expenses of owned and operated assets	480	-	-	480	7,849	-	-	7,849
Total operating expenses	28,476	4,200	-	32,676	75,855	4,277	-	80,132
Income before other income and expense	32,941	4,107	-	37,048	102,893	4,182	-	107,075
Other income (expense):								
Interest income	8	3	-	11	84	4	-	88
Interest expense	(16,154)	(2,916)	-	(19,070)	(44,370)	(2,980)	-	(47,350)
Interest – amortization of deferred financing and refinancing costs	(978)	-	-	(978)	(6,342)	-	-	(6,342)
Equity in earnings	1,194	-	(1,194)	-	1,206	-	(1,206)	-
Total other expense	(15,930)	(2,913)	(1,194)	(20,037)	(49,422)	(2,976)	(1,206)	(53,604)
Income before gain (loss) on assets sold	17,011	1,194	(1,194)	17,011	53,471	1,206	(1,206)	53,471
Loss on assets sold – net	(4)	-	-	(4)	(4)	-	-	(4)
Net income	17,007	1,194	(1,194)	17,007	53,467	1,206	(1,206)	53,467
Preferred stock dividends	(2,271)	-	-	(2,271)	(6,814)	-	-	(6,814)
Net income available to common	\$ 14,736	\$ 1,194	\$ (1,194)	\$ 14,736	\$ 46,653	\$ 1,206	\$ (1,206)	\$ 46,653

Note 13– SUBSEQUENT EVENTS

We have evaluated subsequent events through the date on which this Form 10-Q was filed and the date on which these financial statements were issued, and identified the following subsequent events for disclosure.

\$225 Million Senior Notes

On October 4, 2010, we issued and sold \$225 million aggregate principal amount of 6.75% senior notes due 2022 (the “2022 Notes”). The 2022 Notes mature on October 15, 2022 and pay interest semi-annually on April 15th and October 15th.

We may redeem the 2022 Notes, in whole at any time or in part from time to time, at redemption prices of 103.375%, 102.25% and 101.125% of the principal amount thereof if the redemption occurs during the respective 12-month periods beginning on October 15 of the years 2015, 2016 and 2017, respectively, and at a redemption price of 100% of the principal amount thereof on and after October 15, 2018, in each case, plus any accrued and unpaid interest to the redemption date. In addition, until October 15, 2013 we may redeem up to 35% of the 2022 Notes with the net proceeds of one or more public equity offerings at a redemption price of 106.75% of the principal amount of the 2022 Notes to be so redeemed, plus any accrued and unpaid interest to the redemption date. If we undergo a change of control, we may be required to offer to purchase the notes from holders at a purchase price equal to 101% of the principal amount plus accrued interest.

The 2022 Notes were sold at an issue price of 98.984% of the principal amount, resulting in gross proceeds of approximately \$223 million. We used the net proceeds from the sale of the 2022 Notes, after discounts and expenses, to (i) pay off borrowings under the 2010 Credit Facility, and (ii) for general corporate purposes. The 2022 Notes are guaranteed by substantially all of our subsidiaries as of the date of issuance.

\$100 Million GECC Loan Payoff

On October 6, 2010, we terminated our credit agreement with General Electric Capital Corporation (“GECC”), as Administrative Agent and a Lender, and the other financial institutions party. The credit agreement previously provided us with a five year \$100 million term loan. In connection with the termination, we repaid the outstanding principal amount of the loan plus a prepayment premium of \$3 million. As a result of the early repayment of the GECC credit agreement, for the three month period ending December 31, 2010, we will record a non-cash charge of approximately \$2.2 million relating to the write-off of deferred financing costs and pay \$3.0 million related to the prepayment premium for prepaying the debt.

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements, Reimbursement Issues and Other Factors Affecting Future Results

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this document. This document contains forward-looking statements within the meaning of the federal securities laws, including statements regarding potential financings and potential future changes in reimbursement. These statements relate to our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events, performance and underlying assumptions and other statements other than statements of historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology including, but not limited to, terms such as “may,” “will,” “anticipates,” “expects,” “believes,” “intends,” “should” or comparable terms or the negative thereof. These statements are based on information available on the date of this filing and only speak as to the date hereof and no obligation to update such forward-looking statements should be assumed. Our actual results may differ materially from those reflected in the forward-looking statements contained herein as a result of a variety of factors, including, among other things:

- (i) those items discussed under “Risk Factors” in Item 1A to our annual report on Form 10-K for the year ended December 31, 2009 and in Part II, Item 1A of this report;
- (ii) uncertainties relating to the business operations of the operators of our assets, including those relating to reimbursement by third-party payors, regulatory matters and occupancy levels;
- (iii) the ability of any operators in bankruptcy to reject unexpired lease obligations, modify the terms of our mortgages and impede our ability to collect unpaid rent or interest during the process of a bankruptcy proceeding and retain security deposits for the debtors’ obligations;
- (iv) our ability to sell closed or foreclosed assets on a timely basis and on terms that allow us to realize the carrying value of these assets;
- (v) our ability to negotiate appropriate modifications to the terms of our credit facilities;
- (vi) our ability to manage, re-lease or sell any owned and operated facilities;
- (vii) the availability and cost of capital;
- (viii) changes in our credit ratings and the ratings of our debt and preferred securities;
- (ix) competition in the financing of healthcare facilities;
- (x) regulatory and other changes in the healthcare sector;
- (xi) the effect of economic and market conditions generally and, particularly, in the healthcare industry;
- (xii) changes in the financial position of our operators;
- (xiii) changes in interest rates;
- (xiv) the amount and yield of any additional investments;
- (xv) changes in tax laws and regulations affecting real estate investment trusts; and
- (xvi) our ability to maintain our status as a real estate investment trust.

Overview

We have one reportable segment consisting of investments in healthcare related real estate properties. Our core business is to provide financing and capital to the long-term healthcare industry with a particular focus on skilled nursing facilities (“SNFs”) located in the United States. Our core portfolio consists of long-term leases and mortgage agreements. All of our leases are “triple-net” leases, which require the tenants to pay all property-related expenses. Our mortgage revenue derives from fixed-rate mortgage loans, which are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor.

On July 7, 2008, we took ownership and/or possession of 15 facilities through bankruptcy court proceedings which were previously operated by Haven Eldercare (Haven). Prior to July 7, 2008, we had (i) leased eight facilities to Haven under a master lease agreement and (ii) provided mortgage financing to a Haven entity for seven facilities that we had previously consolidated according to accounting rules regarding variable interest entities then in place. As a result of the bankruptcy court judgment, the bankruptcy court retired the mortgage on the seven facilities in exchange for ownership of the facilities and awarded us certain other operational assets of Haven as well. Accordingly, effective July 7, 2008, we were no longer required to consolidate the Haven entity for which we had provided the mortgage because all of the assets of the Haven entity were transferred to us and we no longer had a variable interest in the Haven entity. In addition to receiving title to the seven facilities and certain other operational assets, on July 7, 2008, we assumed operating responsibility for the 15 Haven facilities. In July 2008, a new entity (TC Healthcare) was formed to operate these properties on our behalf through the use of an independent contractor. TC Healthcare’s managing member and sole voting member, an individual with experience in operating these types of facilities, has no equity investment at risk and is unrelated to Omega. Omega and TC Healthcare entered into an agreement that requires Omega to provide the working capital requirements for TC Healthcare and to absorb the operating losses of TC Healthcare. The agreement also provides Omega with the right to receive the economic benefits of the entity. TC Healthcare is a variable interest entity as the entity does not have sufficient equity investment at risk to support its operations without subordinated financial support. Additionally, Omega has the power to direct the activities of TC Healthcare as Omega has the unilateral right to replace the shareholder. Omega is deemed the primary beneficiary of TC Healthcare as Omega has the controlling economic interest in the entity and therefore, consolidated the operations of TC Healthcare.

Our consolidated financial statements include the accounts of Omega, all direct and indirect wholly owned subsidiaries of Omega and TC Healthcare. We consolidate the financial results of TC Healthcare into our financial statements based on the applicable consolidation accounting literature. We include the operating results, assets and liabilities of these facilities for the period of time that TC Healthcare was responsible for the operations of the facilities. Thirteen of these facilities were transitioned from TC Healthcare to a new tenant/operator on September 1, 2008. The two remaining facilities were transitioned to the new tenant/operator on June 1, 2010 upon approval by state regulators of the operating license transfer. The operating revenues and expenses and related operating assets and liabilities of the two facilities are shown on a gross basis in our Consolidated Statements of Income and Consolidated Balance Sheets, respectively. TC Healthcare is responsible for the collection of the accounts receivable earned and the liabilities incurred prior to the date of the transition to the new tenant/operator. All inter-company accounts and transactions have been eliminated in consolidation of the financial statements.

We through a series of transactions purchased 143 skilled nursing facilities with 16,753 beds from CapitalSource for total consideration of approximately \$860 million. Our portfolio of investments at September 30, 2010, consisted of 396 healthcare facilities, located in 35 states and operated by 49 third-party operators. Our gross investment in these facilities totaled approximately \$2.4 billion at September 30, 2010, with 99% of our real estate investments related to long-term healthcare facilities. This portfolio is made up of (i) 370 SNFs, (ii) 10 assisted living facilities (“ALFs”), (iii) five specialty facilities, (iv) fixed rate mortgages on 10 SNFs and (v) one SNF that is currently held for sale. At September 30, 2010, we also held other investments of approximately \$31.3 million, consisting primarily of secured loans to third-party operators of our facilities.

Taxation

We have elected to be taxed as a Real Estate Investment Trust (“REIT”), under Sections 856 through 860 of the Internal Revenue Code (the “Code”), beginning with our taxable year ended December 31, 1992. We believe that we have been organized and operated in such a manner as to qualify for taxation as a REIT. We intend to continue to operate in a manner that will maintain our qualification as a REIT, but no assurance can be given that we have operated or will be able to continue to operate in a manner so as to qualify or remain qualified as a REIT. Under the Code, we generally are not subject to federal income tax on taxable income distributed to stockholders if certain distribution, income, asset and stockholder tests are met, including a requirement that we must generally distribute at least 90% of our annual taxable income, excluding any net capital gain, to stockholders. If we fail to qualify as a REIT in any taxable year, we may be subject to federal income taxes on our taxable income for that year and for the four years following the year during which qualification is lost, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to our stockholders. For further information, see “Taxation” in Item 1 of our annual report on Form 10-K for the year ended December 31, 2009.

Recent Developments Regarding Government Regulation and Reimbursement

Healthcare Reform. The Patient Protection and Affordable Care Act (the “PPACA”) was signed into law on March 23, 2010. Accompanying the PPACA was the Healthcare and Education Affordability and Reconciliation Act of 2010 (the “Reconciliation Act,” and together with the PPACA, the “Healthcare Reform Law”), which was signed into law on March 30, 2010 and contains a number of amendments to the PPACA. This legislation represents the most comprehensive change to healthcare benefits since the inception of the Medicare program in 1965 and will affect reimbursement for governmental programs, private insurance and employee welfare benefit plans in various ways. Some changes under the Healthcare Reform Law will occur almost immediately, such as changes to pre-existing condition requirements and coverage of dependents. Other changes, including taxes on so-called “Cadillac” health plans, will be implemented over the next eight years. We expect significant rule making and regulations under the Healthcare Reform Law to be promulgated during that time.

The attorneys general for several states, as well as other individuals and organizations, have challenged the constitutionality of certain provisions of the Healthcare Reform Law, including the requirement that each individual carry health insurance. This litigation is in its early stages and the outcome cannot be predicted. Preliminary rulings are beginning to be made in some of these suits, but it is still too early to predict the outcomes.

Given the multitude of factors involved in the Healthcare Reform Law and the substantial requirements for regulation thereunder, we cannot predict the impact of the Healthcare Reform Law on our operators or their ability to meet their obligations to us. The Healthcare Reform Law could result in decreases in payments to our operators or otherwise adversely affect the financial condition of our operators. We cannot predict whether our operators will have the ability to modify certain aspects of their operations to lessen the impact of any increased costs or other adverse effects resulting from changes in governmental programs, private insurance and/or employee welfare benefit plans. The impact of the Healthcare Reform Law on each of our operators will vary depending on payor mix, resident conditions and a variety of other factors. In addition to the provisions relating to reimbursement, other provisions of the Healthcare Reform Law may impact our operators as employers (e.g., requirements related to providing health insurance for employees), which could negatively impact the financial condition of our operators. We anticipate that many of the provisions in the Healthcare Reform Law may be subject to further clarification and modification during the rule making process.

Reimbursement. The recent downturn in the U.S. economy has resulted in significant cost-cutting at both the federal and state levels. These cost-cutting measures, together with the implementation of changes in reimbursement rates under the Healthcare Reform Law, could result in a significant reduction of reimbursement rates to our operators under both the Medicare and Medicaid programs. We currently believe that our operator coverage ratios are adequate and that our operators can absorb moderate reimbursement rate reductions and still meet their obligations to us. However, significant limits on the scopes of services reimbursed and on reimbursement rates could have a material adverse effect on our operators’ results of operations and financial condition, which could adversely affect our operators’ ability to meet their obligations to us.

Medicaid. Current market and economic conditions, as well as the implementation of rules under the Healthcare Reform Law, will likely have a significant impact on state budgets and healthcare spending. Fiscal conditions have continued to deteriorate, and many states are experiencing significant budget gaps.

State budget deficits were exacerbated by increased enrollment in Medicaid during 2009. We anticipate that Medicaid enrollment could begin to increase as early as 2010, as the Healthcare Reform Law allows states to increase the number of people who are eligible for Medicaid beginning in 2010 and simplifies enrollment in this program. Since our operators' profit margins on Medicaid patients are generally relatively low, substantial reductions in Medicaid reimbursement and an increase in the number of Medicaid patients could adversely affect our operators' results of operations and financial conditions, which in turn could negatively impact us.

The American Recovery and Reinvestment Act of 2009 (the "ARRA"), which was signed into law on February 17, 2009, provides for enhanced federal Medicaid matching rates that may provide some relief to states. Because states have discretion with respect to their Medicaid programs, some states may address budget shortfalls outside of Medicaid by reallocating state funds that otherwise would have been spent on Medicaid expenditures. As a result, the impact of the ARRA Medicaid funding on our operators will depend on how states choose to use the funding. Further, the ARRA funding is currently scheduled to end on June 30, 2011. Many states are concerned that the lack of funds will have a negative impact on their budgets.

Medicare. On July 22, 2010, the CMS published a proposed rule on Medicare's prospective payment system for SNFs for federal fiscal year 2011. The proposed rule includes an increase in payments to nursing homes equal to \$524 million or 1.7%. The impact of the changes among our operators may vary, depending in part on the characteristics of the patient populations of the individual facilities.

In 2009, the CMS finalized a revised case-mix classification system, the RUG-IV, and planned implementation for fiscal year 2010. However, the Healthcare Reform Law delayed implementation of RUG-IV back one year to October 1, 2011. Congress is currently considering legislation that would repeal the extension so that RUG-IV would be effective beginning October 1, 2010. The change in case-mix classification methodology has the potential to impact reimbursement, although the ultimate impact of the RUG-IV classification model on reimbursement to our operators is unknown.

Under the Healthcare Reform Law, beginning in fiscal year 2012, the SNF market basket will be reduced by a productivity adjustment equal to the ten-year rolling average of changes in "annual economy-wide private non-farm business multifactor productivity" as projected by the Secretary of Health and Human Services. This could result in significant cuts to Medicare reimbursement, thereby negatively impacting our operators.

The Medicare Improvements for Patients and Providers Act of 2008 (the "MIPPA") became law on July 15, 2008 and made a variety of changes to Medicare, some of which may affect SNFs. For instance, the MIPPA extended the therapy caps exceptions process through December 31, 2009. The Healthcare Reform Law further extended the therapy cap exceptions process through December 31, 2010. The therapy caps limit the physical therapy, speech-language therapy and occupational therapy services that a Medicare beneficiary can receive during a calendar year. These caps do not apply to therapy services covered under Medicare Part A for SNFs, although the caps apply in most other instances involving patients in SNFs or long-term care facilities who receive therapy services covered under Medicare Part B. Congress implemented a temporary therapy cap exceptions process, which permits medically necessary therapy services to exceed the payment limits. Expiration of the therapy caps exceptions process in the future could have a material adverse effect on our operators' financial condition and operations, which could adversely impact their ability to meet their obligations to us.

Quality of Care Initiatives. The CMS has implemented a number of initiatives focused on the quality of care provided by nursing homes that could affect our operators. For instance, in December 2008, the CMS released quality ratings for all of the nursing homes that participate in Medicare or Medicaid. Facility rankings, ranging from five stars (“much above average”) to one star (“much below average”) are updated on a monthly basis. The Healthcare Reform Law includes a requirement that the Government Accounting Office conduct a study of this ranking system, the results of which cannot be predicted. In the event any of our operators does not maintain or receive the same or superior ranking as its competitors, patients could choose alternate facilities, which could adversely impact our operators’ revenues. In addition, the reporting of such information could lead to future reimbursement policies that reward or penalize facilities on the basis of the reported quality of care parameters.

The Office of Inspector General’s (the “OIG”) Work Plan for fiscal year 2011, which describes projects that the OIG plans to address during the fiscal year, includes a number of projects related to nursing homes. While we cannot predict the results of the OIG’s activities, they could result in further scrutiny and/or oversight of nursing homes.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and a summary of our significant accounting policies is included in Note 2 – Summary of Significant Accounting Policies to our Annual Report on Form 10-K for the year ended December 31, 2009. Our preparation of the financial statements requires us to make estimates and assumptions about future events that affect the amounts reported in our financial statements and accompanying footnotes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such difference may be material to the consolidated financial statements. We have described our most critical accounting policies in our 2009 Annual Report on Form 10-K in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Recent Accounting Pronouncements

In January 2010, the FASB issued guidance on fair value measurements and disclosures. This guidance specifies that a reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. In addition, a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number) related to Level 3 fair value measurements as part of a reconciliation of the beginning and ending balances. The guidance further clarifies the disclosure regarding the level of disaggregation and input and valuation techniques. The adoption of this guidance did not impact our financial position or results of operations.

In February 2010, the FASB issued guidance on subsequent events. This guidance provides a definition for SEC filer and eliminates the requirement to disclose the date through which subsequent events have been evaluated. The adoption of this guidance did not impact our financial position or results of operations.

In June 2009, the FASB issued guidance to significantly amend the consolidation guidance applicable to variable interest entities (“VIEs”). The consolidation model was modified to one based on control and economics, and replaces the current quantitative primary beneficiary analysis with a qualitative analysis. The primary beneficiary of a VIE will be the entity that has (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. If multiple unrelated parties share such power, as defined, no party will be required to consolidate the VIE. Further, the guidance requires continual reconsideration of the primary beneficiary of a VIE and adds an additional reconsideration event for determination of whether an entity is a VIE. The amendments also require expanded disclosures related to VIEs which are largely consistent with the disclosure framework currently applied by us. The new guidance was effective January 1, 2010 for us. The adoption of this guidance did not impact our financial position or results of operations.

Results of Operations

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

Three Months Ended September 30, 2010 and 2009

Operating Revenues

Our operating revenues for the three months ended September 30, 2010 totaled \$69.7 million, an increase of \$20.0 million over the same period in 2009. The \$20.0 million increase relates primarily to an increase in rental income of approximately \$25.1 million due to: (i) the CapitalSource acquisitions which occurred on December 22, 2009, June 9, 2010 and June 29, 2010 of which approximately \$1.7 million resulted from in-place lease amortization and (ii) the conversion of 4 facilities from our mortgage loan portfolio to leased properties portfolio. In February 2010, we took possession of 4 facilities through a deed-in-lieu of foreclosure process with one of our mortgagees. We have entered into a long-term lease with a third party tenant to operate these facilities. Offsetting the above noted increases are (i) a decrease of \$0.3 million in mortgage interest income as a result of deed-in-lieu of foreclosure for one of our operators and (ii) a decrease of \$4.8 million in owned and operated due to the deconsolidation of owned and operated facilities effective June 1, 2010.

Operating Expenses

Operating expenses for the three months ended September 30, 2010 totaled \$32.7 million, an increase of approximately \$13.9 million over the same period in 2009. The increase was primarily due to: (i) an increase in depreciation and amortization expense of \$16.6 million primarily associated with the CapitalSource acquisitions which occurred on December 22, 2009, June 9, 2010 and June 29, 2010 and (ii) an increase of \$1.7 million in general and administrative expense primarily related to expenses incurred in connection with the CapitalSource acquisitions and the accrual for a long-term incentive award, offset by the reduction of \$4.4 million in owned and operated assets primarily due to the deconsolidation of owned and operated facilities effective June 1, 2010.

Other Income (Expense)

For the three months ended September 30, 2010, total other expenses were \$20.0 million, an increase of approximately \$10.2 million over the same period in 2009. The increase in interest expense of approximately \$9.9 million was primarily due to an increase in borrowings outstanding, including debt assumed to finance the CapitalSource acquisitions. Interest expense includes approximately \$0.4 million of amortization associated with the fair value adjustment for the debt assumed with the HUD acquisition. In addition, the \$0.3 million increase in amortization of deferred financing costs relates to the (i) amortization of deferred costs associated with the \$320 million credit facility entered into in April 2010, (ii) amortization of deferred costs associated with the \$100 million GECC 6.5% term loan entered into in December 2009, and (iii) amortization of deferred costs associated with the \$200 million 2020 senior notes that were issued in February 2010. The increases were partially offset by the reduction of amortization expense associated with the 2009 \$200 million credit facility that was in place during the third quarter of 2009, but retired in April 2010.

Nine Months Ended September 30, 2010 and 2009

Operating Revenues

Our operating revenues for the nine months ended September 30, 2010 totaled \$187.2 million, an increase of \$39.1 million over the same period in 2009. The \$39.1 million increase relates primarily to an increase in rental income of approximately \$41.4 million primarily due to: (i) the CapitalSource acquisitions which occurred on December 22, 2009, June 9, 2010 and June 29, 2010 and (ii) the conversion of 4 facilities from our mortgage loan portfolio to leased properties portfolio. In February 2010, we took possession of 4 facilities through a deed-in-lieu of foreclosure process with one of our mortgagees. We have entered into a long-term lease with a third party tenant to operate these facilities. In addition, miscellaneous income increased by \$3.5 million due to a settlement with one of our prior operators in February 2010 for breach of contract related to failure to pay rent. Other investment income also increased by approximately \$1.4 million primarily as a result of income received from the repayment of two mortgage back certificate notes that were retired during the second quarter of 2010. Offsetting the above noted increases are (i) a decrease of \$1.0 million in mortgage interest income as a result of deed-in-lieu of foreclosure for one of our operators and (ii) a decrease of \$6.2 million in owned and operated due to the deconsolidation of owned and operated facilities effective June 1, 2010.

Operating Expenses

Operating expenses for the nine months ended September 30, 2010 totaled \$80.1 million, an increase of approximately \$22.3 million over the same period in 2009. The increase was primarily due to: (i) an increase in depreciation and amortization expense of \$25.9 million primarily associated with the CapitalSource acquisitions which occurred on December 22, 2009, June 9, 2010 and June 29, 2010, (ii) an increase of \$2.8 million in general and administrative expense primarily related to (a) expenses incurred in connection with the CapitalSource acquisitions, (b) the accrual for a long-term incentive award and (c) an increase in restricted stock expense as a result of a modification to the vesting portion of performance targets for our 2009 performance restricted stock units and (iii) the increase of \$1.5 million in acquisition cost related to the expenses incurred in connection with the CapitalSource acquisitions, offset by the reduction of \$7.9 million in owned and operated primarily due to the deconsolidation of owned and operated facilities effective June 1, 2010.

Other Income (Expense)

For the nine months ended September 30, 2010, total other expenses were \$53.6 million, an increase of approximately \$29.3 million over the same period in 2009. The increase in interest expense of approximately \$20.7 million was primarily due to an increase in borrowings outstanding, including debt assumed to finance the CapitalSource acquisitions. In addition, the increase of \$4.1 million in amortization of deferred financing costs and interest refinancing costs relates to the (i) write-off of \$3.5 million during the second quarter of 2010 associated with the termination of our \$200 million revolving senior secured credit facility (the "2009 Credit Facility") compared to a write-off of \$0.5 million of deferred costs associated with the termination of the \$255 million credit facility in June 2009 and (ii) an increase in amortization of deferred financing costs associated with new debt issued since September 2009, including (a) the issuance of the new \$320 million credit facility in April 2010, (b) the issuance of \$100 million GECC 6.5% term loan and (c) the issuance of \$200 million of our 2020 Senior Notes. During the first quarter of 2009, we received \$4.5 million in cash for a legal settlement.

Funds From Operations

Our funds from operations available to common stockholders ("FFO"), for the three months ended September 30, 2010, was \$42.5 million, compared to \$30.0 million, for the same period in 2009.

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

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

The following table reconciles FFO to net income available to common stockholders, as determined under GAAP, for the three- and nine- months ended September 30, 2010 and 2009:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in thousands)			
Net income available to common stockholders	\$ 14,736	\$ 18,867	\$ 46,653	\$ 59,058
Add back loss from real estate dispositions	4	—	4	24
Sub-total	14,740	18,867	46,657	59,082
Elimination of non-cash items included in net income:				
Depreciation and amortization	27,742	11,093	58,880	33,014
Funds from operations available to common stockholders	\$ 42,482	\$ 29,960	\$ 105,537	\$ 92,096

Portfolio and Recent Developments

Ciena Construction Mortgage Loan

In August 2010, we agreed to a Construction Mortgage Loan for an aggregate of approximately \$5.6 million to affiliates of Ciena Health Care Management Inc. for the purpose of constructing a new skilled nursing facility in Michigan. The loan is an interest only loan and bears interest at an annual rate of 12.5% and mature on the 10th anniversary of the completion of construction of the facility. During the third quarter of 2010, we funded approximately \$2.4 million for the construction of the 120 bed facility in Michigan.

143 Facility CapitalSource Acquisitions

In November 2009, we entered into a securities purchase agreement (the "CapitalSource Purchase Agreement") with CapitalSource Inc. (NYSE: CSE) ("CapitalSource") and several of its affiliates, pursuant to which we agreed to purchase CapitalSource subsidiaries owning 80 long term care facilities, plus an option to purchase CapitalSource subsidiaries owning an additional 63 facilities (the "Option"), for approximately \$565 million. The purchase price for the CapitalSource subsidiaries subject to the Option was approximately \$295 million. We accounted for these acquisitions as business combinations.

First Closing

On December 22, 2009, we purchased CapitalSource entities owning 40 facilities and an Option to purchase entities owning 63 additional facilities for an aggregate purchase price of approximately \$294.1 million. The consideration consisted of: (i) approximately \$184.2 million in cash; (ii) 2,714,959 shares of Omega common stock and (iii) the assumption of approximately \$59.4 million of 6.8% mortgage debt maturing on December 31, 2011. We incurred approximately \$1.8 million in transaction costs, of which \$1.6 million was incurred during 2009. We valued the 2,714,959 shares of our common stock at approximately \$52.8 million on December 22, 2009.

The 40 facilities represent 5,264 available beds located in 12 states, and are part of 15 in-place triple net leases among 12 operators. The 12 leases generate approximately \$31 million of annualized revenue.

We are in the process of gathering the information necessary to complete the purchase price allocation of the December 22, 2009 acquisition. As of September 30, 2010, we have allocated approximately \$277.6 million to land (\$22.5 million), building and site improvements (239.7 million) and furniture and fixtures (\$15.4 million). In addition, we allocated approximately \$10.2 million to in-place above market leases assumed at the first closing and approximately \$16.2 million to in-place below market leases assumed at the first closing. We estimate the net impact to revenue of amortizing the assumed in-place above and below market leases associated with the December 22, 2009 acquisition as follows (in millions):

Less than 1 year	1-3 years	3-5 years	Thereafter
1.6	2.3	1.9	(0.6)

The fair value of the debt assumed approximated face value. We have not recorded goodwill in connection with this transaction.

HUD Portfolio Closing

On June 29, 2010, we purchased CapitalSource entities owning 40 facilities for an aggregate purchase price of approximately \$271 million. We also paid consideration for approximately \$15 million in escrow accounts transferred to us at closing. The 40 facilities are encumbered by approximately \$182 million of long-term mortgage financing guaranteed by the U.S. Department of Housing and Urban Development ("HUD") and \$20 million of subordinated debt that we assumed from CapitalSource as part of the transaction. The following summarizes the consideration paid at closing:

- \$65 million in cash,
- \$202 million face value of assumed debt, which includes \$20 million of 9.0% unsecured debt maturing in December 2021, \$53 million of HUD debt at a 6.61% weighted average annual interest rate maturing between January 2036 and May 2040, and \$129 million of new HUD Debt at a 4.85% annual interest rate between January 2040 and January 2045, and
- 995 thousand shares of our common stock valued at approximately \$19 million on June 29, 2010.

The 40 facilities represent 4,882 available beds located in two states, and are part of 13 in-place triple net leases among two operators. The 13 leases generate approximately \$30 million of annualized revenue.

We are in the process of gathering the information necessary to complete the purchase price allocation of the June 29, 2010 acquisition. As of September 30, 2010, we have allocated approximately \$312.4 million to land (\$32.7 million), building and site improvements (\$267.1 million) and furniture and fixtures (\$12.6 million). In addition, we allocated approximately \$5.7 million to in-place above market leases assumed at the HUD portfolio closing and approximately \$24.0 million to in-place below market leases assumed at the HUD portfolio closing. We estimate the net impact to revenue of amortizing the assumed in-place above and below market leases associated with the June 29, 2010 acquisition as follows:

Less than 1 year	1-3 years	3-5 years	Thereafter
3.6	6.2	4.9	2.7

In addition, we recorded approximately \$22.5 million of fair value adjustment related to the above market debt assumed based on the terms of comparable debt. We estimate amortization will average approximately \$1.3 million per year for the next five years. We have not recorded goodwill in connection with this transaction.

Option Exercise and Closing

On April 20, 2010, we provided notice of our intent to exercise our Option to acquire CapitalSource entities owning 63 additional facilities. On June 9, 2010, we completed our purchase of the 63 CapitalSource facilities for an aggregate purchase price of approximately \$293 million in cash. We used a combination of cash and borrowings under our \$320 million revolving senior secured credit facility to fund the acquisition.

The 63 facilities represent 6,607 available beds located in 19 states and are part of 30 in-place triple net leases among 18 operators. The 30 leases generate approximately \$34 million of annualized revenue.

We are in the process of gathering the information necessary to complete the purchase price allocation of the June 9, 2010 acquisition. As of September 30, 2010, we have allocated approximately \$330.1 million to land (\$35.0 million), building and site improvements (\$275.8 million) and furniture and fixtures (\$19.3 million). In addition, we allocated approximately \$13.0 million to in-place above market leases assumed at the Option portfolio closing and approximately \$24.8 million to in-place below market leases assumed at the Option portfolio closing. We estimate the net impact to revenue of amortizing the assumed in-place above and below market leases associated with the June 9, 2010 acquisition as follows:

Less than 1 year	1-3 years	3-5 years	Thereafter
0.6	2.6	3.3	5.2

We have not recorded goodwill in connection with this transaction. We incurred approximately \$1.2 million in transaction costs associated with the HUD portfolio and Option portfolio closings.

Liquidity and Capital Resources

At September 30, 2010, we had total assets of \$2.3 billion, stockholders' equity of \$1.0 billion and debt of \$1.1 billion, representing approximately 53.0% of total capitalization.

The following table shows the amounts due in connection with the contractual obligations described below as of September 30, 2010.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Debt ⁽¹⁾	\$ 1,129,487	\$ -	\$ -	\$ 553,000	\$ 576,487
Operating lease obligations ⁽²⁾	2,765	293	611	645	1,216
Total	\$ 1,132,252	\$ 293	\$ 611	\$ 553,645	\$ 577,703

(1) The \$1.1 billion includes \$310 million aggregate principal amount of 7% Senior Notes due April 2014, \$100 million aggregate principal amount of a 6.5% Term Loan due December 2014, \$175 million aggregate principal amount of 7% Senior Notes due January 2016, \$200 million of 7.5% senior notes due February 2020, \$143 million in borrowings under the \$320 million revolving senior secured credit facility (the "2010 Credit Facility") due in April 2014, \$20 million of 9.0% subordinated debt maturing in December 2021, \$53 million of HUD debt at a 6.61% weighted average annual interest rate maturing between January 2036 and May 2040, and \$128 million of HUD Debt at a 4.85% annual interest rate and maturing between January 2040 and January 2045.

(2) Relates primarily to the lease at the corporate headquarters.

Financing Activities and Borrowing Arrangements*Bank Credit Agreements*

At September 30, 2010, we had \$143.0 million outstanding under our new \$320 million revolving senior secured credit facility (the "2010 Credit Facility"), and no letters of credit outstanding, leaving availability of \$177.0 million.

On April 13, 2010, we entered into our 2010 Credit Facility and concurrently terminated our 2009 Credit Facility. The 2010 Credit Facility matures in four years, on April 13, 2014; provided, we have refinanced or repaid our \$310 million, 7% Senior Notes due April 2014 (the "2014 Notes"), prior to December 31, 2013. In the event the 2014 Notes have not been refinanced or repaid on or prior to December 31, 2013, the maturity date of the 2010 Credit Facility will become December 31, 2013. The 2010 Credit Facility includes an "accordion feature" that permits us to expand our borrowing capacity to \$420 million during our first three years. At March 31, 2010, deferred financing fees associated with the 2009 Credit Facility were \$3.5 million. These fees were written-off in April 2010.

The 2010 Credit Facility is priced at LIBOR plus an applicable percentage (ranging from 325 basis points to 425 basis points) based on our consolidated leverage and is not subject to a LIBOR floor. Our applicable percentage above LIBOR is currently 350 basis points. We intend to use our 2010 Credit Facility for acquisitions and general corporate purposes.

As a result of the repayment of borrowings under the 2010 Credit Facility from the proceeds of the sale of the 2022 Notes discussed below and the draw under the 2010 Credit Facility in connection with the payoff of the GECC \$100 million term loan discussed below, we had outstanding borrowings of \$23 million under our 2010 Credit Facility as of November 1, 2010.

\$225 Million Senior Notes

On October 4, 2010, we issued and sold \$225 million aggregate principal amount of 6.75% senior notes due 2022 (the "2022 Notes"). The 2022 Notes mature on October 15, 2022 and pay interest semi-annually on April 15th and October 15th.

We may redeem the 2022 Notes, in whole at any time or in part from time to time, at redemption prices of 103.375%, 102.25% and 101.125% of the principal amount thereof if the redemption occurs during the respective 12-month periods beginning on October 15 of the years 2015, 2016 and 2017, respectively, and at a redemption price of 100% of the principal amount thereof on and after October 15, 2018, in each case, plus any accrued and unpaid interest to the redemption date. In addition, until October 15, 2013 we may redeem up to 35% of the 2022 Notes with the net proceeds of one or more public equity offerings at a redemption price of 106.75% of the principal amount of the 2022 Notes to be so redeemed, plus any accrued and unpaid interest to the redemption date. If we undergo a change of control, we may be required to offer to purchase the notes from holders at a purchase price equal to 101% of the principal amount plus accrued interest.

The 2022 Notes were sold at an issue price of 98.984% of the principal amount, resulting in gross proceeds of approximately \$223 million. We used the net proceeds from the sale of the 2022 Notes, after discounts and expenses, to (i) pay off borrowings under the 2010 Credit Facility, and (ii) for general corporate purposes. The 2022 Notes are guaranteed by substantially all of our subsidiaries as of the date of issuance.

\$100 Million GECC Loan Payoff

On October 6, 2010, we terminated our credit agreement with General Electric Capital Corporation ("GECC"), as Administrative Agent and a Lender, and the other financial institutions party. The credit agreement previously provided us with a five year \$100 million term loan. In connection with the termination, we repaid the outstanding principal amount of the loan plus a prepayment premium of \$3 million. As a result of the early repayment of the GECC credit agreement, for the three month period ending December 31, 2010, we will record a non-cash charge of approximately \$2.2 million relating to the write-off of deferred financing costs and pay \$3.0 million related to the prepayment premium for prepaying the debt.

\$200 Million Senior Notes

On February 9, 2010, we issued and sold \$200 million aggregate principal amount of our 7.5% Senior Notes due 2020 (the "2020 Notes"). The 2020 Notes mature on February 15, 2020 and pay interest semi-annually on August 15th and February 15th.

We may redeem the 2020 Notes, in whole at any time or in part from time to time, at redemption prices of 103.75%, 102.5% and 101.25% of the principal amount thereof if the redemption occurs during the respective 12-month periods beginning on February 15 of the years 2015, 2016 and 2017, respectively, and at a redemption price of 100% of the principal amount thereof on and after February 15, 2018, in each case, plus any accrued and unpaid interest to the redemption date. In addition, until February 15, 2013 we may redeem up to 35% of the notes with the net proceeds of one or more public equity offerings at a redemption price of 107.5% of the principal amount of the 2020 Notes to be so redeemed, plus any accrued and unpaid interest to the redemption date. If we undergo a change of control, we may be required to offer to purchase the notes from holders at a purchase price equal to 101% of the principal amount plus accrued interest.

The 2020 Notes were sold at an issue price of 98.278% of the principal amount, resulting in gross proceeds of approximately \$197 million. We used the net proceeds from the sale of the 2020 Notes, after discounts and expenses, to (i) repay outstanding borrowings of approximately \$59 million of debt assumed in connection with our December 22, 2009 CapitalSource, (ii) repay outstanding borrowings under our 2009 Credit Facility, and (iii) for working capital and general corporate purposes, including the acquisition of healthcare-related properties such as the pending CapitalSource acquisitions. Guarantors of the 2020 Notes include only our existing restricted subsidiaries and all of our future restricted subsidiaries that guarantee any indebtedness of ours or of our subsidiary guarantors. Any subsidiary that we properly designate as an unrestricted subsidiary under the indenture governing the 2020 Notes will not provide a guarantee of the 2020 Notes. Our non-guarantor subsidiaries accounted for approximately \$343.5 million of our total assets as of September 30, 2010.

On October 20, 2010, we commenced an offer to exchange \$200 million of our 7½% Senior Notes due 2020 (the "Exchange Notes"), which were issued in February of 2010 in a private placement (the "Private Notes"). The exchange offer is being conducted upon the terms and subject to the conditions set forth in our prospectus dated October 20, 2010, and the related letter of transmittal.

The terms of the Exchange Notes are substantially identical to the terms of the Private Notes, including subsidiary guarantees, except that provisions relating to transfer restrictions, registration rights and additional interest will not apply to the Exchange Notes.

HUD Mortgage Loans and Subordinate Notes

In connection with the June 29, 2010, acquisition of the Housing and Urban Development (the "HUD") portfolio from CapitalSource, we assumed 29 HUD mortgage loans from CapitalSource. The face value of eleven of the HUD loans assumed was \$53.2 million with a weighted average interest rate of 6.61% and mature between January 2036 and May 2040. The face value for the other eighteen HUD loans assumed was \$128.8 million, and mature between January 2040 and January 2045 and all have an annual interest rate of 4.85%. We also assumed five separate \$4.0 million subordinated notes that mature in December 2021 with an annual interest rate of 9%.

In accordance with the guidance for debt assumed in a business combination, we are required to allocate the fair value of the assets purchase and liabilities assumed in the transaction. Our preliminary estimate of the fair value of the HUD mortgages loans assumed is approximately \$21.0 million greater than the face value of the loans as market rates for comparable loans at the acquisition date were less than the stated rates on the loans. Our preliminary estimate of the fair value of the subordinated notes assumed is approximately \$1.5 million greater than the face value of the subordinated notes as market rates for comparable loans at the acquisition date were less than the stated rates on the notes. We will amortize the impact of the fair value adjustment over the term of the loan utilizing an effective interest method. We estimate amortization of the fair value adjustment to average approximately \$1.3 million per year over the next five years.

Our long-term borrowings require us to meet certain property level financial covenants and corporate financial covenants, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. As of September 30, 2010, we were in compliance with all property level and corporate financial covenants.

1.0 Million Share Common Stock Issuance

On June 29, 2010, we issued approximately 1.0 million shares of our common stock as part of the consideration paid at the June 29, 2010 HUD Portfolio closing under our purchase agreement with CapitalSource. The closing price of the common stock was \$19.80 per share.

\$140 Million Equity Shelf Program

On June 25, 2010, we entered into separate equity distribution agreements (the "Agreements") to sell shares of our common stock having an aggregate gross sales price of up to \$140,000,000 (the "2010 ESP") with each of BofA Merrill Lynch, Credit Agricole Securities (USA) Inc., Deutsche Bank Securities, Jefferies & Company, Inc., RBS Securities Inc., Stifel Nicolaus & Company, Incorporated and UBS Securities LLC, each as sales agents and/or principal (collectively, the "Managers"). Under the terms of the Agreements, we may from time to time offer and sell shares of our common stock, having an aggregate gross sales price of up to \$140,000,000 through or to the Managers. We will pay each Manager compensation for the sales of the shares equal to 2% of the gross sales price per share of shares sold through such Manager under the applicable Agreement. During the three months ended September 30, 2010, 3.0 million shares of our common stock were issued through the 2010 ESP for net proceeds of \$63.4 million, net of \$1.3 million of commissions.

\$100 Million Equity Shelf Program

We issued a total of 5.2 million shares of common stock, generating a total of \$97.6 million of net proceeds, under our \$100 million Equity Shelf Program, which was terminated in April of 2010.

Dividends

In order to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to (A) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain), and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of non-cash income. In addition, if we dispose of any built-in gain asset during a recognition period, we will be required to distribute at least 90% of the built-in gain (after tax), if any, recognized on the disposition of such asset. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration. In addition, such distributions are required to be made pro rata, with no preference to any share of stock as compared with other shares of the same class, and with no preference to one class of stock as compared with another class except to the extent that such class is entitled to such a preference. To the extent that we do not distribute all of our net capital gain or do distribute at least 90%, but less than 100% of our "REIT taxable income," as adjusted, we will be subject to tax thereon at regular ordinary and capital gain corporate tax rates. In addition, our 2010 Credit Facility has certain financial covenants that limit the distribution of dividends paid during a fiscal quarter to no more than 95% of our aggregate cumulative FFO as defined in the credit agreement, unless a greater distribution is required to maintain REIT status. The credit agreement defines FFO as net income (or loss) plus depreciation and amortization and shall be adjusted for charges related to: (i) restructuring our debt; (ii) redemption of preferred stock; (iii) litigation charges up to \$5.0 million; (iv) non-cash charges for accounts and notes receivable up to \$5.0 million; (v) non-cash compensation related expenses; (vi) non-cash impairment charges; and (vii) tax liabilities in an amount not to exceed \$8.0 million.

For the three- and nine- months ended September 30, 2010, we paid total dividends of \$36.4 million and \$99.1 million, respectively.

On October 14, 2010, the Board of Directors declared a common stock dividend of \$0.37 per share, increasing the quarterly common dividend by \$0.01 per share over the prior quarter. The common stock dividends are to be paid November 15, 2010 to common stockholders of record on October 29, 2010.

On October 14, 2010, the Board of Directors declared the regular quarterly dividends for the 8.375% Series D Cumulative Redeemable Preferred Stock ("Series D Preferred Stock") to stockholders of record on October 29, 2010. The stockholders of record of the Series D Preferred Stock on October 29, 2010 will be paid dividends in the amount of \$0.52344 per preferred share on November 15, 2010. The liquidation preference for our Series D Preferred Stock is \$25.00 per share. Regular quarterly preferred dividends for the Series D Preferred Stock represent dividends for the period August 1, 2010 through October 31, 2010.

Liquidity

We believe our liquidity and various sources of available capital, including cash from operations, our existing availability under our 2010 Credit Facility and expected proceeds from mortgage payoffs are adequate to finance operations, meet recurring debt service requirements and fund future investments through the next twelve months.

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

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

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

Cash and cash equivalents totaled \$1.2 million as of September 30, 2010, a decrease of \$1.0 million as compared to the balance at December 31, 2009. The following is a discussion of changes in cash and cash equivalents due to operating, investing and financing activities, which are presented in our Consolidated Statements of Cash Flows.

Operating Activities – Net cash flow from operating activities generated \$110.4 million for the nine months ended September 30, 2010, as compared to \$114.4 million for the same period in 2009, a decrease of \$4.0 million. The decrease in operating cash is primarily due to approximately \$5.0 million reduction of cash flow from our owned and operated facilities in 2010 compared to 2009.

Investing Activities – Net cash flow from investing activities was an outflow of \$368.8 million for the nine months ended September 30, 2010, as compared to an outflow of \$13.7 million for the same period in 2009. The increase in cash outflow from investing activities of \$355.1 million relates primarily to (i) \$343.2 million acquisitions in real estate, (ii) \$11.0 million increase in spending on capital improvement projects and (iii) \$2.4 million construction mortgage loan to one of our operators in the third quarter of 2010.

Financing Activities – Net cash flow from financing activities was an inflow of \$257.4 million for the nine months ended September 30, 2010 as compared to an outflow of \$100.3 million for the same period in 2009. The \$357.6 million change in financing activities was primarily a result of: (i) an increase in net proceeds of our credit facility of \$103.4 million during the nine - month period of 2010 compared to the same period 2009, (ii) net proceeds of \$196.6 million of our 7.5% Senior Notes due 2020 issued in February 2010, (iii) an increase in net proceeds of \$113.8 million from our common stock issued through our Equity Shelf Program during the nine - month period of 2010 compared to the same period in 2009 and (iv) an increase in net proceeds from our dividend reinvestment proceeds of \$26.0 million due to reinstatement of the optional cash purchase component of our DRSP in May 2009. Offsetting these increases were: (i) the repayment of \$59.4 million during the first quarter of 2010 of debt assumed as part of the December 22, 2009 CapitalSource acquisition (ii) an increase in dividend payment of \$17.7 million due to an increase in the number of shares outstanding, and (iii) the net increase in payment of \$4.7 million related to deferred financing costs associated with the issuance of our \$200 million 7.5% Senior Notes due 2020 in February 2010 and the 2010 Credit Facility in April 2010.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

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

The interest rate charged on our 2010 Credit Facility can vary based on the interest rate option we choose to utilize. The interest rates per annum applicable to the 2010 Credit Facility are the reserve-adjusted LIBOR Rate (the “Eurodollar Rate”), plus the applicable margin (as defined below) or, at our option, the base rate, which will be the highest of (i) the rate of interest publicly announced by the administrative agent as its prime rate in effect, (ii) the federal funds effective rate from time to time plus 0.50% and (iii) the Eurodollar Rate for a Eurodollar Loan with an interest period of one month plus 1.25%, in each case, plus the applicable margin. The applicable margin with respect to the 2010 Credit Facility is determined in accordance with a performance grid based on our consolidated leverage ratio. The applicable margin may range from 4.25% to 3.25% in the case of Eurodollar Rate advances, from 3.0% to 2.0% in the case of base rate advances, and from 4.25% to 3.25% in the case of letter of credit fees. As of September 30, 2010, the total amount of debt outstanding on the 2010 Credit Facility was \$143.0 million.

The interest rate per annum applicable to our Term Loan is also based on the Eurodollar Rate, with a floor of 100 basis points, plus a fixed applicable margin equal to 5.5%. As of September 30, 2010, the total amount of debt outstanding on our Term Loan was \$100.0 million. On October 6, 2010, we terminated our Term Loan. In connection with the termination, the borrower, a wholly owned subsidiary of Omega, repaid the outstanding principal amount of the loan plus a prepayment premium of \$3 million.

As of September 30, 2010, Omega had \$143 million of debt outstanding subject to interest rate fluctuations. For additional information, refer to Item 7A as presented in our annual report on Form 10-K for the year ended December 31, 2009.

Item 4 – Controls and Procedures

Disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) are controls and other procedures that are designed to provide reasonable assurance that the information that we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the preparation of this Form 10-Q, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2010. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2010.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this report identified in connection with the evaluation of our disclosure controls and procedures described above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

See Note 10 – Litigation to the Consolidated Financial Statements in Item 1 hereto, which is hereby incorporated by reference in response to this item.

Item 1A – Risk Factors

We filed our Annual Report on Form 10-K for the year ended December 31, 2009, with the Securities and Exchange Commission on March 1, 2010, which sets forth our risk factors in Item 1A therein, as supplemented in Part II, Item 1A to our Quarterly reports on Form 10-Q for the three months ending March 31, 2010 and June 30, 2010. We have not experienced any material changes from the risk factors previously described therein, except as set forth below.

Risks Related to Us and Our Operations

Failure by our operators to comply with various local, state and federal government regulations may adversely impact their ability to make debt or lease payments to us.

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

- Medicare and Medicaid. A significant portion of our SNF and nursing home operators' revenue is derived from governmentally-funded reimbursement programs, primarily Medicare and Medicaid. Failure to maintain certification in these programs would result in a loss of funding from such programs. See the risk factor entitled "Our operators depend on reimbursement from governmental and other third party payors and reimbursement rates from such payors may be reduced" for further discussion.
- Licensing and Certification. Our operators and facilities are subject to regulatory and licensing requirements of federal, state and local authorities and are periodically surveyed by these authorities. Failure to obtain licensure or loss or suspension of licensure would prevent a facility from operating and result in ineligibility for reimbursement until the necessary licenses are obtained or reinstated. In such event, our revenues from these facilities could be reduced or eliminated for an extended period of time or permanently. In addition, licensing and Medicare and Medicaid laws require operators of nursing homes and assisted living facilities to comply with extensive standards governing operations. Federal and state agencies administering those laws regularly inspect such facilities and investigate complaints. Our operators and their managers receive notices of observed violations and deficiencies from time to time, and sanctions have been imposed from time to time on facilities operated by them. If our operators are unable to cure deficiencies, which have been identified or which are identified in the future, sanctions, including possible loss of license and/or right to receive reimbursement, may be imposed. If imposed, such sanctions may adversely affect our operators' revenues, potentially jeopardizing their ability to meet their obligations to us.

- **Fraud and Abuse Laws and Regulations.** There are various extremely complex civil and criminal federal and state laws governing a wide array of referrals, relationships and arrangements and prohibiting fraud by healthcare providers. Many of these laws raise issues that have not been clearly interpreted. Governments are devoting increasing attention and resources to anti-fraud initiatives against healthcare providers. The federal anti-kickback statute is a criminal statute that prohibits the knowing and willful offer, payment, solicitation or receipt of any remuneration in return for, to induce, or to arrange for the referral of individuals for any item or service payable by a federal or state healthcare program. There is also a civil analogue. States also have enacted similar statutes covering Medicaid payments and some states have broader statutes. Some enforcement efforts have targeted relationships between SNFs and ancillary providers, relationships between SNFs and referral sources for SNFs and relationships between SNFs and facilities for which the SNFs serve as referral sources. The federal self-referral law, commonly known as the “Stark Law,” is a civil statute that prohibits certain referrals by physicians to entities providing “designated health services” if these physicians have financial relationships with the entities. Some of the services provided in SNFs are classified as designated health services. There are also criminal provisions that prohibit filing false claims or making false statements to receive payment or certification under Medicare and Medicaid, as well as failing to refund overpayments or improper payments. Violation of the anti-kickback statute or Stark Law may form the basis for a False Claims Act violation. In addition, the federal False Claims Act allows a private individual with knowledge of fraud to bring a claim on behalf of the federal government and earn a percentage of the federal government’s recovery. Because of these incentives, these so-called “whistleblower” suits have become more frequent. The violation of any of these laws or regulations by an operator may result in the imposition of fines or other penalties, including exclusion from Medicare, Medicaid, and all other federal and state healthcare programs. Such fines or penalties could jeopardize that operator’s ability to make lease or mortgage payments to us or to continue operating its facility.
- **Privacy Laws.** Our operators are subject to federal, state and local laws and regulations designed to protect confidentiality and security of patient health information, including the privacy and security provisions in the federal Health Insurance Portability and Accountability Act of 1996 and the corresponding regulations promulgated, known as HIPAA. HIPAA was amended by the American Recovery and Reinvestment Act of 2009, known as the Stimulus Bill, to increase penalties for HIPAA violations. These changes include the imposition of stricter requirements on healthcare providers, requiring notifications in most cases if there is a breach of an individual’s protected health information (including public announcements if the breach affects a significant number of individuals) and the expansion of possibilities for enforcement. Our operators may have to expend significant funds to secure the health information they hold, including upgrading their computer systems. If our operators are found in violation of HIPAA, such operators may be required to pay large penalties. Compliance with public notification requirements in the event of a breach could cause reputational harm to their business. Obligations to pay large penalties or tarnishing of reputation could adversely affect the ability of our operators to pay their obligations to us.
- **Other Laws.** Other federal, state and local laws and regulations that impact how our operators conduct their operations include: (i) laws protecting consumers against deceptive practices; (ii) laws generally affecting our operators’ management of property and equipment and how our operators generally conduct their operations, such as fire, health and safety laws; (iii) laws affecting assisted living facilities mandating quality of services and care, including food services; and (iv) resident rights (including abuse and neglect laws) and health standards set by the federal Occupational Safety and Health Administration. We cannot predict the effect that the additional costs of complying with these laws may have on the revenues of our operators, and thus their ability to meet their obligations to us.
- **Legislative and Regulatory Developments.** Each year, legislative and regulatory proposals are introduced at the federal and state levels that would result in major changes in the healthcare system. We cannot accurately predict whether any proposals will be adopted, and if adopted, what effect (if any) these proposals would have on our operators, and as a result, our business.

Provisions of the newly enacted Healthcare Reform Law require certain changes to reimbursement and studies of reimbursement policies that may adversely affect payments to skilled nursing facilities.

Several provisions of the Healthcare Reform Law will affect Medicare payments to skilled nursing facilities, or SNFs:

- Beginning with fiscal year 2012, payments to SNFs will be subject to a productivity adjustment factor, which may reduce the market basket (cost of living) update, and which may result in a decrease of payments from the prior year.
- The Secretary of the Department of Health and Human Services, or the Secretary, is required to develop plans for implementation of a value-based purchasing program for SNFs, taking into account quality and efficiency, the reporting, collection and validation of quality data, methods for public disclosure of performance information, and the structure of value-based payment adjustments.
- By January 1, 2013, the Secretary is required to implement a pilot program to test the effect of bundling payments for acute care (hospitals and physicians) with payments for post acute care (SNFs, home health agencies, inpatient rehabilitation facilities, and long term care hospitals). The Centers for Medicare and Medicaid Services, or CMS, which implements the Medicare Program, would make one payment to cover hospitalization and care for 30 days after discharge for certain diagnoses. If the patient is readmitted to the hospital within 30 days of discharge, CMS could decide to reduce payment. The providers would be responsible for allocating payments.
- The Secretary is required to submit to Congress by January 1, 2012 a report on whether it is appropriate or not to apply health care acquired conditions payment policy to SNFs. Such a policy, if adopted, could reduce payments to SNFs if residents acquire certain conditions during their care.
- For cost reports submitted for cost reporting periods beginning on or after March 2010, nursing facilities will be required to disclose wages and benefits for staff (itemized by role) that provide direct care to residents.

The Healthcare Reform Law could result in decreases in payments to our operators or otherwise adversely affect the financial condition of our operators.

The Healthcare Reform Law imposes additional requirements on skilled nursing facilities regarding compliance and disclosure.

By March 2013, SNFs are required to implement a compliance and ethics program that is effective in preventing and detecting criminal, civil and administrative violations and in promoting quality of care. SNFs will be required to implement a quality assurance and performance improvement program within one (1) year following promulgation of guidance by the CMS. SNFs will be required to provide additional information for the CMS Nursing Home Compare website regarding staffing as well as summary information regarding the number of criminal violations by a facility or its employees committed within the facility, and specification of those that were crimes of abuse, neglect, criminal sexual abuse or other violations or crimes resulting in serious bodily injury, and, in addition, the number of civil monetary penalties imposed on the facility, its employees, contractors and other agents, to further the ability of consumers to compare nursing homes. If our operators fall short in their compliance and ethics programs and quality assurance and performance improvement programs, or if the information they provide to the CMS for the Nursing Home Compare website reveals significant shortcomings, their reputations and ability to attract residents could be adversely affected.

Item 6 – Exhibits

Exhibit No.	
4.1	Indenture, dated as of October 4, 2010, by and among Omega, the guarantors named therein and U.S. Bank National Association, as trustee (Incorporated by reference as Exhibit 4.1 to the Company's Current Report on Form 8-K filed October 5, 2010).
4.2	Registration Rights Agreement, dated as of October 4, 2010, by and among Omega, the guarantors named therein, and Banc of America Securities LLC, for itself and on behalf of the Initial Purchasers (Incorporated by reference as Exhibit 4.2 to the Company's Current Report on Form 8-K filed October 5, 2010).
10.1	Purchase Agreement, dated as of September 29, 2010, by and among Omega, the guarantors named therein, and Banc of America Securities LLC, for itself and on behalf of the Initial Purchasers (Incorporated by reference as Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 5, 2010).
10.2	Employment Agreement, dated October 22, 2010 between Omega Healthcare Investors, Inc. and C. Taylor Pickett.
10.3	Employment Agreement, dated October 22, 2010 between Omega Healthcare Investors, Inc. and Daniel J. Booth.
10.4	Employment Agreement, dated October 22, 2010 between Omega Healthcare Investors, Inc. and Robert O. Stephenson.
10.5	Employment Agreement, dated October 22, 2010 between Omega Healthcare Investors, Inc. and R. Lee Crabill.
10.6	Employment Agreement, dated October 22, 2010 between Omega Healthcare Investors, Inc. and Michael Ritz.
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
32.1	Section 1350 Certification of the Chief Executive Officer.
32.2	Section 1350 Certification of the Chief Financial Officer.

SIGNATURES

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

OMEGA HEALTHCARE INVESTORS, INC.
Registrant

Date: November 8, 2010
C. Taylor Pickett
Chief Executive Officer

By: /S/ C. TAYLOR PICKETT

Date: November 8, 2010
Robert O. Stephenson
Chief Financial Officer

By: /S/ ROBERT O. STEPHENSON

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") to be effective as of October 22, 2010 (the "Effective Date"), between Omega Healthcare Investors, Inc. (the "Company"), and C. Taylor Pickett (the "Executive").

INTRODUCTION

The Company and the Executive are parties to an employment agreement dated September 1, 2004, amended May 7, 2007 and December 16, 2008, and now desire to enter into this Agreement to replace and supercede the existing employment agreement.

NOW, THEREFORE, the parties agree as follows:

1. Terms and Conditions of Employment.

(a) Employment. During the Term, Company will employ the Executive, and the Executive will serve as the Chief Executive Officer of the Company on a full-time basis and will have such responsibilities and authority as may from time to time be assigned to the Executive by the Board of Directors of the Company. In this capacity, Executive will provide unique services to the Company and be privy to the Company's Confidential Information and Trade Secrets. The Executive will report to the Board of Directors of the Company. Except to the extent prohibited by law or applicable listing requirements, the Executive will also be permitted to attend all meetings of the Board of Directors and executive sessions thereof (except for portions of meetings or executive sessions involving discussions relating to the Executive's employment, including without limitation, his compensation and performance ("Executive's Employment Issues")) and shall be provided copies of all materials provided to the Board of Directors (except those relating to Executive's Employment Issues). If the Executive is or is hereafter elected to serve as a member of the Board of Directors of the Company, he shall so serve without additional compensation beyond that set forth in this Agreement, and shall continue to so serve for so long as he is thereafter elected to such position by the Company's stockholders. The Executive's primary office will be at the Company's headquarters in such geographic location within the United States as may be determined by the Company.

(b) Exclusivity. Throughout the Executive's employment hereunder, the Executive shall devote substantially all of the Executive's time, energy and skill during regular business hours to the performance of the duties of the Executive's employment, shall faithfully and industriously perform such duties, and shall diligently follow and implement all management policies and decisions of the Company; provided, however, that this provision is not intended to prevent the Executive from managing his investments, so long as he gives his duties to the Company first priority and such investment activities do not interfere with his performance of duties for the Company. Notwithstanding the foregoing, other than with regard to the Executive's duties to the Company, the Executive will not accept any other employment during the Term, perform any consulting services during the Term, or serve on the board of directors or governing body of any other business, except with the prior written consent of the Board of Directors. Further, the Executive has disclosed on Exhibit A hereto, all of his nonpublic company healthcare related investments, and agrees during the Term not to make any investments during the term hereof except as a passive investor. The Executive agrees during the Term not to own directly or indirectly equity securities of any public healthcare related company (excluding the Company) that represents five percent (5%) or more of the value of voting power of the equity securities of such company.

2. Compensation.

(a) Base Salary. The Company shall pay the Executive base salary of \$600,000 per annum effective January 1, 2010, which base salary will be subject to review effective as of January 1, 2011, and at least annually thereafter by the Company for possible increases. The base salary shall be payable in equal installments, no less frequently than twice per month, in accordance with the Company's regular payroll practices.

(b) Bonus.

(i) The Executive shall be eligible to earn an annual bonus of 150%, 125% and 100%, respectively, for high, target and threshold performance, respectively, of the Executive's annual base salary (the "Bonus"), which Bonus, if any, shall be payable (A) promptly following the availability to the Company of the required data to calculate the Bonus for the year for which the Bonus is earned (which data may in the Company's discretion include audited financial statements), and (B) by no later than March 15 of the year following the year for which the Bonus is earned.

(ii) The Bonus metrics, the relative weighting of the bonus metrics and the specific threshold, target and high levels of each metric for 2010 are set forth on Exhibit B. The performance metrics and the weighting set forth on Exhibit B, but not the specific required levels at threshold, target and high, will continue to apply for 2011 and each subsequent year through 2013 unless the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") changes the metrics or the weighting by no later than the first ninety (90) days of the year in which such change is to occur. If the Compensation Committee changes the metrics or the weighting with respect to a year, it will communicate the new metrics and the weighting, and the required levels for threshold, target and high performance to the Executive promptly after it approves such changes (which approval must occur no later than the first ninety (90) days of the year in which the change is made). After any such change is made, the changed metrics and the weighting, but not the required levels for threshold, target and high performance, will continue to apply to each subsequent year through 2013, unless the Compensation Committee takes further action to change the metrics or weighting in the same manner described above. Regardless of whether or not the Compensation Committee changes the metrics or the weighting for a year, it will establish the required levels for threshold, target and high performance for the year by no later than the first ninety (90) days of the year, and promptly thereafter communicate the same to the Executive. All required levels for threshold, target and high performance for any year that are based on objective criteria of the type contained in the Company's budget will be based on the Company's budget for the subject year that has been approved by the Board of Directors. Notwithstanding any of the foregoing, the Compensation Committee reserves the right to make adjustments at any time (including without limitation, after the first ninety (90) days of the year to which the bonus criteria apply) to the bonus metrics, the relative weighting of the bonus metrics and the specific threshold, target and high levels of each metric.

(iii) The Executive will be eligible for a prorated Bonus, prorated in accordance with procedures established in the Company's discretion, if the Executive terminates employment during a calendar year due to death. In addition, if the Term is not extended beyond December 31, 2013, the Executive will be eligible for a Bonus for 2013 if he remains employed through December 31, 2013. Otherwise, the Executive will be eligible for

a Bonus for any calendar year only if the Executive remains employed by the Company on the date the Bonus is paid, unless otherwise provided by the terms of the applicable bonus plan or the Compensation Committee.

(c) Long-Term Incentive Compensation. Subject to the Executive's continued employment through the effective date of each grant specified below, the Executive shall be entitled to the following grants:

(i) effective January 1, 2011, a grant of restricted stock pursuant to an agreement in substantially the form attached hereto as Exhibit C (the "Restricted Stock Agreement");

(ii) effective January 1, 2011, a grant of performance restricted stock units for the performance period January 1, 2011 through December 31, 2013 with additional quarterly vesting period through December 31, 2014 pursuant to an agreement in substantially the form attached hereto as Exhibit D (the "Multi-year PRSU Agreement"); and

(iii) effective on each of January 1, 2011, January 1, 2012, and January 1, 2013, a grant of performance restricted stock units pursuant to an agreement in substantially the form attached hereto as Exhibit E (the "Annual PRSU Agreement").

The number of shares of stock subject to the Restricted Stock Agreement and the numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement shall be determined in accordance with Exhibit F hereto.

Notwithstanding the foregoing, in the event of any conflict between the terms of the Restricted Stock Agreement, the Multi-year PRSU Agreement or the Annual PRSU Agreement described in this Agreement and Exhibit F and the actual Restricted Stock Agreement, the actual Multi-year PRSU Agreement or the actual Annual PRSU Agreement, the actual Restricted Stock Agreement, the actual Multi-year PRSU Agreement or the actual Annual PRSU Agreement shall govern. The Executive shall be entitled to any other long-term compensation provided by the Company to the extent provided by, and subject to the terms of, any plan, program, or agreement applicable to the Executive. Nothing herein shall supersede the terms and conditions of any previously granted long-term or equity incentives.

(d) Expenses. The Executive shall be entitled to be reimbursed in accordance with Company policy for reasonable and necessary expenses incurred by the Executive in connection with the performance of the Executive's duties of employment hereunder; provided, however, the Executive shall, as a condition of such reimbursement, submit verification of the nature and amount of such expenses in accordance with the reasonable reimbursement policies from time to time adopted by the Company. In the case of taxable reimbursements or in-kind benefits that are subject to Section 409A of the Internal Revenue Code, the policy must provide an objectively determinable nondiscretionary definition of expenses eligible for reimbursement or in-kind benefits to be provided, the expense must be incurred or in-kind benefit must be provided during the period that the Executive is employed by or performing services for the Company, unless a different objectively and specifically prescribed period is specified under the applicable policy, the amount of expenses that are eligible for reimbursement or in-kind benefits provided during the Executive's taxable year may not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year, the reimbursement must be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred, and the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(e) Paid Time Off. The Executive shall be entitled to paid time off in accordance with the terms of Company policy.

(f) Benefits. In addition to the benefits payable to the Executive specifically described herein, the Executive shall be entitled to such benefits as generally may be made available to all other Executives of the Company from time to time; provided, however, that nothing contained herein shall require the establishment or continuation of any particular plan or program.

(g) Withholding. All payments pursuant to this Agreement shall be reduced for any applicable state, local, or federal tax withholding obligations.

(h) Insurance and Indemnification. The Executive shall be entitled to indemnification, including advancement of expenses (if applicable), in accordance with and to the extent provided by the Company's bylaws and articles of incorporation, and any separate indemnification agreement, if any.

3. Term, Termination and Termination Payments

(a) Term. The term of this Agreement (the "Term") shall begin as of the Effective Date and shall continue through December 31, 2013, unless sooner terminated pursuant to Section 3(b) hereof.

(b) Termination. This Agreement and the employment of the Executive by the Company hereunder shall only be terminated: (i) by expiration of the Term; (ii) by the Company without Cause; (iii) by the Executive for Good Reason; (iv) by the Company or the Executive due to the Disability of the Executive; (v) by the Company for Cause; (vi) by the Executive for other than Good Reason or Disability, upon at least sixty (60) days prior written notice to the Company; or (vii) upon the death of the Executive. Notice of termination by any party shall be given in writing prior to termination and shall specify the basis for termination and the effective date of termination. Further, notice of termination for Cause by the Company or Good Reason by the Executive shall specify the facts alleged to constitute termination for Cause or Good Reason, as applicable. Except as provided in Section 3(c), the Executive shall not be entitled to any payments or benefits after the effective date of the termination of this Agreement, except for base salary pursuant to Section 2(a) accrued up to the effective date of termination, any unpaid earned and accrued Bonus, if any, pursuant to Section 2(b), pay for accrued but unused vacation that the Employer is legally obligated to pay Employee, if any, and only if the Employer is so obligated, as provided under the terms of any other employee benefit and compensation agreements or plans applicable to the Executive, expenses required to be reimbursed pursuant to Section 2(d), and any rights to payment the Executive has under Section 2(h).

(c) Termination by the Company without Cause or by the Executive for Good Reason.

(i) If the employment of the Executive is terminated by the Company without Cause or by the Executive for Good Reason, the Company will pay the Executive three times the sum of (A) his base salary pursuant to Section 2(a) hereof, plus (B) an amount equal to the average annual Bonus paid to the Executive for the three most recently completed calendar years prior to termination of employment; provided, however, that if the Executive's termination of employment occurs before the Bonus, if any, for the most recently completed calendar year is payable, then the averaging will be determined by reference to the three most recently completed calendar years before that calendar year. Such amount shall be paid in substantially equal annual installments not less frequently than twice per month over the thirty-six (36) month period commencing as of the date of termination of employment, provided that the first payment shall be made sixty (60) days following termination of employment and shall include all payments accrued from the date of termination of employment to the date of the first payment; provided, however, if the Executive is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code, as amended (the "Code"), at the date of his termination of employment then, to the extent

required to avoid a tax under Code Section 409A, payments which would otherwise have been made during the first six (6) months after termination of employment shall be withheld and paid to the Executive during the seventh month following the date of his termination of employment. Notwithstanding the foregoing, if the total payments to be paid to the Executive hereunder, along with any other payments to the Executive, would result in the Executive being subject to the excise tax imposed by Code Section 4999, the Company shall reduce the aggregate payments to the largest amount which can be paid to the Executive without triggering the excise tax, but only if and to the extent that such reduction would result in the Executive retaining larger aggregate after-tax payments. The determination of the excise tax and the aggregate after-tax payments to be received by the Executive will be made by the Company after consultation with its advisors and in material compliance with applicable law. If payments are to be reduced, the payments made latest in time will be reduced first and if any payments are to be made at the same time, non-cash payments will be reduced before cash payments.

(ii) If the Term is not extended or the Term is not extended and the Company or the Executive terminates the Executive's employment upon or following expiration of the Term, such termination shall not be deemed to be a termination of the Executive's employment by the Company without Cause or a resignation by Executive for Good Reason.

(iii) Notwithstanding any other provision hereof, as a condition to the payment of the amounts in this Section, the Executive shall be required to execute and not revoke within the revocation period provided therein, the Release. The Company shall provide the Release for the Executive's execution in sufficient time so that if the Executive timely executes and returns the Release, the revocation period will expire before the date the Executive is required to begin to receive payment pursuant to Section 3(c)(i).

(d) Survival. The covenants in Section 3 hereof shall survive the termination of this Agreement and shall not be extinguished thereby.

4. Ownership and Protection of Proprietary Information.

(a) Confidentiality. All Confidential Information and Trade Secrets and all physical embodiments thereof received or developed by the Executive while employed by the Company are confidential to and are and will remain the sole and exclusive property of the Company. Except to the extent necessary to perform the duties assigned by the Company hereunder, the Executive will hold such Confidential Information and Trade Secrets in trust and strictest confidence, and will not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information and Trade Secrets or any physical embodiments thereof and may in no event take any action causing or fail to take the action necessary in order to prevent, any Confidential Information and Trade Secrets disclosed to or developed by the Executive to lose its character or cease to qualify as Confidential Information or Trade Secrets.

(b) Return of Company Property. Upon request by the Company, and in any event upon termination of this Agreement for any reason, as a prior condition to receiving any final compensation hereunder (including any payments pursuant to Section 3 hereof), the Executive will promptly deliver to the Company all property belonging to the Company, including, without limitation, all Confidential Information and Trade Secrets (and all embodiments thereof) then in the Executive's custody, control or possession.

(c) Survival. The covenants of confidentiality set forth herein will apply on and after the date hereof to any Confidential Information and Trade Secrets disclosed by the Company or developed by the Executive while employed or engaged by the Company prior to or after the date hereof. The covenants restricting the use of Confidential Information will continue and be maintained by the Executive for a period of two years following the termination of this Agreement. The covenants restricting the use of Trade Secrets will continue and be maintained by the Executive following termination of this Agreement for so long as permitted by the governing law.

5. Non-Competition and Non-Solicitation Provisions.

(a) The Executive agrees that during the Applicable Period, the Executive will not (except on behalf of or with the prior written consent of the Company, which consent may be withheld in Company's sole discretion), within the Area either directly or indirectly, on his own behalf, or in the service of or on behalf of others, provide managerial services or management consulting services substantially similar to those Executive provides for the Company to any Competing Business. As of the Effective Date, the Executive acknowledges and agrees that the Business of the Company is conducted in the Area.

(b) The Executive agrees that during the Applicable Period, he will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others solicit any individual or entity which is an actual or, to his knowledge, actively sought prospective client of the Company or any of its Affiliates (determined as of date of termination of employment) with whom he had material contact while he was an Executive of the Company, for the purpose of offering services substantially similar to those offered by the Company.

(c) The Executive agrees that during the Applicable Period, he will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, solicit for employment with a Competing Business any person who is a management level employee of the Company or an Affiliate with whom Executive had contact during the last year of Executive's employment with the Company. The Executive shall not be deemed to be in breach of this covenant solely because an employer for whom he may perform services may solicit, divert, or hire a management level employee of the Company or an Affiliate provided that Executive does not engage in the activity proscribed by the preceding sentence.

(d) The Executive agrees that during the Applicable Period, he will not make any statement (written or oral) that could reasonably be perceived as disparaging to the Company or any person or entity that he reasonably should know is an Affiliate of the Company.

(e) In the event that this Section 5 is determined by a court which has jurisdiction to be unenforceable in part or in whole, the court shall be deemed to have the authority to strike any unenforceable provision, or any part thereof or to revise any provision to the minimum extent necessary to be enforceable to the maximum extent permitted by law.

(f) The provisions of this Section 5 shall survive termination of this Agreement, except that if the Executive remains employed by the Company through December 31, 2013 and the Term expires at December 31, 2013, and as a result no severance is payable pursuant to Section 3 of this Agreement, then the provisions of this Section 5 shall also expire at December 31, 2013.

6. Remedies and Enforceability.

The Executive agrees that the covenants, agreements, and representations contained in Sections 4 and 5 hereof are of the essence of this Agreement; that each of such covenants are reasonable and necessary to protect and preserve the interests and properties of the Company; that irreparable loss and damage will be suffered by the Company should the Executive breach any of such covenants and agreements; that each of such covenants and agreements is separate, distinct and severable not only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the

unenforceability of any such covenant or agreement shall not affect the validity or enforceability of any other such covenant or agreements or any other provision or provisions of this Agreement; and that, in addition to other remedies available to it, including, without limitation, termination of the Executive's employment for Cause, the Company shall be entitled to seek both temporary and permanent injunctions to prevent a breach or contemplated breach by the Executive of any of such covenants or agreements.

7. Notice.

All notices, requests, demands and other communications required hereunder shall be in writing and shall be deemed to have been duly given if delivered or if mailed, by United States certified or registered mail, prepaid to the party to which the same is directed at the following addresses (or at such other addresses as shall be given in writing by the parties to one another):

If to the Company: Omega Healthcare Investors, Inc.
Suite 3500
200 International Circle
Hunt Valley MD 21030
Attn: Chairman

If to the Executive: to the last address the Company

has on file for the Executive

Notices delivered in person shall be effective on the date of delivery. Notices delivered by mail as aforesaid shall be effective upon the fourth calendar day subsequent to the postmark date thereof.

8. Miscellaneous.

(a) Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of the Company's successors and assigns. This Agreement may be assigned by the Company to any legal successor to the Company's business or to an entity that purchases all or substantially all of the assets of the Company, but not otherwise without the prior written consent of the Executive. In the event the Company assigns this Agreement as permitted by this Agreement and the Executive remains employed by the assignee, the "Company" as defined herein will refer to the assignee and the Executive will not be deemed to have terminated his employment hereunder until the Executive terminates his employment with the assignee. The Executive may not assign this Agreement.

(b) Waiver. The waiver of any breach of this Agreement by any party shall not be effective unless in writing, and no such waiver shall constitute the waiver of the same or another breach on a subsequent occasion.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Maryland. The parties agree that any appropriate state or federal court located in Baltimore, Maryland shall have jurisdiction of any case or controversy arising under or in connection with this Agreement and shall be a proper forum in which to adjudicate such case or controversy. The parties consent to the jurisdiction of such courts.

(d) Entire Agreement. This Agreement embodies the entire agreement of the parties hereto relating to the subject matter hereof and supersedes all oral agreements, and to the extent inconsistent with the terms hereof, all other written agreements.

(e) Amendment. This Agreement may not be modified, amended, supplemented or terminated except by a written instrument executed by the parties hereto.

(f) Severability. Each of the covenants and agreements hereinabove contained shall be deemed separate, severable and independent covenants, and in the event that any covenant shall be declared invalid by any court of competent jurisdiction, such invalidity shall not in any manner affect or impair the validity or enforceability of any other part or provision of such covenant or of any other covenant contained herein.

(g) Captions and Section Headings. Except as set forth in Section 9 hereof, captions and section headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

9. Definitions.

(a) "Affiliate" means any person, firm, corporation, partnership, association or entity that, directly or indirectly or through one or more intermediaries, controls, is controlled by or is under common control with the Company.

(b) "Applicable Period" means the period commencing as of the date of this Agreement and ending thirty-six (36) months after the termination of the Executive's employment with the Company or any of its Affiliates.

(c) "Area" means Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, West Virginia and Wisconsin.

(d) "Business of the Company" means any business with the primary purpose of leasing assets to healthcare operators, or financing the ownership of, or financing the operation of, senior housing, long-term care facilities, assisted living facilities, retirement housing facilities, or other residential healthcare related real estate.

(e) "Cause" the occurrence of any of the following events:

(i) willful refusal by the Executive to follow a lawful direction of the Board of Directors of the Company, provided the direction is not materially inconsistent with the duties or responsibilities of the Executive's position as Chief Executive Officer of the Company, which refusal continues after the Board of Directors has again given the direction in writing;

(ii) willful misconduct or reckless disregard by the Executive of his duties or with respect to the interest or material property of the Company;

(iii) intentional disclosure by the Executive to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(iv) any act by the Executive of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board of Directors of the Company (excluding the Executive), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates;

(v) commission by the Executive of a felony as reasonably determined by at least two-thirds of the members of the Board of Directors of the Company (excluding the Executive); or

(vi) a material breach of this Agreement by the Executive, provided that the nature of such breach shall be set forth with reasonable particularity in a written notice to the Executive who shall have ten (10) days following delivery of such notice to cure such alleged breach, provided that such breach is, in the reasonable discretion of the Board of Directors, susceptible to a cure.

(f) "Competing Business" means the entities listed below and any person, firm, corporation, joint venture, or other business that is engaged in the Business of the Company:

- (i) Ventas, Inc.,
- (ii) Nationwide Health Properties,
- (iii) Health Care Property Investors Inc.,
- (iv) Healthcare Realty Trust,
- (v) National Health Investors Inc.,
- (vi) National Health Realty, Inc.,
- (vii) Senior Housing Properties Trust,
- (viii) Health Care REIT Inc.,
- (ix) LTC Properties Inc., and
- (x) Medical Properties Trust, Inc.

(g) "Confidential Information" means data and information relating to the Business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Executive or of which the Executive became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Executive without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates by the Executive.

(h) "Disability" means the inability of the Executive to perform the material duties of his position hereunder due to a physical, mental, or emotional impairment, for a ninety (90) consecutive day period or for aggregate of one hundred eighty (180) days during any three hundred sixty-five (365) day period.

(i) "Good Reason" means the occurrence of all of the events listed in either (i) or (ii) below:

(i) (A) the Company materially breaches this Agreement, including without limitation, a material diminution of the Executive's responsibilities as Chief Executive Officer, as reasonably modified by the Board of Directors from time to time hereafter, such that the Executive would no longer have responsibilities substantially equivalent to those of other chief executive officers at companies with similar revenues and market capitalization;

(B) the Executive gives written notice to the Company of the facts and circumstances constituting the breach of the Agreement within ten (10) days following the occurrence of the breach;

(C) the Company fails to remedy the breach within ten (10) days following the Executive's written notice of the breach; and

(D) the Executive terminates his employment within thirty (30) days following the Company's failure to remedy the breach;

or

(ii) (A) the Company requires the Executive to relocate the Executive's primary place of employment to a new location that is more than fifty (50) miles (calculated using the most direct driving route) from its current location, without the Executive's consent;

(B) the Executive gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;

(C) the Company fails to rescind the notice of relocation within ten (10) days following the Executive's written notice; and

(D) the Executive terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

(j) "Release" means a comprehensive release, covenant not to sue, and non-disparagement agreement from the Executive in favor of the Company, its executives, officers, directors, Affiliates, and all related parties, in the form attached hereto as Exhibit G; provided, however, the Company may make any changes to the Release as it determines to be necessary only to ensure that the Release is enforceable under applicable law.

(k) "Term" has the meaning as set forth in Section 3(a) hereof.

(l) "Termination of employment" and similar terms shall refer solely to a "separation from service" within the meaning of Section 409A of the Internal

Revenue Code of 1986, as amended.

(m) "Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

IN WITNESS WHEREOF, the Company and the Executive have each executed and delivered this Agreement as of the date first shown above.

COMPANY:

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ Bernard Korman
Bernard Korman, Chairman

THE EXECUTIVE:

/s/ C. Taylor Pickett
C. Taylor Pickett

EXHIBIT A

Investment

Ownership

U.S. Wound Care and all related affiliates

Less than 50%

EXHIBIT B

2010 BONUS PLAN

Metric	Weighting	Threshold	Target	High
Adjusted FFO ⁽¹⁾	40%	\$43,425,000	\$44,440,000	\$45,458,000
Tenant quality (uncollected rents) ⁽²⁾	20%	Less than 3%	Less than 2%	Less than 1%
Leverage (coverage ratio) ⁽³⁾	20%	Less than 4.75	Less than 4.50	Less than 4.25 or ratings upgrade from either agency
Individual/ subjective measures ⁽⁴⁾	20%	N/A	N/A	N/A

(1) 4th quarter run rate total dollars based on per share Adjusted FFO of 42.7¢, 43.7¢, and 44.7¢.

(2) 2010 uncollected rents as a percentage of 2010 gross revenues.

(3) Debt/EBITDA using bank covenant formula.

(4) Subjective measures will include sustainability of the Adjusted FFO run rate.

EXHIBIT C

RESTRICTED STOCK AGREEMENT

**RESTRICTED STOCK AWARD
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

THIS AWARD is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to the Terms and Conditions attached hereto and incorporated herein by reference as part of this Award, the Company hereby awards as of the Grant Date to the Recipient the Restricted Shares (the "Restricted Stock Grant").

- A. Grant Date: January 1, 2011.
- B. Plan: (under which Restricted Stock Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Restricted Shares: _____ shares of the Company's common stock ("Common Stock"), subject to adjustment as provided in the attached Terms and Conditions.
- D. Vesting Schedule: The Restricted Shares shall vest according to the Vesting Schedule attached hereto as Exhibit 1 (the "Vesting Schedule"). The Restricted Shares which have become vested pursuant to the Vesting Schedule are herein referred to as the "Vested Restricted Shares."

IN WITNESS WHEREOF, the Company has executed this Award as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
RESTRICTED STOCK AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1 . Restricted Shares. The Company shall cause the Restricted Shares to be issued in book-entry form in the name of the Recipient with appropriate notations and stop-transfer instructions reflecting the applicable restrictions in this Agreement. When any portion of the Restricted Shares become Vested Restricted Shares, the Company shall cause the notations regarding the restrictions and stop-transfer instructions as to such portion to be removed. In the event that the Recipient forfeits any of the Restricted Shares, those shares shall automatically be transferred to the Company, without any action by the Recipient, and if the number of Vested Restricted Shares includes a fraction of a share, the Company shall cancel the fractional share, and the Company shall pay the Recipient the amount determined by the Company to be the estimated fair market value therefore. In the event of a transaction pursuant to Section 6, the Recipient agrees that any shares of Common Stock or other securities or property issued as a result of any of the foregoing shall be subject to all of the provisions of this Award as if initially granted thereunder.

2 . Rights of a Shareholder. During the period before the Restricted Shares vest and as long as they are not forfeited, the Recipient shall be entitled to all rights applicable to shares of Common Stock not so restricted, except as otherwise provided in the Award, including the right to receive dividends paid on Common Stock notwithstanding that all or some of the Restricted Shares may not be Vested Restricted Shares.

3. Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a certified check payable to the Company, in the amount of all tax withholding obligations imposed on the Company by reason of the vesting of the Restricted Shares, or the making of an election pursuant to Code Section 83(b), as applicable, except as provided in Section 3(b), or (iii) by tendering a number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the vesting date or effective date of the 83(b) election, as applicable, is sufficient to satisfy the minimum amount of the required tax withholding obligations imposed on the Company (the "Stock Tendering Election"); provided, however, the Committee may in its sole discretion, disapprove and give no effect to the Stock Tendering Election by giving written notice to the Recipient within ten (10) days after receipt of the Stock Tendering Election, in which event the Recipient must deliver, within ten (10) days after receiving such notice, the tax withholding in the manner provided in clause (i) or (ii). If the Recipient does not make an election pursuant to Code Section 83(b) and does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b). If the Recipient makes an election pursuant to Code Section 83(b) and does not timely satisfy payment of the tax withholding obligation, the Recipient will forfeit the Restricted Shares to which such election relates.

(b) If the Recipient does not make an election pursuant to Code Section 83(b), in lieu of paying the tax withholding obligation as described in Section 3(a), Recipient may elect to have the actual number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the vesting date, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company by reason of the vesting of the Restricted Shares (the "Withholding Election"). Recipient may make a Withholding Election only if all of the following conditions are met:

(i) the Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 3 attached hereto; and

(ii) any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding pursuant to Section 3(a), the Recipient will forfeit the Restricted Shares to which the tax withholding requirement relates.

4. Restrictions on Transfer of Restricted Shares. Except for the transfer of any Restricted Shares by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to any unvested Restricted Shares. Any such disposition not made in accordance with this Award shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Award.

5. Additional Restrictions on Transfer.

If for any reason the Restricted Share shall be represented in certificated form prior to becoming Vested Restricted Shares, the certificates evidencing the Restricted Shares shall bear a notation required under applicable securities laws or otherwise determined by the Company to be appropriate, such as:

TRANSFER IS RESTRICTED

THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND FORFEITURE PROVISIONS WHICH ALSO APPLY TO THE TRANSFEREE AS SET FORTH IN A RESTRICTED STOCK AGREEMENT DATED JANUARY __, 2011, A COPY OF WHICH IS AVAILABLE FROM THE COMPANY. THE SECURITIES EVIDENCED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, OR HYPOTHECATED UNLESS (1) THERE IS AN EFFECTIVE REGISTRATION UNDER SUCH ACT COVERING SUCH SECURITIES, (2) THE TRANSFER IS MADE IN COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR (3) THE ISSUER RECEIVES AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT.

6. Change in Capitalization.

(a) The number and kind of unvested Restricted Shares shall be proportionately adjusted for nonreciprocal transactions between the Company and the holders of Common Stock that cause the per share value of the Restricted Shares to change, such as a stock dividend, stock

split, spinoff, or rights offering (each an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, extraordinary dividend, sale of substantially all of the Company's assets or other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, or other reorganization of the Company, in each case that does not result in an Equity Restructuring or a Change in Control, the Compensation Committee shall take such action to make such adjustments with respect to the unvested Restricted Shares as the Compensation Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the unvested portion of the Award, substituting cash, other securities, or other property to replace the unvested portion of the Award, or removing of restrictions on unvested Restricted Shares.

(c) All determinations and adjustments made by the Compensation Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Compensation Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Stock Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

7 . Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Restricted Shares shall be issued except, in the reasonable judgment of the Compensation Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

8 . Successors. This Award shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

9 . Notice. Except as otherwise specified herein, all notices and other communications under this Award shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

10 . Severability. In the event that any one or more of the provisions or portion thereof contained in this Award shall for any reason be held to be invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Award, and this Award shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

11 . Entire Agreement. Subject to the terms and conditions of the Plan, this Award expresses the entire understanding and agreement of the parties with respect to the subject matter.

12. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Award. Capitalized terms used, but not defined, in this Award shall be given the meaning ascribed to them in the Plan.

13 . Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Award, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

14 . No Right to Continued Retention. Neither the establishment of the Plan nor the award of Restricted Shares hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

15. Definitions. As used in these Terms and Conditions and this Award:

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

- (a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;
- (b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;
- (c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;
- (d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or
- (e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

- (a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the Business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of all of the events listed in either (a) or (b) below:

- (a)
 - (i) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;
 - (ii) the Recipient gives written notice to the Company of the facts and circumstances constituting the material diminution in responsibilities within ten (10) days following the occurrence of such material diminution;
 - (iii) the Company fails to remedy the material diminution in responsibilities within ten (10) days following the Recipient's written notice of the material diminution in responsibilities; and
 - (iv) the Recipient terminates his employment and this Agreement within thirty (30) days following the Company's failure to remedy the material diminution in responsibilities.
- (b)
 - (i) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;
 - (ii) the Recipient gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;
 - (iii) the Company fails to rescind the notice of relocation within ten (10) days following the Recipient's written notice; and
 - (iv) the Recipient terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Exhibit 1 to Restricted Stock Agreement
Vesting Schedule

A. The Restricted Shares shall become Vested Shares in accordance with the schedule below:

Date	Percentage of Restricted Shares which are Vested Shares
December 31, 2013	100%

; provided the Recipient must remain an employee, director or consultant of the Company or an Affiliate through the indicated date set forth above to vest in accordance with the schedule above.

B. Notwithstanding the foregoing, if more than sixty (60) days before a Change in Control and in the year set forth in the schedule below:

1. the Recipient ceases services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability,
2. the Recipient resigns from the Company for Good Reason, or
3. the Company terminates the Recipient's employment without Cause,

then the percentage of the Restricted Shares in the schedule set forth shall become Vested Shares if they have not been previously forfeited.

Year of Termination	Percentage of Restricted Shares which are Vested Shares
2011	33 ¹ / ₃ %
2012	66 ² / ₃ %
2013	100%

C. Notwithstanding the foregoing, if a Change in Control occurs on or after the Grant Date and before December 31, 2013, and within (i) sixty (60) days before a Change in Control or (ii) after a Change in Control:

1. the Recipient ceases services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability,
2. the Recipient resigns from the Company for Good Reason, or
3. the Company terminates the Recipient's employment without Cause.

then all Restricted Shares shall become Vested Shares as of the later of the date of the Change in Control or the date of termination of employment if they have not been previously forfeited.

D. Restricted Shares which have not become Vested Shares as of the earlier of December 31, 2013 or, except as provided in Item C above, the Recipient's cessation of services as an employee, director, or consultant of the Company or an Affiliate shall be forfeited.

EXHIBIT D

**PERFORMANCE RESTRICTED STOCK UNIT
AGREEMENT – FOR MULTI-YEAR PRSUs**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

The grant pursuant to this agreement (this "Agreement") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to this Agreement (which shall include the Terms and Conditions and Exhibits appended to the execution page), the Company hereby awards as of the Grant Date to the Recipient, the opportunity to earn Vested Restricted Units (the "Restricted Unit Grant" or the "Award"). Underlined and capitalized terms in Items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: January 1, 2011.
- B. Plan (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Vested Restricted Units: The Recipient shall earn a number of Vested Restricted Units determined pursuant to Exhibit 1. Each Vested Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and related Dividend Equivalents (as defined below) in accordance with this Agreement.
- D. Dividends Equivalents. Each Vested Restricted Unit shall accrue Dividend Equivalents, an amount equal to the dividends per share paid on one share of Common Stock to a shareholder of record on or after the Grant Date and until the date that the Vested Shares (as defined below) are issued.
- E. Distribution Date of Vested Shares. Shares of Common Stock attributable to Vested Restricted Units ("Vested Shares") shall be issued and distributed upon the earlier of the dates listed below, subject to receipt from the Recipient of the required tax withholding:
1. within ten (10) business days following the last day of each calendar quarter in 2014; or
 2. the date of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents attributable to Vested Restricted Units shall be distributed to the Recipient on the same date as Vested Shares are distributable to the Recipient under Item E above.

IN WITNESS WHEREOF, the Company has executed this Agreement to be effective as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Payment for Vested Restricted Units. The Company shall issue in book entry form in the name of the Recipient, or issue and deliver to the Recipient a share certificate representing, the Vested Shares on the Distribution Date of Vested Shares.

2. Dividends Equivalents. The Company shall pay Dividend Equivalents attributable to Vested Restricted Units on the Distribution Date of Dividend Equivalents, subject to required tax withholding.

3. Tax Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a check payable to the Company, in the amount of all tax withholding obligations imposed on the Company as a result of the issuance of the Vested Shares, except as provided in Section 3(b). If the Recipient does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b).

(b) In lieu of paying the tax withholding obligation described in Section 3(a), the Recipient may elect to have the number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the Distribution Date of the Vested Shares, together with cash or a check in lieu of any fractional Vested Share, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company as a result of the issuance of the Vested Shares (the "Withholding Election"). The Recipient may make a Withholding Election only if all of the following conditions are met:

(i) The Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 2 attached hereto; and

(ii) Any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding, the Recipient will forfeit the Vested Shares to which the tax withholding requirement relates.

4. Restrictions on Transfer. Except for the transfer by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to this Award. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

5. Change in Capitalization.

(a) The number and kind of shares issuable under this Agreement shall be proportionately adjusted for any non-reciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Common Stock subject to the Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, in each case that does not constitute an Equity Restructuring, the Committee shall take such action to make such adjustments with respect to the shares of Common Stock issuable hereunder or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions.

(c) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Unit Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Vested Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be

invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. Subject to the terms and conditions of the Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter.

11. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

12. No Right to Continued Retention. Neither the establishment of the Plan nor the Award hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

13. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Plan.

14. Definitions. As used in this Agreement:

"Beginning Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 2010 on the exchange on which Common Stock is traded.

"Below Threshold Relative TSR" means that Relative Total Shareholder Return is less than the fiftieth (50th) percentile.

"Below Threshold TSR" means the Company has achieved Total Shareholder Return of less than eight percent (8%) for the Performance Period calculated on an annualized basis and compounded each December 31.

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Ending Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 2013 on the exchange on which Common Stock is traded unless a Change in Control occurs before January 1, 2014, in which case the term means the value per share determined as of the date of the Change in Control, such value to be determined by the Compensation Committee in its reasonable discretion based on the actual or implied price per share paid in the Change in Control transaction.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of an event listed in Subsection (a) through (c) below:

(a) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;

(b) the Company reduces the Recipient's annual base salary or annual bonus opportunity at high, target or threshold performance as a percentage of annual base salary; or

(c) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;

provided however, as to each event in Subsection (a) through (c),

(i) the Recipient gives written notice to the Company within ten (10) days following the event or receipt of notice of the event of his objection to the event;

(ii) the Company fails to remedy the event within ten (10) days following the Recipient's written notice; and

(iii) the Recipient terminates his employment within thirty (30) days following the Company's failure to remedy the event.

"High Relative TSR" means that Relative Total Shareholder Return is the eightieth (80th) percentile or above.

"High TSR" means the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of at least twelve percent (12%) for the Performance Period. In calculating High TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by twelve percent (12%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Performance Period" means the period from and including January 1, 2011 through the earlier of December 31, 2013 or the date of a Change in Control.

"Relative Total Shareholder Return" means Total Shareholder Return ranked on a percentile basis relative to the average total shareholder return of companies comprising the MSCI U.S. REIT Index for the same period for which Total Shareholder Return is calculated and using the same methodology used for calculating Total Shareholder Return.

"Target Relative TSR" means that Relative Total Shareholder Return is the sixty-fifth (65th) percentile.

"Target TSR" means the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of ten percent (10%) for the Performance Period. In calculating Target TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by ten percent (10%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Threshold Relative TSR" means that Relative Total Shareholder Return is the fiftieth (50th) percentile.

"Threshold TSR" means that the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of eight percent (8%) for the Performance Period. In calculating Threshold TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by eight percent (8%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Total Shareholder Return" means the sum of the total change in the Ending Stock Price as compared to the Beginning Stock Price, plus any dividends paid to a shareholder of record with respect to one share of Common Stock during the Performance Period.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

"Vesting Period" means the period beginning on the day after the last day of the Performance Period and ending December 31, 2014.

EXHIBIT 1

- A. The number of Vested Restricted Units is determined as of the last day of the Performance Period by adding the number determined in the TSR Chart and the Relative TSR Chart set forth below; provided that the Recipient shall vest in twenty-five percent (25%) of the Vested Restricted Units as of the last day of each calendar quarter during the Vesting Period only if the Recipient remains an employee, director or consultant of the Company or an Affiliate during the entire Performance Period and through the last day of such calendar quarter.

TSR Chart

Below Threshold TSR	*Threshold TSR	*Target TSR	*High TSR
Zero Vested Units			

Relative TSR Chart

Below Threshold Relative TSR	**Threshold Relative TSR	**Target Relative TSR	**High Relative TSR
Zero Vested Units			

* If Total Shareholder Return falls between Threshold TSR and Target TSR or between Target TSR and High TSR, the number of Vested Restricted Units under the TSR Chart shall be determined by rounding actual Total Shareholder Return to the closest 0.5% percentage points and then applying linear interpolation based on the percentage points by which Threshold TSR or Target TSR, as so adjusted, respectively, is exceeded.

** If Relative Total Shareholder Return falls between Threshold Relative TSR and Target Relative TSR or between Target Relative TSR and High Relative TSR, the number of Vested Restricted Units under the Relative TSR Chart shall be determined by rounding Relative TSR to the closest five (5) percentile points and then applying linear interpolation based on the percentile by which Threshold Relative TSR or Target Relative TSR, respectively, is exceeded.

- B. Notwithstanding the foregoing, if the Recipient dies or becomes subject to a Disability while an employee, director or consultant of the Company or an Affiliate, the Recipient resigns from the Company for Good Reason or the Company terminates the Recipient's employment without Cause (each such event referred to as a "Qualifying Termination"), in each case:

- (i) during the Performance Period and more than sixty (60) days before a Change in Control, the Recipient shall earn upon completion of the Performance Period a number of Vested Restricted Units equal to the number of Vested Restricted Units determined in the charts above, multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of such event and the denominator of which is 1,095 (*i.e.*, 365 x 3), or
- (ii) during the Vesting Period, the Recipient shall earn the same number of Vested Restricted Units determined in the charts above as if the Recipient were to remain an employee of the Company through the last day of the Vesting Period.

- C. Notwithstanding any other provision of this Agreement, if a Change in Control occurs upon or after the Grant Date and before December 31, 2014, and (i) the Recipient remains an employee, director or consultant of the Company or an Affiliate during the entire Performance Period until the date of the Change in Control, or (ii) if within sixty (60) days before the Change in Control, the Recipient incurs a Qualifying Termination, the Recipient shall be 100% vested in, as of the date of the Change in Control:

- 1. if the Change in Control occurs before January 1, 2014, the number of units determined from the Relative TSR Chart based on the percentile of Relative Total Shareholder Return achieved for the Performance Period through the date of the Change in Control, plus
 - a. the number of units determined in the TSR Chart if the applicable level of Total Shareholder Return for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control) is achieved, or
 - b. a number of units equal to the number of units determined in the TSR Chart multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of the Change in Control and the denominator of which is 1,095 (*i.e.*, 365 x 3), if the applicable level of Total Shareholder Return has been achieved based on annualized performance to the date of the Change in Control but not for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), or
 - c. a number of units determined by interpolation between the numbers in clause (a) and (b) above if the applicable level of Total Shareholder Return has been exceeded based on performance to the date of the Change in Control but is less than the applicable level for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), or
- 2. if the Change in Control occurs after December 31, 2013, the number of units determined in the above charts that were actually earned for the Performance Period.

- D. The portion of the Restricted Unit Grant that has not become Vested Restricted Units as of the earlier of the last day of the Performance Period, or, except as provided in Item C above, as of the date the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate shall be forfeited. In addition, if the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate during, but before the last day of, each calendar quarter during the Vesting Period, then except as provided in Item C above, the unvested portion of the Restricted Unit Grant shall be forfeited.
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EXHIBIT 2

**NOTICE OF WITHHOLDING ELECTION
PURSUANT TO OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

TO: Omega Healthcare Investors, Inc.
Attention: Chief Financial Officer

FROM:

RE: Withholding Election

This election relates to the Restricted Unit Grant identified in Paragraph 3 below. I hereby certify that:

(1) My correct name and social security number and my current address are set forth at the end of this document.

(2) I am (check one, whichever is applicable).

the original recipient of the Restricted Unit Grant.

the legal representative of the estate of the original recipient of the Restricted Unit Grant.

a legatee of the original recipient of the Restricted Unit Grant.

the legal guardian of the original recipient of the Restricted Unit Grant.

(3) The Restricted Unit Grant pursuant to which this election relates was issued with a Grant Date of _____ under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan (the "Plan") in the name of _____. This election relates to _____ shares of Common Stock issuable pursuant to the Restricted Unit Grant.

(4) I hereby elect to have certain of the shares of Common Stock withheld by the Company for the purpose of having the value of the shares applied to pay federal, state and local, if any, taxes arising from the exercise.

The fair market value of the shares of Common Stock to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Unit Grant shall be equal to the minimum statutory tax withholding requirement under federal, state and local law in connection with the exercise.

(5) This Withholding Election is made no later than ten (10) days after the Tax Notice Date and is otherwise timely made pursuant to the Plan.

(6) I further understand that, if this Withholding Election is not disapproved by the Committee, the Company shall withhold from the Common Stock issuable to me a whole number of shares of Common Stock having the value specified in Paragraph 4 above.

(7) The Plan has been made available to me by the Company, I have read and understand the Plan and I have no reason to believe that any of the conditions therein to the making of this Withholding Election have not been met. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

Dated:

Signature:

Name (Printed)

Street Address

City, State, Zip Code

EXHIBIT E

**PERFORMANCE RESTRICTED STOCK UNIT
AGREEMENT – FOR ANNUAL PRSUs**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

The grant pursuant to this agreement (this "Agreement") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to this Agreement (which shall include the Terms and Conditions and Exhibits appended to the execution page), the Company hereby awards as of the Grant Date to the Recipient, the opportunity to earn Vested Restricted Units (the "Restricted Unit Grant" or the "Award"). Underlined and capitalized terms in Items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: January 1, 201__.
- B. Plan (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Vested Restricted Units: The Recipient shall earn a number of Vested Restricted Units determined pursuant to Exhibit 1. Each Vested Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and related Dividend Equivalents (as defined below) in accordance with this Agreement.
- D. Dividends Equivalents. Each Vested Restricted Unit shall accrue Dividend Equivalents, an amount equal to the dividends per share paid on one share of Common Stock to a shareholder of record on or after the Grant Date and until the date that the Vested Shares (as defined below) are issued.
- E. Distribution Date of Vested Shares. Shares of Common Stock attributable to Vested Restricted Units ("Vested Shares") shall be issued and distributed upon the earlier of the dates listed below, subject to receipt from the Recipient of the required tax withholding:
1. within ten (10) business days following December 31, 201__; or
 2. the date of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents attributable to Vested Restricted Units shall be distributed to the Recipient on the same date as Vested Shares are distributable to the Recipient under Item E above.

IN WITNESS WHEREOF, the Company has executed this Agreement to be effective as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Payment for Vested Restricted Units. The Company shall issue in book entry form in the name of the Recipient, or issue and deliver to the Recipient a share certificate representing, the Vested Shares on the Distribution Date of Vested Shares.

2. Dividends Equivalents. The Company shall pay Dividend Equivalents attributable to Vested Restricted Units on the Distribution Date of Dividend Equivalents, subject to required tax withholding.

3. Tax Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a check payable to the Company, in the amount of all tax withholding obligations imposed on the Company as a result of the issuance of the Vested Shares, except as provided in Section 3(b). If the Recipient does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b).

(b) In lieu of paying the tax withholding obligation described in Section 3(a), the Recipient may elect to have the number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the Distribution Date of the Vested Shares, together with cash or a check in lieu of any fractional Vested Share, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company as a result of the issuance of the Vested Shares (the "Withholding Election"). The Recipient may make a Withholding Election only if all of the following conditions are met:

(i) The Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 2 attached hereto; and

(ii) Any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding, the Recipient will forfeit the Vested Shares.

4. Restrictions on Transfer. Except for the transfer by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to this Award. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

5. Change in Capitalization.

(a) The number and kind of shares issuable under this Agreement shall be proportionately adjusted for any non-reciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Common Stock subject to the Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, in each case that does not constitute an Equity Restructuring, the Committee shall take such action to make such adjustments with respect to the shares of Common Stock issuable hereunder or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions.

(c) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Unit Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Vested Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be

invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. Subject to the terms and conditions of the Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter.

11. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

12. No Right to Continued Retention. Neither the establishment of the Plan nor the Award hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

13. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Plan.

14. Definitions. As used in this Agreement:

"Beginning Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 201__ on the exchange on which Common Stock is traded.

"Below Threshold Performance" means the Company has achieved Total Shareholder Return of less than eight percent (8%).

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the

meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Ending Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 201__ on the exchange on which Common Stock is traded, unless a Change in Control occurs before December 31, 201__, in which case the term means the value per share determined as of the date of the Change in Control, such value to be determined by the Compensation Committee in its reasonable discretion based on the actual or implied price per share paid in the Change in Control transaction.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of all of the events listed in either (a) or (b) below:

- (a) (i) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;
- (ii) the Recipient gives written notice to the Company of the facts and circumstances constituting the material diminution in responsibilities within ten (10) days following the occurrence of such material diminution;
- (iii) the Company fails to remedy the material diminution in responsibilities within ten (10) days following the Recipient's written notice of the material diminution in responsibilities; and
- (iv) the Recipient terminates his employment and this Agreement within thirty (30) days following the Company's failure to remedy the material diminution in responsibilities.
- (b) (i) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;
- (ii) the Recipient gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;
- (iii) the Company fails to rescind the notice of relocation within ten (10) days following the Recipient's written notice; and
- (iv) the Recipient terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

"High Performance" means the Company has achieved Total Shareholder Return of at least twelve percent (12%).

"Performance Period" means the period from and including January 1, 201__ through the earlier of December 31, 201__ or the date of a Change in Control.

"Target Performance" means the Company has achieved Total Shareholder Return of ten percent (10%).

"Threshold Performance" means that the Company has achieved Total Shareholder Return of eight percent (8%).

"Total Shareholder Return" means the sum of the total change in the Ending Stock Price as compared to the Beginning Stock Price, plus any dividends paid to a shareholder of record with respect to one share of Common Stock during the Performance Period.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

EXHIBIT 1

- A. The number of Vested Restricted Units earned is determined as of the last day of the Performance Period pursuant to the following chart; provided that the Recipient must remain an employee, director or consultant of the Company or an Affiliate during the entire Performance Period to earn the number of Vested Restricted Units determined in the chart below.

Below Threshold Performance	*Threshold Performance	*Target Performance	*High Performance
Zero Vested Units			

- * If Total Shareholder Return falls between Threshold Performance and Target Performance or between Target Performance and High Performance, the number of Vested Restricted Units shall be determined by rounding actual Total Shareholder Return to the closest 0.5% percentage points and then applying linear interpolation based on the percentage points by which Threshold Performance or Target Performance, respectively, as so adjusted, is exceeded.
- B. Notwithstanding the foregoing, if during the Performance Period and more than sixty (60) days before a Change in Control, the Recipient dies or becomes subject to a Disability while an employee, director or consultant of the Company or an Affiliate, the Recipient resigns from the Company for Good Reason, or the Company terminates the Recipient's employment without Cause (each such event referred to as a "Qualifying Termination"), the Recipient shall earn a number of Vested Restricted Units equal to the number of Vested Restricted Units determined in the chart above as of the completion of the Performance Period, multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of such event and the denominator of which is 365.
- C. Notwithstanding the foregoing, if a Change in Control occurs on or after the Grant Date and before December 31, 201__ and (i) while the Recipient remains an employee, director or consultant of the Company or an Affiliate, or (ii) within sixty (60) days before the Change in Control, the Recipient incurs a Qualifying Termination, the Recipient shall earn a number of Vested Restricted Units determined in the chart above based on the level of Total Shareholder Return through the date of the Change in Control relative to the level required for the full Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), and shall not thereafter earn any additional Vested Restricted Units.
- D. The portion of the Restricted Unit Grant that has not become earned Vested Restricted Units as of the earlier of the last day of the Performance Period, or, except as provided in Item C above, as of the date the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate shall be forfeited.
-

EXHIBIT 2

**NOTICE OF WITHHOLDING ELECTION
PURSUANT TO OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

TO: Omega Healthcare Investors, Inc.
Attention: Chief Financial Officer

FROM:

RE: Withholding Election

This election relates to the Restricted Unit Grant identified in Paragraph 3 below. I hereby certify that:

(1) My correct name and social security number and my current address are set forth at the end of this document.

(2) I am (check one, whichever is applicable).

the original recipient of the Restricted Unit Grant.

the legal representative of the estate of the original recipient of the Restricted Unit Grant.

a legatee of the original recipient of the Restricted Unit Grant.

the legal guardian of the original recipient of the Restricted Unit Grant.

(3) The Restricted Unit Grant pursuant to which this election relates was issued with a Grant Date of _____ under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan (the "Plan") in the name of _____. This election relates to _____ shares of Common Stock issuable pursuant to the Restricted Unit Grant.

(4) I hereby elect to have certain of the shares of Common Stock withheld by the Company for the purpose of having the value of the shares applied to pay federal, state and local, if any, taxes arising from the exercise.

The fair market value of the shares of Common Stock to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Unit Grant shall be equal to the minimum statutory tax withholding requirement under federal, state and local law in connection with the exercise.

(5) This Withholding Election is made no later than ten (10) days after the Tax Notice Date and is otherwise timely made pursuant to the Plan.

(6) I further understand that, if this Withholding Election is not disapproved by the Committee, the Company shall withhold from the Common Stock issuable to me a whole number of shares of Common Stock having the value specified in Paragraph 4 above.

(7) The Plan has been made available to me by the Company, I have read and understand the Plan and I have no reason to believe that any of the conditions therein to the making of this Withholding Election have not been met. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

Dated:

Signature:

Name (Printed)

Street Address

City, State, Zip Code

EXHIBIT F

DETERMINATION OF NUMBERS OF RESTRICTED SHARES AND UNITS

The number of shares of stock subject to the Restricted Stock Agreement, the number of units subject to the Multi-year PRSU Agreement, and the number of units subject to the Annual PRSU Agreement shall be determined as described below. (The methodology set forth below is the same as used in the charts provided by FPL Associates L.P. to the Compensation Committee on August 19, 2010, except that for purposes of illustration, the FPL memo uses a \$23 share price assumption, whereas the actual final calculations of the potential number of shares and units will be based on the volume weighted-average trading price per share of Omega common stock ("VWAP") for the month of December 2010.)

Step 1: Start with threshold, target and high levels of 2011-2013 aggregate compensation (comprised of base salary, bonus opportunity and long-term incentive opportunity):

Threshold	Target	High
\$8,000,000	\$12,000,000	\$16,000,000

Step 2: Determine aggregate salary and bonus opportunities for 2011-2013:

Threshold	Target	High
\$3,600,000	\$4,050,000	\$4,500,000

Step 3: Subtract Step 2 from Step 1 to arrive at aggregate long-term incentive opportunity (excluding dividends) for 2011-2013:

Threshold	Target	High
\$4,400,000	\$7,950,000	\$11,500,000

Step 4: Determine projected dividends per share of Omega common stock based on Omega's projections as of December 31, 2010. Determine the number of shares of Omega common stock, which, based on the December 2010 VWAP and assuming "Target TSR" and "Target Relative TSR" (as defined in the Multi-year PRSU Agreement) are achieved (assuming, for purposes of calculating Target TSR and Target Relative TSR referred to above, that the projected dividends are paid), results in the \$7,950,000 target level of aggregate long-term incentive compensation (*i.e.*, restricted shares, units subject to the Multi-year PRSU agreement, and units subject to the Annual PRSU agreement (excluding projected dividends) at Step 3 as of December 31, 2013 being earned. For purposes of this Exhibit F, compensation attributable to the Multi-year PRSU agreement shall be calculated based on the projected value, using the preceding methodology, of one-third of the units at each of December 31, 2011, December 31, 2012 and December 31, 2013.

Step 5: Divide the number of shares determined at Step 4 into two components equal in number.

Step 5A: The first component is the number of shares subject to the Restricted Stock Agreement.

Step 5B: Divide the second component into two sub-components equal in number. The first sub-component is the number of units subject to the Multi-year PRSU Agreement if Target TSR and Target Relative TSR are achieved. Divide the second subcomponent into three equal numbers of units, each of which represents the number of shares issuable pursuant to the Annual PRSU Agreement if "Target Performance" (as defined in the Annual PRSU Agreement) for the applicable year is achieved.

Step 6: The number of shares of stock subject to the Restricted Stock Agreement as determined at Step 5A is held constant, regardless of performance. The numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement if Target TSR and Target Relative TSR, and Target Performance, respectively are achieved are as provided in Step 5B. Determine the number of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement if "Threshold TSR" and "Threshold Relative TSR" (as those terms are defined in the Multi-year PRSU Agreement) and "Threshold Performance" (as defined in the Annual PRSU Agreement) are achieved by subtracting the projected compensation (excluding dividends) attributable to the Restricted Stock Agreement as determined in Step 5A from the \$4,400,000 of aggregate long-term incentive compensation (excluding dividends) at Step 3 at threshold to arrive at the difference and then determine the number of shares of Omega common stock, which based on the December 2010 VWAP and assuming Threshold TSR and Threshold Relative TSR are achieved and projected dividends are paid, results in an amount of projected compensation (excluding dividends) at December 31, 2013 that is equal to such difference. This number of units is then divided into two equal subcomponents; a multi-year subcomponent and an annual subcomponent (that is divided into three equal annual subcomponents) all in the same manner as discussed at Step 5B, but using Threshold TSR, Threshold Relative TSR and Threshold Performance instead of Target TSR, Target Relative TSR and Target Performance, respectively, in such formula. The numbers of units at High TSR, High Relative TSR and High Performance are determined in the same manner as the number of units at Threshold TSR, Threshold Relative TSR and Threshold Performance are determined in this Step 6, except that "High" is substituted into this formula in lieu of "Threshold."

This is only a summary of the methodology for determining the number of shares subject to the Restricted Stock Agreement and the numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement. The actual numbers shall be calculated by FPL Associates L.P. or other compensation consultant retained by the Compensation Committee of the Board of Directors of the Company (either, the "Compensation Consultant"), and in the event of any conflict between the terms of this summary and such calculation, the calculation shall control as long as the calculation is based on the Compensation Consultant's interpretation of this Exhibit F and such interpretation is not manifestly unreasonable.

EXHIBIT G

**RELEASE, AGREEMENT PURSUANT TO
EMPLOYMENT AGREEMENT**

This Agreement (this "Agreement") is made this ___ day of _____, 200_, by OMEGA HEALTHCARE INVESTORS, INC. (the "Employer") and _____ (the "Employee").

Introduction

Employee and the Employer entered into an Employment Agreement dated _____, 2010 (the "Employment Agreement").

The Employment Agreement requires that as a condition to the Employer's obligation to pay payments and benefits under Section 3(c) of the Employment Agreement (the "Severance Benefits"), Employee must provide a release and agree to certain other conditions as provided herein.

NOW, THEREFORE, the parties agree as follows:

1. **[For Employee under age 40: The effective date of this Agreement shall be the date on which Employee signs this Agreement ("the Effective Date"), at which time this Agreement shall be fully effective and enforceable.]**

[For Employee age 40 and over or group termination of Employees age 40 and over : Employee has been offered [twenty-one (21) days] [forty-five (45) days if group termination] from receipt of this Agreement within which to consider this Agreement. The effective date of this Agreement shall be the date eight (8) days after the date on which Employee signs this Agreement ("the Effective Date"). For a period of seven (7) days following Employee's execution of this Agreement, Employee may revoke this Agreement, and this Agreement shall not become effective or enforceable until such seven (7) day period has expired. Employee must communicate the desire to revoke this Agreement in writing. Employee understands that he or she may sign the Agreement at any time before the expiration of the [twenty-one (21) day] [forty-five (45) day] review period. To the degree Employee chooses not to wait [twenty-one (21) days] [forty-five (45) days] to execute this Agreement, it is because Employee freely and unilaterally chooses to execute this Agreement before that time. Employee's signing of the Agreement triggers the commencement of the seven (7) day revocation period.]

2. In exchange for Employee's execution of this Agreement and in full and complete settlement of any claims as specifically provided in this Agreement, the Employer will provide Employee with the Severance Benefits.

3. **[For Employee age 40 or over or group termination of Employees age 40 and over : Employee acknowledges and agrees that this Agreement is in compliance with the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act and that the releases set forth in this Agreement shall be applicable, without limitation, to any claims brought under these Acts.]**

The release given by Employee in this Agreement is given solely in exchange for the consideration set forth in Section 2 of this Agreement and such consideration is in addition to anything of value that Employee was entitled to receive prior to entering into this Agreement.

Employee has been advised to consult an attorney prior to entering into this Agreement **[For Employee age 40 or over or group termination of Employees age 40 and over: and this provision of the Agreement satisfies the requirement of the Older Workers Benefit Protection Act that Employee be so advised in writing].**

[For under age 40: Employee has been offered an ample opportunity from receipt of this Agreement within which to consider this Agreement.]

By entering into this Agreement, Employee does not waive any rights or claims that may arise after the date this Agreement is executed.

4. **[For group termination of Employees age 40 and over: The Employer has _____ [The Employer to describe class, unit, or group of individuals covered by termination program, any eligibility factors, and time limits applicable] and such employees comprise the "Decisional Unit." Attached as "Attachment 1" to this Agreement is a list of ages and job titles of persons in the Decisional Unit who were and who were not selected for termination and the offer of consideration for signing the Agreement.]**

5. This Agreement shall in no way be construed as an admission by the Employer that it has acted wrongfully with respect to Employee or any other person or that Employee has any rights whatsoever against the Employer. The Employer specifically disclaims any liability to or wrongful acts against Employee or any other person on the part of itself, its employees or its agents.

6. As a material inducement to the Employer to enter into this Agreement, Employee hereby irrevocably releases the Employer and each of the owners, stockholders, predecessors, successors, directors, officers, employees, representatives, attorneys, affiliates (and agents, directors, officers, employees, representatives and attorneys of such affiliates) of the Employer and all persons acting by, through, under or in concert with them (collectively, the "Releasees"), from any and all charges, claims, liabilities, agreements, damages, causes of action, suits, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, including, but not limited to, rights arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, or any tort, or any legal restrictions on the Employer's right to terminate employees, or any federal, state or other governmental statute, regulation, or ordinance, including, without limitation: (1) Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991 (race, color, religion, sex, and national origin discrimination); (2) the Employee Retirement Income Security Act ("ERISA"); (3) 42 U.S.C. § 1981 (discrimination); (4) the Americans with Disabilities Act (disability discrimination); (5) the Equal Pay Act; **[For Employee age 40 or over or group termination of Employees age 40 and over: (6) the Age Discrimination in Employment Act; (7) the Older Workers Benefit Protection Act;]** (6) Executive Order 11246 (race, color, religion, sex, and national origin discrimination); (7) Executive Order 11141 (age discrimination); (8) Section 503 of the Rehabilitation Act of 1973 (disability discrimination); (9) negligence; (10) negligent hiring and/or negligent retention; (11) intentional or negligent infliction of emotional distress or outrage; (12) defamation; (13) interference with employment; (14) wrongful discharge; (15) invasion of privacy; or (16) violation of any other legal or contractual duty arising under the laws of the State of Maryland or the laws of the United States ("Claim" or "Claims"), which Employee now has, or claims to have, or which Employee at any time heretofore had, or claimed to have, or which Employee at any time hereinafter may have, or claim to have, against each or any of the Releasees, in each case as to acts or omissions by each or any of the Releasees occurring up to and including the Effective Date.
7. The release in the preceding paragraph of this Agreement does not apply to (a) all benefits and awards (including without limitation cash and stock components) which pursuant to the terms of any compensation or benefit plans, programs, or agreements of the Employer are earned or become payable, but which have not yet been paid, and (b) pay for accrued but unused vacation that the Employer is legally obligated to pay Employee, if any, and only if the Employer is so obligated, (c) unreimbursed business expenses for which Employee is entitled to reimbursement under the Employer's policies, (d) any rights to indemnification that Employee has under any directors and officers or other insurance policy the Employer maintains or under the bylaws and articles of incorporation of the Company, and under any indemnification agreement, if any, and (e) any rights the Employee may have (if any) to workers compensation benefits.
8. Employee promises that he will not make statements disparaging to any of the Releasees. Employee agrees not to make any statements about any of the Releasees to the press (including without limitation any newspaper, magazine, radio station or television station) without the prior written consent of the Employer. The obligations set forth in the two immediately preceding sentences will expire two years after the Effective Date. Employee will also cooperate with the Employer and its affiliates if the Employer requests Employee's testimony. To the extent practicable and within the control of the Employer, the Employer will use reasonable efforts to schedule the timing of Employee's participation in any such witness activities in a reasonable manner to take into account Employee's then current employment, and will pay the reasonable documented out-of-pocket expenses that the Employer pre-approves and that Employee incurs for travel required by the Employer with respect to those activities.
9. Except as set forth in this Section, Employee agrees not to disclose the existence or terms of this Agreement to anyone. However, Employee may disclose it to a member of his immediate family or legal or financial advisors if necessary and on the condition that the family member or advisor similarly does not disclose these terms to anyone. Employee understands that he will be responsible for any disclosure by a family member or advisor as if he had disclosed it himself. This restriction does not prohibit Employee's disclosure of this Agreement or its terms to the extent necessary during a legal action to enforce this Agreement or to the extent Employee is legally compelled to make a disclosure. However, Employee will notify the Employer promptly upon becoming aware of that legal necessity and provide it with reasonable details of that legal necessity.
10. Employee has not filed or caused to be filed any lawsuit, complaint or charge with respect to any Claim he releases in this Agreement. Employee promises never to file or pursue a lawsuit, complaint or charge based on any Claim released by this Agreement, except that Employee may participate in an investigation or proceeding conducted by an agency of the United States Government or of any state. Notwithstanding the foregoing, Employee is not prohibited from filing a charge with the Equal Employment Opportunity Commission but expressly waives his right to personal recovery as a result of such charge. Employee also has not assigned or transferred any claim he is releasing, nor has he purported to do so. **[For group termination of Employees age 40 and over: Employee covenants and agrees not to institute, or participate in any way in anyone else's actions involved in instituting, any action against any of the members of the Decisional Unit with respect to any Claim released herein.]**
11. The Employer and Employee agree that the terms of this Agreement shall be final and binding and that this Agreement shall be interpreted, enforced and governed under the laws of the State of Maryland. The provisions of this Agreement can be severed, and if any part of this Agreement is found to be unenforceable, the remainder of this Agreement will continue to be valid and effective.
12. This Agreement sets forth the entire agreement between the Employer and Employee and fully supersedes any and all prior agreements or understandings, written and/or oral, between the Employer and Employee pertaining to the subject matter of this Agreement.
13. Employee is solely responsible for the payment of any fees incurred as the result of an attorney reviewing this agreement on behalf of Employee. In any litigation concerning the validity or enforceability of this contract or in any litigation to enforce the provisions of this contract, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs, including court costs and expert witness fees and costs.

Employee's signature below indicates Employee's understanding and agreement with all of the terms in this Agreement.

Employee should take this Agreement home and carefully consider all of its provisions before signing it. **[For Employee age 40 or over or group termination of Employees age 40 and over: Employee may take up to [twenty-one (21) days] [forty-five (45) days if group termination] to decide whether Employee wants to accept and sign this Agreement. Also, if Employee signs this Agreement, Employee will then have an additional seven (7) days in which to revoke Employee's acceptance of this Agreement after Employee has signed it. This Agreement will not be effective or enforceable, nor will any consideration be paid, until after the seven (7) day revocation period has expired.]** Again, Employee is free and encouraged to discuss the contents and advisability of signing this Agreement with an attorney of Employee's choosing.

CONSULT WITH AN ATTORNEY BEFORE EXECUTING THIS DOCUMENT.

IN WITNESS WHEREOF, Employee and the Employer have executed this agreement effective as of the date first written above.

EMPLOYEE

C. Taylor Pickett

Signature

Date Signed

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") to be effective as of October 22, 2010 (the "Effective Date"), between Omega Healthcare Investors, Inc. (the "Company"), and Daniel Booth (the "Executive").

INTRODUCTION

The Company and the Executive are parties to an employment agreement dated September 1, 2004, amended May 7, 2007 and December 16, 2008, and now desire to enter into this Agreement to replace and supercede the existing employment agreement.

NOW, THEREFORE, the parties agree as follows:

1. Terms and Conditions of Employment.

(a) Employment. During the Term, Company will employ the Executive, and the Executive will serve as the Chief Operating Officer of the Company on a full-time basis and will have such responsibilities and authority as may from time to time be assigned to the Executive by the Chief Executive Officer of the Company. In this capacity, Executive will provide unique services to the Company and be privy to the Company's Confidential Information and Trade Secrets. The Executive will report to the Chief Executive Officer of the Company. The Executive's primary office will be at the Company's headquarters in such geographic location within the United States as may be determined by the Company.

(b) Exclusivity. Throughout the Executive's employment hereunder, the Executive shall devote substantially all of the Executive's time, energy and skill during regular business hours to the performance of the duties of the Executive's employment, shall faithfully and industriously perform such duties, and shall diligently follow and implement all management policies and decisions of the Company; provided, however, that this provision is not intended to prevent the Executive from managing his investments, so long as he gives his duties to the Company first priority and such investment activities do not interfere with his performance of duties for the Company. Notwithstanding the foregoing, other than with regard to the Executive's duties to the Company, the Executive will not accept any other employment during the Term, perform any consulting services during the Term, or serve on the board of directors or governing body of any other business, except with the prior written consent of the Chief Executive Officer. Further, the Executive has disclosed on Exhibit A hereto, all of his nonpublic company healthcare related investments, and agrees during the Term not to make any investments during the term hereof except as a passive investor. The Executive agrees during the Term not to own directly or indirectly equity securities of any public healthcare related company (excluding the Company) that represents five percent (5%) or more of the value of voting power of the equity securities of such company.

2. Compensation.

(a) Base Salary. The Company shall pay the Executive base salary of \$380,000 per annum effective January 1, 2010, which base salary will be subject to review effective as of January 1, 2011, and at least annually thereafter by the Company for possible increases. The base salary shall be payable in equal installments, no less frequently than twice per month, in accordance with the Company's regular payroll practices.

(b) Bonus.

(i) The Executive shall be eligible to earn an annual bonus of 100%, 75% and 50%, respectively, for high, target and threshold performance, respectively, of the Executive's annual base salary (the "Bonus"), which Bonus, if any, shall be payable (A) promptly following the availability to the Company of the required data to calculate the Bonus for the year for which the Bonus is earned (which data may in the Company's discretion include audited financial statements), and (B) by no later than March 15 of the year following the year for which the Bonus is earned.

(ii) The Bonus metrics, the relative weighting of the bonus metrics and the specific threshold, target and high levels of each metric for 2010 are set forth on Exhibit B. The performance metrics and the weighting set forth on Exhibit B, but not the specific required levels at threshold, target and high, will continue to apply for 2011 and each subsequent year through 2013 unless the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") changes the metrics or the weighting by no later than the first ninety (90) days of the year in which such change is to occur. If the Compensation Committee changes the metrics or the weighting with respect to a year, it will communicate the new metrics and the weighting, and the required levels for threshold, target and high performance to the Executive promptly after it approves such changes (which approval must occur no later than the first ninety (90) days of the year in which the change is made). After any such change is made, the changed metrics and the weighting, but not the required levels for threshold, target and high performance, will continue to apply to each subsequent year through 2013, unless the Compensation Committee takes further action to change the metrics or weighting in the same manner described above. Regardless of whether or not the Compensation Committee changes the metrics or the weighting for a year, it will establish the required levels for threshold, target and high performance for the year by no later than the first ninety (90) days of the year, and promptly thereafter communicate the same to the Executive. All required levels for threshold, target and high performance for any year that are based on objective criteria of the type contained in the Company's budget will be based on the Company's budget for the subject year that has been approved by the Board of Directors. Notwithstanding any of the foregoing, the Compensation Committee reserves the right to make adjustments at any time (including without limitation, after the first ninety (90) days of the year to which the bonus criteria apply) to the bonus metrics, the relative weighting of the bonus metrics and the specific threshold, target and high levels of each metric.

(iii) The Executive will be eligible for a prorated Bonus, prorated in accordance with procedures established in the Company's discretion, if the Executive terminates employment during a calendar year due to death. In addition, if the Term is not extended beyond December 31, 2013, the Executive will be eligible for a Bonus for 2013 if he remains employed through December 31, 2013. Otherwise, the Executive will be eligible for a Bonus for any calendar year only if the Executive remains employed by the Company on the date the Bonus is paid, unless otherwise provided by the terms of the applicable bonus plan or the Compensation Committee.

(c) Long-Term Incentive Compensation. Subject to the Executive's continued employment through the effective date of each grant specified below, the Executive shall be entitled to the following grants:

(i) effective January 1, 2011, a grant of restricted stock pursuant to an agreement in substantially the form attached hereto as Exhibit C (the "Restricted Stock Agreement");

(ii) effective January 1, 2011, a grant of performance restricted stock units for the performance period January 1, 2011 through December 31, 2013 with additional quarterly vesting period through December 31, 2014 pursuant to an agreement in substantially the form attached hereto as Exhibit D (the "Multi-year PRSU Agreement"); and

(iii) effective on each of January 1, 2011, January 1, 2012, and January 1, 2013, a grant of performance restricted stock units pursuant to an agreement in substantially the form attached hereto as Exhibit E (the "Annual PRSU Agreement").

The number of shares of stock subject to the Restricted Stock Agreement and the numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement shall be determined in accordance with Exhibit F hereto.

Notwithstanding the foregoing, in the event of any conflict between the terms of the Restricted Stock Agreement, the Multi-year PRSU Agreement or the Annual PRSU Agreement described in this Agreement and Exhibit F and the actual Restricted Stock Agreement, the actual Multi-year PRSU Agreement or the actual Annual PRSU Agreement, the actual Restricted Stock Agreement, the actual Multi-year PRSU Agreement or the actual Annual PRSU Agreement shall govern. The Executive shall be entitled to any other long-term compensation provided by the Company to the extent provided by, and subject to the terms of, any plan, program, or agreement applicable to the Executive. Nothing herein shall supersede the terms and conditions of any previously granted long-term or equity incentives.

(d) Expenses. The Executive shall be entitled to be reimbursed in accordance with Company policy for reasonable and necessary expenses incurred by the Executive in connection with the performance of the Executive's duties of employment hereunder; provided, however, the Executive shall, as a condition of such reimbursement, submit verification of the nature and amount of such expenses in accordance with the reasonable reimbursement policies from time to time adopted by the Company. In the case of taxable reimbursements or in-kind benefits that are subject to Section 409A of the Internal Revenue Code, the policy must provide an objectively determinable nondiscretionary definition of expenses eligible for reimbursement or in-kind benefits to be provided, the expense must be incurred or in-kind benefit must be provided during the period that the Executive is employed by or performing services for the Company, unless a different objectively and specifically prescribed period is specified under the applicable policy, the amount of expenses that are eligible for reimbursement or in-kind benefits provided during the Executive's taxable year may not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year, the reimbursement must be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred, and the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(e) Paid Time Off. The Executive shall be entitled to paid time off in accordance with the terms of Company policy.

(f) Benefits. In addition to the benefits payable to the Executive specifically described herein, the Executive shall be entitled to such benefits as generally may be made available to all other Executives of the Company from time to time; provided, however, that nothing contained herein shall require the establishment or continuation of any particular plan or program.

(g) Withholding. All payments pursuant to this Agreement shall be reduced for any applicable state, local, or federal tax withholding obligations.

(h) Insurance and Indemnification. The Executive shall be entitled to indemnification, including advancement of expenses (if applicable), in accordance with and to the extent provided by the Company's bylaws and articles of incorporation, and any separate indemnification agreement, if any.

3. Term, Termination and Termination Payments.

(a) Term. The term of this Agreement (the "Term") shall begin as of the Effective Date and shall continue through December 31, 2013, unless sooner terminated pursuant to Section 3(b) hereof.

(b) Termination. This Agreement and the employment of the Executive by the Company hereunder shall only be terminated: (i) by expiration of the Term; (ii) by the Company without Cause; (iii) by the Executive for Good Reason; (iv) by the Company or the Executive due to the Disability of the Executive; (v) by the Company for Cause; (vi) by the Executive for other than Good Reason or Disability, upon at least sixty (60) days prior written notice to the Company; or (vii) upon the death of the Executive. Notice of termination by any party shall be given in writing prior to termination and shall specify the basis for termination and the effective date of termination. Further, notice of termination for Cause by the Company or Good Reason by the Executive shall specify the facts alleged to constitute termination for Cause or Good Reason, as applicable. Except as provided in Section 3(c), the Executive shall not be entitled to any payments or benefits after the effective date of the termination of this Agreement, except for base salary pursuant to Section 2(a) accrued up to the effective date of termination, any unpaid earned and accrued Bonus, if any, pursuant to Section 2(b), pay for accrued but unused vacation that the Employer is legally obligated to pay Employee, if any, and only if the Employer is so obligated, as provided under the terms of any other employee benefit and compensation agreements or plans applicable to the Executive, expenses required to be reimbursed pursuant to Section 2(d), and any rights to payment the Executive has under Section 2(h).

(c) Termination by the Company without Cause or by the Executive for Good Reason.

(i) If the employment of the Executive is terminated by the Company without Cause or by the Executive for Good Reason, the Company will pay the Executive two times the sum of (A) his base salary pursuant to Section 2(a) hereof, plus (B) an amount equal to the average annual Bonus paid to the Executive for the three most recently completed calendar years prior to termination of employment; provided, however, that if the Executive's termination of employment occurs before the Bonus, if any, for the most recently completed calendar year is payable, then the averaging will be determined by reference to the three most recently completed calendar years before that calendar year. Such amount shall be paid in substantially equal annual installments not less frequently than twice per month over the twenty-four (24) month period commencing as of the date of termination of employment, provided that the first payment shall be made sixty (60) days following termination of employment and shall include all payments accrued from the date of termination of employment to the date of the first payment; provided, however, if the Executive is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code, as amended (the "Code"), at the date of his termination of employment then, to the extent required to avoid a tax under Code Section 409A, payments which would otherwise have been made during the first six (6) months after termination of employment shall be withheld and paid to the Executive during the seventh month following the date of his termination of employment. Notwithstanding the foregoing, if the total payments to be paid to the Executive hereunder, along with any other payments to the Executive, would result in the Executive being subject to the excise tax imposed by Code Section 4999, the Company shall reduce the aggregate payments to the largest amount which can be paid to the Executive without triggering the excise tax, but only if and to the extent that such reduction would result in the Executive retaining larger aggregate after-tax payments. The determination of the excise tax and the aggregate after-tax payments to be received by the Executive will be made by

the Company after consultation with its advisors and in material compliance with applicable law. If payments are to be reduced, the payments made latest in time will be reduced first and if any payments are to be made at the same time, non-cash payments will be reduced before cash payments.

(ii) If the Term is not extended or the Term is not extended and the Company or the Executive terminates the Executive's employment upon or following expiration of the Term, such termination shall not be deemed to be a termination of the Executive's employment by the Company without Cause or a resignation by Executive for Good Reason.

(iii) Notwithstanding any other provision hereof, as a condition to the payment of the amounts in this Section, the Executive shall be required to execute and not revoke within the revocation period provided therein, the Release. The Company shall provide the Release for the Executive's execution in sufficient time so that if the Executive timely executes and returns the Release, the revocation period will expire before the date the Executive is required to begin to receive payment pursuant to Section 3(c)(i).

(d) Survival. The covenants in Section 3 hereof shall survive the termination of this Agreement and shall not be extinguished thereby.

4. Ownership and Protection of Proprietary Information.

(a) Confidentiality. All Confidential Information and Trade Secrets and all physical embodiments thereof received or developed by the Executive while employed by the Company are confidential to and are and will remain the sole and exclusive property of the Company. Except to the extent necessary to perform the duties assigned by the Company hereunder, the Executive will hold such Confidential Information and Trade Secrets in trust and strictest confidence, and will not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information and Trade Secrets or any physical embodiments thereof and may in no event take any action causing or fail to take the action necessary in order to prevent, any Confidential Information and Trade Secrets disclosed to or developed by the Executive to lose its character or cease to qualify as Confidential Information or Trade Secrets.

(b) Return of Company Property. Upon request by the Company, and in any event upon termination of this Agreement for any reason, as a prior condition to receiving any final compensation hereunder (including any payments pursuant to Section 3 hereof), the Executive will promptly deliver to the Company all property belonging to the Company, including, without limitation, all Confidential Information and Trade Secrets (and all embodiments thereof) then in the Executive's custody, control or possession.

(c) Survival. The covenants of confidentiality set forth herein will apply on and after the date hereof to any Confidential Information and Trade Secrets disclosed by the Company or developed by the Executive while employed or engaged by the Company prior to or after the date hereof. The covenants restricting the use of Confidential Information will continue and be maintained by the Executive for a period of two years following the termination of this Agreement. The covenants restricting the use of Trade Secrets will continue and be maintained by the Executive following termination of this Agreement for so long as permitted by the governing law.

5. Non-Competition and Non-Solicitation Provisions.

(a) The Executive agrees that during the Applicable Period, the Executive will not (except on behalf of or with the prior written consent of the Company, which consent may be withheld in Company's sole discretion), within the Area either directly or indirectly, on his own behalf, or in the service of or on behalf of others, provide managerial services or management consulting services substantially similar to those Executive provides for the Company to any Competing Business. As of the Effective Date, the Executive acknowledges and agrees that the Business of the Company is conducted in the Area.

(b) The Executive agrees that during the Applicable Period, he will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others solicit any individual or entity which is an actual or, to his knowledge, actively sought prospective client of the Company or any of its Affiliates (determined as of date of termination of employment) with whom he had material contact while he was an Executive of the Company, for the purpose of offering services substantially similar to those offered by the Company.

(c) The Executive agrees that during the Applicable Period, he will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, solicit for employment with a Competing Business any person who is a management level employee of the Company or an Affiliate with whom Executive had contact during the last year of Executive's employment with the Company. The Executive shall not be deemed to be in breach of this covenant solely because an employer for whom he may perform services may solicit, divert, or hire a management level employee of the Company or an Affiliate provided that Executive does not engage in the activity proscribed by the preceding sentence.

(d) The Executive agrees that during the Applicable Period, he will not make any statement (written or oral) that could reasonably be perceived as disparaging to the Company or any person or entity that he reasonably should know is an Affiliate of the Company.

(e) In the event that this Section 5 is determined by a court which has jurisdiction to be unenforceable in part or in whole, the court shall be deemed to have the authority to strike any unenforceable provision, or any part thereof or to revise any provision to the minimum extent necessary to be enforceable to the maximum extent permitted by law.

(f) The provisions of this Section 5 shall survive termination of this Agreement, except that if the Executive remains employed by the Company through December 31, 2013 and the Term expires at December 31, 2013, and as a result no severance is payable pursuant to Section 3 of this Agreement, then the provisions of this Section 5 shall also expire at December 31, 2013.

6. Remedies and Enforceability.

The Executive agrees that the covenants, agreements, and representations contained in Sections 4 and 5 hereof are of the essence of this Agreement; that each of such covenants are reasonable and necessary to protect and preserve the interests and properties of the Company; that irreparable loss and damage will be suffered by the Company should the Executive breach any of such covenants and agreements; that each of such covenants and agreements is separate, distinct and severable not only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the unenforceability of any such covenant or agreement shall not affect the validity or enforceability of any other such covenant or agreements or any other provision or provisions of this Agreement; and that, in addition to other remedies available to it, including, without limitation, termination of the Executive's employment for Cause, the Company shall be entitled to seek both temporary and permanent injunctions to prevent a breach or contemplated breach by the Executive of any of such covenants or agreements.

7. Notice.

All notices, requests, demands and other communications required hereunder shall be in writing and shall be deemed to have been duly given if delivered or if mailed, by United States certified or registered mail, prepaid to the party to which the same is directed at the following addresses (or at such other addresses as shall be given in writing by the parties to one another):

If to the Company: Omega Healthcare Investors, Inc.
Suite 3500
200 International Circle
Hunt Valley MD 21030
Attn: Chairman

If to the Executive: to the last address the Company
has on file for the Executive

Notices delivered in person shall be effective on the date of delivery. Notices delivered by mail as aforesaid shall be effective upon the fourth calendar day subsequent to the postmark date thereof.

8. Miscellaneous.

(a) Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of the Company's successors and assigns. This Agreement may be assigned by the Company to any legal successor to the Company's business or to an entity that purchases all or substantially all of the assets of the Company, but not otherwise without the prior written consent of the Executive. In the event the Company assigns this Agreement as permitted by this Agreement and the Executive remains employed by the assignee, the "Company" as defined herein will refer to the assignee and the Executive will not be deemed to have terminated his employment hereunder until the Executive terminates his employment with the assignee. The Executive may not assign this Agreement.

(b) Waiver. The waiver of any breach of this Agreement by any party shall not be effective unless in writing, and no such waiver shall constitute the waiver of the same or another breach on a subsequent occasion.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Maryland. The parties agree that any appropriate state or federal court located in Baltimore, Maryland shall have jurisdiction of any case or controversy arising under or in connection with this Agreement and shall be a proper forum in which to adjudicate such case or controversy. The parties consent to the jurisdiction of such courts.

(d) Entire Agreement. This Agreement embodies the entire agreement of the parties hereto relating to the subject matter hereof and supersedes all oral agreements, and to the extent inconsistent with the terms hereof, all other written agreements.

(e) Amendment. This Agreement may not be modified, amended, supplemented or terminated except by a written instrument executed by the parties hereto.

(f) Severability. Each of the covenants and agreements hereinabove contained shall be deemed separate, severable and independent covenants, and in the event that any covenant shall be declared invalid by any court of competent jurisdiction, such invalidity shall not in any manner affect or impair the validity or enforceability of any other part or provision of such covenant or of any other covenant contained herein.

(g) Captions and Section Headings. Except as set forth in Section 9 hereof, captions and section headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

9. Definitions.

(a) "Affiliate" means any person, firm, corporation, partnership, association or entity that, directly or indirectly or through one or more intermediaries, controls, is controlled by or is under common control with the Company.

(b) "Applicable Period" means the period commencing as of the date of this Agreement and ending twenty-four (24) months after the termination of the Executive's employment with the Company or any of its Affiliates.

(c) "Area" means Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, West Virginia and Wisconsin.

(d) "Business of the Company" means any business with the primary purpose of leasing assets to healthcare operators, or financing the ownership of, or financing the operation of, senior housing, long-term care facilities, assisted living facilities, retirement housing facilities, or other residential healthcare related real estate.

(e) "Cause" the occurrence of any of the following events:

(i) willful refusal by the Executive to follow a lawful direction of the Chief Executive Officer or the Board of Directors of the Company, provided the direction is not materially inconsistent with the duties or responsibilities of the Executive's position as Chief Operating Officer of the Company, which refusal continues after the Chief Executive Officer or the Board of Directors has again given the direction in writing;

(ii) willful misconduct or reckless disregard by the Executive of his duties or with respect to the interest or material property of the Company;

(iii) intentional disclosure by the Executive to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(iv) any act by the Executive of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board of Directors of the Company, such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates;

(v) commission by the Executive of a felony as reasonably determined by at least two-thirds of the members of the Board of Directors of the Company; or

(vi) a material breach of this Agreement by the Executive, provided that the nature of such breach shall be set forth with reasonable particularity in a written notice to the Executive who shall have ten (10) days following delivery of such notice to cure such alleged breach, provided that such breach is, in the reasonable discretion of the Board of Directors, susceptible to a cure.

(f) "Competing Business" means the entities listed below and any person, firm, corporation, joint venture, or other business that is engaged in the Business of the Company:

- (i) Ventas, Inc.,
- (ii) Nationwide Health Properties,
- (iii) Health Care Property Investors Inc.,
- (iv) Healthcare Realty Trust,
- (v) National Health Investors Inc.,
- (vi) National Health Realty, Inc.,
- (vii) Senior Housing Properties Trust,
- (viii) Health Care REIT Inc.,
- (ix) LTC Properties Inc., and
- (x) Medical Properties Trust, Inc.

(g) "Confidential Information" means data and information relating to the Business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Executive or of which the Executive became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Executive without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates by the Executive.

(h) "Disability" means the inability of the Executive to perform the material duties of his position hereunder due to a physical, mental, or emotional impairment, for a ninety (90) consecutive day period or for aggregate of one hundred eighty (180) days during any three hundred sixty-five (365) day period.

(i) "Good Reason" means the occurrence of all of the events listed in either (i) or (ii) below:

(i) (A) the Company materially breaches this Agreement, including without limitation, a material diminution of the Executive's responsibilities as Chief Operating Officer, as reasonably modified by the Chief Executive Officer of the Company from time to time hereafter, such that the Executive would no longer have responsibilities substantially equivalent to those of other chief operating officers at companies with similar revenues and market capitalization;

(B) the Executive gives written notice to the Company of the facts and circumstances constituting the breach of the Agreement within ten (10) days following the occurrence of the breach;

(C) the Company fails to remedy the breach within ten (10) days following the Executive's written notice of the breach; and

(D) the Executive terminates his employment within thirty (30) days following the Company's failure to remedy the breach;

or

(ii) (A) the Company requires the Executive to relocate the Executive's primary place of employment to a new location that is more than fifty (50) miles (calculated using the most direct driving route) from its current location, without the Executive's consent;

(B) the Executive gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;

(C) the Company fails to rescind the notice of relocation within ten (10) days following the Executive's written notice; and

(D) the Executive terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

(j) "Release" means a comprehensive release, covenant not to sue, and non-disparagement agreement from the Executive in favor of the Company, its executives, officers, directors, Affiliates, and all related parties, in the form attached hereto as Exhibit G; provided, however, the Company may make any changes to the Release as it determines to be necessary only to ensure that the Release is enforceable under applicable law.

(k) "Term" has the meaning as set forth in Section 3(a) hereof.

(l) "Termination of employment" and similar terms shall refer solely to a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended.

(m) "Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

IN WITNESS WHEREOF, the Company and the Executive have each executed and delivered this Agreement as of the date first shown above.

COMPANY:

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ C. Taylor Pickett

C. Taylor Pickett, Chief Executive Officer

THE EXECUTIVE:

/s/ Daniel Booth

Daniel Booth

EXHIBIT A

Investment

Ownership

None

None

EXHIBIT B

2010 BONUS PLAN

Metric	Weighting	Threshold	Target	High
Adjusted FFO ⁽¹⁾	40%	\$43,425,000	\$44,440,000	\$45,458,000
Tenant quality (uncollected rents) ⁽²⁾	20%	Less than 3%	Less than 2%	Less than 1%
Leverage (coverage ratio) ⁽³⁾	20%	Less than 4.75	Less than 4.50	Less than 4.25 or ratings upgrade from either agency
Individual/ subjective measures ⁽⁴⁾	20%	N/A	N/A	N/A

(1) 4th quarter run rate total dollars based on per share Adjusted FFO of 42.7¢, 43.7¢, and 44.7¢.

(2) 2010 uncollected rents as a percentage of 2010 gross revenues.

(3) Debt/EBITDA using bank covenant formula.

(4) Subjective measures will include sustainability of the Adjusted FFO run rate.

EXHIBIT C

RESTRICTED STOCK AGREEMENT

**RESTRICTED STOCK AWARD
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

THIS AWARD is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to the Terms and Conditions attached hereto and incorporated herein by reference as part of this Award, the Company hereby awards as of the Grant Date to the Recipient the Restricted Shares (the "Restricted Stock Grant").

- A. Grant Date: January 1, 2011.
- B. Plan: (under which Restricted Stock Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Restricted Shares: _____ shares of the Company's common stock ("Common Stock"), subject to adjustment as provided in the attached Terms and Conditions.
- D. Vesting Schedule: The Restricted Shares shall vest according to the Vesting Schedule attached hereto as Exhibit 1 (the "Vesting Schedule"). The Restricted Shares which have become vested pursuant to the Vesting Schedule are herein referred to as the "Vested Restricted Shares."

IN WITNESS WHEREOF, the Company has executed this Award as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
RESTRICTED STOCK AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1 . Restricted Shares. The Company shall cause the Restricted Shares to be issued in book-entry form in the name of the Recipient with appropriate notations and stop-transfer instructions reflecting the applicable restrictions in this Agreement. When any portion of the Restricted Shares become Vested Restricted Shares, the Company shall cause the notations regarding the restrictions and stop-transfer instructions as to such portion to be removed. In the event that the Recipient forfeits any of the Restricted Shares, those shares shall automatically be transferred to the Company, without any action by the Recipient, and if the number of Vested Restricted Shares includes a fraction of a share, the Company shall cancel the fractional share, and the Company shall pay the Recipient the amount determined by the Company to be the estimated fair market value therefore. In the event of a transaction pursuant to Section 6, the Recipient agrees that any shares of Common Stock or other securities or property issued as a result of any of the foregoing shall be subject to all of the provisions of this Award as if initially granted thereunder.

2 . Rights of a Shareholder. During the period before the Restricted Shares vest and as long as they are not forfeited, the Recipient shall be entitled to all rights applicable to shares of Common Stock not so restricted, except as otherwise provided in the Award, including the right to receive dividends paid on Common Stock notwithstanding that all or some of the Restricted Shares may not be Vested Restricted Shares.

3. Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a certified check payable to the Company, in the amount of all tax withholding obligations imposed on the Company by reason of the vesting of the Restricted Shares, or the making of an election pursuant to Code Section 83(b), as applicable, except as provided in Section 3(b), or (iii) by tendering a number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the vesting date or effective date of the 83(b) election, as applicable, is sufficient to satisfy the minimum amount of the required tax withholding obligations imposed on the Company (the "Stock Tendering Election"); provided, however, the Committee may in its sole discretion, disapprove and give no effect to the Stock Tendering Election by giving written notice to the Recipient within ten (10) days after receipt of the Stock Tendering Election, in which event the Recipient must deliver, within ten (10) days after receiving such notice, the tax withholding in the manner provided in clause (i) or (ii). If the Recipient does not make an election pursuant to Code Section 83(b) and does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b). If the Recipient makes an election pursuant to Code Section 83(b) and does not timely satisfy payment of the tax withholding obligation, the Recipient will forfeit the Restricted Shares to which such election relates.

(b) If the Recipient does not make an election pursuant to Code Section 83(b), in lieu of paying the tax withholding obligation as described in Section 3(a), Recipient may elect to have the actual number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the vesting date, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company by reason of the vesting of the Restricted Shares (the "Withholding Election"). Recipient may make a Withholding Election only if all of the following conditions are met:

(i) the Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 3 attached hereto; and

(ii) any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding pursuant to Section 3(a), the Recipient will forfeit the Restricted Shares to which the tax withholding requirement relates.

4. Restrictions on Transfer of Restricted Shares. Except for the transfer of any Restricted Shares by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to any unvested Restricted Shares. Any such disposition not made in accordance with this Award shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Award.

5. Additional Restrictions on Transfer.

If for any reason the Restricted Share shall be represented in certificated form prior to becoming Vested Restricted Shares, the certificates evidencing the Restricted Shares shall bear a notation required under applicable securities laws or otherwise determined by the Company to be appropriate, such as:

TRANSFER IS RESTRICTED

THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND FORFEITURE PROVISIONS WHICH ALSO APPLY TO THE TRANSFEREE AS SET FORTH IN A RESTRICTED STOCK AGREEMENT DATED JANUARY __, 2011, A COPY OF WHICH IS AVAILABLE FROM THE COMPANY. THE SECURITIES EVIDENCED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, OR HYPOTHECATED UNLESS (1) THERE IS AN EFFECTIVE REGISTRATION UNDER SUCH ACT COVERING SUCH SECURITIES, (2) THE TRANSFER IS MADE IN COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR (3) THE ISSUER RECEIVES AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT.

6. Change in Capitalization.

(a) The number and kind of unvested Restricted Shares shall be proportionately adjusted for nonreciprocal transactions between the Company and the holders of Common Stock that cause the per share value of the Restricted Shares to change, such as a stock dividend, stock

split, spinoff, or rights offering (each an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, extraordinary dividend, sale of substantially all of the Company's assets or other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, or other reorganization of the Company, in each case that does not result in an Equity Restructuring or a Change in Control, the Compensation Committee shall take such action to make such adjustments with respect to the unvested Restricted Shares as the Compensation Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the unvested portion of the Award, substituting cash, other securities, or other property to replace the unvested portion of the Award, or removing of restrictions on unvested Restricted Shares.

(c) All determinations and adjustments made by the Compensation Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Compensation Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Stock Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

7 . Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Restricted Shares shall be issued except, in the reasonable judgment of the Compensation Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

8 . Successors. This Award shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

9 . Notice. Except as otherwise specified herein, all notices and other communications under this Award shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

10 . Severability. In the event that any one or more of the provisions or portion thereof contained in this Award shall for any reason be held to be invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Award, and this Award shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

11 . Entire Agreement. Subject to the terms and conditions of the Plan, this Award expresses the entire understanding and agreement of the parties with respect to the subject matter.

12. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Award. Capitalized terms used, but not defined, in this Award shall be given the meaning ascribed to them in the Plan.

13 . Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Award, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

14 . No Right to Continued Retention. Neither the establishment of the Plan nor the award of Restricted Shares hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

15. Definitions. As used in these Terms and Conditions and this Award:

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

- (a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;
- (b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;
- (c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;
- (d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or
- (e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the Business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of all of the events listed in either (a) or (b) below:

- (a)
 - (i) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;
 - (ii) the Recipient gives written notice to the Company of the facts and circumstances constituting the material diminution in responsibilities within ten (10) days following the occurrence of such material diminution;
 - (iii) the Company fails to remedy the material diminution in responsibilities within ten (10) days following the Recipient's written notice of the material diminution in responsibilities; and
 - (iv) the Recipient terminates his employment and this Agreement within thirty (30) days following the Company's failure to remedy the material diminution in responsibilities.
- (b)
 - (i) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;
 - (ii) the Recipient gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;
 - (iii) the Company fails to rescind the notice of relocation within ten (10) days following the Recipient's written notice; and
 - (iv) the Recipient terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Exhibit 1 to Restricted Stock Agreement
Vesting Schedule

A. The Restricted Shares shall become Vested Shares in accordance with the schedule below:

Date	Percentage of Restricted Shares which are Vested Shares
December 31, 2013	100%

; provided the Recipient must remain an employee, director or consultant of the Company or an Affiliate through the indicated date set forth above to vest in accordance with the schedule above.

B. Notwithstanding the foregoing, if more than sixty (60) days before a Change in Control and in the year set forth in the schedule below:

1. the Recipient ceases services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability,
2. the Recipient resigns from the Company for Good Reason, or
3. the Company terminates the Recipient's employment without Cause,

then the percentage of the Restricted Shares in the schedule set forth shall become Vested Shares if they have not been previously forfeited.

Year of Termination	Percentage of Restricted Shares which are Vested Shares
2011	33 ¹ / ₃ %
2012	66 ² / ₃ %
2013	100%

C. Notwithstanding the foregoing, if a Change in Control occurs on or after the Grant Date and before December 31, 2013, and within (i) sixty (60) days before a Change in Control or (ii) after a Change in Control:

1. the Recipient ceases services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability,
2. the Recipient resigns from the Company for Good Reason, or
3. the Company terminates the Recipient's employment without Cause.

then all Restricted Shares shall become Vested Shares as of the later of the date of the Change in Control or the date of termination of employment if they have not been previously forfeited.

D. Restricted Shares which have not become Vested Shares as of the earlier of December 31, 2013 or, except as provided in Item C above, the Recipient's cessation of services as an employee, director, or consultant of the Company or an Affiliate shall be forfeited.

EXHIBIT D

**PERFORMANCE RESTRICTED STOCK UNIT
AGREEMENT – FOR MULTI-YEAR PRSUs**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

The grant pursuant to this agreement (this "Agreement") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to this Agreement (which shall include the Terms and Conditions and Exhibits appended to the execution page), the Company hereby awards as of the Grant Date to the Recipient, the opportunity to earn Vested Restricted Units (the "Restricted Unit Grant" or the "Award"). Underlined and capitalized terms in Items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: January 1, 2011.
- B. Plan (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Vested Restricted Units: The Recipient shall earn a number of Vested Restricted Units determined pursuant to Exhibit 1. Each Vested Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and related Dividend Equivalents (as defined below) in accordance with this Agreement.
- D. Dividends Equivalents. Each Vested Restricted Unit shall accrue Dividend Equivalents, an amount equal to the dividends per share paid on one share of Common Stock to a shareholder of record on or after the Grant Date and until the date that the Vested Shares (as defined below) are issued.
- E. Distribution Date of Vested Shares. Shares of Common Stock attributable to Vested Restricted Units ("Vested Shares") shall be issued and distributed upon the earlier of the dates listed below, subject to receipt from the Recipient of the required tax withholding:
1. within ten (10) business days following the last day of each calendar quarter in 2014; or
 2. the date of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents attributable to Vested Restricted Units shall be distributed to the Recipient on the same date as Vested Shares are distributable to the Recipient under Item E above.

IN WITNESS WHEREOF, the Company has executed this Agreement to be effective as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Payment for Vested Restricted Units. The Company shall issue in book entry form in the name of the Recipient, or issue and deliver to the Recipient a share certificate representing, the Vested Shares on the Distribution Date of Vested Shares.

2. Dividends Equivalents. The Company shall pay Dividend Equivalents attributable to Vested Restricted Units on the Distribution Date of Dividend Equivalents, subject to required tax withholding.

3. Tax Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a check payable to the Company, in the amount of all tax withholding obligations imposed on the Company as a result of the issuance of the Vested Shares, except as provided in Section 3(b). If the Recipient does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b).

(b) In lieu of paying the tax withholding obligation described in Section 3(a), the Recipient may elect to have the number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the Distribution Date of the Vested Shares, together with cash or a check in lieu of any fractional Vested Share, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company as a result of the issuance of the Vested Shares (the "Withholding Election"). The Recipient may make a Withholding Election only if all of the following conditions are met:

(i) The Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 2 attached hereto; and

(ii) Any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding, the Recipient will forfeit the Vested Shares to which the tax withholding requirement relates.

4. Restrictions on Transfer. Except for the transfer by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to this Award. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

5. Change in Capitalization.

(a) The number and kind of shares issuable under this Agreement shall be proportionately adjusted for any non-reciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Common Stock subject to the Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, in each case that does not constitute an Equity Restructuring, the Committee shall take such action to make such adjustments with respect to the shares of Common Stock issuable hereunder or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions.

(c) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Unit Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Vested Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be

invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. Subject to the terms and conditions of the Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter.

11. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

12. No Right to Continued Retention. Neither the establishment of the Plan nor the Award hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

13. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Plan.

14. Definitions. As used in this Agreement:

"Beginning Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 2010 on the exchange on which Common Stock is traded.

"Below Threshold Relative TSR" means that Relative Total Shareholder Return is less than the fiftieth (50th) percentile.

"Below Threshold TSR" means the Company has achieved Total Shareholder Return of less than eight percent (8%) for the Performance Period calculated on an annualized basis and compounded each December 31.

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Ending Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 2013 on the exchange on which Common Stock is traded unless a Change in Control occurs before January 1, 2014, in which case the term means the value per share determined as of the date of the Change in Control, such value to be determined by the Compensation Committee in its reasonable discretion based on the actual or implied price per share paid in the Change in Control transaction.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of an event listed in Subsection (a) through (c) below:

(a) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;

(b) the Company reduces the Recipient's annual base salary or annual bonus opportunity at high, target or threshold performance as a percentage of annual base salary; or

(c) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;

provided however, as to each event in Subsection (a) through (c),

(i) the Recipient gives written notice to the Company within ten (10) days following the event or receipt of notice of the event of his objection to the event;

(ii) the Company fails to remedy the event within ten (10) days following the Recipient's written notice; and

(iii) the Recipient terminates his employment within thirty (30) days following the Company's failure to remedy the event.

"High Relative TSR" means that Relative Total Shareholder Return is the eightieth (80th) percentile or above.

"High TSR" means the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of at least twelve percent (12%) for the Performance Period. In calculating High TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by twelve percent (12%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Performance Period" means the period from and including January 1, 2011 through the earlier of December 31, 2013 or the date of a Change in Control.

"Relative Total Shareholder Return" means Total Shareholder Return ranked on a percentile basis relative to the average total shareholder return of companies comprising the MSCI U.S. REIT Index for the same period for which Total Shareholder Return is calculated and using the same methodology used for calculating Total Shareholder Return.

"Target Relative TSR" means that Relative Total Shareholder Return is the sixty-fifth (65th) percentile.

"Target TSR" means the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of ten percent (10%) for the Performance Period. In calculating Target TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by ten percent (10%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Threshold Relative TSR" means that Relative Total Shareholder Return is the fiftieth (50th) percentile.

"Threshold TSR" means that the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of eight percent (8%) for the Performance Period. In calculating Threshold TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by eight percent (8%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Total Shareholder Return" means the sum of the total change in the Ending Stock Price as compared to the Beginning Stock Price, plus any dividends paid to a shareholder of record with respect to one share of Common Stock during the Performance Period.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

"Vesting Period" means the period beginning on the day after the last day of the Performance Period and ending December 31, 2014.

EXHIBIT 1

- A. The number of Vested Restricted Units is determined as of the last day of the Performance Period by adding the number determined in the TSR Chart and the Relative TSR Chart set forth below; provided that the Recipient shall vest in twenty-five percent (25%) of the Vested Restricted Units as of the last day of each calendar quarter during the Vesting Period only if the Recipient remains an employee, director or consultant of the Company or an Affiliate during the entire Performance Period and through the last day of such calendar quarter.

TSR Chart

Below Threshold TSR	*Threshold TSR	*Target TSR	*High TSR
Zero Vested Units			

Relative TSR Chart

Below Threshold Relative TSR	**Threshold Relative TSR	**Target Relative TSR	**High Relative TSR
Zero Vested Units			

* If Total Shareholder Return falls between Threshold TSR and Target TSR or between Target TSR and High TSR, the number of Vested Restricted Units under the TSR Chart shall be determined by rounding actual Total Shareholder Return to the closest 0.5% percentage points and then applying linear interpolation based on the percentage points by which Threshold TSR or Target TSR, as so adjusted, respectively, is exceeded.

** If Relative Total Shareholder Return falls between Threshold Relative TSR and Target Relative TSR or between Target Relative TSR and High Relative TSR, the number of Vested Restricted Units under the Relative TSR Chart shall be determined by rounding Relative TSR to the closest five (5) percentile points and then applying linear interpolation based on the percentile by which Threshold Relative TSR or Target Relative TSR, respectively, is exceeded.

- B. Notwithstanding the foregoing, if the Recipient dies or becomes subject to a Disability while an employee, director or consultant of the Company or an Affiliate, the Recipient resigns from the Company for Good Reason or the Company terminates the Recipient's employment without Cause (each such event referred to as a "Qualifying Termination"), in each case:

- (i) during the Performance Period and more than sixty (60) days before a Change in Control, the Recipient shall earn upon completion of the Performance Period a number of Vested Restricted Units equal to the number of Vested Restricted Units determined in the charts above, multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of such event and the denominator of which is 1,095 (*i.e.*, 365 x 3), or
- (ii) during the Vesting Period, the Recipient shall earn the same number of Vested Restricted Units determined in the charts above as if the Recipient were to remain an employee of the Company through the last day of the Vesting Period.

- C. Notwithstanding any other provision of this Agreement, if a Change in Control occurs upon or after the Grant Date and before December 31, 2014, and (i) the Recipient remains an employee, director or consultant of the Company or an Affiliate during the entire Performance Period until the date of the Change in Control, or (ii) if within sixty (60) days before the Change in Control, the Recipient incurs a Qualifying Termination, the Recipient shall be 100% vested in, as of the date of the Change in Control:

- 1. if the Change in Control occurs before January 1, 2014, the number of units determined from the Relative TSR Chart based on the percentile of Relative Total Shareholder Return achieved for the Performance Period through the date of the Change in Control, plus
 - a. the number of units determined in the TSR Chart if the applicable level of Total Shareholder Return for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control) is achieved, or
 - b. a number of units equal to the number of units determined in the TSR Chart multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of the Change in Control and the denominator of which is 1,095 (*i.e.*, 365 x 3), if the applicable level of Total Shareholder Return has been achieved based on annualized performance to the date of the Change in Control but not for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), or
 - c. a number of units determined by interpolation between the numbers in clause (a) and (b) above if the applicable level of Total Shareholder Return has been exceeded based on performance to the date of the Change in Control but is less than the applicable level for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), or
- 2. if the Change in Control occurs after December 31, 2013, the number of units determined in the above charts that were actually earned for the Performance Period.

- D. The portion of the Restricted Unit Grant that has not become Vested Restricted Units as of the earlier of the last day of the Performance Period, or, except as provided in Item C above, as of the date the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate shall be forfeited. In addition, if the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate during, but before the last day of, each calendar quarter during the Vesting Period, then except as provided in Item C above, the unvested portion of the Restricted Unit Grant shall be forfeited.
-

EXHIBIT 2

**NOTICE OF WITHHOLDING ELECTION
PURSUANT TO OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

TO: Omega Healthcare Investors, Inc.
Attention: Chief Financial Officer

FROM:

RE: Withholding Election

This election relates to the Restricted Unit Grant identified in Paragraph 3 below. I hereby certify that:

(1) My correct name and social security number and my current address are set forth at the end of this document.

(2) I am (check one, whichever is applicable).

the original recipient of the Restricted Unit Grant.

the legal representative of the estate of the original recipient of the Restricted Unit Grant.

a legatee of the original recipient of the Restricted Unit Grant.

the legal guardian of the original recipient of the Restricted Unit Grant.

(3) The Restricted Unit Grant pursuant to which this election relates was issued with a Grant Date of _____ under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan (the "Plan") in the name of _____. This election relates to _____ shares of Common Stock issuable pursuant to the Restricted Unit Grant.

(4) I hereby elect to have certain of the shares of Common Stock withheld by the Company for the purpose of having the value of the shares applied to pay federal, state and local, if any, taxes arising from the exercise.

The fair market value of the shares of Common Stock to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Unit Grant shall be equal to the minimum statutory tax withholding requirement under federal, state and local law in connection with the exercise.

(5) This Withholding Election is made no later than ten (10) days after the Tax Notice Date and is otherwise timely made pursuant to the Plan.

(6) I further understand that, if this Withholding Election is not disapproved by the Committee, the Company shall withhold from the Common Stock issuable to me a whole number of shares of Common Stock having the value specified in Paragraph 4 above.

(7) The Plan has been made available to me by the Company, I have read and understand the Plan and I have no reason to believe that any of the conditions therein to the making of this Withholding Election have not been met. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

Dated:

Signature:

Name (Printed)

Street Address

City, State, Zip Code

EXHIBIT E

**PERFORMANCE RESTRICTED STOCK UNIT
AGREEMENT – FOR ANNUAL PRSUs**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

The grant pursuant to this agreement (this "Agreement") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to this Agreement (which shall include the Terms and Conditions and Exhibits appended to the execution page), the Company hereby awards as of the Grant Date to the Recipient, the opportunity to earn Vested Restricted Units (the "Restricted Unit Grant" or the "Award"). Underlined and capitalized terms in Items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: January 1, 201__.
- B. Plan (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Vested Restricted Units: The Recipient shall earn a number of Vested Restricted Units determined pursuant to Exhibit 1. Each Vested Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and related Dividend Equivalents (as defined below) in accordance with this Agreement.
- D. Dividends Equivalents. Each Vested Restricted Unit shall accrue Dividend Equivalents, an amount equal to the dividends per share paid on one share of Common Stock to a shareholder of record on or after the Grant Date and until the date that the Vested Shares (as defined below) are issued.
- E. Distribution Date of Vested Shares. Shares of Common Stock attributable to Vested Restricted Units ("Vested Shares") shall be issued and distributed upon the earlier of the dates listed below, subject to receipt from the Recipient of the required tax withholding:
1. within ten (10) business days following December 31, 201__; or
 2. the date of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents attributable to Vested Restricted Units shall be distributed to the Recipient on the same date as Vested Shares are distributable to the Recipient under Item E above.

IN WITNESS WHEREOF, the Company has executed this Agreement to be effective as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Payment for Vested Restricted Units. The Company shall issue in book entry form in the name of the Recipient, or issue and deliver to the Recipient a share certificate representing, the Vested Shares on the Distribution Date of Vested Shares.

2. Dividends Equivalents. The Company shall pay Dividend Equivalents attributable to Vested Restricted Units on the Distribution Date of Dividend Equivalents, subject to required tax withholding.

3. Tax Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a check payable to the Company, in the amount of all tax withholding obligations imposed on the Company as a result of the issuance of the Vested Shares, except as provided in Section 3(b). If the Recipient does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b).

(b) In lieu of paying the tax withholding obligation described in Section 3(a), the Recipient may elect to have the number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the Distribution Date of the Vested Shares, together with cash or a check in lieu of any fractional Vested Share, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company as a result of the issuance of the Vested Shares (the "Withholding Election"). The Recipient may make a Withholding Election only if all of the following conditions are met:

(i) The Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 2 attached hereto; and

(ii) Any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding, the Recipient will forfeit the Vested Shares.

4. Restrictions on Transfer. Except for the transfer by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to this Award. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

5. Change in Capitalization.

(a) The number and kind of shares issuable under this Agreement shall be proportionately adjusted for any non-reciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Common Stock subject to the Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, in each case that does not constitute an Equity Restructuring, the Committee shall take such action to make such adjustments with respect to the shares of Common Stock issuable hereunder or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions.

(c) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Unit Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Vested Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be

invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. Subject to the terms and conditions of the Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter.

11. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

12. No Right to Continued Retention. Neither the establishment of the Plan nor the Award hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

13. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Plan.

14. Definitions. As used in this Agreement:

"Beginning Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 201__ on the exchange on which Common Stock is traded.

"Below Threshold Performance" means the Company has achieved Total Shareholder Return of less than eight percent (8%).

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the

meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Ending Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 201__ on the exchange on which Common Stock is traded, unless a Change in Control occurs before December 31, 201__, in which case the term means the value per share determined as of the date of the Change in Control, such value to be determined by the Compensation Committee in its reasonable discretion based on the actual or implied price per share paid in the Change in Control transaction.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of all of the events listed in either (a) or (b) below:

- (a) (i) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;
- (ii) the Recipient gives written notice to the Company of the facts and circumstances constituting the material diminution in responsibilities within ten (10) days following the occurrence of such material diminution;
- (iii) the Company fails to remedy the material diminution in responsibilities within ten (10) days following the Recipient's written notice of the material diminution in responsibilities; and
- (iv) the Recipient terminates his employment and this Agreement within thirty (30) days following the Company's failure to remedy the material diminution in responsibilities.
- (b) (i) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;
- (ii) the Recipient gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;
- (iii) the Company fails to rescind the notice of relocation within ten (10) days following the Recipient's written notice; and
- (iv) the Recipient terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

"High Performance" means the Company has achieved Total Shareholder Return of at least twelve percent (12%).

"Performance Period" means the period from and including January 1, 201__ through the earlier of December 31, 201__ or the date of a Change in Control.

"Target Performance" means the Company has achieved Total Shareholder Return of ten percent (10%).

"Threshold Performance" means that the Company has achieved Total Shareholder Return of eight percent (8%).

"Total Shareholder Return" means the sum of the total change in the Ending Stock Price as compared to the Beginning Stock Price, plus any dividends paid to a shareholder of record with respect to one share of Common Stock during the Performance Period.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

EXHIBIT 1

- A. The number of Vested Restricted Units earned is determined as of the last day of the Performance Period pursuant to the following chart; provided that the Recipient must remain an employee, director or consultant of the Company or an Affiliate during the entire Performance Period to earn the number of Vested Restricted Units determined in the chart below.

Below Threshold Performance	*Threshold Performance	*Target Performance	*High Performance
Zero Vested Units			

- * If Total Shareholder Return falls between Threshold Performance and Target Performance or between Target Performance and High Performance, the number of Vested Restricted Units shall be determined by rounding actual Total Shareholder Return to the closest 0.5% percentage points and then applying linear interpolation based on the percentage points by which Threshold Performance or Target Performance, respectively, as so adjusted, is exceeded.
- B. Notwithstanding the foregoing, if during the Performance Period and more than sixty (60) days before a Change in Control, the Recipient dies or becomes subject to a Disability while an employee, director or consultant of the Company or an Affiliate, the Recipient resigns from the Company for Good Reason, or the Company terminates the Recipient's employment without Cause (each such event referred to as a "Qualifying Termination"), the Recipient shall earn a number of Vested Restricted Units equal to the number of Vested Restricted Units determined in the chart above as of the completion of the Performance Period, multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of such event and the denominator of which is 365.
- C. Notwithstanding the foregoing, if a Change in Control occurs on or after the Grant Date and before December 31, 201__ and (i) while the Recipient remains an employee, director or consultant of the Company or an Affiliate, or (ii) within sixty (60) days before the Change in Control, the Recipient incurs a Qualifying Termination, the Recipient shall earn a number of Vested Restricted Units determined in the chart above based on the level of Total Shareholder Return through the date of the Change in Control relative to the level required for the full Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), and shall not thereafter earn any additional Vested Restricted Units.
- D. The portion of the Restricted Unit Grant that has not become earned Vested Restricted Units as of the earlier of the last day of the Performance Period, or, except as provided in Item C above, as of the date the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate shall be forfeited.
-

EXHIBIT 2

**NOTICE OF WITHHOLDING ELECTION
PURSUANT TO OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

TO: Omega Healthcare Investors, Inc.
Attention: Chief Financial Officer

FROM:

RE: Withholding Election

This election relates to the Restricted Unit Grant identified in Paragraph 3 below. I hereby certify that:

(1) My correct name and social security number and my current address are set forth at the end of this document.

(2) I am (check one, whichever is applicable).

the original recipient of the Restricted Unit Grant.

the legal representative of the estate of the original recipient of the Restricted Unit Grant.

a legatee of the original recipient of the Restricted Unit Grant.

the legal guardian of the original recipient of the Restricted Unit Grant.

(3) The Restricted Unit Grant pursuant to which this election relates was issued with a Grant Date of _____ under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan (the "Plan") in the name of _____. This election relates to _____ shares of Common Stock issuable pursuant to the Restricted Unit Grant.

(4) I hereby elect to have certain of the shares of Common Stock withheld by the Company for the purpose of having the value of the shares applied to pay federal, state and local, if any, taxes arising from the exercise.

The fair market value of the shares of Common Stock to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Unit Grant shall be equal to the minimum statutory tax withholding requirement under federal, state and local law in connection with the exercise.

(5) This Withholding Election is made no later than ten (10) days after the Tax Notice Date and is otherwise timely made pursuant to the Plan.

(6) I further understand that, if this Withholding Election is not disapproved by the Committee, the Company shall withhold from the Common Stock issuable to me a whole number of shares of Common Stock having the value specified in Paragraph 4 above.

(7) The Plan has been made available to me by the Company, I have read and understand the Plan and I have no reason to believe that any of the conditions therein to the making of this Withholding Election have not been met. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

Dated:

Signature:

Name (Printed)

Street Address

City, State, Zip Code

EXHIBIT F

DETERMINATION OF NUMBERS OF RESTRICTED SHARES AND UNITS

The number of shares of stock subject to the Restricted Stock Agreement, the number of units subject to the Multi-year PRSU Agreement, and the number of units subject to the Annual PRSU Agreement shall be determined as described below. (The methodology set forth below is the same as used in the charts provided by FPL Associates L.P. to the Compensation Committee on August 19, 2010, except that for purposes of illustration, the FPL memo uses a \$23 share price assumption, whereas the actual final calculations of the potential number of shares and units will be based on the volume weighted-average trading price per share of Omega common stock ("VWAP") for the month of December 2010.)

Step 1: Start with threshold, target and high levels of 2011-2013 aggregate compensation (comprised of base salary, bonus opportunity and long-term incentive opportunity):

Threshold	Target	High
\$4,190,000	\$6,473,000	\$9,028,000

Step 2: Determine aggregate salary and bonus opportunities for 2011-2013:

Threshold	Target	High
\$1,710,000	\$1,995,000	\$2,280,000

Step 3: Subtract Step 2 from Step 1 to arrive at aggregate long-term incentive opportunity (excluding dividends) for 2011-2013:

Threshold	Target	High
\$2,480,000	\$4,478,000	\$6,748,000

Step 4: Determine projected dividends per share of Omega common stock based on Omega's projections as of December 31, 2010. Determine the number of shares of Omega common stock, which, based on the December 2010 VWAP and assuming "Target TSR" and "Target Relative TSR" (as defined in the Multi-year PRSU Agreement) are achieved (assuming, for purposes of calculating Target TSR and Target Relative TSR referred to above, that the projected dividends are paid), results in the \$4,478,000 target level of aggregate long-term incentive compensation (*i.e.*, restricted shares, units subject to the Multi-year PRSU agreement, and units subject to the Annual PRSU agreement) (excluding projected dividends) at Step 3 as of December 31, 2013 being earned. For purposes of this Exhibit F, compensation attributable to the Multi-year PRSU agreement shall be calculated based on the projected value, using the preceding methodology, of one-third of the units at each of December 31, 2011, December 31, 2012 and December 31, 2013.

Step 5: Divide the number of shares determined at Step 4 into two components equal in number.

Step 5A: The first component is the number of shares subject to the Restricted Stock Agreement.

Step 5B: Divide the second component into two sub-components equal in number. The first sub-component is the number of units subject to the Multi-year PRSU Agreement if Target TSR and Target Relative TSR are achieved. Divide the second subcomponent into three equal numbers of units, each of which represents the number of shares issuable pursuant to the Annual PRSU Agreement if "Target Performance" (as defined in the Annual PRSU Agreement) for the applicable year is achieved.

Step 6: The number of shares of stock subject to the Restricted Stock Agreement as determined at Step 5A is held constant, regardless of performance. The numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement if Target TSR and Target Relative TSR, and Target Performance, respectively are achieved are as provided in Step 5B. Determine the number of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement if "Threshold TSR" and "Threshold Relative TSR" (as those terms are defined in the Multi-year PRSU Agreement) and "Threshold Performance" (as defined in the Annual PRSU Agreement) are achieved by subtracting the projected compensation (excluding dividends) attributable to the Restricted Stock Agreement as determined in Step 5A from the \$2,480,000 of aggregate long-term incentive compensation (excluding dividends) at Step 3 at threshold to arrive at the difference and then determine the number of shares of Omega common stock, which based on the December 2010 VWAP and assuming Threshold TSR and Threshold Relative TSR are achieved and projected dividends are paid, results in an amount of projected compensation (excluding dividends) at December 31, 2013 that is equal to such difference. This number of units is then divided into two equal subcomponents; a multi-year subcomponent and an annual subcomponent (that is divided into three equal annual subcomponents) all in the same manner as discussed at Step 5B, but using Threshold TSR, Threshold Relative TSR and Threshold Performance instead of Target TSR, Target Relative TSR and Target Performance, respectively, in such formula. The numbers of units at High TSR, High Relative TSR and High Performance are determined in the same manner as the number of units at Threshold TSR, Threshold Relative TSR and Threshold Performance are determined in this Step 6, except that "High" is substituted into this formula in lieu of "Threshold."

This is only a summary of the methodology for determining the number of shares subject to the Restricted Stock Agreement and the numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement. The actual numbers shall be calculated by FPL Associates L.P. or other compensation consultant retained by the Compensation Committee of the Board of Directors of the Company (either, the "Compensation Consultant"), and in the event of any conflict between the terms of this summary and such calculation, the calculation shall control as long as the calculation is based on the Compensation Consultant's interpretation of this Exhibit F and such interpretation is not manifestly unreasonable.

EXHIBIT G

**RELEASE, AGREEMENT PURSUANT TO
EMPLOYMENT AGREEMENT**

This Agreement (this "Agreement") is made this ___ day of _____, 200_, by OMEGA HEALTHCARE INVESTORS, INC. (the "Employer") and _____ (the "Employee").

Introduction

Employee and the Employer entered into an Employment Agreement dated _____, 2010 (the "Employment Agreement").

The Employment Agreement requires that as a condition to the Employer's obligation to pay payments and benefits under Section 3(c) of the Employment Agreement (the "Severance Benefits"), Employee must provide a release and agree to certain other conditions as provided herein.

NOW, THEREFORE, the parties agree as follows:

1. **[For Employee under age 40: The effective date of this Agreement shall be the date on which Employee signs this Agreement ("the Effective Date"), at which time this Agreement shall be fully effective and enforceable.]**

[For Employee age 40 and over or group termination of Employees age 40 and over : Employee has been offered [twenty-one (21) days] [forty-five (45) days if group termination] from receipt of this Agreement within which to consider this Agreement. The effective date of this Agreement shall be the date eight (8) days after the date on which Employee signs this Agreement ("the Effective Date"). For a period of seven (7) days following Employee's execution of this Agreement, Employee may revoke this Agreement, and this Agreement shall not become effective or enforceable until such seven (7) day period has expired. Employee must communicate the desire to revoke this Agreement in writing. Employee understands that he or she may sign the Agreement at any time before the expiration of the [twenty-one (21) day] [forty-five (45) day] review period. To the degree Employee chooses not to wait [twenty-one (21) days] [forty-five (45) days] to execute this Agreement, it is because Employee freely and unilaterally chooses to execute this Agreement before that time. Employee's signing of the Agreement triggers the commencement of the seven (7) day revocation period.]

2. In exchange for Employee's execution of this Agreement and in full and complete settlement of any claims as specifically provided in this Agreement, the Employer will provide Employee with the Severance Benefits.

3. **[For Employee age 40 or over or group termination of Employees age 40 and over : Employee acknowledges and agrees that this Agreement is in compliance with the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act and that the releases set forth in this Agreement shall be applicable, without limitation, to any claims brought under these Acts.]**

The release given by Employee in this Agreement is given solely in exchange for the consideration set forth in Section 2 of this Agreement and such consideration is in addition to anything of value that Employee was entitled to receive prior to entering into this Agreement.

Employee has been advised to consult an attorney prior to entering into this Agreement **[For Employee age 40 or over or group termination of Employees age 40 and over: and this provision of the Agreement satisfies the requirement of the Older Workers Benefit Protection Act that Employee be so advised in writing].**

[For under age 40: Employee has been offered an ample opportunity from receipt of this Agreement within which to consider this Agreement.]

By entering into this Agreement, Employee does not waive any rights or claims that may arise after the date this Agreement is executed.

4. **[For group termination of Employees age 40 and over: The Employer has _____ [The Employer to describe class, unit, or group of individuals covered by termination program, any eligibility factors, and time limits applicable] and such employees comprise the "Decisional Unit." Attached as "Attachment 1" to this Agreement is a list of ages and job titles of persons in the Decisional Unit who were and who were not selected for termination and the offer of consideration for signing the Agreement.]**

5. This Agreement shall in no way be construed as an admission by the Employer that it has acted wrongfully with respect to Employee or any other person or that Employee has any rights whatsoever against the Employer. The Employer specifically disclaims any liability to or wrongful acts against Employee or any other person on the part of itself, its employees or its agents.

6. As a material inducement to the Employer to enter into this Agreement, Employee hereby irrevocably releases the Employer and each of the owners, stockholders, predecessors, successors, directors, officers, employees, representatives, attorneys, affiliates (and agents, directors, officers, employees, representatives and attorneys of such affiliates) of the Employer and all persons acting by, through, under or in concert with them (collectively, the "Releasees"), from any and all charges, claims, liabilities, agreements, damages, causes of action, suits, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, including, but not limited to, rights arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, or any tort, or any legal restrictions on the Employer's right to terminate employees, or any federal, state or other governmental statute, regulation, or ordinance, including, without limitation: (1) Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991 (race, color, religion, sex, and national origin discrimination); (2) the Employee Retirement Income Security Act ("ERISA"); (3) 42 U.S.C. § 1981 (discrimination); (4) the Americans with Disabilities Act (disability discrimination); (5) the Equal Pay Act; **[For Employee age 40 or over or group termination of Employees age 40 and over: (6) the Age Discrimination in Employment Act; (7) the Older Workers Benefit Protection Act;]** (6) Executive Order 11246 (race, color, religion, sex, and national origin discrimination); (7) Executive Order 11141 (age discrimination); (8) Section 503 of the Rehabilitation Act of 1973 (disability discrimination); (9) negligence; (10) negligent hiring and/or negligent retention; (11) intentional or negligent infliction of emotional distress or outrage; (12) defamation; (13) interference with employment; (14) wrongful discharge; (15) invasion of privacy; or (16) violation of any other legal or contractual duty arising under the laws of the State of Maryland or the laws of the United States ("Claim" or "Claims"), which Employee now has, or claims to have, or which Employee at any time heretofore had, or claimed to have, or which Employee at any time hereinafter may have, or claim to have, against each or any of the Releasees, in each case as to acts or omissions by each or any of the Releasees occurring up to and including the Effective Date.
7. The release in the preceding paragraph of this Agreement does not apply to (a) all benefits and awards (including without limitation cash and stock components) which pursuant to the terms of any compensation or benefit plans, programs, or agreements of the Employer are earned or become payable, but which have not yet been paid, and (b) pay for accrued but unused vacation that the Employer is legally obligated to pay Employee, if any, and only if the Employer is so obligated, (c) unreimbursed business expenses for which Employee is entitled to reimbursement under the Employer's policies, (d) any rights to indemnification that Employee has under any directors and officers or other insurance policy the Employer maintains or under the bylaws and articles of incorporation of the Company, and under any indemnification agreement, if any, and (e) any rights the Employee may have (if any) to workers compensation benefits.
8. Employee promises that he will not make statements disparaging to any of the Releasees. Employee agrees not to make any statements about any of the Releasees to the press (including without limitation any newspaper, magazine, radio station or television station) without the prior written consent of the Employer. The obligations set forth in the two immediately preceding sentences will expire two years after the Effective Date. Employee will also cooperate with the Employer and its affiliates if the Employer requests Employee's testimony. To the extent practicable and within the control of the Employer, the Employer will use reasonable efforts to schedule the timing of Employee's participation in any such witness activities in a reasonable manner to take into account Employee's then current employment, and will pay the reasonable documented out-of-pocket expenses that the Employer pre-approves and that Employee incurs for travel required by the Employer with respect to those activities.
9. Except as set forth in this Section, Employee agrees not to disclose the existence or terms of this Agreement to anyone. However, Employee may disclose it to a member of his immediate family or legal or financial advisors if necessary and on the condition that the family member or advisor similarly does not disclose these terms to anyone. Employee understands that he will be responsible for any disclosure by a family member or advisor as if he had disclosed it himself. This restriction does not prohibit Employee's disclosure of this Agreement or its terms to the extent necessary during a legal action to enforce this Agreement or to the extent Employee is legally compelled to make a disclosure. However, Employee will notify the Employer promptly upon becoming aware of that legal necessity and provide it with reasonable details of that legal necessity.
10. Employee has not filed or caused to be filed any lawsuit, complaint or charge with respect to any Claim he releases in this Agreement. Employee promises never to file or pursue a lawsuit, complaint or charge based on any Claim released by this Agreement, except that Employee may participate in an investigation or proceeding conducted by an agency of the United States Government or of any state. Notwithstanding the foregoing, Employee is not prohibited from filing a charge with the Equal Employment Opportunity Commission but expressly waives his right to personal recovery as a result of such charge. Employee also has not assigned or transferred any claim he is releasing, nor has he purported to do so. **[For group termination of Employees age 40 and over: Employee covenants and agrees not to institute, or participate in any way in anyone else's actions involved in instituting, any action against any of the members of the Decisional Unit with respect to any Claim released herein.]**
11. The Employer and Employee agree that the terms of this Agreement shall be final and binding and that this Agreement shall be interpreted, enforced and governed under the laws of the State of Maryland. The provisions of this Agreement can be severed, and if any part of this Agreement is found to be unenforceable, the remainder of this Agreement will continue to be valid and effective.
12. This Agreement sets forth the entire agreement between the Employer and Employee and fully supersedes any and all prior agreements or understandings, written and/or oral, between the Employer and Employee pertaining to the subject matter of this Agreement.
13. Employee is solely responsible for the payment of any fees incurred as the result of an attorney reviewing this agreement on behalf of Employee. In any litigation concerning the validity or enforceability of this contract or in any litigation to enforce the provisions of this contract, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs, including court costs and expert witness fees and costs.

Employee's signature below indicates Employee's understanding and agreement with all of the terms in this Agreement.

Employee should take this Agreement home and carefully consider all of its provisions before signing it. **[For Employee age 40 or over or group termination of Employees age 40 and over: Employee may take up to [twenty-one (21) days] [forty-five (45) days if group termination] to decide whether Employee wants to accept and sign this Agreement. Also, if Employee signs this Agreement, Employee will then have an additional seven (7) days in which to revoke Employee's acceptance of this Agreement after Employee has signed it. This Agreement will not be effective or enforceable, nor will any consideration be paid, until after the seven (7) day revocation period has expired.]** Again, Employee is free and encouraged to discuss the contents and advisability of signing this Agreement with an attorney of Employee's choosing.

CONSULT WITH AN ATTORNEY BEFORE EXECUTING THIS DOCUMENT.

IN WITNESS WHEREOF, Employee and the Employer have executed this agreement effective as of the date first written above.

EMPLOYEE

Daniel Booth

Signature

Date Signed

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") to be effective as of October 22, 2010 (the "Effective Date"), between Omega Healthcare Investors, Inc. (the "Company"), and Robert O. Stephenson (the "Executive").

INTRODUCTION

The Company and the Executive are parties to an employment agreement dated September 1, 2004, amended May 7, 2007 and December 16, 2008, and now desire to enter into this Agreement to replace and supercede the existing employment agreement.

NOW, THEREFORE, the parties agree as follows:

1. Terms and Conditions of Employment.

(a) Employment. During the Term, Company will employ the Executive, and the Executive will serve on a full-time basis as the Chief Financial Officer of the Company until a Change in Control, and upon and following a Change in Control will have such job position as may be assigned by the Company and will have such responsibilities and authority as may from time to time be assigned to the Executive by the Company. In this capacity, Executive will provide unique services to the Company and be privy to the Company's Confidential Information and Trade Secrets. The Executive will report to the Chief Executive Officer of the Company until the occurrence of a Change in Control and upon and following a Change in Control will report for such position as may be established by the Company. The Executive's primary office will be at the Company's headquarters in such geographic location within the United States as may be determined by the Company.

(b) Exclusivity. Throughout the Executive's employment hereunder, the Executive shall devote substantially all of the Executive's time, energy and skill during regular business hours to the performance of the duties of the Executive's employment, shall faithfully and industriously perform such duties, and shall diligently follow and implement all management policies and decisions of the Company; provided, however, that this provision is not intended to prevent the Executive from managing his investments, so long as he gives his duties to the Company first priority and such investment activities do not interfere with his performance of duties for the Company. Notwithstanding the foregoing, other than with regard to the Executive's duties to the Company, the Executive will not accept any other employment during the Term, perform any consulting services during the Term, or serve on the board of directors or governing body of any other business, except with the prior written consent of the Chief Executive Officer. Further, the Executive has disclosed on Exhibit A hereto, all of his nonpublic company healthcare related investments, and agrees during the Term not to make any investments during the term hereof except as a passive investor. The Executive agrees during the Term not to own directly or indirectly equity securities of any public healthcare related company (excluding the Company) that represents five percent (5%) or more of the value of voting power of the equity securities of such company.

2. Compensation.

(a) Base Salary. The Company shall pay the Executive base salary of \$305,000 per annum effective January 1, 2010, \$328,000 per annum effective January 1, 2011, \$351,000 per annum effective January 1, 2012, which base salary will be subject to review effective as of January 1, 2013, and at least annually thereafter by the Company for possible increases. The base salary shall be payable in equal installments, no less frequently than twice per month, in accordance with the Company's regular payroll practices.

(b) Bonus.

(i) The Executive shall be eligible to earn an annual bonus of 75%, 62.5% and 50%, respectively, for high, target and threshold performance, respectively, of the Executive's annual base salary (the "Bonus"), which Bonus, if any, shall be payable (A) promptly following the availability to the Company of the required data to calculate the Bonus for the year for which the Bonus is earned (which data may in the Company's discretion include audited financial statements), and (B) by no later than March 15 of the year following the year for which the Bonus is earned.

(ii) The Bonus metrics, the relative weighting of the bonus metrics and the specific threshold, target and high levels of each metric for 2010 are set forth on Exhibit B. The performance metrics and the weighting set forth on Exhibit B, but not the specific required levels at threshold, target and high, will continue to apply for 2011 and each subsequent year through 2013 unless the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") changes the metrics or the weighting by no later than the first ninety (90) days of the year in which such change is to occur. If the Compensation Committee changes the metrics or the weighting with respect to a year, it will communicate the new metrics and the weighting, and the required levels for threshold, target and high performance to the Executive promptly after it approves such changes (which approval must occur no later than the first ninety (90) days of the year in which the change is made). After any such change is made, the changed metrics and the weighting, but not the required levels for threshold, target and high performance, will continue to apply to each subsequent year through 2013, unless the Compensation Committee takes further action to change the metrics or weighting in the same manner described above. Regardless of whether or not the Compensation Committee changes the metrics or the weighting for a year, it will establish the required levels for threshold, target and high performance for the year by no later than the first ninety (90) days of the year, and promptly thereafter communicate the same to the Executive. All required levels for threshold, target and high performance for any year that are based on objective criteria of the type contained in the Company's budget will be based on the Company's budget for the subject year that has been approved by the Board of Directors. Notwithstanding any of the foregoing, the Compensation Committee reserves the right to make adjustments at any time (including without limitation, after the first ninety (90) days of the year to which the bonus criteria apply) to the bonus metrics, the relative weighting of the bonus metrics and the specific threshold, target and high levels of each metric.

(iii) The Executive will be eligible for a prorated Bonus, prorated in accordance with procedures established in the Company's discretion, if the Executive terminates employment during a calendar year due to death. In addition, if the Term is not extended beyond December 31, 2013, the Executive will be eligible for a Bonus for 2013 if he remains employed through December 31, 2013. Otherwise, the Executive will be eligible for a Bonus for any calendar year only if the Executive remains employed by the Company on the date the Bonus is paid, unless otherwise provided by the terms of the applicable bonus plan or the Compensation Committee.

(c) Long-Term Incentive Compensation. Subject to the Executive's continued employment through the effective date of each grant specified below, the Executive shall be entitled to the following grants:

(i) effective January 1, 2011, a grant of restricted stock pursuant to an agreement in substantially the form attached hereto as Exhibit C (the "Restricted Stock Agreement");

(ii) effective January 1, 2011, a grant of performance restricted stock units for the performance period January 1, 2011 through December 31, 2013 with additional quarterly vesting period through December 31, 2014 pursuant to an agreement in substantially the form attached hereto as Exhibit D (the "Multi-year PRSU Agreement"); and

(iii) effective on each of January 1, 2011, January 1, 2012, and January 1, 2013, a grant of performance restricted stock units pursuant to an agreement in substantially the form attached hereto as Exhibit E (the "Annual PRSU Agreement").

The number of shares of stock subject to the Restricted Stock Agreement and the numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement shall be determined in accordance with Exhibit F hereto.

Notwithstanding the foregoing, in the event of any conflict between the terms of the Restricted Stock Agreement, the Multi-year PRSU Agreement or the Annual PRSU Agreement described in this Agreement and Exhibit F and the actual Restricted Stock Agreement, the actual Multi-year PRSU Agreement or the actual Annual PRSU Agreement, the actual Restricted Stock Agreement, the actual Multi-year PRSU Agreement or the actual Annual PRSU Agreement shall govern. The Executive shall be entitled to any other long-term compensation provided by the Company to the extent provided by, and subject to the terms of, any plan, program, or agreement applicable to the Executive. Nothing herein shall supersede the terms and conditions of any previously granted long-term or equity incentives.

(d) Expenses. The Executive shall be entitled to be reimbursed in accordance with Company policy for reasonable and necessary expenses incurred by the Executive in connection with the performance of the Executive's duties of employment hereunder; provided, however, the Executive shall, as a condition of such reimbursement, submit verification of the nature and amount of such expenses in accordance with the reasonable reimbursement policies from time to time adopted by the Company. In the case of taxable reimbursements or in-kind benefits that are subject to Section 409A of the Internal Revenue Code, the policy must provide an objectively determinable nondiscretionary definition of expenses eligible for reimbursement or in-kind benefits to be provided, the expense must be incurred or in-kind benefit must be provided during the period that the Executive is employed by or performing services for the Company, unless a different objectively and specifically prescribed period is specified under the applicable policy, the amount of expenses that are eligible for reimbursement or in-kind benefits provided during the Executive's taxable year may not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year, the reimbursement must be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred, and the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(e) Paid Time Off. The Executive shall be entitled to paid time off in accordance with the terms of Company policy.

(f) Benefits. In addition to the benefits payable to the Executive specifically described herein, the Executive shall be entitled to such benefits as generally may be made available to all other Executives of the Company from time to time; provided, however, that nothing contained herein shall require the establishment or continuation of any particular plan or program.

(g) Withholding. All payments pursuant to this Agreement shall be reduced for any applicable state, local, or federal tax withholding obligations.

(h) Insurance and Indemnification. The Executive shall be entitled to indemnification, including advancement of expenses (if applicable), in accordance with and to the extent provided by the Company's bylaws and articles of incorporation, and any separate indemnification agreement, if any.

3. Term, Termination and Termination Payments

(a) Term. The term of this Agreement (the "Term") shall begin as of the Effective Date and shall continue through December 31, 2013, unless sooner terminated pursuant to Section 3(b) hereof.

(b) Termination. This Agreement and the employment of the Executive by the Company hereunder shall only be terminated: (i) by expiration of the Term; (ii) by the Company without Cause; (iii) by the Executive for Good Reason; (iv) by the Company or the Executive due to the Disability of the Executive; (v) by the Company for Cause; (vi) by the Executive for other than Good Reason or Disability, upon at least sixty (60) days prior written notice to the Company; or (vii) upon the death of the Executive. Notice of termination by any party shall be given in writing prior to termination and shall specify the basis for termination and the effective date of termination. Further, notice of termination for Cause by the Company or Good Reason by the Executive shall specify the facts alleged to constitute termination for Cause or Good Reason, as applicable. Except as provided in Section 3(c), the Executive shall not be entitled to any payments or benefits after the effective date of the termination of this Agreement, except for base salary pursuant to Section 2(a) accrued up to the effective date of termination, any unpaid earned and accrued Bonus, if any, pursuant to Section 2(b), pay for accrued but unused vacation that the Employer is legally obligated to pay Employee, if any, and only if the Employer is so obligated, as provided under the terms of any other employee benefit and compensation agreements or plans applicable to the Executive, expenses required to be reimbursed pursuant to Section 2(d), and any rights to payment the Executive has under Section 2(h).

(c) Termination by the Company without Cause or by the Executive for Good Reason.

(i) If the employment of the Executive is terminated by the Company without Cause or by the Executive for Good Reason, the Company will pay the Executive one and one-half times the sum of (A) his base salary pursuant to Section 2(a) hereof, plus (B) an amount equal to the average annual Bonus paid to the Executive for the three most recently completed calendar years prior to termination of employment; provided, however, that if the Executive's termination of employment occurs before the Bonus, if any, for the most recently completed calendar year is payable, then the averaging will be determined by reference to the three most recently completed calendar years before that calendar year. Such amount shall be paid in substantially equal annual installments not less frequently than twice per month over the eighteen (18) month period commencing as of the date of termination of employment, provided that the first payment shall be made sixty (60) days following termination of employment and shall include all payments accrued from the date of termination of employment to the date of the first payment; provided, however, if the Executive is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code, as amended (the "Code"), at the date of his termination of employment then, to the extent required to avoid a tax under Code Section 409A, payments which would otherwise have been made during the first six (6) months after termination of employment shall be withheld and paid to the Executive during the seventh month following the date of his termination of employment. Notwithstanding the foregoing, if the total payments to be paid to the Executive hereunder, along with any other payments to the Executive,

would result in the Executive being subject to the excise tax imposed by Code Section 4999, the Company shall reduce the aggregate payments to the largest amount which can be paid to the Executive without triggering the excise tax, but only if and to the extent that such reduction would result in the Executive retaining larger aggregate after-tax payments. The determination of the excise tax and the aggregate after-tax payments to be received by the Executive will be made by the Company after consultation with its advisors and in material compliance with applicable law. If payments are to be reduced, the payments made latest in time will be reduced first and if any payments are to be made at the same time, non-cash payments will be reduced before cash payments.

(ii) If the Term is not extended or the Term is not extended and the Company or the Executive terminates the Executive's employment upon or following expiration of the Term, such termination shall not be deemed to be a termination of the Executive's employment by the Company without Cause or a resignation by Executive for Good Reason.

(iii) Notwithstanding any other provision hereof, as a condition to the payment of the amounts in this Section, the Executive shall be required to execute and not revoke within the revocation period provided therein, the Release. The Company shall provide the Release for the Executive's execution in sufficient time so that if the Executive timely executes and returns the Release, the revocation period will expire before the date the Executive is required to begin to receive payment pursuant to Section 3(c)(i).

(d) Survival. The covenants in Section 3 hereof shall survive the termination of this Agreement and shall not be extinguished thereby.

4. Ownership and Protection of Proprietary Information.

(a) Confidentiality. All Confidential Information and Trade Secrets and all physical embodiments thereof received or developed by the Executive while employed by the Company are confidential to and are and will remain the sole and exclusive property of the Company. Except to the extent necessary to perform the duties assigned by the Company hereunder, the Executive will hold such Confidential Information and Trade Secrets in trust and strictest confidence, and will not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information and Trade Secrets or any physical embodiments thereof and may in no event take any action causing or fail to take the action necessary in order to prevent, any Confidential Information and Trade Secrets disclosed to or developed by the Executive to lose its character or cease to qualify as Confidential Information or Trade Secrets.

(b) Return of Company Property. Upon request by the Company, and in any event upon termination of this Agreement for any reason, as a prior condition to receiving any final compensation hereunder (including any payments pursuant to Section 3 hereof), the Executive will promptly deliver to the Company all property belonging to the Company, including, without limitation, all Confidential Information and Trade Secrets (and all embodiments thereof) then in the Executive's custody, control or possession.

(c) Survival. The covenants of confidentiality set forth herein will apply on and after the date hereof to any Confidential Information and Trade Secrets disclosed by the Company or developed by the Executive while employed or engaged by the Company prior to or after the date hereof. The covenants restricting the use of Confidential Information will continue and be maintained by the Executive for a period of two years following the termination of this Agreement. The covenants restricting the use of Trade Secrets will continue and be maintained by the Executive following termination of this Agreement for so long as permitted by the governing law.

5. Non-Competition and Non-Solicitation Provisions.

(a) The Executive agrees that during the Applicable Period, the Executive will not (except on behalf of or with the prior written consent of the Company, which consent may be withheld in Company's sole discretion), within the Area either directly or indirectly, on his own behalf, or in the service of or on behalf of others, provide managerial services or management consulting services substantially similar to those Executive provides for the Company to any Competing Business. As of the Effective Date, the Executive acknowledges and agrees that the Business of the Company is conducted in the Area.

(b) The Executive agrees that during the Applicable Period, he will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others solicit any individual or entity which is an actual or, to his knowledge, actively sought prospective client of the Company or any of its Affiliates (determined as of date of termination of employment) with whom he had material contact while he was an Executive of the Company, for the purpose of offering services substantially similar to those offered by the Company.

(c) The Executive agrees that during the Applicable Period, he will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, solicit for employment with a Competing Business any person who is a management level employee of the Company or an Affiliate with whom Executive had contact during the last year of Executive's employment with the Company. The Executive shall not be deemed to be in breach of this covenant solely because an employer for whom he may perform services may solicit, divert, or hire a management level employee of the Company or an Affiliate provided that Executive does not engage in the activity proscribed by the preceding sentence.

(d) The Executive agrees that during the Applicable Period, he will not make any statement (written or oral) that could reasonably be perceived as disparaging to the Company or any person or entity that he reasonably should know is an Affiliate of the Company.

(e) In the event that this Section 5 is determined by a court which has jurisdiction to be unenforceable in part or in whole, the court shall be deemed to have the authority to strike any unenforceable provision, or any part thereof or to revise any provision to the minimum extent necessary to be enforceable to the maximum extent permitted by law.

(f) The provisions of this Section 5 shall survive termination of this Agreement, except that if the Executive remains employed by the Company through December 31, 2013 and the Term expires at December 31, 2013, and as a result no severance is payable pursuant to Section 3 of this Agreement, then the provisions of this Section 5 shall also expire at December 31, 2013.

6. Remedies and Enforceability.

The Executive agrees that the covenants, agreements, and representations contained in Sections 4 and 5 hereof are of the essence of this Agreement; that each of such covenants are reasonable and necessary to protect and preserve the interests and properties of the Company; that irreparable loss and damage will be suffered by the Company should the Executive breach any of such covenants and agreements; that each of such covenants and agreements is separate, distinct and severable not only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the unenforceability of any such covenant or agreement shall not affect the validity or enforceability of any other such covenant or agreements or any other provision or provisions of this Agreement; and that, in addition to other remedies available to it, including, without limitation, termination of the Executive's employment for

Cause, the Company shall be entitled to seek both temporary and permanent injunctions to prevent a breach or contemplated breach by the Executive of any of such covenants or agreements.

7. Notice.

All notices, requests, demands and other communications required hereunder shall be in writing and shall be deemed to have been duly given if delivered or if mailed, by United States certified or registered mail, prepaid to the party to which the same is directed at the following addresses (or at such other addresses as shall be given in writing by the parties to one another):

If to the Company: Omega Healthcare Investors, Inc.
Suite 3500
200 International Circle
Hunt Valley MD 21030
Attn: Chairman

If to the Executive: to the last address the Company
has on file for the Executive

Notices delivered in person shall be effective on the date of delivery. Notices delivered by mail as aforesaid shall be effective upon the fourth calendar day subsequent to the postmark date thereof.

8. Miscellaneous.

(a) Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of the Company's successors and assigns. This Agreement may be assigned by the Company to any legal successor to the Company's business or to an entity that purchases all or substantially all of the assets of the Company, but not otherwise without the prior written consent of the Executive. In the event the Company assigns this Agreement as permitted by this Agreement and the Executive remains employed by the assignee, the "Company" as defined herein will refer to the assignee and the Executive will not be deemed to have terminated his employment hereunder until the Executive terminates his employment with the assignee. The Executive may not assign this Agreement.

(b) Waiver. The waiver of any breach of this Agreement by any party shall not be effective unless in writing, and no such waiver shall constitute the waiver of the same or another breach on a subsequent occasion.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Maryland. The parties agree that any appropriate state or federal court located in Baltimore, Maryland shall have jurisdiction of any case or controversy arising under or in connection with this Agreement and shall be a proper forum in which to adjudicate such case or controversy. The parties consent to the jurisdiction of such courts.

(d) Entire Agreement. This Agreement embodies the entire agreement of the parties hereto relating to the subject matter hereof and supersedes all oral agreements, and to the extent inconsistent with the terms hereof, all other written agreements.

(e) Amendment. This Agreement may not be modified, amended, supplemented or terminated except by a written instrument executed by the parties hereto.

(f) Severability. Each of the covenants and agreements hereinabove contained shall be deemed separate, severable and independent covenants, and in the event that any covenant shall be declared invalid by any court of competent jurisdiction, such invalidity shall not in any manner affect or impair the validity or enforceability of any other part or provision of such covenant or of any other covenant contained herein.

(g) Captions and Section Headings. Except as set forth in Section 9 hereof, captions and section headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

9. Definitions.

(a) "Affiliate" means any person, firm, corporation, partnership, association or entity that, directly or indirectly or through one or more intermediaries, controls, is controlled by or is under common control with the Company.

(b) "Applicable Period" means the period commencing as of the date of this Agreement and ending eighteen (18) months after the termination of the Executive's employment with the Company or any of its Affiliates.

(c) "Area" means Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, West Virginia and Wisconsin.

(d) "Business of the Company" means any business with the primary purpose of leasing assets to healthcare operators, or financing the ownership of, or financing the operation of, senior housing, long-term care facilities, assisted living facilities, retirement housing facilities, or other residential healthcare related real estate.

(e) "Cause" the occurrence of any of the following events:

(i) willful refusal by the Executive to follow a lawful direction of the Chief Executive Officer or the Board of Directors of the Company, provided the direction is not materially inconsistent with the duties or responsibilities of the Executive's position as Chief Financial Officer of the Company, which refusal continues after the Chief Executive Officer or the Board of Directors has again given the direction in writing;

(ii) willful misconduct or reckless disregard by the Executive of his duties or with respect to the interest or material property of the Company;

(iii) intentional disclosure by the Executive to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(iv) any act by the Executive of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board of Directors of the Company, such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates;

(v) commission by the Executive of a felony as reasonably determined by at least two-thirds of the members of the Board of Directors of the Company; or

(vi) a material breach of this Agreement by the Executive, provided that the nature of such breach shall be set forth with reasonable particularity in a written notice to the Executive who shall have ten (10) days following delivery of such notice to cure such alleged breach, provided that such breach is, in the reasonable discretion of the Board of Directors, susceptible to a cure.

(f) "Change in Control" means any one of the following events which occurs following the Effective Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board"), cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Agreement (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

(g) "Competing Business" means the entities listed below and any person, firm, corporation, joint venture, or other business that is engaged in the Business of the Company:

- (i) Ventas, Inc.,
- (ii) Nationwide Health Properties,
- (iii) Health Care Property Investors Inc.,
- (iv) Healthcare Realty Trust,
- (v) National Health Investors Inc.,
- (vi) National Health Realty, Inc.,
- (vii) Senior Housing Properties Trust,
- (viii) Health Care REIT Inc.,
- (ix) LTC Properties Inc., and
- (x) Medical Properties Trust, Inc.

(h) "Confidential Information" means data and information relating to the Business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Executive or of which the Executive became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Executive without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates by the Executive.

(i) "Disability" means the inability of the Executive to perform the material duties of his position hereunder due to a physical, mental, or emotional impairment, for a ninety (90) consecutive day period or for aggregate of one hundred eighty (180) days during any three hundred sixty-five (365) day period.

(j) "Good Reason" means the occurrence of all of the events listed in either (i) or (ii) below:

(i) (A) the Company materially breaches this Agreement, including without limitation, a material diminution, but only prior to a Change in Control, of the Executive's responsibilities as Chief Financial Officer, as reasonably modified by the Chief Executive Officer of the Company from time to time hereafter, such that the Executive would no longer have responsibilities substantially equivalent to those of other chief financial officers at companies with similar revenues and market capitalization;

(B) the Executive gives written notice to the Company of the facts and circumstances constituting the breach of the Agreement within ten (10) days following the occurrence of the breach;

(C) the Company fails to remedy the breach within ten (10) days following the Executive's written notice of the breach; and

(D) the Executive terminates his employment within thirty (30) days following the Company's failure to remedy the breach;

or

(ii) (A) the Company requires the Executive to relocate the Executive's primary place of employment to a new location that is more than fifty (50) miles (calculated using the most direct driving route) from its current location, without the Executive's consent;

(B) the Executive gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;

(C) the Company fails to rescind the notice of relocation within ten (10) days following the Executive's written notice; and

(D) the Executive terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

(k) "Release" means a comprehensive release, covenant not to sue, and non-disparagement agreement from the Executive in favor of the Company, its executives, officers, directors, Affiliates, and all related parties, in the form attached hereto as Exhibit G; provided, however, the Company may make any changes to the Release as it determines to be necessary only to ensure that the Release is enforceable under applicable law.

(l) "Term" has the meaning as set forth in Section 3(a) hereof.

(m) "Termination of employment" and similar terms shall refer solely to a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended.

(n) "Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

IN WITNESS WHEREOF, the Company and the Executive have each executed and delivered this Agreement as of the date first shown above.

COMPANY:

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/C. Taylor Pickett
C. Taylor Pickett, Chief Executive Officer

THE EXECUTIVE:

/s/ Robert O. Stephenson
Robert O. Stephenson

EXHIBIT A

Investment

Ownership

None

None

EXHIBIT B

2010 BONUS PLAN

Metric	Weighting	Threshold	Target	High
Adjusted FFO ⁽¹⁾	40%	\$43,425,000	\$44,440,000	\$45,458,000
Tenant quality (uncollected rents) ⁽²⁾	20%	Less than 3%	Less than 2%	Less than 1%
Leverage (coverage ratio) ⁽³⁾	20%	Less than 4.75	Less than 4.50	Less than 4.25 or ratings upgrade from either agency
Individual/ subjective measures ⁽⁴⁾	20%	N/A	N/A	N/A

(1) 4th quarter run rate total dollars based on per share Adjusted FFO of 42.7¢, 43.7¢, and 44.7¢.

(2) 2010 uncollected rents as a percentage of 2010 gross revenues.

(3) Debt/EBITDA using bank covenant formula.

(4) Subjective measures will include sustainability of the Adjusted FFO run rate.

EXHIBIT C

RESTRICTED STOCK AGREEMENT

**RESTRICTED STOCK AWARD
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

THIS AWARD is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to the Terms and Conditions attached hereto and incorporated herein by reference as part of this Award, the Company hereby awards as of the Grant Date to the Recipient the Restricted Shares (the "Restricted Stock Grant").

- A. Grant Date: January 1, 2011.
- B. Plan: (under which Restricted Stock Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Restricted Shares: _____ shares of the Company's common stock ("Common Stock"), subject to adjustment as provided in the attached Terms and Conditions.
- D. Vesting Schedule: The Restricted Shares shall vest according to the Vesting Schedule attached hereto as Exhibit 1 (the "Vesting Schedule"). The Restricted Shares which have become vested pursuant to the Vesting Schedule are herein referred to as the "Vested Restricted Shares."

IN WITNESS WHEREOF, the Company has executed this Award as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
RESTRICTED STOCK AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1 . Restricted Shares. The Company shall cause the Restricted Shares to be issued in book-entry form in the name of the Recipient with appropriate notations and stop-transfer instructions reflecting the applicable restrictions in this Agreement. When any portion of the Restricted Shares become Vested Restricted Shares, the Company shall cause the notations regarding the restrictions and stop-transfer instructions as to such portion to be removed. In the event that the Recipient forfeits any of the Restricted Shares, those shares shall automatically be transferred to the Company, without any action by the Recipient, and if the number of Vested Restricted Shares includes a fraction of a share, the Company shall cancel the fractional share, and the Company shall pay the Recipient the amount determined by the Company to be the estimated fair market value therefore. In the event of a transaction pursuant to Section 6, the Recipient agrees that any shares of Common Stock or other securities or property issued as a result of any of the foregoing shall be subject to all of the provisions of this Award as if initially granted thereunder.

2 . Rights of a Shareholder. During the period before the Restricted Shares vest and as long as they are not forfeited, the Recipient shall be entitled to all rights applicable to shares of Common Stock not so restricted, except as otherwise provided in the Award, including the right to receive dividends paid on Common Stock notwithstanding that all or some of the Restricted Shares may not be Vested Restricted Shares.

3. Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a certified check payable to the Company, in the amount of all tax withholding obligations imposed on the Company by reason of the vesting of the Restricted Shares, or the making of an election pursuant to Code Section 83(b), as applicable, except as provided in Section 3(b), or (iii) by tendering a number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the vesting date or effective date of the 83(b) election, as applicable, is sufficient to satisfy the minimum amount of the required tax withholding obligations imposed on the Company (the "Stock Tendering Election"); provided, however, the Committee may in its sole discretion, disapprove and give no effect to the Stock Tendering Election by giving written notice to the Recipient within ten (10) days after receipt of the Stock Tendering Election, in which event the Recipient must deliver, within ten (10) days after receiving such notice, the tax withholding in the manner provided in clause (i) or (ii). If the Recipient does not make an election pursuant to Code Section 83(b) and does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b). If the Recipient makes an election pursuant to Code Section 83(b) and does not timely satisfy payment of the tax withholding obligation, the Recipient will forfeit the Restricted Shares to which such election relates.

(b) If the Recipient does not make an election pursuant to Code Section 83(b), in lieu of paying the tax withholding obligation as described in Section 3(a), Recipient may elect to have the actual number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the vesting date, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company by reason of the vesting of the Restricted Shares (the "Withholding Election"). Recipient may make a Withholding Election only if all of the following conditions are met:

(i) the Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 3 attached hereto; and

(ii) any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding pursuant to Section 3(a), the Recipient will forfeit the Restricted Shares to which the tax withholding requirement relates.

4. Restrictions on Transfer of Restricted Shares. Except for the transfer of any Restricted Shares by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to any unvested Restricted Shares. Any such disposition not made in accordance with this Award shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Award.

5. Additional Restrictions on Transfer.

If for any reason the Restricted Share shall be represented in certificated form prior to becoming Vested Restricted Shares, the certificates evidencing the Restricted Shares shall bear a notation required under applicable securities laws or otherwise determined by the Company to be appropriate, such as:

TRANSFER IS RESTRICTED

THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND FORFEITURE PROVISIONS WHICH ALSO APPLY TO THE TRANSFEREE AS SET FORTH IN A RESTRICTED STOCK AGREEMENT DATED JANUARY __, 2011, A COPY OF WHICH IS AVAILABLE FROM THE COMPANY. THE SECURITIES EVIDENCED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, OR HYPOTHECATED UNLESS (1) THERE IS AN EFFECTIVE REGISTRATION UNDER SUCH ACT COVERING SUCH SECURITIES, (2) THE TRANSFER IS MADE IN COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR (3) THE ISSUER RECEIVES AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT.

6. Change in Capitalization.

(a) The number and kind of unvested Restricted Shares shall be proportionately adjusted for nonreciprocal transactions between the Company and the holders of Common Stock that cause the per share value of the Restricted Shares to change, such as a stock dividend, stock

split, spinoff, or rights offering (each an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, extraordinary dividend, sale of substantially all of the Company's assets or other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, or other reorganization of the Company, in each case that does not result in an Equity Restructuring or a Change in Control, the Compensation Committee shall take such action to make such adjustments with respect to the unvested Restricted Shares as the Compensation Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the unvested portion of the Award, substituting cash, other securities, or other property to replace the unvested portion of the Award, or removing of restrictions on unvested Restricted Shares.

(c) All determinations and adjustments made by the Compensation Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Compensation Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Stock Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

7 . Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Restricted Shares shall be issued except, in the reasonable judgment of the Compensation Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

8 . Successors. This Award shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

9 . Notice. Except as otherwise specified herein, all notices and other communications under this Award shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

10 . Severability. In the event that any one or more of the provisions or portion thereof contained in this Award shall for any reason be held to be invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Award, and this Award shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

11 . Entire Agreement. Subject to the terms and conditions of the Plan, this Award expresses the entire understanding and agreement of the parties with respect to the subject matter.

12. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Award. Capitalized terms used, but not defined, in this Award shall be given the meaning ascribed to them in the Plan.

13 . Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Award, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

14 . No Right to Continued Retention. Neither the establishment of the Plan nor the award of Restricted Shares hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

15. Definitions. As used in these Terms and Conditions and this Award:

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

- (a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;
- (b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;
- (c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;
- (d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or
- (e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the Business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of all of the events listed in either (a) or (b) below:

- (a)
 - (i) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;
 - (ii) the Recipient gives written notice to the Company of the facts and circumstances constituting the material diminution in responsibilities within ten (10) days following the occurrence of such material diminution;
 - (iii) the Company fails to remedy the material diminution in responsibilities within ten (10) days following the Recipient's written notice of the material diminution in responsibilities; and
 - (iv) the Recipient terminates his employment and this Agreement within thirty (30) days following the Company's failure to remedy the material diminution in responsibilities.
- (b)
 - (i) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;
 - (ii) the Recipient gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;
 - (iii) the Company fails to rescind the notice of relocation within ten (10) days following the Recipient's written notice; and
 - (iv) the Recipient terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Exhibit 1 to Restricted Stock Agreement
Vesting Schedule

A. The Restricted Shares shall become Vested Shares in accordance with the schedule below:

Date	Percentage of Restricted Shares which are Vested Shares
December 31, 2013	100%

; provided the Recipient must remain an employee, director or consultant of the Company or an Affiliate through the indicated date set forth above to vest in accordance with the schedule above.

B. Notwithstanding the foregoing, if more than sixty (60) days before a Change in Control and in the year set forth in the schedule below:

1. the Recipient ceases services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability,
2. the Recipient resigns from the Company for Good Reason, or
3. the Company terminates the Recipient's employment without Cause,

then the percentage of the Restricted Shares in the schedule set forth shall become Vested Shares if they have not been previously forfeited.

Year of Termination	Percentage of Restricted Shares which are Vested Shares
2011	33 ¹ / ₃ %
2012	66 ² / ₃ %
2013	100%

C. Notwithstanding the foregoing, if a Change in Control occurs on or after the Grant Date and before December 31, 2013, and within (i) sixty (60) days before a Change in Control or (ii) after a Change in Control:

1. the Recipient ceases services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability,
2. the Recipient resigns from the Company for Good Reason, or
3. the Company terminates the Recipient's employment without Cause.

then all Restricted Shares shall become Vested Shares as of the later of the date of the Change in Control or the date of termination of employment if they have not been previously forfeited.

D. Restricted Shares which have not become Vested Shares as of the earlier of December 31, 2013 or, except as provided in Item C above, the Recipient's cessation of services as an employee, director, or consultant of the Company or an Affiliate shall be forfeited.

EXHIBIT D

**PERFORMANCE RESTRICTED STOCK UNIT
AGREEMENT – FOR MULTI-YEAR PRSUs**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

The grant pursuant to this agreement (this "Agreement") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to this Agreement (which shall include the Terms and Conditions and Exhibits appended to the execution page), the Company hereby awards as of the Grant Date to the Recipient, the opportunity to earn Vested Restricted Units (the "Restricted Unit Grant" or the "Award"). Underlined and capitalized terms in Items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: January 1, 2011.
- B. Plan (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Vested Restricted Units: The Recipient shall earn a number of Vested Restricted Units determined pursuant to Exhibit 1. Each Vested Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and related Dividend Equivalents (as defined below) in accordance with this Agreement.
- D. Dividends Equivalents. Each Vested Restricted Unit shall accrue Dividend Equivalents, an amount equal to the dividends per share paid on one share of Common Stock to a shareholder of record on or after the Grant Date and until the date that the Vested Shares (as defined below) are issued.
- E. Distribution Date of Vested Shares. Shares of Common Stock attributable to Vested Restricted Units ("Vested Shares") shall be issued and distributed upon the earlier of the dates listed below, subject to receipt from the Recipient of the required tax withholding:
1. within ten (10) business days following the last day of each calendar quarter in 2014; or
 2. the date of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents attributable to Vested Restricted Units shall be distributed to the Recipient on the same date as Vested Shares are distributable to the Recipient under Item E above.

IN WITNESS WHEREOF, the Company has executed this Agreement to be effective as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Payment for Vested Restricted Units. The Company shall issue in book entry form in the name of the Recipient, or issue and deliver to the Recipient a share certificate representing, the Vested Shares on the Distribution Date of Vested Shares.

2. Dividends Equivalents. The Company shall pay Dividend Equivalents attributable to Vested Restricted Units on the Distribution Date of Dividend Equivalents, subject to required tax withholding.

3. Tax Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a check payable to the Company, in the amount of all tax withholding obligations imposed on the Company as a result of the issuance of the Vested Shares, except as provided in Section 3(b). If the Recipient does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b).

(b) In lieu of paying the tax withholding obligation described in Section 3(a), the Recipient may elect to have the number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the Distribution Date of the Vested Shares, together with cash or a check in lieu of any fractional Vested Share, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company as a result of the issuance of the Vested Shares (the "Withholding Election"). The Recipient may make a Withholding Election only if all of the following conditions are met:

(i) The Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 2 attached hereto; and

(ii) Any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding, the Recipient will forfeit the Vested Shares to which the tax withholding requirement relates.

4. Restrictions on Transfer. Except for the transfer by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to this Award. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

5. Change in Capitalization.

(a) The number and kind of shares issuable under this Agreement shall be proportionately adjusted for any non-reciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Common Stock subject to the Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, in each case that does not constitute an Equity Restructuring, the Committee shall take such action to make such adjustments with respect to the shares of Common Stock issuable hereunder or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions.

(c) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Unit Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Vested Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be

invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. Subject to the terms and conditions of the Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter.

11. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

12. No Right to Continued Retention. Neither the establishment of the Plan nor the Award hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

13. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Plan.

14. Definitions. As used in this Agreement:

"Beginning Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 2010 on the exchange on which Common Stock is traded.

"Below Threshold Relative TSR" means that Relative Total Shareholder Return is less than the fiftieth (50th) percentile.

"Below Threshold TSR" means the Company has achieved Total Shareholder Return of less than eight percent (8%) for the Performance Period calculated on an annualized basis and compounded each December 31.

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Ending Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 2013 on the exchange on which Common Stock is traded unless a Change in Control occurs before January 1, 2014, in which case the term means the value per share determined as of the date of the Change in Control, such value to be determined by the Compensation Committee in its reasonable discretion based on the actual or implied price per share paid in the Change in Control transaction.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of an event listed in Subsection (a) through (c) below:

(a) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;

(b) the Company reduces the Recipient's annual base salary or annual bonus opportunity at high, target or threshold performance as a percentage of annual base salary; or

(c) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;

provided however, as to each event in Subsection (a) through (c),

(i) the Recipient gives written notice to the Company within ten (10) days following the event or receipt of notice of the event of his objection to the event;

(ii) the Company fails to remedy the event within ten (10) days following the Recipient's written notice; and

(iii) the Recipient terminates his employment within thirty (30) days following the Company's failure to remedy the event.

"High Relative TSR" means that Relative Total Shareholder Return is the eightieth (80th) percentile or above.

"High TSR" means the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of at least twelve percent (12%) for the Performance Period. In calculating High TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by twelve percent (12%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Performance Period" means the period from and including January 1, 2011 through the earlier of December 31, 2013 or the date of a Change in Control.

"Relative Total Shareholder Return" means Total Shareholder Return ranked on a percentile basis relative to the average total shareholder return of companies comprising the MSCI U.S. REIT Index for the same period for which Total Shareholder Return is calculated and using the same methodology used for calculating Total Shareholder Return.

"Target Relative TSR" means that Relative Total Shareholder Return is the sixty-fifth (65th) percentile.

"Target TSR" means the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of ten percent (10%) for the Performance Period. In calculating Target TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by ten percent (10%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Threshold Relative TSR" means that Relative Total Shareholder Return is the fiftieth (50th) percentile.

"Threshold TSR" means that the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of eight percent (8%) for the Performance Period. In calculating Threshold TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by eight percent (8%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Total Shareholder Return" means the sum of the total change in the Ending Stock Price as compared to the Beginning Stock Price, plus any dividends paid to a shareholder of record with respect to one share of Common Stock during the Performance Period.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

"Vesting Period" means the period beginning on the day after the last day of the Performance Period and ending December 31, 2014.

EXHIBIT 1

- A. The number of Vested Restricted Units is determined as of the last day of the Performance Period by adding the number determined in the TSR Chart and the Relative TSR Chart set forth below; provided that the Recipient shall vest in twenty-five percent (25%) of the Vested Restricted Units as of the last day of each calendar quarter during the Vesting Period only if the Recipient remains an employee, director or consultant of the Company or an Affiliate during the entire Performance Period and through the last day of such calendar quarter.

TSR Chart

Below Threshold TSR	*Threshold TSR	*Target TSR	*High TSR
Zero Vested Units			

Relative TSR Chart

Below Threshold Relative TSR	**Threshold Relative TSR	**Target Relative TSR	**High Relative TSR
Zero Vested Units			

* If Total Shareholder Return falls between Threshold TSR and Target TSR or between Target TSR and High TSR, the number of Vested Restricted Units under the TSR Chart shall be determined by rounding actual Total Shareholder Return to the closest 0.5% percentage points and then applying linear interpolation based on the percentage points by which Threshold TSR or Target TSR, as so adjusted, respectively, is exceeded.

** If Relative Total Shareholder Return falls between Threshold Relative TSR and Target Relative TSR or between Target Relative TSR and High Relative TSR, the number of Vested Restricted Units under the Relative TSR Chart shall be determined by rounding Relative TSR to the closest five (5) percentile points and then applying linear interpolation based on the percentile by which Threshold Relative TSR or Target Relative TSR, respectively, is exceeded.

- B. Notwithstanding the foregoing, if the Recipient dies or becomes subject to a Disability while an employee, director or consultant of the Company or an Affiliate, the Recipient resigns from the Company for Good Reason or the Company terminates the Recipient's employment without Cause (each such event referred to as a "Qualifying Termination"), in each case:

- (i) during the Performance Period and more than sixty (60) days before a Change in Control, the Recipient shall earn upon completion of the Performance Period a number of Vested Restricted Units equal to the number of Vested Restricted Units determined in the charts above, multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of such event and the denominator of which is 1,095 (*i.e.*, 365 x 3), or
- (ii) during the Vesting Period, the Recipient shall earn the same number of Vested Restricted Units determined in the charts above as if the Recipient were to remain an employee of the Company through the last day of the Vesting Period.

- C. Notwithstanding any other provision of this Agreement, if a Change in Control occurs upon or after the Grant Date and before December 31, 2014, and (i) the Recipient remains an employee, director or consultant of the Company or an Affiliate during the entire Performance Period until the date of the Change in Control, or (ii) if within sixty (60) days before the Change in Control, the Recipient incurs a Qualifying Termination, the Recipient shall be 100% vested in, as of the date of the Change in Control:

- 1. if the Change in Control occurs before January 1, 2014, the number of units determined from the Relative TSR Chart based on the percentile of Relative Total Shareholder Return achieved for the Performance Period through the date of the Change in Control, plus
 - a. the number of units determined in the TSR Chart if the applicable level of Total Shareholder Return for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control) is achieved, or
 - b. a number of units equal to the number of units determined in the TSR Chart multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of the Change in Control and the denominator of which is 1,095 (*i.e.*, 365 x 3), if the applicable level of Total Shareholder Return has been achieved based on annualized performance to the date of the Change in Control but not for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), or
 - c. a number of units determined by interpolation between the numbers in clause (a) and (b) above if the applicable level of Total Shareholder Return has been exceeded based on performance to the date of the Change in Control but is less than the applicable level for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), or
- 2. if the Change in Control occurs after December 31, 2013, the number of units determined in the above charts that were actually earned for the Performance Period.

- D. The portion of the Restricted Unit Grant that has not become Vested Restricted Units as of the earlier of the last day of the Performance Period, or, except as provided in Item C above, as of the date the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate shall be forfeited. In addition, if the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate during, but before the last day of, each calendar quarter during the Vesting Period, then except as provided in Item C above, the unvested portion of the Restricted Unit Grant shall be forfeited.
-

EXHIBIT 2

**NOTICE OF WITHHOLDING ELECTION
PURSUANT TO OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

TO: Omega Healthcare Investors, Inc.
Attention: Chief Financial Officer

FROM:

RE: Withholding Election

This election relates to the Restricted Unit Grant identified in Paragraph 3 below. I hereby certify that:

(1) My correct name and social security number and my current address are set forth at the end of this document.

(2) I am (check one, whichever is applicable).

the original recipient of the Restricted Unit Grant.

the legal representative of the estate of the original recipient of the Restricted Unit Grant.

a legatee of the original recipient of the Restricted Unit Grant.

the legal guardian of the original recipient of the Restricted Unit Grant.

(3) The Restricted Unit Grant pursuant to which this election relates was issued with a Grant Date of _____ under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan (the "Plan") in the name of _____. This election relates to _____ shares of Common Stock issuable pursuant to the Restricted Unit Grant.

(4) I hereby elect to have certain of the shares of Common Stock withheld by the Company for the purpose of having the value of the shares applied to pay federal, state and local, if any, taxes arising from the exercise.

The fair market value of the shares of Common Stock to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Unit Grant shall be equal to the minimum statutory tax withholding requirement under federal, state and local law in connection with the exercise.

(5) This Withholding Election is made no later than ten (10) days after the Tax Notice Date and is otherwise timely made pursuant to the Plan.

(6) I further understand that, if this Withholding Election is not disapproved by the Committee, the Company shall withhold from the Common Stock issuable to me a whole number of shares of Common Stock having the value specified in Paragraph 4 above.

(7) The Plan has been made available to me by the Company, I have read and understand the Plan and I have no reason to believe that any of the conditions therein to the making of this Withholding Election have not been met. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

Dated:

Signature:

Name (Printed)

Street Address

City, State, Zip Code

EXHIBIT E

**PERFORMANCE RESTRICTED STOCK UNIT
AGREEMENT – FOR ANNUAL PRSUs**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

The grant pursuant to this agreement (this "Agreement") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to this Agreement (which shall include the Terms and Conditions and Exhibits appended to the execution page), the Company hereby awards as of the Grant Date to the Recipient, the opportunity to earn Vested Restricted Units (the "Restricted Unit Grant" or the "Award"). Underlined and capitalized terms in Items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: January 1, 201__.
- B. Plan (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Vested Restricted Units: The Recipient shall earn a number of Vested Restricted Units determined pursuant to Exhibit 1. Each Vested Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and related Dividend Equivalents (as defined below) in accordance with this Agreement.
- D. Dividends Equivalents. Each Vested Restricted Unit shall accrue Dividend Equivalents, an amount equal to the dividends per share paid on one share of Common Stock to a shareholder of record on or after the Grant Date and until the date that the Vested Shares (as defined below) are issued.
- E. Distribution Date of Vested Shares. Shares of Common Stock attributable to Vested Restricted Units ("Vested Shares") shall be issued and distributed upon the earlier of the dates listed below, subject to receipt from the Recipient of the required tax withholding:
1. within ten (10) business days following December 31, 201__; or
 2. the date of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents attributable to Vested Restricted Units shall be distributed to the Recipient on the same date as Vested Shares are distributable to the Recipient under Item E above.

IN WITNESS WHEREOF, the Company has executed this Agreement to be effective as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Payment for Vested Restricted Units. The Company shall issue in book entry form in the name of the Recipient, or issue and deliver to the Recipient a share certificate representing, the Vested Shares on the Distribution Date of Vested Shares.

2. Dividends Equivalents. The Company shall pay Dividend Equivalents attributable to Vested Restricted Units on the Distribution Date of Dividend Equivalents, subject to required tax withholding.

3. Tax Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a check payable to the Company, in the amount of all tax withholding obligations imposed on the Company as a result of the issuance of the Vested Shares, except as provided in Section 3(b). If the Recipient does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b).

(b) In lieu of paying the tax withholding obligation described in Section 3(a), the Recipient may elect to have the number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the Distribution Date of the Vested Shares, together with cash or a check in lieu of any fractional Vested Share, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company as a result of the issuance of the Vested Shares (the "Withholding Election"). The Recipient may make a Withholding Election only if all of the following conditions are met:

(i) The Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 2 attached hereto; and

(ii) Any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding, the Recipient will forfeit the Vested Shares.

4. Restrictions on Transfer. Except for the transfer by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to this Award. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

5. Change in Capitalization.

(a) The number and kind of shares issuable under this Agreement shall be proportionately adjusted for any non-reciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Common Stock subject to the Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, in each case that does not constitute an Equity Restructuring, the Committee shall take such action to make such adjustments with respect to the shares of Common Stock issuable hereunder or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions.

(c) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Unit Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Vested Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be

invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. Subject to the terms and conditions of the Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter.

11. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

12. No Right to Continued Retention. Neither the establishment of the Plan nor the Award hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

13. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Plan.

14. Definitions. As used in this Agreement:

"Beginning Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 201__ on the exchange on which Common Stock is traded.

"Below Threshold Performance" means the Company has achieved Total Shareholder Return of less than eight percent (8%).

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the

meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Ending Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 201__ on the exchange on which Common Stock is traded, unless a Change in Control occurs before December 31, 201__, in which case the term means the value per share determined as of the date of the Change in Control, such value to be determined by the Compensation Committee in its reasonable discretion based on the actual or implied price per share paid in the Change in Control transaction.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of all of the events listed in either (a) or (b) below:

- (a) (i) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;
- (ii) the Recipient gives written notice to the Company of the facts and circumstances constituting the material diminution in responsibilities within ten (10) days following the occurrence of such material diminution;
- (iii) the Company fails to remedy the material diminution in responsibilities within ten (10) days following the Recipient's written notice of the material diminution in responsibilities; and
- (iv) the Recipient terminates his employment and this Agreement within thirty (30) days following the Company's failure to remedy the material diminution in responsibilities.
- (b) (i) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;
- (ii) the Recipient gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;
- (iii) the Company fails to rescind the notice of relocation within ten (10) days following the Recipient's written notice; and
- (iv) the Recipient terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

"High Performance" means the Company has achieved Total Shareholder Return of at least twelve percent (12%).

"Performance Period" means the period from and including January 1, 201__ through the earlier of December 31, 201__ or the date of a Change in Control.

"Target Performance" means the Company has achieved Total Shareholder Return of ten percent (10%).

"Threshold Performance" means that the Company has achieved Total Shareholder Return of eight percent (8%).

"Total Shareholder Return" means the sum of the total change in the Ending Stock Price as compared to the Beginning Stock Price, plus any dividends paid to a shareholder of record with respect to one share of Common Stock during the Performance Period.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

EXHIBIT 1

- A. The number of Vested Restricted Units earned is determined as of the last day of the Performance Period pursuant to the following chart; provided that the Recipient must remain an employee, director or consultant of the Company or an Affiliate during the entire Performance Period to earn the number of Vested Restricted Units determined in the chart below.

Below Threshold Performance	*Threshold Performance	*Target Performance	*High Performance
Zero Vested Units			

- * If Total Shareholder Return falls between Threshold Performance and Target Performance or between Target Performance and High Performance, the number of Vested Restricted Units shall be determined by rounding actual Total Shareholder Return to the closest 0.5% percentage points and then applying linear interpolation based on the percentage points by which Threshold Performance or Target Performance, respectively, as so adjusted, is exceeded.
- B. Notwithstanding the foregoing, if during the Performance Period and more than sixty (60) days before a Change in Control, the Recipient dies or becomes subject to a Disability while an employee, director or consultant of the Company or an Affiliate, the Recipient resigns from the Company for Good Reason, or the Company terminates the Recipient's employment without Cause (each such event referred to as a "Qualifying Termination"), the Recipient shall earn a number of Vested Restricted Units equal to the number of Vested Restricted Units determined in the chart above as of the completion of the Performance Period, multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of such event and the denominator of which is 365.
- C. Notwithstanding the foregoing, if a Change in Control occurs on or after the Grant Date and before December 31, 201__ and (i) while the Recipient remains an employee, director or consultant of the Company or an Affiliate, or (ii) within sixty (60) days before the Change in Control, the Recipient incurs a Qualifying Termination, the Recipient shall earn a number of Vested Restricted Units determined in the chart above based on the level of Total Shareholder Return through the date of the Change in Control relative to the level required for the full Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), and shall not thereafter earn any additional Vested Restricted Units.
- D. The portion of the Restricted Unit Grant that has not become earned Vested Restricted Units as of the earlier of the last day of the Performance Period, or, except as provided in Item C above, as of the date the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate shall be forfeited.
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EXHIBIT 2

**NOTICE OF WITHHOLDING ELECTION
PURSUANT TO OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

TO: Omega Healthcare Investors, Inc.
Attention: Chief Financial Officer

FROM:

RE: Withholding Election

This election relates to the Restricted Unit Grant identified in Paragraph 3 below. I hereby certify that:

(1) My correct name and social security number and my current address are set forth at the end of this document.

(2) I am (check one, whichever is applicable).

the original recipient of the Restricted Unit Grant.

the legal representative of the estate of the original recipient of the Restricted Unit Grant.

a legatee of the original recipient of the Restricted Unit Grant.

the legal guardian of the original recipient of the Restricted Unit Grant.

(3) The Restricted Unit Grant pursuant to which this election relates was issued with a Grant Date of _____ under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan (the "Plan") in the name of _____. This election relates to _____ shares of Common Stock issuable pursuant to the Restricted Unit Grant.

(4) I hereby elect to have certain of the shares of Common Stock withheld by the Company for the purpose of having the value of the shares applied to pay federal, state and local, if any, taxes arising from the exercise.

The fair market value of the shares of Common Stock to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Unit Grant shall be equal to the minimum statutory tax withholding requirement under federal, state and local law in connection with the exercise.

(5) This Withholding Election is made no later than ten (10) days after the Tax Notice Date and is otherwise timely made pursuant to the Plan.

(6) I further understand that, if this Withholding Election is not disapproved by the Committee, the Company shall withhold from the Common Stock issuable to me a whole number of shares of Common Stock having the value specified in Paragraph 4 above.

(7) The Plan has been made available to me by the Company, I have read and understand the Plan and I have no reason to believe that any of the conditions therein to the making of this Withholding Election have not been met. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

Dated:

Signature:

Name (Printed)

Street Address

City, State, Zip Code

EXHIBIT F

DETERMINATION OF NUMBERS OF RESTRICTED SHARES AND UNITS

The number of shares of stock subject to the Restricted Stock Agreement, the number of units subject to the Multi-year PRSU Agreement, and the number of units subject to the Annual PRSU Agreement shall be determined as described below. (The methodology set forth below is the same as used in the charts provided by FPL Associates L.P. to the Compensation Committee on August 19, 2010, except that for purposes of illustration, the FPL memo uses a \$23 share price assumption, whereas the actual final calculations of the potential number of shares and units will be based on the volume weighted-average trading price per share of Omega common stock ("VWAP") for the month of December 2010.)

Step 1: Start with threshold, target and high levels of 2011-2013 aggregate compensation (comprised of base salary, bonus opportunity and long-term incentive opportunity):

Threshold	Target	High
\$3,236,000	\$5,056,000	\$6,362,000

Step 2: Determine aggregate salary and bonus opportunities for 2011-2013:

Threshold	Target	High
\$1,545,000	\$1,673,750	\$1,802,500

Step 3: Subtract Step 2 from Step 1 to arrive at aggregate long-term incentive opportunity (excluding dividends) for 2011-2013:

Threshold	Target	High
\$1,691,000	\$3,382,250	\$4,559,500

Step 4: Determine projected dividends per share of Omega common stock based on Omega's projections as of December 31, 2010. Determine the number of shares of Omega common stock, which, based on the December 2010 VWAP and assuming "Target TSR" and "Target Relative TSR" (as defined in the Multi-year PRSU Agreement) are achieved (assuming, for purposes of calculating Target TSR and Target Relative TSR referred to above, that the projected dividends are paid), results in the \$3,382,250 target level of aggregate long-term incentive compensation (*i.e.*, restricted shares, units subject to the Multi-year PRSU agreement, and units subject to the Annual PRSU agreement) (excluding projected dividends) at Step 3 as of December 31, 2013 being earned. For purposes of this Exhibit F, compensation attributable to the Multi-year PRSU agreement shall be calculated based on the projected value, using the preceding methodology, of one-third of the units at each of December 31, 2011, December 31, 2012 and December 31, 2013.

Step 5: Divide the number of shares determined at Step 4 into two components equal in number.

Step 5A: The first component is the number of shares subject to the Restricted Stock Agreement.

Step 5B: Divide the second component into two sub-components equal in number. The first sub-component is the number of units subject to the Multi-year PRSU Agreement if Target TSR and Target Relative TSR are achieved. Divide the second subcomponent into three equal numbers of units, each of which represents the number of shares issuable pursuant to the Annual PRSU Agreement if "Target Performance" (as defined in the Annual PRSU Agreement) for the applicable year is achieved.

Step 6: The number of shares of stock subject to the Restricted Stock Agreement as determined at Step 5A is held constant, regardless of performance. The numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement if Target TSR and Target Relative TSR, and Target Performance, respectively are achieved are as provided in Step 5B. Determine the number of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement if "Threshold TSR" and "Threshold Relative TSR" (as those terms are defined in the Multi-year PRSU Agreement) and "Threshold Performance" (as defined in the Annual PRSU Agreement) are achieved by subtracting the projected compensation (excluding dividends) attributable to the Restricted Stock Agreement as determined in Step 5A from the \$1,819,750 of aggregate long-term incentive compensation (excluding dividends) at Step 3 at threshold to arrive at the difference and then determine the number of shares of Omega common stock, which based on the December 2010 VWAP and assuming Threshold TSR and Threshold Relative TSR are achieved and projected dividends are paid, results in an amount of projected compensation (excluding dividends) at December 31, 2013 that is equal to such difference. This number of units is then divided into two equal subcomponents; a multi-year subcomponent and an annual subcomponent (that is divided into three equal annual subcomponents) all in the same manner as discussed at Step 5B, but using Threshold TSR, Threshold Relative TSR and Threshold Performance instead of Target TSR, Target Relative TSR and Target Performance, respectively, in such formula. The numbers of units at High TSR, High Relative TSR and High Performance are determined in the same manner as the number of units at Threshold TSR, Threshold Relative TSR and Threshold Performance are determined in this Step 6, except that "High" is substituted into this formula in lieu of "Threshold."

This is only a summary of the methodology for determining the number of shares subject to the Restricted Stock Agreement and the numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement. The actual numbers shall be calculated by FPL Associates L.P. or other compensation consultant retained by the Compensation Committee of the Board of Directors of the Company (either, the "Compensation Consultant"), and in the event of any conflict between the terms of this summary and such calculation, the calculation shall control as long as the calculation is based on the Compensation Consultant's interpretation of this Exhibit F and such interpretation is not manifestly unreasonable.

EXHIBIT G

**RELEASE, AGREEMENT PURSUANT TO
EMPLOYMENT AGREEMENT**

This Agreement (this "Agreement") is made this ___ day of _____, 200_, by OMEGA HEALTHCARE INVESTORS, INC. (the "Employer") and _____ (the "Employee").

Introduction

Employee and the Employer entered into an Employment Agreement dated _____, 2010 (the "Employment Agreement").

The Employment Agreement requires that as a condition to the Employer's obligation to pay payments and benefits under Section 3(c) of the Employment Agreement (the "Severance Benefits"), Employee must provide a release and agree to certain other conditions as provided herein.

NOW, THEREFORE, the parties agree as follows:

1. **[For Employee under age 40: The effective date of this Agreement shall be the date on which Employee signs this Agreement ("the Effective Date"), at which time this Agreement shall be fully effective and enforceable.]**

[For Employee age 40 and over or group termination of Employees age 40 and over : Employee has been offered [twenty-one (21) days] [forty-five (45) days if group termination] from receipt of this Agreement within which to consider this Agreement. The effective date of this Agreement shall be the date eight (8) days after the date on which Employee signs this Agreement ("the Effective Date"). For a period of seven (7) days following Employee's execution of this Agreement, Employee may revoke this Agreement, and this Agreement shall not become effective or enforceable until such seven (7) day period has expired. Employee must communicate the desire to revoke this Agreement in writing. Employee understands that he or she may sign the Agreement at any time before the expiration of the [twenty-one (21) day] [forty-five (45) day] review period. To the degree Employee chooses not to wait [twenty-one (21) days] [forty-five (45) days] to execute this Agreement, it is because Employee freely and unilaterally chooses to execute this Agreement before that time. Employee's signing of the Agreement triggers the commencement of the seven (7) day revocation period.]

2. In exchange for Employee's execution of this Agreement and in full and complete settlement of any claims as specifically provided in this Agreement, the Employer will provide Employee with the Severance Benefits.

3. **[For Employee age 40 or over or group termination of Employees age 40 and over : Employee acknowledges and agrees that this Agreement is in compliance with the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act and that the releases set forth in this Agreement shall be applicable, without limitation, to any claims brought under these Acts.]**

The release given by Employee in this Agreement is given solely in exchange for the consideration set forth in Section 2 of this Agreement and such consideration is in addition to anything of value that Employee was entitled to receive prior to entering into this Agreement.

Employee has been advised to consult an attorney prior to entering into this Agreement **[For Employee age 40 or over or group termination of Employees age 40 and over: and this provision of the Agreement satisfies the requirement of the Older Workers Benefit Protection Act that Employee be so advised in writing].**

[For under age 40: Employee has been offered an ample opportunity from receipt of this Agreement within which to consider this Agreement.]

By entering into this Agreement, Employee does not waive any rights or claims that may arise after the date this Agreement is executed.

4. **[For group termination of Employees age 40 and over: The Employer has _____ [The Employer to describe class, unit, or group of individuals covered by termination program, any eligibility factors, and time limits applicable] and such employees comprise the "Decisional Unit." Attached as "Attachment 1" to this Agreement is a list of ages and job titles of persons in the Decisional Unit who were and who were not selected for termination and the offer of consideration for signing the Agreement.]**

5. This Agreement shall in no way be construed as an admission by the Employer that it has acted wrongfully with respect to Employee or any other person or that Employee has any rights whatsoever against the Employer. The Employer specifically disclaims any liability to or wrongful acts against Employee or any other person on the part of itself, its employees or its agents.

6. As a material inducement to the Employer to enter into this Agreement, Employee hereby irrevocably releases the Employer and each of the owners, stockholders, predecessors, successors, directors, officers, employees, representatives, attorneys, affiliates (and agents, directors, officers, employees, representatives and attorneys of such affiliates) of the Employer and all persons acting by, through, under or in concert with them (collectively, the "Releasees"), from any and all charges, claims, liabilities, agreements, damages, causes of action, suits, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, including, but not limited to, rights arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, or any tort, or any legal restrictions on the Employer's right to terminate employees, or any federal, state or other governmental statute, regulation, or ordinance, including, without limitation: (1) Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991 (race, color, religion, sex, and national origin discrimination); (2) the Employee Retirement Income Security Act ("ERISA"); (3) 42 U.S.C. § 1981 (discrimination); (4) the Americans with Disabilities Act (disability discrimination); (5) the Equal Pay Act; **[For Employee age 40 or over or group termination of Employees age 40 and over: (6) the Age Discrimination in Employment Act; (7) the Older Workers Benefit Protection Act;]** (6) Executive Order 11246 (race, color, religion, sex, and national origin discrimination); (7) Executive Order 11141 (age discrimination); (8) Section 503 of the Rehabilitation Act of 1973 (disability discrimination); (9) negligence; (10) negligent hiring and/or negligent retention; (11) intentional or negligent infliction of emotional distress or outrage; (12) defamation; (13) interference with employment; (14) wrongful discharge; (15) invasion of privacy; or (16) violation of any other legal or contractual duty arising under the laws of the State of Maryland or the laws of the United States ("Claim" or "Claims"), which Employee now has, or claims to have, or which Employee at any time heretofore had, or claimed to have, or which Employee at any time hereinafter may have, or claim to have, against each or any of the Releasees, in each case as to acts or omissions by each or any of the Releasees occurring up to and including the Effective Date.
7. The release in the preceding paragraph of this Agreement does not apply to (a) all benefits and awards (including without limitation cash and stock components) which pursuant to the terms of any compensation or benefit plans, programs, or agreements of the Employer are earned or become payable, but which have not yet been paid, and (b) pay for accrued but unused vacation that the Employer is legally obligated to pay Employee, if any, and only if the Employer is so obligated, (c) unreimbursed business expenses for which Employee is entitled to reimbursement under the Employer's policies, (d) any rights to indemnification that Employee has under any directors and officers or other insurance policy the Employer maintains or under the bylaws and articles of incorporation of the Company, and under any indemnification agreement, if any, and (e) any rights the Employee may have (if any) to workers compensation benefits.
8. Employee promises that he will not make statements disparaging to any of the Releasees. Employee agrees not to make any statements about any of the Releasees to the press (including without limitation any newspaper, magazine, radio station or television station) without the prior written consent of the Employer. The obligations set forth in the two immediately preceding sentences will expire two years after the Effective Date. Employee will also cooperate with the Employer and its affiliates if the Employer requests Employee's testimony. To the extent practicable and within the control of the Employer, the Employer will use reasonable efforts to schedule the timing of Employee's participation in any such witness activities in a reasonable manner to take into account Employee's then current employment, and will pay the reasonable documented out-of-pocket expenses that the Employer pre-approves and that Employee incurs for travel required by the Employer with respect to those activities.
9. Except as set forth in this Section, Employee agrees not to disclose the existence or terms of this Agreement to anyone. However, Employee may disclose it to a member of his immediate family or legal or financial advisors if necessary and on the condition that the family member or advisor similarly does not disclose these terms to anyone. Employee understands that he will be responsible for any disclosure by a family member or advisor as if he had disclosed it himself. This restriction does not prohibit Employee's disclosure of this Agreement or its terms to the extent necessary during a legal action to enforce this Agreement or to the extent Employee is legally compelled to make a disclosure. However, Employee will notify the Employer promptly upon becoming aware of that legal necessity and provide it with reasonable details of that legal necessity.
10. Employee has not filed or caused to be filed any lawsuit, complaint or charge with respect to any Claim he releases in this Agreement. Employee promises never to file or pursue a lawsuit, complaint or charge based on any Claim released by this Agreement, except that Employee may participate in an investigation or proceeding conducted by an agency of the United States Government or of any state. Notwithstanding the foregoing, Employee is not prohibited from filing a charge with the Equal Employment Opportunity Commission but expressly waives his right to personal recovery as a result of such charge. Employee also has not assigned or transferred any claim he is releasing, nor has he purported to do so. **[For group termination of Employees age 40 and over: Employee covenants and agrees not to institute, or participate in any way in anyone else's actions involved in instituting, any action against any of the members of the Decisional Unit with respect to any Claim released herein.]**
11. The Employer and Employee agree that the terms of this Agreement shall be final and binding and that this Agreement shall be interpreted, enforced and governed under the laws of the State of Maryland. The provisions of this Agreement can be severed, and if any part of this Agreement is found to be unenforceable, the remainder of this Agreement will continue to be valid and effective.
12. This Agreement sets forth the entire agreement between the Employer and Employee and fully supersedes any and all prior agreements or understandings, written and/or oral, between the Employer and Employee pertaining to the subject matter of this Agreement.
13. Employee is solely responsible for the payment of any fees incurred as the result of an attorney reviewing this agreement on behalf of Employee. In any litigation concerning the validity or enforceability of this contract or in any litigation to enforce the provisions of this contract, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs, including court costs and expert witness fees and costs.

Employee's signature below indicates Employee's understanding and agreement with all of the terms in this Agreement.

Employee should take this Agreement home and carefully consider all of its provisions before signing it. **[For Employee age 40 or over or group termination of Employees age 40 and over: Employee may take up to [twenty-one (21) days] [forty-five (45) days if group termination] to decide whether Employee wants to accept and sign this Agreement. Also, if Employee signs this Agreement, Employee will then have an additional seven (7) days in which to revoke Employee's acceptance of this Agreement after Employee has signed it. This Agreement will not be effective or enforceable, nor will any consideration be paid, until after the seven (7) day revocation period has expired.]** Again, Employee is free and encouraged to discuss the contents and advisability of signing this Agreement with an attorney of Employee's choosing.

CONSULT WITH AN ATTORNEY BEFORE EXECUTING THIS DOCUMENT.

IN WITNESS WHEREOF, Employee and the Employer have executed this agreement effective as of the date first written above.

EMPLOYEE

Robert O. Stephenson

Signature

Date Signed

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") to be effective as of October 22, 2010 (the "Effective Date"), between Omega Healthcare Investors, Inc. (the "Company"), and R. Lee Crabill (the "Executive").

INTRODUCTION

The Company and the Executive are parties to an employment agreement dated September 1, 2004, amended May 7, 2007 and December 16, 2008, and now desire to enter into this Agreement to replace and supercede the existing employment agreement.

NOW, THEREFORE, the parties agree as follows:

1. Terms and Conditions of Employment.

(a) Employment. During the Term, Company will employ the Executive, and the Executive will serve on a full-time basis as the Senior Vice President of Operations of the Company until a Change in Control, and upon and following a Change in Control will have such job position as may be assigned by the Company and will have such responsibilities and authority as may from time to time be assigned to the Executive by the Company. In this capacity, Executive will provide unique services to the Company and be privy to the Company's Confidential Information and Trade Secrets. The Executive will report to the Chief Executive Officer of the Company until the occurrence of a Change in Control and upon and following a Change in Control will report for such position as may be established by the Company. The Executive's primary office will be at the Company's headquarters in such geographic location within the United States as may be determined by the Company.

(b) Exclusivity. Throughout the Executive's employment hereunder, the Executive shall devote substantially all of the Executive's time, energy and skill during regular business hours to the performance of the duties of the Executive's employment, shall faithfully and industriously perform such duties, and shall diligently follow and implement all management policies and decisions of the Company; provided, however, that this provision is not intended to prevent the Executive from managing his investments, so long as he gives his duties to the Company first priority and such investment activities do not interfere with his performance of duties for the Company. Notwithstanding the foregoing, other than with regard to the Executive's duties to the Company, the Executive will not accept any other employment during the Term, perform any consulting services during the Term, or serve on the board of directors or governing body of any other business, except with the prior written consent of the Chief Executive Officer. Further, the Executive has disclosed on Exhibit A hereto, all of his nonpublic company healthcare related investments, and agrees during the Term not to make any investments during the term hereof except as a passive investor. The Executive agrees during the Term not to own directly or indirectly equity securities of any public healthcare related company (excluding the Company) that represents five percent (5%) or more of the value of voting power of the equity securities of such company.

2. Compensation.

(a) Base Salary. The Company shall pay the Executive base salary of \$295,000 per annum effective January 1, 2010, \$305,500 per annum effective January 1, 2011, \$315,750 per annum effective January 1, 2012, \$326,000 per annum effective January 1, 2013, which base salary will be subject to review at least annually thereafter by the Company for possible increases. The base salary shall be payable in equal installments, no less frequently than twice per month, in accordance with the Company's regular payroll practices.

(b) Bonus.

(i) The Executive shall be eligible to earn an annual bonus of 65%, 45% and 25%, respectively, for high, target and threshold performance, respectively, of the Executive's annual base salary (the "Bonus"), which Bonus, if any, shall be payable (A) promptly following the availability to the Company of the required data to calculate the Bonus for the year for which the Bonus is earned (which data may in the Company's discretion include audited financial statements), and (B) by no later than March 15 of the year following the year for which the Bonus is earned.

(ii) The Bonus metrics, the relative weighting of the bonus metrics and the specific threshold, target and high levels of each metric for 2010 are set forth on Exhibit B. The performance metrics and the weighting set forth on Exhibit B, but not the specific required levels at threshold, target and high, will continue to apply for 2011 and each subsequent year through 2013 unless the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") changes the metrics or the weighting by no later than the first ninety (90) days of the year in which such change is to occur. If the Compensation Committee changes the metrics or the weighting with respect to a year, it will communicate the new metrics and the weighting, and the required levels for threshold, target and high performance to the Executive promptly after it approves such changes (which approval must occur no later than the first ninety (90) days of the year in which the change is made). After any such change is made, the changed metrics and the weighting, but not the required levels for threshold, target and high performance, will continue to apply to each subsequent year through 2013, unless the Compensation Committee takes further action to change the metrics or weighting in the same manner described above. Regardless of whether or not the Compensation Committee changes the metrics or the weighting for a year, it will establish the required levels for threshold, target and high performance for the year by no later than the first ninety (90) days of the year, and promptly thereafter communicate the same to the Executive. All required levels for threshold, target and high performance for any year that are based on objective criteria of the type contained in the Company's budget will be based on the Company's budget for the subject year that has been approved by the Board of Directors. Notwithstanding any of the foregoing, the Compensation Committee reserves the right to make adjustments at any time (including without limitation, after the first ninety (90) days of the year to which the bonus criteria apply) to the bonus metrics, the relative weighting of the bonus metrics and the specific threshold, target and high levels of each metric.

(iii) The Executive will be eligible for a prorated Bonus, prorated in accordance with procedures established in the Company's discretion, if the Executive terminates employment during a calendar year due to death. In addition, if the Term is not extended beyond December 31, 2013, the Executive will be eligible for a Bonus for 2013 if he remains employed through December 31, 2013. Otherwise, the Executive will be eligible for a Bonus for any calendar year only if the Executive remains employed by the Company on the date the Bonus is paid, unless otherwise provided by the terms of the applicable bonus plan or the Compensation Committee.

(c) Long-Term Incentive Compensation. Subject to the Executive's continued employment through the effective date of each grant specified below, the Executive shall be entitled to the following grants:

(i) effective January 1, 2011, a grant of restricted stock pursuant to an agreement in substantially the form attached hereto as Exhibit C (the "Restricted Stock Agreement");

(ii) effective January 1, 2011, a grant of performance restricted stock units for the performance period January 1, 2011 through December 31, 2013 with additional quarterly vesting period through December 31, 2014 pursuant to an agreement in substantially the form attached hereto as Exhibit D (the "Multi-year PRSU Agreement"); and

(iii) effective on each of January 1, 2011, January 1, 2012, and January 1, 2013, a grant of performance restricted stock units pursuant to an agreement in substantially the form attached hereto as Exhibit E (the "Annual PRSU Agreement").

The number of shares of stock subject to the Restricted Stock Agreement and the numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement shall be determined in accordance with Exhibit F hereto.

Notwithstanding the foregoing, in the event of any conflict between the terms of the Restricted Stock Agreement, the Multi-year PRSU Agreement or the Annual PRSU Agreement described in this Agreement and Exhibit F and the actual Restricted Stock Agreement, the actual Multi-year PRSU Agreement or the actual Annual PRSU Agreement, the actual Restricted Stock Agreement, the actual Multi-year PRSU Agreement or the actual Annual PRSU Agreement shall govern. The Executive shall be entitled to any other long-term compensation provided by the Company to the extent provided by, and subject to the terms of, any plan, program, or agreement applicable to the Executive. Nothing herein shall supersede the terms and conditions of any previously granted long-term or equity incentives.

(d) Expenses. The Executive shall be entitled to be reimbursed in accordance with Company policy for reasonable and necessary expenses incurred by the Executive in connection with the performance of the Executive's duties of employment hereunder; provided, however, the Executive shall, as a condition of such reimbursement, submit verification of the nature and amount of such expenses in accordance with the reasonable reimbursement policies from time to time adopted by the Company. In the case of taxable reimbursements or in-kind benefits that are subject to Section 409A of the Internal Revenue Code, the policy must provide an objectively determinable nondiscretionary definition of expenses eligible for reimbursement or in-kind benefits to be provided, the expense must be incurred or in-kind benefit must be provided during the period that the Executive is employed by or performing services for the Company, unless a different objectively and specifically prescribed period is specified under the applicable policy, the amount of expenses that are eligible for reimbursement or in-kind benefits provided during the Executive's taxable year may not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year, the reimbursement must be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred, and the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(e) Paid Time Off. The Executive shall be entitled to paid time off in accordance with the terms of Company policy.

(f) Benefits. In addition to the benefits payable to the Executive specifically described herein, the Executive shall be entitled to such benefits as generally may be made available to all other Executives of the Company from time to time; provided, however, that nothing contained herein shall require the establishment or continuation of any particular plan or program.

(g) Withholding. All payments pursuant to this Agreement shall be reduced for any applicable state, local, or federal tax withholding obligations.

(h) Insurance and Indemnification. The Executive shall be entitled to indemnification, including advancement of expenses (if applicable), in accordance with and to the extent provided by the Company's bylaws and articles of incorporation, and any separate indemnification agreement, if any.

3. Term, Termination and Termination Payments.

(a) Term. The term of this Agreement (the "Term") shall begin as of the Effective Date and shall continue through December 31, 2013, unless sooner terminated pursuant to Section 3(b) hereof.

(b) Termination. This Agreement and the employment of the Executive by the Company hereunder shall only be terminated: (i) by expiration of the Term; (ii) by the Company without Cause; (iii) by the Executive for Good Reason; (iv) by the Company or the Executive due to the Disability of the Executive; (v) by the Company for Cause; (vi) by the Executive for other than Good Reason or Disability, upon at least sixty (60) days prior written notice to the Company; or (vii) upon the death of the Executive. Notice of termination by any party shall be given in writing prior to termination and shall specify the basis for termination and the effective date of termination. Further, notice of termination for Cause by the Company or Good Reason by the Executive shall specify the facts alleged to constitute termination for Cause or Good Reason, as applicable. Except as provided in Section 3(c), the Executive shall not be entitled to any payments or benefits after the effective date of the termination of this Agreement, except for base salary pursuant to Section 2(a) accrued up to the effective date of termination, any unpaid earned and accrued Bonus, if any, pursuant to Section 2(b), pay for accrued but unused vacation that the Employer is legally obligated to pay Employee, if any, and only if the Employer is so obligated, as provided under the terms of any other employee benefit and compensation agreements or plans applicable to the Executive, expenses required to be reimbursed pursuant to Section 2(d), and any rights to payment the Executive has under Section 2(h).

(c) Termination by the Company without Cause or by the Executive for Good Reason.

(i) If the employment of the Executive is terminated by the Company without Cause or by the Executive for Good Reason, the Company will pay the Executive one and one-half times the sum of (A) his base salary pursuant to Section 2(a) hereof, plus (B) an amount equal to the average annual Bonus paid to the Executive for the three most recently completed calendar years prior to termination of employment; provided, however, that if the Executive's termination of employment occurs before the Bonus, if any, for the most recently completed calendar year is payable, then the averaging will be determined by reference to the three most recently completed calendar years before that calendar year. Such amount shall be paid in substantially equal annual installments not less frequently than twice per month over the eighteen (18) month period commencing as of the date of termination of employment, provided that the first payment shall be made sixty (60) days following termination of employment and shall include all payments accrued from the date of termination of employment to the date of the first payment; provided, however, if the Executive is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code, as amended (the "Code"), at the date of his termination of employment then, to the extent required to avoid a tax under Code Section 409A, payments which would otherwise have been made during the first six (6) months after termination of employment shall be withheld and paid to the Executive during the seventh month following the date of his termination of

employment. Notwithstanding the foregoing, if the total payments to be paid to the Executive hereunder, along with any other payments to the Executive, would result in the Executive being subject to the excise tax imposed by Code Section 4999, the Company shall reduce the aggregate payments to the largest amount which can be paid to the Executive without triggering the excise tax, but only if and to the extent that such reduction would result in the Executive retaining larger aggregate after-tax payments. The determination of the excise tax and the aggregate after-tax payments to be received by the Executive will be made by the Company after consultation with its advisors and in material compliance with applicable law. If payments are to be reduced, the payments made latest in time will be reduced first and if any payments are to be made at the same time, non-cash payments will be reduced before cash payments.

(ii) If the Term is not extended or the Term is not extended and the Company or the Executive terminates the Executive's employment upon or following expiration of the Term, such termination shall not be deemed to be a termination of the Executive's employment by the Company without Cause or a resignation by Executive for Good Reason.

(iii) Notwithstanding any other provision hereof, as a condition to the payment of the amounts in this Section, the Executive shall be required to execute and not revoke within the revocation period provided therein, the Release. The Company shall provide the Release for the Executive's execution in sufficient time so that if the Executive timely executes and returns the Release, the revocation period will expire before the date the Executive is required to begin to receive payment pursuant to Section 3(c)(i).

(d) Survival. The covenants in Section 3 hereof shall survive the termination of this Agreement and shall not be extinguished thereby.

4. Ownership and Protection of Proprietary Information.

(a) Confidentiality. All Confidential Information and Trade Secrets and all physical embodiments thereof received or developed by the Executive while employed by the Company are confidential to and are and will remain the sole and exclusive property of the Company. Except to the extent necessary to perform the duties assigned by the Company hereunder, the Executive will hold such Confidential Information and Trade Secrets in trust and strictest confidence, and will not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information and Trade Secrets or any physical embodiments thereof and may in no event take any action causing or fail to take the action necessary in order to prevent, any Confidential Information and Trade Secrets disclosed to or developed by the Executive to lose its character or cease to qualify as Confidential Information or Trade Secrets.

(b) Return of Company Property. Upon request by the Company, and in any event upon termination of this Agreement for any reason, as a prior condition to receiving any final compensation hereunder (including any payments pursuant to Section 3 hereof), the Executive will promptly deliver to the Company all property belonging to the Company, including, without limitation, all Confidential Information and Trade Secrets (and all embodiments thereof) then in the Executive's custody, control or possession.

(c) Survival. The covenants of confidentiality set forth herein will apply on and after the date hereof to any Confidential Information and Trade Secrets disclosed by the Company or developed by the Executive while employed or engaged by the Company prior to or after the date hereof. The covenants restricting the use of Confidential Information will continue and be maintained by the Executive for a period of two years following the termination of this Agreement. The covenants restricting the use of Trade Secrets will continue and be maintained by the Executive following termination of this Agreement for so long as permitted by the governing law.

5. Non-Competition and Non-Solicitation Provisions.

(a) The Executive agrees that during the Applicable Period, the Executive will not (except on behalf of or with the prior written consent of the Company, which consent may be withheld in Company's sole discretion), within the Area either directly or indirectly, on his own behalf, or in the service of or on behalf of others, provide managerial services or management consulting services substantially similar to those Executive provides for the Company to any Competing Business. As of the Effective Date, the Executive acknowledges and agrees that the Business of the Company is conducted in the Area.

(b) The Executive agrees that during the Applicable Period, he will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others solicit any individual or entity which is an actual or, to his knowledge, actively sought prospective client of the Company or any of its Affiliates (determined as of date of termination of employment) with whom he had material contact while he was an Executive of the Company, for the purpose of offering services substantially similar to those offered by the Company.

(c) The Executive agrees that during the Applicable Period, he will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, solicit for employment with a Competing Business any person who is a management level employee of the Company or an Affiliate with whom Executive had contact during the last year of Executive's employment with the Company. The Executive shall not be deemed to be in breach of this covenant solely because an employer for whom he may perform services may solicit, divert, or hire a management level employee of the Company or an Affiliate provided that Executive does not engage in the activity proscribed by the preceding sentence.

(d) The Executive agrees that during the Applicable Period, he will not make any statement (written or oral) that could reasonably be perceived as disparaging to the Company or any person or entity that he reasonably should know is an Affiliate of the Company.

(e) In the event that this Section 5 is determined by a court which has jurisdiction to be unenforceable in part or in whole, the court shall be deemed to have the authority to strike any unenforceable provision, or any part thereof or to revise any provision to the minimum extent necessary to be enforceable to the maximum extent permitted by law.

(f) The provisions of this Section 5 shall survive termination of this Agreement, except that if the Executive remains employed by the Company through December 31, 2013 and the Term expires at December 31, 2013, and as a result no severance is payable pursuant to Section 3 of this Agreement, then the provisions of this Section 5 shall also expire at December 31, 2013.

6. Remedies and Enforceability.

The Executive agrees that the covenants, agreements, and representations contained in Sections 4 and 5 hereof are of the essence of this Agreement; that each of such covenants are reasonable and necessary to protect and preserve the interests and properties of the Company; that irreparable loss and damage will be suffered by the Company should the Executive breach any of such covenants and agreements; that each of such covenants and agreements is separate, distinct and severable not only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the unenforceability of any such covenant or agreement shall not affect the validity or enforceability of any other such covenant or agreements or any other

provision or provisions of this Agreement; and that, in addition to other remedies available to it, including, without limitation, termination of the Executive's employment for Cause, the Company shall be entitled to seek both temporary and permanent injunctions to prevent a breach or contemplated breach by the Executive of any of such covenants or agreements.

7. Notice.

All notices, requests, demands and other communications required hereunder shall be in writing and shall be deemed to have been duly given if delivered or if mailed, by United States certified or registered mail, prepaid to the party to which the same is directed at the following addresses (or at such other addresses as shall be given in writing by the parties to one another):

If to the Company: Omega Healthcare Investors, Inc.
Suite 3500
200 International Circle
Hunt Valley MD 21030
Attn: Chairman

If to the Executive: to the last address the Company

has on file for the Executive

Notices delivered in person shall be effective on the date of delivery. Notices delivered by mail as aforesaid shall be effective upon the fourth calendar day subsequent to the postmark date thereof.

8. Miscellaneous.

(a) **Assignment.** The rights and obligations of the Company under this Agreement shall inure to the benefit of the Company's successors and assigns. This Agreement may be assigned by the Company to any legal successor to the Company's business or to an entity that purchases all or substantially all of the assets of the Company, but not otherwise without the prior written consent of the Executive. In the event the Company assigns this Agreement as permitted by this Agreement and the Executive remains employed by the assignee, the "Company" as defined herein will refer to the assignee and the Executive will not be deemed to have terminated his employment hereunder until the Executive terminates his employment with the assignee. The Executive may not assign this Agreement.

(b) **Waiver.** The waiver of any breach of this Agreement by any party shall not be effective unless in writing, and no such waiver shall constitute the waiver of the same or another breach on a subsequent occasion.

(c) **Governing Law.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Maryland. The parties agree that any appropriate state or federal court located in Baltimore, Maryland shall have jurisdiction of any case or controversy arising under or in connection with this Agreement and shall be a proper forum in which to adjudicate such case or controversy. The parties consent to the jurisdiction of such courts.

(d) **Entire Agreement.** This Agreement embodies the entire agreement of the parties hereto relating to the subject matter hereof and supersedes all oral agreements, and to the extent inconsistent with the terms hereof, all other written agreements.

(e) **Amendment.** This Agreement may not be modified, amended, supplemented or terminated except by a written instrument executed by the parties hereto.

(f) **Severability.** Each of the covenants and agreements hereinabove contained shall be deemed separate, severable and independent covenants, and in the event that any covenant shall be declared invalid by any court of competent jurisdiction, such invalidity shall not in any manner affect or impair the validity or enforceability of any other part or provision of such covenant or of any other covenant contained herein.

(g) **Captions and Section Headings.** Except as set forth in Section 9 hereof, captions and section headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

9. Definitions.

(a) **"Affiliate"** means any person, firm, corporation, partnership, association or entity that, directly or indirectly or through one or more intermediaries, controls, is controlled by or is under common control with the Company.

(b) **"Applicable Period"** means the period commencing as of the date of this Agreement and ending eighteen (18) months after the termination of the Executive's employment with the Company or any of its Affiliates.

(c) **"Area"** means Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, West Virginia and Wisconsin.

(d) **"Business of the Company"** means any business with the primary purpose of leasing assets to healthcare operators, or financing the ownership of, or financing the operation of, senior housing, long-term care facilities, assisted living facilities, retirement housing facilities, or other residential healthcare related real estate.

(e) **"Cause"** the occurrence of any of the following events:

(i) willful refusal by the Executive to follow a lawful direction of the Chief Executive Officer or the Board of Directors of the Company, provided the direction is not materially inconsistent with the duties or responsibilities of the Executive's position as Senior Vice President of Operations of the Company, which refusal continues after the Chief Executive Officer or the Board of Directors has again given the direction in writing;

(ii) willful misconduct or reckless disregard by the Executive of his duties or with respect to the interest or material property of the Company;

(iii) intentional disclosure by the Executive to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(iv) any act by the Executive of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board of Directors of the Company, such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates;

(v) commission by the Executive of a felony as reasonably determined by at least two-thirds of the members of the Board of Directors of the Company; or

(vi) a material breach of this Agreement by the Executive, provided that the nature of such breach shall be set forth with reasonable particularity in a written notice to the Executive who shall have ten (10) days following delivery of such notice to cure such alleged breach, provided that such breach is, in the reasonable discretion of the Board of Directors, susceptible to a cure.

(f) "Change in Control" means any one of the following events which occurs following the Effective Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Agreement (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

(g) "Competing Business" means the entities listed below and any person, firm, corporation, joint venture, or other business that is engaged in the Business of the Company:

- (i) Ventas, Inc.,
- (ii) Nationwide Health Properties,
- (iii) Health Care Property Investors Inc.,
- (iv) Healthcare Realty Trust,
- (v) National Health Investors Inc.,
- (vi) National Health Realty, Inc.,
- (vii) Senior Housing Properties Trust,
- (viii) Health Care REIT Inc.,
- (ix) LTC Properties Inc., and
- (x) Medical Properties Trust, Inc.

(h) "Confidential Information" means data and information relating to the Business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Executive or of which the Executive became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Executive without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates by the Executive.

(i) "Disability" means the inability of the Executive to perform the material duties of his position hereunder due to a physical, mental, or emotional impairment, for a ninety (90) consecutive day period or for aggregate of one hundred eighty (180) days during any three hundred sixty-five (365) day period.

(j) "Good Reason" means the occurrence of all of the events listed in either (i) or (ii) below:

(i) (A) the Company materially breaches this Agreement, including without limitation, a material diminution, but only prior to a Change in Control, of the Executive's responsibilities as Senior Vice President of Operations, as reasonably modified by the Chief Executive Officer of the Company from time to time hereafter, such that the Executive would no longer have responsibilities substantially equivalent to those of other senior vice president of operations at companies with similar revenues and market capitalization;

(B) the Executive gives written notice to the Company of the facts and circumstances constituting the breach of the Agreement within ten (10) days following the occurrence of the breach;

(C) the Company fails to remedy the breach within ten (10) days following the Executive's written notice of the breach;

(D) the Executive terminates his employment within thirty (30) days following the Company's failure to remedy the breach; or

(ii) (A) the Company requires the Executive to relocate the Executive's primary place of employment to a new location that is more than fifty (50) miles (calculated using the most direct driving route) from its current location, without the Executive's consent;

(B) the Executive gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;

(C) the Company fails to rescind the notice of relocation within ten (10) days following the Executive's written notice; and

(D) the Executive terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

(k) "Release" means a comprehensive release, covenant not to sue, and non-disparagement agreement from the Executive in favor of the Company, its executives, officers, directors, Affiliates, and all related parties, in the form attached hereto as Exhibit G; provided, however, the Company may make any changes to the Release as it determines to be necessary only to ensure that the Release is enforceable under applicable law.

(l) "Term" has the meaning as set forth in Section 3(a) hereof.

(m) "Termination of employment" and similar terms shall refer solely to a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended.

(n) "Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

IN WITNESS WHEREOF, the Company and the Executive have each executed and delivered this Agreement as of the date first shown above.

COMPANY:

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ C. Taylor Pickett
C. Taylor Pickett, Chief Executive Officer

THE EXECUTIVE:

/s/ R. Lee Crabill
R. Lee Crabill

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EXHIBIT A

Investment

Ownership

None

None

EXHIBIT B

2010 BONUS PLAN

Metric	Weighting	Threshold	Target	High
Adjusted FFO ⁽¹⁾	40%	\$43,425,000	\$44,440,000	\$45,458,000
Tenant quality (uncollected rents) ⁽²⁾	20%	Less than 3%	Less than 2%	Less than 1%
Leverage (coverage ratio) ⁽³⁾	20%	Less than 4.75	Less than 4.50	Less than 4.25 or ratings upgrade from either agency
Individual/ subjective measures ⁽⁴⁾	20%	N/A	N/A	N/A

(1) 4th quarter run rate total dollars based on per share Adjusted FFO of 42.7¢, 43.7¢, and 44.7¢.

(2) 2010 uncollected rents as a percentage of 2010 gross revenues.

(3) Debt/EBITDA using bank covenant formula.

(4) Subjective measures will include sustainability of the Adjusted FFO run rate.

EXHIBIT C

RESTRICTED STOCK AGREEMENT

**RESTRICTED STOCK AWARD
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

THIS AWARD is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to the Terms and Conditions attached hereto and incorporated herein by reference as part of this Award, the Company hereby awards as of the Grant Date to the Recipient the Restricted Shares (the "Restricted Stock Grant").

- A. Grant Date: January 1, 2011.
- B. Plan: (under which Restricted Stock Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Restricted Shares: _____ shares of the Company's common stock ("Common Stock"), subject to adjustment as provided in the attached Terms and Conditions.
- D. Vesting Schedule: The Restricted Shares shall vest according to the Vesting Schedule attached hereto as Exhibit 1 (the "Vesting Schedule"). The Restricted Shares which have become vested pursuant to the Vesting Schedule are herein referred to as the "Vested Restricted Shares."

IN WITNESS WHEREOF, the Company has executed this Award as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
RESTRICTED STOCK AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Restricted Shares. The Company shall cause the Restricted Shares to be issued in book-entry form in the name of the Recipient with appropriate notations and stop-transfer instructions reflecting the applicable restrictions in this Agreement. When any portion of the Restricted Shares become Vested Restricted Shares, the Company shall cause the notations regarding the restrictions and stop-transfer instructions as to such portion to be removed. In the event that the Recipient forfeits any of the Restricted Shares, those shares shall automatically be transferred to the Company, without any action by the Recipient, and if the number of Vested Restricted Shares includes a fraction of a share, the Company shall cancel the fractional share, and the Company shall pay the Recipient the amount determined by the Company to be the estimated fair market value therefore. In the event of a transaction pursuant to Section 6, the Recipient agrees that any shares of Common Stock or other securities or property issued as a result of any of the foregoing shall be subject to all of the provisions of this Award as if initially granted thereunder.

2. Rights of a Shareholder. During the period before the Restricted Shares vest and as long as they are not forfeited, the Recipient shall be entitled to all rights applicable to shares of Common Stock not so restricted, except as otherwise provided in the Award, including the right to receive dividends paid on Common Stock notwithstanding that all or some of the Restricted Shares may not be Vested Restricted Shares.

3. Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a certified check payable to the Company, in the amount of all tax withholding obligations imposed on the Company by reason of the vesting of the Restricted Shares, or the making of an election pursuant to Code Section 83(b), as applicable, except as provided in Section 3(b), or (iii) by tendering a number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the vesting date or effective date of the 83(b) election, as applicable, is sufficient to satisfy the minimum amount of the required tax withholding obligations imposed on the Company (the "Stock Tendering Election"); provided, however, the Committee may in its sole discretion, disapprove and give no effect to the Stock Tendering Election by giving written notice to the Recipient within ten (10) days after receipt of the Stock Tendering Election, in which event the Recipient must deliver, within ten (10) days after receiving such notice, the tax withholding in the manner provided in clause (i) or (ii). If the Recipient does not make an election pursuant to Code Section 83(b) and does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b). If the Recipient makes an election pursuant to Code Section 83(b) and does not timely satisfy payment of the tax withholding obligation, the Recipient will forfeit the Restricted Shares to which such election relates.

(b) If the Recipient does not make an election pursuant to Code Section 83(b), in lieu of paying the tax withholding obligation as described in Section 3(a), Recipient may elect to have the actual number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the vesting date, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company by reason of the vesting of the Restricted Shares (the "Withholding Election"). Recipient may make a Withholding Election only if all of the following conditions are met:

(i) the Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 3 attached hereto; and

(ii) any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding pursuant to Section 3(a), the Recipient will forfeit the Restricted Shares to which the tax withholding requirement relates.

4. Restrictions on Transfer of Restricted Shares. Except for the transfer of any Restricted Shares by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to any unvested Restricted Shares. Any such disposition not made in accordance with this Award shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Award.

5. Additional Restrictions on Transfer.

If for any reason the Restricted Share shall be represented in certificated form prior to becoming Vested Restricted Shares, the certificates evidencing the Restricted Shares shall bear a notation required under applicable securities laws or otherwise determined by the Company to be appropriate, such as:

TRANSFER IS RESTRICTED

THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND FORFEITURE PROVISIONS WHICH ALSO APPLY TO THE TRANSFEREE AS SET FORTH IN A RESTRICTED STOCK AGREEMENT DATED JANUARY __, 2011, A COPY OF WHICH IS AVAILABLE FROM THE COMPANY. THE SECURITIES EVIDENCED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, OR HYPOTHECATED UNLESS (1) THERE IS AN EFFECTIVE REGISTRATION UNDER SUCH ACT COVERING SUCH SECURITIES, (2) THE TRANSFER IS MADE IN COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR (3) THE ISSUER RECEIVES AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT.

6. Change in Capitalization.

(a) The number and kind of unvested Restricted Shares shall be proportionately adjusted for nonreciprocal transactions between

the Company and the holders of Common Stock that cause the per share value of the Restricted Shares to change, such as a stock dividend, stock split, spinoff, or rights offering (each an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, extraordinary dividend, sale of substantially all of the Company's assets or other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, or other reorganization of the Company, in each case that does not result in an Equity Restructuring or a Change in Control, the Compensation Committee shall take such action to make such adjustments with respect to the unvested Restricted Shares as the Compensation Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the unvested portion of the Award, substituting cash, other securities, or other property to replace the unvested portion of the Award, or removing of restrictions on unvested Restricted Shares.

(c) All determinations and adjustments made by the Compensation Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Compensation Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Stock Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

7 . Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Restricted Shares shall be issued except, in the reasonable judgment of the Compensation Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

8 . Successors. This Award shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

9 . Notice. Except as otherwise specified herein, all notices and other communications under this Award shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

10 . Severability. In the event that any one or more of the provisions or portion thereof contained in this Award shall for any reason be held to be invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Award, and this Award shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

11 . Entire Agreement. Subject to the terms and conditions of the Plan, this Award expresses the entire understanding and agreement of the parties with respect to the subject matter.

12 . Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Award. Capitalized terms used, but not defined, in this Award shall be given the meaning ascribed to them in the Plan.

13 . Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Award, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

14 . No Right to Continued Retention. Neither the establishment of the Plan nor the award of Restricted Shares hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

15. Definitions. As used in these Terms and Conditions and this Award:

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in

the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the Business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of all of the events listed in either (a) or (b) below:

(a) (i) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;

(ii) the Recipient gives written notice to the Company of the facts and circumstances constituting the material diminution in responsibilities within ten (10) days following the occurrence of such material diminution;

(iii) the Company fails to remedy the material diminution in responsibilities within ten (10) days following the Recipient's written notice of the material diminution in responsibilities; and

(iv) the Recipient terminates his employment and this Agreement within thirty (30) days following the Company's failure to remedy the material diminution in responsibilities.

(b) (i) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;

(ii) the Recipient gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;

(iii) the Company fails to rescind the notice of relocation within ten (10) days following the Recipient's written notice; and

(iv) the Recipient terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Exhibit 1 to Restricted Stock Agreement
Vesting Schedule

A. The Restricted Shares shall become Vested Shares in accordance with the schedule below:

Date	Percentage of Restricted Shares which are Vested Shares
December 31, 2013	100%

; provided the Recipient must remain an employee, director or consultant of the Company or an Affiliate through the indicated date set forth above to vest in accordance with the schedule above.

B. Notwithstanding the foregoing, if more than sixty (60) days before a Change in Control and in the year set forth in the schedule below:

1. the Recipient ceases services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability,
2. the Recipient resigns from the Company for Good Reason, or
3. the Company terminates the Recipient's employment without Cause,

then the percentage of the Restricted Shares in the schedule set forth shall become Vested Shares if they have not been previously forfeited.

Year of Termination	Percentage of Restricted Shares which are Vested Shares
2011	33 ¹ / ₃ %
2012	66 ² / ₃ %
2013	100%

C. Notwithstanding the foregoing, if a Change in Control occurs on or after the Grant Date and before December 31, 2013, and within (i) sixty (60) days before a Change in Control or (ii) after a Change in Control:

1. the Recipient ceases services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability,
2. the Recipient resigns from the Company for Good Reason, or
3. the Company terminates the Recipient's employment without Cause.

then all Restricted Shares shall become Vested Shares as of the later of the date of the Change in Control or the date of termination of employment if they have not been previously forfeited.

D. Restricted Shares which have not become Vested Shares as of the earlier of December 31, 2013 or, except as provided in Item C above, the Recipient's cessation of services as an employee, director, or consultant of the Company or an Affiliate shall be forfeited.

EXHIBIT D

**PERFORMANCE RESTRICTED STOCK UNIT
AGREEMENT – FOR MULTI-YEAR PRSUs**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

The grant pursuant to this agreement (this "Agreement") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to this Agreement (which shall include the Terms and Conditions and Exhibits appended to the execution page), the Company hereby awards as of the Grant Date to the Recipient, the opportunity to earn Vested Restricted Units (the "Restricted Unit Grant" or the "Award"). Underlined and capitalized terms in Items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: January 1, 2011.
- B. Plan (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Vested Restricted Units: The Recipient shall earn a number of Vested Restricted Units determined pursuant to Exhibit 1. Each Vested Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and related Dividend Equivalents (as defined below) in accordance with this Agreement.
- D. Dividends Equivalents. Each Vested Restricted Unit shall accrue Dividend Equivalents, an amount equal to the dividends per share paid on one share of Common Stock to a shareholder of record on or after the Grant Date and until the date that the Vested Shares (as defined below) are issued.
- E. Distribution Date of Vested Shares. Shares of Common Stock attributable to Vested Restricted Units ("Vested Shares") shall be issued and distributed upon the earlier of the dates listed below, subject to receipt from the Recipient of the required tax withholding:
1. within ten (10) business days following the last day of each calendar quarter in 2014; or
 2. the date of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents attributable to Vested Restricted Units shall be distributed to the Recipient on the same date as Vested Shares are distributable to the Recipient under Item E above.

IN WITNESS WHEREOF, the Company has executed this Agreement to be effective as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Payment for Vested Restricted Units. The Company shall issue in book entry form in the name of the Recipient, or issue and deliver to the Recipient a share certificate representing, the Vested Shares on the Distribution Date of Vested Shares.

2. Dividends Equivalents. The Company shall pay Dividend Equivalents attributable to Vested Restricted Units on the Distribution Date of Dividend Equivalents, subject to required tax withholding.

3. Tax Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a check payable to the Company, in the amount of all tax withholding obligations imposed on the Company as a result of the issuance of the Vested Shares, except as provided in Section 3(b). If the Recipient does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b).

(b) In lieu of paying the tax withholding obligation described in Section 3(a), the Recipient may elect to have the number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the Distribution Date of the Vested Shares, together with cash or a check in lieu of any fractional Vested Share, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company as a result of the issuance of the Vested Shares (the "Withholding Election"). The Recipient may make a Withholding Election only if all of the following conditions are met:

(i) The Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 2 attached hereto; and

(ii) Any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding, the Recipient will forfeit the Vested Shares to which the tax withholding requirement relates.

4. Restrictions on Transfer. Except for the transfer by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to this Award. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

5. Change in Capitalization.

(a) The number and kind of shares issuable under this Agreement shall be proportionately adjusted for any non-reciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Common Stock subject to the Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, in each case that does not constitute an Equity Restructuring, the Committee shall take such action to make such adjustments with respect to the shares of Common Stock issuable hereunder or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions.

(c) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Unit Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Vested Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. Subject to the terms and conditions of the Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter.

11. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

12. No Right to Continued Retention. Neither the establishment of the Plan nor the Award hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

13. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Plan.

14. Definitions. As used in this Agreement:

"Beginning Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 2010 on the exchange on which Common Stock is traded.

"Below Threshold Relative TSR" means that Relative Total Shareholder Return is less than the fiftieth (50th) percentile.

"Below Threshold TSR" means the Company has achieved Total Shareholder Return of less than eight percent (8%) for the Performance Period calculated on an annualized basis and compounded each December 31.

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total

gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Ending Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 2013 on the exchange on which Common Stock is traded unless a Change in Control occurs before January 1, 2014, in which case the term means the value per share determined as of the date of the Change in Control, such value to be determined by the Compensation Committee in its reasonable discretion based on the actual or implied price per share paid in the Change in Control transaction.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of an event listed in Subsection (a) through (c) below:

(a) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;

(b) the Company reduces the Recipient's annual base salary or annual bonus opportunity at high, target or threshold performance as a percentage of annual base salary; or

(c) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;

provided however, as to each event in Subsection (a) through (c),

(i) the Recipient gives written notice to the Company within ten (10) days following the event or receipt of notice of the event of his objection to the event;

(ii) the Company fails to remedy the event within ten (10) days following the Recipient's written notice; and

(iii) the Recipient terminates his employment within thirty (30) days following the Company's failure to remedy the event.

"High Relative TSR" means that Relative Total Shareholder Return is the eightieth (80th) percentile or above.

"High TSR" means the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of at least twelve percent (12%) for the Performance Period. In calculating High TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by twelve percent (12%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Performance Period" means the period from and including January 1, 2011 through the earlier of December 31, 2013 or the date of a Change in Control.

"Relative Total Shareholder Return" means Total Shareholder Return ranked on a percentile basis relative to the average total shareholder return of companies comprising the MSCI U.S. REIT Index for the same period for which Total Shareholder Return is calculated and using the same methodology used for calculating Total Shareholder Return.

"Target Relative TSR" means that Relative Total Shareholder Return is the sixty-fifth (65th) percentile.

"Target TSR" means the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of ten percent (10%) for the Performance Period. In calculating Target TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by ten percent (10%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Threshold Relative TSR" means that Relative Total Shareholder Return is the fiftieth (50th) percentile.

"Threshold TSR" means that the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of eight percent (8%) for the Performance Period. In calculating Threshold TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by eight percent (8%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Total Shareholder Return" means the sum of the total change in the Ending Stock Price as compared to the Beginning Stock Price, plus any dividends paid to a shareholder of record with respect to one share of Common Stock during the Performance Period.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

"Vesting Period" means the period beginning on the day after the last day of the Performance Period and ending December 31, 2014.

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EXHIBIT 1

- A. The number of Vested Restricted Units is determined as of the last day of the Performance Period by adding the number determined in the TSR Chart and the Relative TSR Chart set forth below; provided that the Recipient shall vest in twenty-five percent (25%) of the Vested Restricted Units as of the last day of each calendar quarter during the Vesting Period only if the Recipient remains an employee, director or consultant of the Company or an Affiliate during the entire Performance Period and through the last day of such calendar quarter.

TSR Chart

Below Threshold TSR	*Threshold TSR	*Target TSR	*High TSR
Zero Vested Units			

Relative TSR Chart

Below Threshold Relative TSR	**Threshold Relative TSR	**Target Relative TSR	**High Relative TSR
Zero Vested Units			

* If Total Shareholder Return falls between Threshold TSR and Target TSR or between Target TSR and High TSR, the number of Vested Restricted Units under the TSR Chart shall be determined by rounding actual Total Shareholder Return to the closest 0.5% percentage points and then applying linear interpolation based on the percentage points by which Threshold TSR or Target TSR, as so adjusted, respectively, is exceeded.

** If Relative Total Shareholder Return falls between Threshold Relative TSR and Target Relative TSR or between Target Relative TSR and High Relative TSR, the number of Vested Restricted Units under the Relative TSR Chart shall be determined by rounding Relative TSR to the closest five (5) percentile points and then applying linear interpolation based on the percentile by which Threshold Relative TSR or Target Relative TSR, respectively, is exceeded.

- B. Notwithstanding the foregoing, if the Recipient dies or becomes subject to a Disability while an employee, director or consultant of the Company or an Affiliate, the Recipient resigns from the Company for Good Reason or the Company terminates the Recipient's employment without Cause (each such event referred to as a "Qualifying Termination"), in each case:

- (i) during the Performance Period and more than sixty (60) days before a Change in Control, the Recipient shall earn upon completion of the Performance Period a number of Vested Restricted Units equal to the number of Vested Restricted Units determined in the charts above, multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of such event and the denominator of which is 1,095 (*i.e.*, 365 x 3), or
- (ii) during the Vesting Period, the Recipient shall earn the same number of Vested Restricted Units determined in the charts above as if the Recipient were to remain an employee of the Company through the last day of the Vesting Period.

- C. Notwithstanding any other provision of this Agreement, if a Change in Control occurs upon or after the Grant Date and before December 31, 2014, and (i) the Recipient remains an employee, director or consultant of the Company or an Affiliate during the entire Performance Period until the date of the Change in Control, or (ii) if within sixty (60) days before the Change in Control, the Recipient incurs a Qualifying Termination, the Recipient shall be 100% vested in, as of the date of the Change in Control:

1. if the Change in Control occurs before January 1, 2014, the number of units determined from the Relative TSR Chart based on the percentile of Relative Total Shareholder Return achieved for the Performance Period through the date of the Change in Control, plus
 - a. the number of units determined in the TSR Chart if the applicable level of Total Shareholder Return for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control) is achieved, or
 - b. a number of units equal to the number of units determined in the TSR Chart multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of the Change in Control and the denominator of which is 1,095 (*i.e.*, 365 x 3), if the applicable level of Total Shareholder Return has been achieved based on annualized performance to the date of the Change in Control but not for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), or
 - c. a number of units determined by interpolation between the numbers in clause (a) and (b) above if the applicable level of Total Shareholder Return has been exceeded based on performance to the date of the Change in Control but is less than the applicable level for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), or
2. if the Change in Control occurs after December 31, 2013, the number of units determined in the above charts that were actually earned for the Performance Period.

- D. The portion of the Restricted Unit Grant that has not become Vested Restricted Units as of the earlier of the last day of the Performance Period, or, except as provided in Item C above, as of the date the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate shall be forfeited. In addition, if the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate during, but before the last day of, each calendar quarter during the Vesting Period, then except as provided in Item C above, the unvested portion of the Restricted Unit Grant shall be forfeited.
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EXHIBIT 2

**NOTICE OF WITHHOLDING ELECTION
PURSUANT TO OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

TO: Omega Healthcare Investors, Inc.
Attention: Chief Financial Officer

FROM:

RE: Withholding Election

This election relates to the Restricted Unit Grant identified in Paragraph 3 below. I hereby certify that:

(1) My correct name and social security number and my current address are set forth at the end of this document.

(2) I am (check one, whichever is applicable).

the original recipient of the Restricted Unit Grant.

the legal representative of the estate of the original recipient of the Restricted Unit Grant.

a legatee of the original recipient of the Restricted Unit Grant.

the legal guardian of the original recipient of the Restricted Unit Grant.

(3) The Restricted Unit Grant pursuant to which this election relates was issued with a Grant Date of _____ under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan (the "Plan") in the name of _____. This election relates to _____ shares of Common Stock issuable pursuant to the Restricted Unit Grant.

(4) I hereby elect to have certain of the shares of Common Stock withheld by the Company for the purpose of having the value of the shares applied to pay federal, state and local, if any, taxes arising from the exercise.

The fair market value of the shares of Common Stock to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Unit Grant shall be equal to the minimum statutory tax withholding requirement under federal, state and local law in connection with the exercise.

(5) This Withholding Election is made no later than ten (10) days after the Tax Notice Date and is otherwise timely made pursuant to the Plan.

(6) I further understand that, if this Withholding Election is not disapproved by the Committee, the Company shall withhold from the Common Stock issuable to me a whole number of shares of Common Stock having the value specified in Paragraph 4 above.

(7) The Plan has been made available to me by the Company, I have read and understand the Plan and I have no reason to believe that any of the conditions therein to the making of this Withholding Election have not been met. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

Dated:

Signature:

Name (Printed)

Street Address

City, State, Zip Code

EXHIBIT E

**PERFORMANCE RESTRICTED STOCK UNIT
AGREEMENT – FOR ANNUAL PRSUs**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

The grant pursuant to this agreement (this "Agreement") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to this Agreement (which shall include the Terms and Conditions and Exhibits appended to the execution page), the Company hereby awards as of the Grant Date to the Recipient, the opportunity to earn Vested Restricted Units (the "Restricted Unit Grant" or the "Award"). Underlined and capitalized terms in Items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: January 1, 201__.
- B. Plan (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Vested Restricted Units: The Recipient shall earn a number of Vested Restricted Units determined pursuant to Exhibit 1. Each Vested Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and related Dividend Equivalents (as defined below) in accordance with this Agreement.
- D. Dividends Equivalents. Each Vested Restricted Unit shall accrue Dividend Equivalents, an amount equal to the dividends per share paid on one share of Common Stock to a shareholder of record on or after the Grant Date and until the date that the Vested Shares (as defined below) are issued.
- E. Distribution Date of Vested Shares. Shares of Common Stock attributable to Vested Restricted Units ("Vested Shares") shall be issued and distributed upon the earlier of the dates listed below, subject to receipt from the Recipient of the required tax withholding:
1. within ten (10) business days following December 31, 201__; or
 2. the date of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents attributable to Vested Restricted Units shall be distributed to the Recipient on the same date as Vested Shares are distributable to the Recipient under Item E above.

IN WITNESS WHEREOF, the Company has executed this Agreement to be effective as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Payment for Vested Restricted Units. The Company shall issue in book entry form in the name of the Recipient, or issue and deliver to the Recipient a share certificate representing, the Vested Shares on the Distribution Date of Vested Shares.

2. Dividends Equivalents. The Company shall pay Dividend Equivalents attributable to Vested Restricted Units on the Distribution Date of Dividend Equivalents, subject to required tax withholding.

3. Tax Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a check payable to the Company, in the amount of all tax withholding obligations imposed on the Company as a result of the issuance of the Vested Shares, except as provided in Section 3(b). If the Recipient does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b).

(b) In lieu of paying the tax withholding obligation described in Section 3(a), the Recipient may elect to have the number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the Distribution Date of the Vested Shares, together with cash or a check in lieu of any fractional Vested Share, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company as a result of the issuance of the Vested Shares (the "Withholding Election"). The Recipient may make a Withholding Election only if all of the following conditions are met:

(i) The Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 2 attached hereto; and

(ii) Any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding, the Recipient will forfeit the Vested Shares.

4. Restrictions on Transfer. Except for the transfer by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to this Award. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

5. Change in Capitalization.

(a) The number and kind of shares issuable under this Agreement shall be proportionately adjusted for any non-reciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Common Stock subject to the Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, in each case that does not constitute an Equity Restructuring, the Committee shall take such action to make such adjustments with respect to the shares of Common Stock issuable hereunder or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions.

(c) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Unit Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Vested Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. Subject to the terms and conditions of the Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter.

11. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

12. No Right to Continued Retention. Neither the establishment of the Plan nor the Award hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

13. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Plan.

14. Definitions. As used in this Agreement:

"Beginning Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 201__ on the exchange on which Common Stock is traded.

"Below Threshold Performance" means the Company has achieved Total Shareholder Return of less than eight percent (8%).

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Ending Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 201__ on the exchange on which Common Stock is traded, unless a Change in Control occurs before December 31, 201__, in which case the term means the value per share determined as of the date of the Change in Control, such value to be determined by the Compensation Committee in its reasonable discretion based on the actual or implied price per share paid in the Change in Control transaction.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of all of the events listed in either (a) or (b) below:

(a) (i) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;

(ii) the Recipient gives written notice to the Company of the facts and circumstances constituting the material diminution in responsibilities within ten (10) days following the occurrence of such material diminution;

(iii) the Company fails to remedy the material diminution in responsibilities within ten (10) days following the Recipient's written notice of the material diminution in responsibilities; and

(iv) the Recipient terminates his employment and this Agreement within thirty (30) days following the Company's failure to remedy the material diminution in responsibilities.

(b) (i) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;

(ii) the Recipient gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;

(iii) the Company fails to rescind the notice of relocation within ten (10) days following the Recipient's written notice; and

(iv) the Recipient terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

"High Performance" means the Company has achieved Total Shareholder Return of at least twelve percent (12%).

"Performance Period" means the period from and including January 1, 201__ through the earlier of December 31, 201__ or the date of a Change in Control.

"Target Performance" means the Company has achieved Total Shareholder Return of ten percent (10%).

"Threshold Performance" means that the Company has achieved Total Shareholder Return of eight percent (8%).

"Total Shareholder Return" means the sum of the total change in the Ending Stock Price as compared to the Beginning Stock Price, plus any dividends paid to a shareholder of record with respect to one share of Common Stock during the Performance Period.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

EXHIBIT 1

- A. The number of Vested Restricted Units earned is determined as of the last day of the Performance Period pursuant to the following chart; provided that the Recipient must remain an employee, director or consultant of the Company or an Affiliate during the entire Performance Period to earn the number of Vested Restricted Units determined in the chart below.

Below Threshold Performance	*Threshold Performance	*Target Performance	*High Performance
Zero Vested Units			

- * If Total Shareholder Return falls between Threshold Performance and Target Performance or between Target Performance and High Performance, the number of Vested Restricted Units shall be determined by rounding actual Total Shareholder Return to the closest 0.5% percentage points and then applying linear interpolation based on the percentage points by which Threshold Performance or Target Performance, respectively, as so adjusted, is exceeded.
- B. Notwithstanding the foregoing, if during the Performance Period and more than sixty (60) days before a Change in Control, the Recipient dies or becomes subject to a Disability while an employee, director or consultant of the Company or an Affiliate, the Recipient resigns from the Company for Good Reason, or the Company terminates the Recipient's employment without Cause (each such event referred to as a "Qualifying Termination"), the Recipient shall earn a number of Vested Restricted Units equal to the number of Vested Restricted Units determined in the chart above as of the completion of the Performance Period, multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of such event and the denominator of which is 365.
- C. Notwithstanding the foregoing, if a Change in Control occurs on or after the Grant Date and before December 31, 201__ and (i) while the Recipient remains an employee, director or consultant of the Company or an Affiliate, or (ii) within sixty (60) days before the Change in Control, the Recipient incurs a Qualifying Termination, the Recipient shall earn a number of Vested Restricted Units determined in the chart above based on the level of Total Shareholder Return through the date of the Change in Control relative to the level required for the full Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), and shall not thereafter earn any additional Vested Restricted Units.
- D. The portion of the Restricted Unit Grant that has not become earned Vested Restricted Units as of the earlier of the last day of the Performance Period, or, except as provided in Item C above, as of the date the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate shall be forfeited.
-

EXHIBIT 2

**NOTICE OF WITHHOLDING ELECTION
PURSUANT TO OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

TO: Omega Healthcare Investors, Inc.
Attention: Chief Financial Officer

FROM:

RE: Withholding Election

This election relates to the Restricted Unit Grant identified in Paragraph 3 below. I hereby certify that:

(1) My correct name and social security number and my current address are set forth at the end of this document.

(2) I am (check one, whichever is applicable).

the original recipient of the Restricted Unit Grant.

the legal representative of the estate of the original recipient of the Restricted Unit Grant.

a legatee of the original recipient of the Restricted Unit Grant.

the legal guardian of the original recipient of the Restricted Unit Grant.

(3) The Restricted Unit Grant pursuant to which this election relates was issued with a Grant Date of _____ under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan (the "Plan") in the name of _____. This election relates to _____ shares of Common Stock issuable pursuant to the Restricted Unit Grant.

(4) I hereby elect to have certain of the shares of Common Stock withheld by the Company for the purpose of having the value of the shares applied to pay federal, state and local, if any, taxes arising from the exercise.

The fair market value of the shares of Common Stock to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Unit Grant shall be equal to the minimum statutory tax withholding requirement under federal, state and local law in connection with the exercise.

(5) This Withholding Election is made no later than ten (10) days after the Tax Notice Date and is otherwise timely made pursuant to the Plan.

(6) I further understand that, if this Withholding Election is not disapproved by the Committee, the Company shall withhold from the Common Stock issuable to me a whole number of shares of Common Stock having the value specified in Paragraph 4 above.

(7) The Plan has been made available to me by the Company, I have read and understand the Plan and I have no reason to believe that any of the conditions therein to the making of this Withholding Election have not been met. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

Dated:

Signature:

Name (Printed)

Street Address

City, State, Zip Code

EXHIBIT F

DETERMINATION OF NUMBERS OF RESTRICTED SHARES AND UNITS

The number of shares of stock subject to the Restricted Stock Agreement, the number of units subject to the Multi-year PRSU Agreement, and the number of units subject to the Annual PRSU Agreement shall be determined as described below. (The methodology set forth below is the same as used in the charts provided by FPL Associates L.P. to the Compensation Committee on August 19, 2010, except that for purposes of illustration, the FPL memo uses a \$23 share price assumption, whereas the actual final calculations of the potential number of shares and units will be based on the volume weighted-average trading price per share of Omega common stock ("VWAP") for the month of December 2010.)

Step 1: Start with threshold, target and high levels of 2011-2013 aggregate compensation (comprised of base salary, bonus opportunity and long-term incentive opportunity):

Threshold	Target	High
\$2,494,000	\$3,795,000	\$4,847,000

Step 2: Determine aggregate salary and bonus opportunities for 2011-2013:

Threshold	Target	High
\$1,184,063	\$1,373,513	\$1,562,963

Step 3: Subtract Step 2 from Step 1 to arrive at aggregate long-term incentive opportunity (excluding dividends) for 2011-2013:

Threshold	Target	High
\$1,309,937	\$2,421,487	\$3,284,037

Step 4: Determine projected dividends per share of Omega common stock based on Omega's projections as of December 31, 2010. Determine the number of shares of Omega common stock, which, based on the December 2010 VWAP and assuming "Target TSR" and "Target Relative TSR" (as defined in the Multi-year PRSU Agreement) are achieved (assuming, for purposes of calculating Target TSR and Target Relative TSR referred to above, that the projected dividends are paid), results in the \$2,421,487 target level of aggregate long-term incentive compensation (*i.e.*, restricted shares, units subject to the Multi-year PRSU agreement, and units subject to the Annual PRSU agreement) (excluding projected dividends) at Step 3 as of December 31, 2013 being earned. For purposes of this Exhibit F, compensation attributable to the Multi-year PRSU agreement shall be calculated based on the projected value, using the preceding methodology, of one-third of the units at each of December 31, 2011, December 31, 2012 and December 31, 2013.

Step 5: Divide the number of shares determined at Step 4 into two components equal in number.

Step 5A: The first component is the number of shares subject to the Restricted Stock Agreement.

Step 5B: Divide the second component into two sub-components equal in number. The first sub-component is the number of units subject to the Multi-year PRSU Agreement if Target TSR and Target Relative TSR are achieved. Divide the second subcomponent into three equal numbers of units, each of which represents the number of shares issuable pursuant to the Annual PRSU Agreement if "Target Performance" (as defined in the Annual PRSU Agreement) for the applicable year is achieved.

Step 6: The number of shares of stock subject to the Restricted Stock Agreement as determined at Step 5A is held constant, regardless of performance. The numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement if Target TSR and Target Relative TSR, and Target Performance, respectively are achieved are as provided in Step 5B. Determine the number of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement if "Threshold TSR" and "Threshold Relative TSR" (as those terms are defined in the Multi-year PRSU Agreement) and "Threshold Performance" (as defined in the Annual PRSU Agreement) are achieved by subtracting the projected compensation (excluding dividends) attributable to the Restricted Stock Agreement as determined in Step 5A from the \$1,309,937 of aggregate long-term incentive compensation (excluding dividends) at Step 3 at threshold to arrive at the difference and then determine the number of shares of Omega common stock, which based on the December 2010 VWAP and assuming Threshold TSR and Threshold Relative TSR are achieved and projected dividends are paid, results in an amount of projected compensation (excluding dividends) at December 31, 2013 that is equal to such difference. This number of units is then divided into two equal subcomponents; a multi-year subcomponent and an annual subcomponent (that is divided into three equal annual subcomponents) all in the same manner as discussed at Step 5B, but using Threshold TSR, Threshold Relative TSR and Threshold Performance instead of Target TSR, Target Relative TSR and Target Performance, respectively, in such formula. The numbers of units at High TSR, High Relative TSR and High Performance are determined in the same manner as the number of units at Threshold TSR, Threshold Relative TSR and Threshold Performance are determined in this Step 6, except that "High" is substituted into this formula in lieu of "Threshold."

This is only a summary of the methodology for determining the number of shares subject to the Restricted Stock Agreement and the numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement. The actual numbers shall be calculated by FPL Associates L.P. or other compensation consultant retained by the Compensation Committee of the Board of Directors of the Company (either, the "Compensation Consultant"), and in the event of any conflict between the terms of this summary and such calculation, the calculation shall control as long as the calculation is based on the Compensation Consultant's interpretation of this Exhibit F and such interpretation is not manifestly unreasonable.

EXHIBIT G

**RELEASE, AGREEMENT PURSUANT TO
EMPLOYMENT AGREEMENT**

This Agreement (this "Agreement") is made this ___ day of _____, 200_, by OMEGA HEALTHCARE INVESTORS, INC. (the "Employer") and _____ (the "Employee").

Introduction

Employee and the Employer entered into an Employment Agreement dated _____, 2010 (the "Employment Agreement").

The Employment Agreement requires that as a condition to the Employer's obligation to pay payments and benefits under Section 3(c) of the Employment Agreement (the "Severance Benefits"), Employee must provide a release and agree to certain other conditions as provided herein.

NOW, THEREFORE, the parties agree as follows:

1. **[For Employee under age 40: The effective date of this Agreement shall be the date on which Employee signs this Agreement ("the Effective Date"), at which time this Agreement shall be fully effective and enforceable.]**

[For Employee age 40 and over or group termination of Employees age 40 and over : Employee has been offered [twenty-one (21) days] [forty-five (45) days if group termination] from receipt of this Agreement within which to consider this Agreement. The effective date of this Agreement shall be the date eight (8) days after the date on which Employee signs this Agreement ("the Effective Date"). For a period of seven (7) days following Employee's execution of this Agreement, Employee may revoke this Agreement, and this Agreement shall not become effective or enforceable until such seven (7) day period has expired. Employee must communicate the desire to revoke this Agreement in writing. Employee understands that he or she may sign the Agreement at any time before the expiration of the [twenty-one (21) day] [forty-five (45) day] review period. To the degree Employee chooses not to wait [twenty-one (21) days] [forty-five (45) days] to execute this Agreement, it is because Employee freely and unilaterally chooses to execute this Agreement before that time. Employee's signing of the Agreement triggers the commencement of the seven (7) day revocation period.]

2. In exchange for Employee's execution of this Agreement and in full and complete settlement of any claims as specifically provided in this Agreement, the Employer will provide Employee with the Severance Benefits.

3. **[For Employee age 40 or over or group termination of Employees age 40 and over : Employee acknowledges and agrees that this Agreement is in compliance with the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act and that the releases set forth in this Agreement shall be applicable, without limitation, to any claims brought under these Acts.]**

The release given by Employee in this Agreement is given solely in exchange for the consideration set forth in Section 2 of this Agreement and such consideration is in addition to anything of value that Employee was entitled to receive prior to entering into this Agreement.

Employee has been advised to consult an attorney prior to entering into this Agreement **[For Employee age 40 or over or group termination of Employees age 40 and over: and this provision of the Agreement satisfies the requirement of the Older Workers Benefit Protection Act that Employee be so advised in writing].**

[For under age 40: Employee has been offered an ample opportunity from receipt of this Agreement within which to consider this Agreement.]

By entering into this Agreement, Employee does not waive any rights or claims that may arise after the date this Agreement is executed.

4. **[For group termination of Employees age 40 and over: The Employer has _____ [The Employer to describe class, unit, or group of individuals covered by termination program, any eligibility factors, and time limits applicable] and such employees comprise the "Decisional Unit." Attached as "Attachment 1" to this Agreement is a list of ages and job titles of persons in the Decisional Unit who were and who were not selected for termination and the offer of consideration for signing the Agreement.]**

5. This Agreement shall in no way be construed as an admission by the Employer that it has acted wrongfully with respect to Employee or any other person or that Employee has any rights whatsoever against the Employer. The Employer specifically disclaims any liability to or wrongful acts against Employee or any other person on the part of itself, its employees or its agents.

6. As a material inducement to the Employer to enter into this Agreement, Employee hereby irrevocably releases the Employer and each of the owners, stockholders, predecessors, successors, directors, officers, employees, representatives, attorneys, affiliates (and agents, directors, officers, employees, representatives and attorneys of such affiliates) of the Employer and all persons acting by, through, under or in concert with them (collectively, the "Releasees"), from any and all charges, claims, liabilities, agreements, damages, causes of action, suits, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, including, but not limited to, rights arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, or any tort, or any legal restrictions on the Employer's right to terminate employees, or any federal, state or other governmental statute, regulation, or ordinance, including, without limitation: (1) Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991 (race, color, religion, sex, and national origin discrimination); (2) the Employee Retirement Income Security Act ("ERISA"); (3) 42 U.S.C. § 1981 (discrimination); (4) the Americans with Disabilities Act (disability discrimination); (5) the Equal Pay Act; **[For Employee age 40 or over or group termination of Employees age 40 and over : (6) the Age Discrimination in Employment Act; (7) the Older Workers Benefit Protection Act;]** (6) Executive Order 11246 (race, color, religion, sex, and national origin discrimination); (7) Executive Order 11141 (age discrimination); (8) Section 503 of the Rehabilitation Act of 1973 (disability discrimination); (9) negligence; (10) negligent hiring and/or negligent retention; (11) intentional or negligent infliction of emotional distress or outrage; (12) defamation; (13) interference with employment; (14) wrongful discharge; (15) invasion of privacy; or (16) violation of any other legal or contractual duty arising under the laws of the State of Maryland or the laws of the United States ("Claim" or "Claims"), which Employee now has, or claims to have, or which Employee at any time heretofore had, or claimed to have, or which Employee at any time hereinafter may have, or claim to have, against each or any of the Releasees, in each case as to acts or omissions by each or any of the Releasees occurring up to and including the Effective Date.
7. The release in the preceding paragraph of this Agreement does not apply to (a) all benefits and awards (including without limitation cash and stock components) which pursuant to the terms of any compensation or benefit plans, programs, or agreements of the Employer are earned or become payable, but which have not yet been paid, and (b) pay for accrued but unused vacation that the Employer is legally obligated to pay Employee, if any, and only if the Employer is so obligated, (c) unreimbursed business expenses for which Employee is entitled to reimbursement under the Employer's policies, (d) any rights to indemnification that Employee has under any directors and officers or other insurance policy the Employer maintains or under the bylaws and articles of incorporation of the Company, and under any indemnification agreement, if any, and (e) any rights the Employee may have (if any) to workers compensation benefits.
8. Employee promises that he will not make statements disparaging to any of the Releasees. Employee agrees not to make any statements about any of the Releasees to the press (including without limitation any newspaper, magazine, radio station or television station) without the prior written consent of the Employer. The obligations set forth in the two immediately preceding sentences will expire two years after the Effective Date. Employee will also cooperate with the Employer and its affiliates if the Employer requests Employee's testimony. To the extent practicable and within the control of the Employer, the Employer will use reasonable efforts to schedule the timing of Employee's participation in any such witness activities in a reasonable manner to take into account Employee's then current employment, and will pay the reasonable documented out-of-pocket expenses that the Employer pre-approves and that Employee incurs for travel required by the Employer with respect to those activities.
9. Except as set forth in this Section, Employee agrees not to disclose the existence or terms of this Agreement to anyone. However, Employee may disclose it to a member of his immediate family or legal or financial advisors if necessary and on the condition that the family member or advisor similarly does not disclose these terms to anyone. Employee understands that he will be responsible for any disclosure by a family member or advisor as if he had disclosed it himself. This restriction does not prohibit Employee's disclosure of this Agreement or its terms to the extent necessary during a legal action to enforce this Agreement or to the extent Employee is legally compelled to make a disclosure. However, Employee will notify the Employer promptly upon becoming aware of that legal necessity and provide it with reasonable details of that legal necessity.
10. Employee has not filed or caused to be filed any lawsuit, complaint or charge with respect to any Claim he releases in this Agreement. Employee promises never to file or pursue a lawsuit, complaint or charge based on any Claim released by this Agreement, except that Employee may participate in an investigation or proceeding conducted by an agency of the United States Government or of any state. Notwithstanding the foregoing, Employee is not prohibited from filing a charge with the Equal Employment Opportunity Commission but expressly waives his right to personal recovery as a result of such charge. Employee also has not assigned or transferred any claim he is releasing, nor has he purported to do so. **[For group termination of Employees age 40 and over: Employee covenants and agrees not to institute, or participate in any way in anyone else's actions involved in instituting, any action against any of the members of the Decisional Unit with respect to any Claim released herein.]**
11. The Employer and Employee agree that the terms of this Agreement shall be final and binding and that this Agreement shall be interpreted, enforced and governed under the laws of the State of Maryland. The provisions of this Agreement can be severed, and if any part of this Agreement is found to be unenforceable, the remainder of this Agreement will continue to be valid and effective.
12. This Agreement sets forth the entire agreement between the Employer and Employee and fully supersedes any and all prior agreements or understandings, written and/or oral, between the Employer and Employee pertaining to the subject matter of this Agreement.
13. Employee is solely responsible for the payment of any fees incurred as the result of an attorney reviewing this agreement on behalf of Employee. In any litigation concerning the validity or enforceability of this contract or in any litigation to enforce the provisions of this contract, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs, including court costs and expert witness fees and costs.

Employee's signature below indicates Employee's understanding and agreement with all of the terms in this Agreement.

Employee should take this Agreement home and carefully consider all of its provisions before signing it. **[For Employee age 40 or over or group termination of Employees age 40 and over: Employee may take up to [twenty-one (21) days] [forty-five (45) days if group termination] to decide whether Employee wants to accept and sign this Agreement. Also, if Employee signs this Agreement, Employee will then have an additional seven (7) days in which to revoke Employee's acceptance of this Agreement after Employee has signed it. This Agreement will not be effective or enforceable, nor will any consideration be paid, until after the seven (7) day revocation period has expired.]** Again, Employee is free and encouraged to discuss the contents and advisability of signing this Agreement with an attorney of Employee's choosing.

CONSULT WITH AN ATTORNEY BEFORE EXECUTING THIS DOCUMENT.

IN WITNESS WHEREOF, Employee and the Employer have executed this agreement effective as of the date first written above.

EMPLOYEE

R. Lee Crabill

Signature

Date Signed

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") to be effective as of October 22, 2010 (the "Effective Date"), between Omega Healthcare Investors, Inc. (the "Company"), and Michael Ritz (the "Executive").

INTRODUCTION

The Company and the Executive are parties to an employment agreement dated May 7, 2007 and amended December 16, 2008, and now desire to enter into this Agreement to replace and supercede the existing employment agreement.

NOW, THEREFORE, the parties agree as follows:

1. Terms and Conditions of Employment.

(a) Employment. During the Term, Company will employ the Executive, and the Executive will serve on a full-time basis as the Chief Accounting Officer of the Company until a Change in Control, and upon and following a Change in Control will have such job position as may be assigned by the Company and will have such responsibilities and authority as may from time to time be assigned to the Executive by the Company. In this capacity, Executive will provide unique services to the Company and be privy to the Company's Confidential Information and Trade Secrets. The Executive will report to the Chief Executive Officer of the Company until the occurrence of a Change in Control and upon and following a Change in Control will report for such position as may be established by the Company. The Executive's primary office will be at the Company's headquarters in such geographic location within the United States as may be determined by the Company.

(b) Exclusivity. Throughout the Executive's employment hereunder, the Executive shall devote substantially all of the Executive's time, energy and skill during regular business hours to the performance of the duties of the Executive's employment, shall faithfully and industriously perform such duties, and shall diligently follow and implement all management policies and decisions of the Company; provided, however, that this provision is not intended to prevent the Executive from managing his investments, so long as he gives his duties to the Company first priority and such investment activities do not interfere with his performance of duties for the Company. Notwithstanding the foregoing, other than with regard to the Executive's duties to the Company, the Executive will not accept any other employment during the Term, perform any consulting services during the Term, or serve on the board of directors or governing body of any other business, except with the prior written consent of the Chief Executive Officer. Further, the Executive has disclosed on Exhibit A hereto, all of his nonpublic company healthcare related investments, and agrees during the Term not to make any investments during the term hereof except as a passive investor. The Executive agrees during the Term not to own directly or indirectly equity securities of any public healthcare related company (excluding the Company) that represents five percent (5%) or more of the value of voting power of the equity securities of such company.

2. Compensation.

(a) Base Salary. The Company shall pay the Executive base salary of \$205,000 per annum effective January 1, 2010, \$234,000 per annum effective January 1, 2011, which base salary will be subject to review effective as of January 1, 2012, and at least annually thereafter by the Company for possible increases. The base salary shall be payable in equal installments, no less frequently than twice per month, in accordance with the Company's regular payroll practices.

(b) Bonus.

(i) The Executive shall be eligible to earn an annual bonus of 45%, 35% and 25%, respectively, for high, target and threshold performance, respectively, of the Executive's annual base salary (the "Bonus"), which Bonus, if any, shall be payable (A) promptly following the availability to the Company of the required data to calculate the Bonus for the year for which the Bonus is earned (which data may in the Company's discretion include audited financial statements), and (B) by no later than March 15 of the year following the year for which the Bonus is earned.

(ii) The Bonus metrics, the relative weighting of the bonus metrics and the specific threshold, target and high levels of each metric for 2010 are set forth on Exhibit B. The performance metrics and the weighting set forth on Exhibit B, but not the specific required levels at threshold, target and high, will continue to apply for 2011 and each subsequent year through 2013 unless the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") changes the metrics or the weighting by no later than the first ninety (90) days of the year in which such change is to occur. If the Compensation Committee changes the metrics or the weighting with respect to a year, it will communicate the new metrics and the weighting, and the required levels for threshold, target and high performance to the Executive promptly after it approves such changes (which approval must occur no later than the first ninety (90) days of the year in which the change is made). After any such change is made, the changed metrics and the weighting, but not the required levels for threshold, target and high performance, will continue to apply to each subsequent year through 2013, unless the Compensation Committee takes further action to change the metrics or weighting in the same manner described above. Regardless of whether or not the Compensation Committee changes the metrics or the weighting for a year, it will establish the required levels for threshold, target and high performance for the year by no later than the first ninety (90) days of the year, and promptly thereafter communicate the same to the Executive. All required levels for threshold, target and high performance for any year that are based on objective criteria of the type contained in the Company's budget will be based on the Company's budget for the subject year that has been approved by the Board of Directors. Notwithstanding any of the foregoing, the Compensation Committee reserves the right to make adjustments at any time (including without limitation, after the first ninety (90) days of the year to which the bonus criteria apply) to the bonus metrics, the relative weighting of the bonus metrics and the specific threshold, target and high levels of each metric.

(iii) The Executive will be eligible for a prorated Bonus, prorated in accordance with procedures established in the Company's discretion, if the Executive terminates employment during a calendar year due to death. In addition, if the Term is not extended beyond December 31, 2013, the Executive will be eligible for a Bonus for 2013 if he remains employed through December 31, 2013. Otherwise, the Executive will be eligible for a Bonus for any calendar year only if the Executive remains employed by the Company on the date the Bonus is paid, unless otherwise provided by the terms of the applicable bonus plan or the Compensation Committee.

(c) Long-Term Incentive Compensation. Subject to the Executive's continued employment through the effective date of each grant specified below, the Executive shall be entitled to the following grants:

(i) effective January 1, 2011, a grant of restricted stock pursuant to an agreement in substantially the form attached hereto as Exhibit C (the "Restricted Stock Agreement");

(ii) effective January 1, 2011, a grant of performance restricted stock units for the performance period January 1, 2011 through December 31, 2013 with additional quarterly vesting period through December 31, 2014 pursuant to an agreement in substantially the form attached hereto as Exhibit D (the "Multi-year PRSU Agreement"); and

(iii) effective on each of January 1, 2011, January 1, 2012, and January 1, 2013, a grant of performance restricted stock units pursuant to an agreement in substantially the form attached hereto as Exhibit E (the "Annual PRSU Agreement").

The number of shares of stock subject to the Restricted Stock Agreement and the numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement shall be determined in accordance with Exhibit F hereto.

Notwithstanding the foregoing, in the event of any conflict between the terms of the Restricted Stock Agreement, the Multi-year PRSU Agreement or the Annual PRSU Agreement described in this Agreement and Exhibit F and the actual Restricted Stock Agreement, the actual Multi-year PRSU Agreement or the actual Annual PRSU Agreement, the actual Restricted Stock Agreement, the actual Multi-year PRSU Agreement or the actual Annual PRSU Agreement shall govern. The Executive shall be entitled to any other long-term compensation provided by the Company to the extent provided by, and subject to the terms of, any plan, program, or agreement applicable to the Executive. Nothing herein shall supersede the terms and conditions of any previously granted long-term or equity incentives.

(d) Expenses. The Executive shall be entitled to be reimbursed in accordance with Company policy for reasonable and necessary expenses incurred by the Executive in connection with the performance of the Executive's duties of employment hereunder; provided, however, the Executive shall, as a condition of such reimbursement, submit verification of the nature and amount of such expenses in accordance with the reasonable reimbursement policies from time to time adopted by the Company. In the case of taxable reimbursements or in-kind benefits that are subject to Section 409A of the Internal Revenue Code, the policy must provide an objectively determinable nondiscretionary definition of expenses eligible for reimbursement or in-kind benefits to be provided, the expense must be incurred or in-kind benefit must be provided during the period that the Executive is employed by or performing services for the Company, unless a different objectively and specifically prescribed period is specified under the applicable policy, the amount of expenses that are eligible for reimbursement or in-kind benefits provided during the Executive's taxable year may not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year, the reimbursement must be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred, and the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(e) Paid Time Off. The Executive shall be entitled to paid time off in accordance with the terms of Company policy.

(f) Benefits. In addition to the benefits payable to the Executive specifically described herein, the Executive shall be entitled to such benefits as generally may be made available to all other Executives of the Company from time to time; provided, however, that nothing contained herein shall require the establishment or continuation of any particular plan or program.

(g) Withholding. All payments pursuant to this Agreement shall be reduced for any applicable state, local, or federal tax withholding obligations.

(h) Insurance and Indemnification. The Executive shall be entitled to indemnification, including advancement of expenses (if applicable), in accordance with and to the extent provided by the Company's bylaws and articles of incorporation, and any separate indemnification agreement, if any.

3. Term, Termination and Termination Payments

(a) Term. The term of this Agreement (the "Term") shall begin as of the Effective Date and shall continue through December 31, 2013, unless sooner terminated pursuant to Section 3(b) hereof.

(b) Termination. This Agreement and the employment of the Executive by the Company hereunder shall only be terminated: (i) by expiration of the Term; (ii) by the Company without Cause; (iii) by the Executive for Good Reason; (iv) by the Company or the Executive due to the Disability of the Executive; (v) by the Company for Cause; (vi) by the Executive for other than Good Reason or Disability, upon at least sixty (60) days prior written notice to the Company; or (vii) upon the death of the Executive. Notice of termination by any party shall be given in writing prior to termination and shall specify the basis for termination and the effective date of termination. Further, notice of termination for Cause by the Company or Good Reason by the Executive shall specify the facts alleged to constitute termination for Cause or Good Reason, as applicable. Except as provided in Section 3(c), the Executive shall not be entitled to any payments or benefits after the effective date of the termination of this Agreement, except for base salary pursuant to Section 2(a) accrued up to the effective date of termination, any unpaid earned and accrued Bonus, if any, pursuant to Section 2(b), pay for accrued but unused vacation that the Employer is legally obligated to pay Employee, if any, and only if the Employer is so obligated, as provided under the terms of any other employee benefit and compensation agreements or plans applicable to the Executive, expenses required to be reimbursed pursuant to Section 2(d), and any rights to payment the Executive has under Section 2(h).

(c) Termination by the Company without Cause or by the Executive for Good Reason.

(i) If the employment of the Executive is terminated by the Company without Cause or by the Executive for Good Reason, the Company will pay the Executive one times the sum of (A) his base salary pursuant to Section 2(a) hereof, plus (B) an amount equal to the average annual Bonus paid to the Executive for the three most recently completed calendar years prior to termination of employment; provided, however, that if the Executive's termination of employment occurs before the Bonus, if any, for the most recently completed calendar year is payable, then the averaging will be determined by reference to the three most recently completed calendar years before that calendar year. Such amount shall be paid in substantially equal annual installments not less frequently than twice per month over the twelve (12) month period commencing as of the date of termination of employment, provided that the first payment shall be made sixty (60) days following termination of employment and shall include all payments accrued from the date of termination of employment to the date of the first payment; provided, however, if the Executive is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code, as amended (the "Code"), at the date of his termination of employment then, to the extent required to avoid a tax under Code Section 409A, payments which would otherwise have been made during the first six (6) months after termination of employment shall be withheld and paid to the Executive during the seventh month following the date of his termination of employment. Notwithstanding the foregoing, if the total payments to be paid to the Executive hereunder, along with any other payments to the Executive, would result in the Executive

being subject to the excise tax imposed by Code Section 4999, the Company shall reduce the aggregate payments to the largest amount which can be paid to the Executive without triggering the excise tax, but only if and to the extent that such reduction would result in the Executive retaining larger aggregate after-tax payments. The determination of the excise tax and the aggregate after-tax payments to be received by the Executive will be made by the Company after consultation with its advisors and in material compliance with applicable law. If payments are to be reduced, the payments made latest in time will be reduced first and if any payments are to be made at the same time, non-cash payments will be reduced before cash payments.

(ii) If the Term is not extended or the Term is not extended and the Company or the Executive terminates the Executive's employment upon or following expiration of the Term, such termination shall not be deemed to be a termination of the Executive's employment by the Company without Cause or a resignation by Executive for Good Reason.

(iii) Notwithstanding any other provision hereof, as a condition to the payment of the amounts in this Section, the Executive shall be required to execute and not revoke within the revocation period provided therein, the Release. The Company shall provide the Release for the Executive's execution in sufficient time so that if the Executive timely executes and returns the Release, the revocation period will expire before the date the Executive is required to begin to receive payment pursuant to Section 3(c)(i).

(d) Survival. The covenants in Section 3 hereof shall survive the termination of this Agreement and shall not be extinguished thereby.

4. Ownership and Protection of Proprietary Information.

(a) Confidentiality. All Confidential Information and Trade Secrets and all physical embodiments thereof received or developed by the Executive while employed by the Company are confidential to and are and will remain the sole and exclusive property of the Company. Except to the extent necessary to perform the duties assigned by the Company hereunder, the Executive will hold such Confidential Information and Trade Secrets in trust and strictest confidence, and will not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information and Trade Secrets or any physical embodiments thereof and may in no event take any action causing or fail to take the action necessary in order to prevent, any Confidential Information and Trade Secrets disclosed to or developed by the Executive to lose its character or cease to qualify as Confidential Information or Trade Secrets.

(b) Return of Company Property. Upon request by the Company, and in any event upon termination of this Agreement for any reason, as a prior condition to receiving any final compensation hereunder (including any payments pursuant to Section 3 hereof), the Executive will promptly deliver to the Company all property belonging to the Company, including, without limitation, all Confidential Information and Trade Secrets (and all embodiments thereof) then in the Executive's custody, control or possession.

(c) Survival. The covenants of confidentiality set forth herein will apply on and after the date hereof to any Confidential Information and Trade Secrets disclosed by the Company or developed by the Executive while employed or engaged by the Company prior to or after the date hereof. The covenants restricting the use of Confidential Information will continue and be maintained by the Executive for a period of two years following the termination of this Agreement. The covenants restricting the use of Trade Secrets will continue and be maintained by the Executive following termination of this Agreement for so long as permitted by the governing law.

5. Non-Competition and Non-Solicitation Provisions.

(a) The Executive agrees that during the Applicable Period, the Executive will not (except on behalf of or with the prior written consent of the Company, which consent may be withheld in Company's sole discretion), within the Area either directly or indirectly, on his own behalf, or in the service of or on behalf of others, provide managerial services or management consulting services substantially similar to those Executive provides for the Company to any Competing Business. As of the Effective Date, the Executive acknowledges and agrees that the Business of the Company is conducted in the Area.

(b) The Executive agrees that during the Applicable Period, he will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others solicit any individual or entity which is an actual or, to his knowledge, actively sought prospective client of the Company or any of its Affiliates (determined as of date of termination of employment) with whom he had material contact while he was an Executive of the Company, for the purpose of offering services substantially similar to those offered by the Company.

(c) The Executive agrees that during the Applicable Period, he will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, solicit for employment with a Competing Business any person who is a management level employee of the Company or an Affiliate with whom Executive had contact during the last year of Executive's employment with the Company. The Executive shall not be deemed to be in breach of this covenant solely because an employer for whom he may perform services may solicit, divert, or hire a management level employee of the Company or an Affiliate provided that Executive does not engage in the activity proscribed by the preceding sentence.

(d) The Executive agrees that during the Applicable Period, he will not make any statement (written or oral) that could reasonably be perceived as disparaging to the Company or any person or entity that he reasonably should know is an Affiliate of the Company.

(e) In the event that this Section 5 is determined by a court which has jurisdiction to be unenforceable in part or in whole, the court shall be deemed to have the authority to strike any unenforceable provision, or any part thereof or to revise any provision to the minimum extent necessary to be enforceable to the maximum extent permitted by law.

(f) The provisions of this Section 5 shall survive termination of this Agreement, except that if the Executive remains employed by the Company through December 31, 2013 and the Term expires at December 31, 2013, and as a result no severance is payable pursuant to Section 3 of this Agreement, then the provisions of this Section 5 shall also expire at December 31, 2013.

6. Remedies and Enforceability.

The Executive agrees that the covenants, agreements, and representations contained in Sections 4 and 5 hereof are of the essence of this Agreement; that each of such covenants are reasonable and necessary to protect and preserve the interests and properties of the Company; that irreparable loss and damage will be suffered by the Company should the Executive breach any of such covenants and agreements; that each of such covenants and agreements is separate, distinct and severable not only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the unenforceability of any such covenant or agreement shall not affect the validity or enforceability of any other such covenant or agreements or any other provision or provisions of this Agreement; and that, in addition to other remedies available to it, including, without limitation, termination of the Executive's employment for Cause, the Company shall be entitled to seek both temporary and permanent injunctions to prevent a breach or contemplated breach by the Executive of any of

such covenants or agreements.

7. Notice.

All notices, requests, demands and other communications required hereunder shall be in writing and shall be deemed to have been duly given if delivered or if mailed, by United States certified or registered mail, prepaid to the party to which the same is directed at the following addresses (or at such other addresses as shall be given in writing by the parties to one another):

If to the Company: Omega Healthcare Investors, Inc.
Suite 3500
200 International Circle
Hunt Valley MD 21030
Attn: Chairman

If to the Executive: to the last address the Company
has on file for the Executive

Notices delivered in person shall be effective on the date of delivery. Notices delivered by mail as aforesaid shall be effective upon the fourth calendar day subsequent to the postmark date thereof.

8. Miscellaneous.

(a) Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of the Company's successors and assigns. This Agreement may be assigned by the Company to any legal successor to the Company's business or to an entity that purchases all or substantially all of the assets of the Company, but not otherwise without the prior written consent of the Executive. In the event the Company assigns this Agreement as permitted by this Agreement and the Executive remains employed by the assignee, the "Company" as defined herein will refer to the assignee and the Executive will not be deemed to have terminated his employment hereunder until the Executive terminates his employment with the assignee. The Executive may not assign this Agreement.

(b) Waiver. The waiver of any breach of this Agreement by any party shall not be effective unless in writing, and no such waiver shall constitute the waiver of the same or another breach on a subsequent occasion.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Maryland. The parties agree that any appropriate state or federal court located in Baltimore, Maryland shall have jurisdiction of any case or controversy arising under or in connection with this Agreement and shall be a proper forum in which to adjudicate such case or controversy. The parties consent to the jurisdiction of such courts.

(d) Entire Agreement. This Agreement embodies the entire agreement of the parties hereto relating to the subject matter hereof and supersedes all oral agreements, and to the extent inconsistent with the terms hereof, all other written agreements.

(e) Amendment. This Agreement may not be modified, amended, supplemented or terminated except by a written instrument executed by the parties hereto.

(f) Severability. Each of the covenants and agreements hereinabove contained shall be deemed separate, severable and independent covenants, and in the event that any covenant shall be declared invalid by any court of competent jurisdiction, such invalidity shall not in any manner affect or impair the validity or enforceability of any other part or provision of such covenant or of any other covenant contained herein.

(g) Captions and Section Headings. Except as set forth in Section 9 hereof, captions and section headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

9. Definitions.

(a) "Affiliate" means any person, firm, corporation, partnership, association or entity that, directly or indirectly or through one or more intermediaries, controls, is controlled by or is under common control with the Company.

(b) "Applicable Period" means the period commencing as of the date of this Agreement and ending twelve (12) months after the termination of the Executive's employment with the Company or any of its Affiliates.

(c) "Area" means Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, West Virginia and Wisconsin.

(d) "Business of the Company" means any business with the primary purpose of leasing assets to healthcare operators, or financing the ownership of, or financing the operation of, senior housing, long-term care facilities, assisted living facilities, retirement housing facilities, or other residential healthcare related real estate.

(e) "Cause" the occurrence of any of the following events:

(i) willful refusal by the Executive to follow a lawful direction of the Chief Executive Officer or the Board of Directors of the Company, provided the direction is not materially inconsistent with the duties or responsibilities of the Executive's position as Chief Accounting Officer of the Company, which refusal continues after the Chief Executive Officer or the Board of Directors has again given the direction in writing;

(ii) willful misconduct or reckless disregard by the Executive of his duties or with respect to the interest or material property of the Company;

(iii) intentional disclosure by the Executive to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(iv) any act by the Executive of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board of Directors of the Company, such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates;

(v) commission by the Executive of a felony as reasonably determined by at least two-thirds of the members of the Board of Directors of the Company; or

(vi) a material breach of this Agreement by the Executive, provided that the nature of such breach shall be set forth with reasonable particularity in a written notice to the Executive who shall have ten (10) days following delivery of such notice to cure such alleged breach, provided that such breach is, in the reasonable discretion of the Board of Directors, susceptible to a cure.

(f) "Change in Control" means any one of the following events which occurs following the Effective Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Agreement (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

(g) "Competing Business" means the entities listed below and any person, firm, corporation, joint venture, or other business that is engaged in the Business of the Company:

- (i) Ventas, Inc.,
- (ii) Nationwide Health Properties,
- (iii) Health Care Property Investors Inc.,
- (iv) Healthcare Realty Trust,
- (v) National Health Investors Inc.,
- (vi) National Health Realty, Inc.,
- (vii) Senior Housing Properties Trust,
- (viii) Health Care REIT Inc.,
- (ix) LTC Properties Inc., and
- (x) Medical Properties Trust, Inc.

(h) "Confidential Information" means data and information relating to the Business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Executive or of which the Executive became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Executive without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates by the Executive.

(i) "Disability" means the inability of the Executive to perform the material duties of his position hereunder due to a physical, mental, or emotional impairment, for a ninety (90) consecutive day period or for aggregate of one hundred eighty (180) days during any three hundred sixty-five (365) day period.

(j) "Good Reason" means the occurrence of all of the events listed in either (i) or (ii) below:

(i) (A) the Company materially breaches this Agreement, including without limitation, a material diminution, but only prior to a Change in Control, of the Executive's responsibilities as Chief Accounting Officer, as reasonably modified by the Chief Executive Officer of the Company from time to time hereafter, such that the Executive would no longer have responsibilities substantially equivalent to those of other chief accounting officers at companies with similar revenues and market capitalization;

(B) the Executive gives written notice to the Company of the facts and circumstances constituting the breach of the Agreement within ten (10) days following the occurrence of the breach;

(C) the Company fails to remedy the breach within ten (10) days following the Executive's written notice of the breach; and

(D) the Executive terminates his employment within thirty (30) days following the Company's failure to remedy the breach;

or

(ii) (A) the Company requires the Executive to relocate the Executive's primary place of employment to a new location that is more than fifty (50) miles (calculated using the most direct driving route) from its current location, without the Executive's consent;

(B) the Executive gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;

(C) the Company fails to rescind the notice of relocation within ten (10) days following the Executive's written notice; and

(D) the Executive terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

(k) "Release" means a comprehensive release, covenant not to sue, and non-disparagement agreement from the Executive in favor of the Company, its executives, officers, directors, Affiliates, and all related parties, in the form attached hereto as Exhibit G; provided, however, the Company may make any changes to the Release as it determines to be necessary only to ensure that the Release is enforceable under applicable law.

(l) "Term" has the meaning as set forth in Section 3(a) hereof.

(m) "Termination of employment" and similar terms shall refer solely to a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended.

(n) "Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

IN WITNESS WHEREOF, the Company and the Executive have each executed and delivered this Agreement as of the date first shown above.

COMPANY:

OMEGA HEALTHCARE INVESTORS, INC.

By: /s/ C. Taylor Pickett
C. Taylor Pickett, Chief Executive Officer

THE EXECUTIVE:

/s/ Michael Ritz
Michael Ritz

EXHIBIT A

Investment

Ownership

None

None

EXHIBIT B

2010 BONUS PLAN

Metric	Weighting	Threshold	Target	High
Adjusted FFO ⁽¹⁾	40%	\$43,425,000	\$44,440,000	\$45,458,000
Tenant quality (uncollected rents) ⁽²⁾	20%	Less than 3%	Less than 2%	Less than 1%
Leverage (coverage ratio) ⁽³⁾	20%	Less than 4.75	Less than 4.50	Less than 4.25 or ratings upgrade from either agency
Individual/ subjective measures ⁽⁴⁾	20%	N/A	N/A	N/A

(1) 4th quarter run rate total dollars based on per share Adjusted FFO of 42.7¢, 43.7¢, and 44.7¢.

(2) 2010 uncollected rents as a percentage of 2010 gross revenues.

(3) Debt/EBITDA using bank covenant formula.

(4) Subjective measures will include sustainability of the Adjusted FFO run rate.

EXHIBIT C

RESTRICTED STOCK AGREEMENT

**RESTRICTED STOCK AWARD
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

THIS AWARD is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to the Terms and Conditions attached hereto and incorporated herein by reference as part of this Award, the Company hereby awards as of the Grant Date to the Recipient the Restricted Shares (the "Restricted Stock Grant").

- A. Grant Date: January 1, 2011.
- B. Plan: (under which Restricted Stock Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Restricted Shares: _____ shares of the Company's common stock ("Common Stock"), subject to adjustment as provided in the attached Terms and Conditions.
- D. Vesting Schedule: The Restricted Shares shall vest according to the Vesting Schedule attached hereto as Exhibit 1 (the "Vesting Schedule"). The Restricted Shares which have become vested pursuant to the Vesting Schedule are herein referred to as the "Vested Restricted Shares."

IN WITNESS WHEREOF, the Company has executed this Award as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
RESTRICTED STOCK AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1 . Restricted Shares. The Company shall cause the Restricted Shares to be issued in book-entry form in the name of the Recipient with appropriate notations and stop-transfer instructions reflecting the applicable restrictions in this Agreement. When any portion of the Restricted Shares become Vested Restricted Shares, the Company shall cause the notations regarding the restrictions and stop-transfer instructions as to such portion to be removed. In the event that the Recipient forfeits any of the Restricted Shares, those shares shall automatically be transferred to the Company, without any action by the Recipient, and if the number of Vested Restricted Shares includes a fraction of a share, the Company shall cancel the fractional share, and the Company shall pay the Recipient the amount determined by the Company to be the estimated fair market value therefore. In the event of a transaction pursuant to Section 6, the Recipient agrees that any shares of Common Stock or other securities or property issued as a result of any of the foregoing shall be subject to all of the provisions of this Award as if initially granted thereunder.

2 . Rights of a Shareholder. During the period before the Restricted Shares vest and as long as they are not forfeited, the Recipient shall be entitled to all rights applicable to shares of Common Stock not so restricted, except as otherwise provided in the Award, including the right to receive dividends paid on Common Stock notwithstanding that all or some of the Restricted Shares may not be Vested Restricted Shares.

3. Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a certified check payable to the Company, in the amount of all tax withholding obligations imposed on the Company by reason of the vesting of the Restricted Shares, or the making of an election pursuant to Code Section 83(b), as applicable, except as provided in Section 3(b), or (iii) by tendering a number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the vesting date or effective date of the 83(b) election, as applicable, is sufficient to satisfy the minimum amount of the required tax withholding obligations imposed on the Company (the "Stock Tendering Election"); provided, however, the Committee may in its sole discretion, disapprove and give no effect to the Stock Tendering Election by giving written notice to the Recipient within ten (10) days after receipt of the Stock Tendering Election, in which event the Recipient must deliver, within ten (10) days after receiving such notice, the tax withholding in the manner provided in clause (i) or (ii). If the Recipient does not make an election pursuant to Code Section 83(b) and does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b). If the Recipient makes an election pursuant to Code Section 83(b) and does not timely satisfy payment of the tax withholding obligation, the Recipient will forfeit the Restricted Shares to which such election relates.

(b) If the Recipient does not make an election pursuant to Code Section 83(b), in lieu of paying the tax withholding obligation as described in Section 3(a), Recipient may elect to have the actual number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the vesting date, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company by reason of the vesting of the Restricted Shares (the "Withholding Election"). Recipient may make a Withholding Election only if all of the following conditions are met:

(i) the Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 3 attached hereto; and

(ii) any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding pursuant to Section 3(a), the Recipient will forfeit the Restricted Shares to which the tax withholding requirement relates.

4. Restrictions on Transfer of Restricted Shares. Except for the transfer of any Restricted Shares by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to any unvested Restricted Shares. Any such disposition not made in accordance with this Award shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Award.

5. Additional Restrictions on Transfer.

If for any reason the Restricted Share shall be represented in certificated form prior to becoming Vested Restricted Shares, the certificates evidencing the Restricted Shares shall bear a notation required under applicable securities laws or otherwise determined by the Company to be appropriate, such as:

TRANSFER IS RESTRICTED

THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND FORFEITURE PROVISIONS WHICH ALSO APPLY TO THE TRANSFEREE AS SET FORTH IN A RESTRICTED STOCK AGREEMENT DATED JANUARY __, 2011, A COPY OF WHICH IS AVAILABLE FROM THE COMPANY. THE SECURITIES EVIDENCED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, OR HYPOTHECATED UNLESS (1) THERE IS AN EFFECTIVE REGISTRATION UNDER SUCH ACT COVERING SUCH SECURITIES, (2) THE TRANSFER IS MADE IN COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR (3) THE ISSUER RECEIVES AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT.

6. Change in Capitalization.

(a) The number and kind of unvested Restricted Shares shall be proportionately adjusted for nonreciprocal transactions between the Company and the holders of Common Stock that cause the per share value of the Restricted Shares to change, such as a stock dividend, stock

split, spinoff, or rights offering (each an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, extraordinary dividend, sale of substantially all of the Company's assets or other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, or other reorganization of the Company, in each case that does not result in an Equity Restructuring or a Change in Control, the Compensation Committee shall take such action to make such adjustments with respect to the unvested Restricted Shares as the Compensation Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the unvested portion of the Award, substituting cash, other securities, or other property to replace the unvested portion of the Award, or removing of restrictions on unvested Restricted Shares.

(c) All determinations and adjustments made by the Compensation Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Compensation Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Stock Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

7 . Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Restricted Shares shall be issued except, in the reasonable judgment of the Compensation Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

8 . Successors. This Award shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

9 . Notice. Except as otherwise specified herein, all notices and other communications under this Award shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

10 . Severability. In the event that any one or more of the provisions or portion thereof contained in this Award shall for any reason be held to be invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Award, and this Award shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

11 . Entire Agreement. Subject to the terms and conditions of the Plan, this Award expresses the entire understanding and agreement of the parties with respect to the subject matter.

12. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Award. Capitalized terms used, but not defined, in this Award shall be given the meaning ascribed to them in the Plan.

13 . Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Award, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

14 . No Right to Continued Retention. Neither the establishment of the Plan nor the award of Restricted Shares hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

15. Definitions. As used in these Terms and Conditions and this Award:

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

- (a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;
- (b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;
- (c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;
- (d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or
- (e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the Business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of all of the events listed in either (a) or (b) below:

- (a)
 - (i) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;
 - (ii) the Recipient gives written notice to the Company of the facts and circumstances constituting the material diminution in responsibilities within ten (10) days following the occurrence of such material diminution;
 - (iii) the Company fails to remedy the material diminution in responsibilities within ten (10) days following the Recipient's written notice of the material diminution in responsibilities; and
 - (iv) the Recipient terminates his employment and this Agreement within thirty (30) days following the Company's failure to remedy the material diminution in responsibilities.
- (b)
 - (i) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;
 - (ii) the Recipient gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;
 - (iii) the Company fails to rescind the notice of relocation within ten (10) days following the Recipient's written notice; and
 - (iv) the Recipient terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Exhibit 1 to Restricted Stock Agreement
Vesting Schedule

A. The Restricted Shares shall become Vested Shares in accordance with the schedule below:

Date	Percentage of Restricted Shares which are Vested Shares
December 31, 2013	100%

; provided the Recipient must remain an employee, director or consultant of the Company or an Affiliate through the indicated date set forth above to vest in accordance with the schedule above.

B. Notwithstanding the foregoing, if more than sixty (60) days before a Change in Control and in the year set forth in the schedule below:

1. the Recipient ceases services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability,
2. the Recipient resigns from the Company for Good Reason, or
3. the Company terminates the Recipient's employment without Cause,

then the percentage of the Restricted Shares in the schedule set forth shall become Vested Shares if they have not been previously forfeited.

Year of Termination	Percentage of Restricted Shares which are Vested Shares
2011	33 ¹ / ₃ %
2012	66 ² / ₃ %
2013	100%

C. Notwithstanding the foregoing, if a Change in Control occurs on or after the Grant Date and before December 31, 2013, and within (i) sixty (60) days before a Change in Control or (ii) after a Change in Control:

1. the Recipient ceases services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability,
2. the Recipient resigns from the Company for Good Reason, or
3. the Company terminates the Recipient's employment without Cause.

then all Restricted Shares shall become Vested Shares as of the later of the date of the Change in Control or the date of termination of employment if they have not been previously forfeited.

D. Restricted Shares which have not become Vested Shares as of the earlier of December 31, 2013 or, except as provided in Item C above, the Recipient's cessation of services as an employee, director, or consultant of the Company or an Affiliate shall be forfeited.

EXHIBIT D

**PERFORMANCE RESTRICTED STOCK UNIT
AGREEMENT – FOR MULTI-YEAR PRSUs**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

The grant pursuant to this agreement (this "Agreement") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to this Agreement (which shall include the Terms and Conditions and Exhibits appended to the execution page), the Company hereby awards as of the Grant Date to the Recipient, the opportunity to earn Vested Restricted Units (the "Restricted Unit Grant" or the "Award"). Underlined and capitalized terms in Items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: January 1, 2011.
- B. Plan (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Vested Restricted Units: The Recipient shall earn a number of Vested Restricted Units determined pursuant to Exhibit 1. Each Vested Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and related Dividend Equivalents (as defined below) in accordance with this Agreement.
- D. Dividends Equivalents. Each Vested Restricted Unit shall accrue Dividend Equivalents, an amount equal to the dividends per share paid on one share of Common Stock to a shareholder of record on or after the Grant Date and until the date that the Vested Shares (as defined below) are issued.
- E. Distribution Date of Vested Shares. Shares of Common Stock attributable to Vested Restricted Units ("Vested Shares") shall be issued and distributed upon the earlier of the dates listed below, subject to receipt from the Recipient of the required tax withholding:
1. within ten (10) business days following the last day of each calendar quarter in 2014; or
 2. the date of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents attributable to Vested Restricted Units shall be distributed to the Recipient on the same date as Vested Shares are distributable to the Recipient under Item E above.

IN WITNESS WHEREOF, the Company has executed this Agreement to be effective as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Payment for Vested Restricted Units. The Company shall issue in book entry form in the name of the Recipient, or issue and deliver to the Recipient a share certificate representing, the Vested Shares on the Distribution Date of Vested Shares.

2. Dividends Equivalents. The Company shall pay Dividend Equivalents attributable to Vested Restricted Units on the Distribution Date of Dividend Equivalents, subject to required tax withholding.

3. Tax Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a check payable to the Company, in the amount of all tax withholding obligations imposed on the Company as a result of the issuance of the Vested Shares, except as provided in Section 3(b). If the Recipient does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b).

(b) In lieu of paying the tax withholding obligation described in Section 3(a), the Recipient may elect to have the number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the Distribution Date of the Vested Shares, together with cash or a check in lieu of any fractional Vested Share, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company as a result of the issuance of the Vested Shares (the "Withholding Election"). The Recipient may make a Withholding Election only if all of the following conditions are met:

(i) The Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 2 attached hereto; and

(ii) Any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding, the Recipient will forfeit the Vested Shares to which the tax withholding requirement relates.

4. Restrictions on Transfer. Except for the transfer by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to this Award. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

5. Change in Capitalization.

(a) The number and kind of shares issuable under this Agreement shall be proportionately adjusted for any non-reciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Common Stock subject to the Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, in each case that does not constitute an Equity Restructuring, the Committee shall take such action to make such adjustments with respect to the shares of Common Stock issuable hereunder or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions.

(c) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Unit Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Vested Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be

invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. Subject to the terms and conditions of the Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter.

11. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

12. No Right to Continued Retention. Neither the establishment of the Plan nor the Award hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

13. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Plan.

14. Definitions. As used in this Agreement:

"Beginning Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 2010 on the exchange on which Common Stock is traded.

"Below Threshold Relative TSR" means that Relative Total Shareholder Return is less than the fiftieth (50th) percentile.

"Below Threshold TSR" means the Company has achieved Total Shareholder Return of less than eight percent (8%) for the Performance Period calculated on an annualized basis and compounded each December 31.

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Ending Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 2013 on the exchange on which Common Stock is traded unless a Change in Control occurs before January 1, 2014, in which case the term means the value per share determined as of the date of the Change in Control, such value to be determined by the Compensation Committee in its reasonable discretion based on the actual or implied price per share paid in the Change in Control transaction.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of an event listed in Subsection (a) through (c) below:

(a) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;

(b) the Company reduces the Recipient's annual base salary or annual bonus opportunity at high, target or threshold performance as a percentage of annual base salary; or

(c) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;

provided however, as to each event in Subsection (a) through (c),

(i) the Recipient gives written notice to the Company within ten (10) days following the event or receipt of notice of the event of his objection to the event;

(ii) the Company fails to remedy the event within ten (10) days following the Recipient's written notice; and

(iii) the Recipient terminates his employment within thirty (30) days following the Company's failure to remedy the event.

"High Relative TSR" means that Relative Total Shareholder Return is the eightieth (80th) percentile or above.

"High TSR" means the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of at least twelve percent (12%) for the Performance Period. In calculating High TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by twelve percent (12%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Performance Period" means the period from and including January 1, 2011 through the earlier of December 31, 2013 or the date of a Change in Control.

"Relative Total Shareholder Return" means Total Shareholder Return ranked on a percentile basis relative to the average total shareholder return of companies comprising the MSCI U.S. REIT Index for the same period for which Total Shareholder Return is calculated and using the same methodology used for calculating Total Shareholder Return.

"Target Relative TSR" means that Relative Total Shareholder Return is the sixty-fifth (65th) percentile.

"Target TSR" means the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of ten percent (10%) for the Performance Period. In calculating Target TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by ten percent (10%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Threshold Relative TSR" means that Relative Total Shareholder Return is the fiftieth (50th) percentile.

"Threshold TSR" means that the Company has achieved an annualized Total Shareholder Return, compounded each December 31, of eight percent (8%) for the Performance Period. In calculating Threshold TSR, dividends paid during the calendar year shall be subtracted from the stock price in effect at the beginning of the year (i.e., in the case of 2011, the Beginning Stock Price) multiplied by eight percent (8%) to arrive at the stock price in effect at the beginning of the next year for purposes of the compounding calculation.

"Total Shareholder Return" means the sum of the total change in the Ending Stock Price as compared to the Beginning Stock Price, plus any dividends paid to a shareholder of record with respect to one share of Common Stock during the Performance Period.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

"Vesting Period" means the period beginning on the day after the last day of the Performance Period and ending December 31, 2014.

EXHIBIT 1

- A. The number of Vested Restricted Units is determined as of the last day of the Performance Period by adding the number determined in the TSR Chart and the Relative TSR Chart set forth below; provided that the Recipient shall vest in twenty-five percent (25%) of the Vested Restricted Units as of the last day of each calendar quarter during the Vesting Period only if the Recipient remains an employee, director or consultant of the Company or an Affiliate during the entire Performance Period and through the last day of such calendar quarter.

TSR Chart

Below Threshold TSR	*Threshold TSR	*Target TSR	*High TSR
Zero Vested Units			

Relative TSR Chart

Below Threshold Relative TSR	**Threshold Relative TSR	**Target Relative TSR	**High Relative TSR
Zero Vested Units			

* If Total Shareholder Return falls between Threshold TSR and Target TSR or between Target TSR and High TSR, the number of Vested Restricted Units under the TSR Chart shall be determined by rounding actual Total Shareholder Return to the closest 0.5% percentage points and then applying linear interpolation based on the percentage points by which Threshold TSR or Target TSR, as so adjusted, respectively, is exceeded.

** If Relative Total Shareholder Return falls between Threshold Relative TSR and Target Relative TSR or between Target Relative TSR and High Relative TSR, the number of Vested Restricted Units under the Relative TSR Chart shall be determined by rounding Relative TSR to the closest five (5) percentile points and then applying linear interpolation based on the percentile by which Threshold Relative TSR or Target Relative TSR, respectively, is exceeded.

- B. Notwithstanding the foregoing, if the Recipient dies or becomes subject to a Disability while an employee, director or consultant of the Company or an Affiliate, the Recipient resigns from the Company for Good Reason or the Company terminates the Recipient's employment without Cause (each such event referred to as a "Qualifying Termination"), in each case:

- (i) during the Performance Period and more than sixty (60) days before a Change in Control, the Recipient shall earn upon completion of the Performance Period a number of Vested Restricted Units equal to the number of Vested Restricted Units determined in the charts above, multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of such event and the denominator of which is 1,095 (*i.e.*, 365 x 3), or
- (ii) during the Vesting Period, the Recipient shall earn the same number of Vested Restricted Units determined in the charts above as if the Recipient were to remain an employee of the Company through the last day of the Vesting Period.

- C. Notwithstanding any other provision of this Agreement, if a Change in Control occurs upon or after the Grant Date and before December 31, 2014, and (i) the Recipient remains an employee, director or consultant of the Company or an Affiliate during the entire Performance Period until the date of the Change in Control, or (ii) if within sixty (60) days before the Change in Control, the Recipient incurs a Qualifying Termination, the Recipient shall be 100% vested in, as of the date of the Change in Control:

- 1. if the Change in Control occurs before January 1, 2014, the number of units determined from the Relative TSR Chart based on the percentile of Relative Total Shareholder Return achieved for the Performance Period through the date of the Change in Control, plus
 - a. the number of units determined in the TSR Chart if the applicable level of Total Shareholder Return for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control) is achieved, or
 - b. a number of units equal to the number of units determined in the TSR Chart multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of the Change in Control and the denominator of which is 1,095 (*i.e.*, 365 x 3), if the applicable level of Total Shareholder Return has been achieved based on annualized performance to the date of the Change in Control but not for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), or
 - c. a number of units determined by interpolation between the numbers in clause (a) and (b) above if the applicable level of Total Shareholder Return has been exceeded based on performance to the date of the Change in Control but is less than the applicable level for the full three year Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), or
- 2. if the Change in Control occurs after December 31, 2013, the number of units determined in the above charts that were actually earned for the Performance Period.

- D. The portion of the Restricted Unit Grant that has not become Vested Restricted Units as of the earlier of the last day of the Performance Period, or, except as provided in Item C above, as of the date the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate shall be forfeited. In addition, if the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate during, but before the last day of, each calendar quarter during the Vesting Period, then except as provided in Item C above, the unvested portion of the Restricted Unit Grant shall be forfeited.
-

EXHIBIT 2

**NOTICE OF WITHHOLDING ELECTION
PURSUANT TO OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

TO: Omega Healthcare Investors, Inc.
Attention: Chief Financial Officer

FROM:

RE: Withholding Election

This election relates to the Restricted Unit Grant identified in Paragraph 3 below. I hereby certify that:

(1) My correct name and social security number and my current address are set forth at the end of this document.

(2) I am (check one, whichever is applicable).

the original recipient of the Restricted Unit Grant.

the legal representative of the estate of the original recipient of the Restricted Unit Grant.

a legatee of the original recipient of the Restricted Unit Grant.

the legal guardian of the original recipient of the Restricted Unit Grant.

(3) The Restricted Unit Grant pursuant to which this election relates was issued with a Grant Date of _____ under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan (the "Plan") in the name of _____. This election relates to _____ shares of Common Stock issuable pursuant to the Restricted Unit Grant.

(4) I hereby elect to have certain of the shares of Common Stock withheld by the Company for the purpose of having the value of the shares applied to pay federal, state and local, if any, taxes arising from the exercise.

The fair market value of the shares of Common Stock to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Unit Grant shall be equal to the minimum statutory tax withholding requirement under federal, state and local law in connection with the exercise.

(5) This Withholding Election is made no later than ten (10) days after the Tax Notice Date and is otherwise timely made pursuant to the Plan.

(6) I further understand that, if this Withholding Election is not disapproved by the Committee, the Company shall withhold from the Common Stock issuable to me a whole number of shares of Common Stock having the value specified in Paragraph 4 above.

(7) The Plan has been made available to me by the Company, I have read and understand the Plan and I have no reason to believe that any of the conditions therein to the making of this Withholding Election have not been met. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

Dated:

Signature:

Name (Printed)

Street Address

City, State, Zip Code

EXHIBIT E

**PERFORMANCE RESTRICTED STOCK UNIT
AGREEMENT – FOR ANNUAL PRSUs**

**PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

The grant pursuant to this agreement (this "Agreement") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient").

Upon and subject to this Agreement (which shall include the Terms and Conditions and Exhibits appended to the execution page), the Company hereby awards as of the Grant Date to the Recipient, the opportunity to earn Vested Restricted Units (the "Restricted Unit Grant" or the "Award"). Underlined and capitalized terms in Items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: January 1, 201__.
- B. Plan (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Vested Restricted Units: The Recipient shall earn a number of Vested Restricted Units determined pursuant to Exhibit 1. Each Vested Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and related Dividend Equivalents (as defined below) in accordance with this Agreement.
- D. Dividends Equivalents. Each Vested Restricted Unit shall accrue Dividend Equivalents, an amount equal to the dividends per share paid on one share of Common Stock to a shareholder of record on or after the Grant Date and until the date that the Vested Shares (as defined below) are issued.
- E. Distribution Date of Vested Shares. Shares of Common Stock attributable to Vested Restricted Units ("Vested Shares") shall be issued and distributed upon the earlier of the dates listed below, subject to receipt from the Recipient of the required tax withholding:
1. within ten (10) business days following December 31, 201__; or
 2. the date of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents attributable to Vested Restricted Units shall be distributed to the Recipient on the same date as Vested Shares are distributable to the Recipient under Item E above.

IN WITNESS WHEREOF, the Company has executed this Agreement to be effective as of the Grant Date set forth above.

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

**TERMS AND CONDITIONS TO THE
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

1. Payment for Vested Restricted Units. The Company shall issue in book entry form in the name of the Recipient, or issue and deliver to the Recipient a share certificate representing, the Vested Shares on the Distribution Date of Vested Shares.

2. Dividends Equivalents. The Company shall pay Dividend Equivalents attributable to Vested Restricted Units on the Distribution Date of Dividend Equivalents, subject to required tax withholding.

3. Tax Withholding.

(a) The Recipient must deliver to the Company, within ten (10) days after written notification from the Company as to the amount of the tax withholding that is due, either (i) cash, or (ii) a check payable to the Company, in the amount of all tax withholding obligations imposed on the Company as a result of the issuance of the Vested Shares, except as provided in Section 3(b). If the Recipient does not timely satisfy payment of the tax withholding obligation, the Recipient will be deemed to have made an election to satisfy tax withholding in the manner provided in Section 3(b).

(b) In lieu of paying the tax withholding obligation described in Section 3(a), the Recipient may elect to have the number of Vested Shares reduced by the number of whole shares of Common Stock which, when multiplied by the Fair Market Value of the Common Stock on the Distribution Date of the Vested Shares, together with cash or a check in lieu of any fractional Vested Share, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company as a result of the issuance of the Vested Shares (the "Withholding Election"). The Recipient may make a Withholding Election only if all of the following conditions are met:

(i) The Withholding Election must be made within ten (10) days after the Recipient receives written notification from the Company as to the amount of the tax withholding that is due (the "Tax Notice Date"), by executing and delivering to the Company a properly completed Notice of Withholding Election, in substantially the form of Exhibit 2 attached hereto; and

(ii) Any Withholding Election made will be irrevocable; however, the Committee may, in its sole discretion, disapprove and give no effect to any Withholding Election, by giving written notice to the Recipient no later than ten (10) days after the Company's receipt of the Notice of Withholding Election, in which event the Recipient must deliver to the Company, within ten (10) days after receiving such notice, the amount of the tax withholding pursuant to Section 3(a). If the Recipient does not timely deliver the amount of the tax withholding, the Recipient will forfeit the Vested Shares.

4. Restrictions on Transfer. Except for the transfer by bequest or inheritance, the Recipient shall not have the right to make or permit to exist any transfer or hypothecation, whether outright or as security, with or without consideration, voluntary or involuntary, of all or any part of any right, title or interest in or to this Award. Any such disposition not made in accordance with this Agreement shall be deemed null and void. Any permitted transferee under this Section shall be bound by the terms of this Agreement.

5. Change in Capitalization.

(a) The number and kind of shares issuable under this Agreement shall be proportionately adjusted for any non-reciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Common Stock subject to the Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, non-recurring cash dividend (each, an "Equity Restructuring"). No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other material change in the capital structure of the Company, or a tender offer for shares of Common Stock, in each case that does not constitute an Equity Restructuring, the Committee shall take such action to make such adjustments with respect to the shares of Common Stock issuable hereunder or the terms of this Agreement as the Committee, in its sole discretion, determines in good faith is necessary or appropriate, including, without limitation, adjusting the number and class of securities subject to the Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions.

(c) All determinations and adjustments made by the Committee pursuant to this Section will be final and binding on the Recipient. Any action taken by the Committee need not treat all recipients of awards under the Plan equally.

(d) The existence of the Plan and the Restricted Unit Grant shall not affect the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Common Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or part of its business or assets, or any other corporate act or proceeding.

6. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no Vested Shares shall be issued except, in the reasonable judgment of the Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors, and permitted assigns of the parties.

8. Notice. Except as otherwise specified herein, all notices and other communications under this Agreement shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

9. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be

invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

10. Entire Agreement. Subject to the terms and conditions of the Plan, this Agreement expresses the entire understanding and agreement of the parties with respect to the subject matter.

11. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

12. No Right to Continued Retention. Neither the establishment of the Plan nor the Award hereunder shall be construed as giving Recipient the right to continued service with the Company or an Affiliate.

13. Headings and Capitalized Terms. Paragraph headings used herein are for convenience of reference only and shall not be considered in construing this Agreement. Capitalized terms used, but not defined, in this Agreement shall be given the meaning ascribed to them in the Plan.

14. Definitions. As used in this Agreement:

"Beginning Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 201__ on the exchange on which Common Stock is traded.

"Below Threshold Performance" means the Company has achieved Total Shareholder Return of less than eight percent (8%).

"Cause" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Cause shall mean the occurrence of any of the following events:

(a) willful refusal by the Recipient to follow a lawful direction of the person to whom the Recipient reports or the Board of Directors of the Company (the "Board"), provided the direction is not materially inconsistent with the duties or responsibilities of the Recipient's position with the Company, which refusal continues after the Board has again given the direction in writing;

(b) willful misconduct or reckless disregard by the Recipient of his duties or with respect to the interest or material property of the Company;

(c) intentional disclosure by the Recipient to an unauthorized person of Confidential Information or Trade Secrets, which causes material harm to the Company;

(d) any act by the Recipient of fraud against, material misappropriation from or significant dishonesty to either the Company or an Affiliate, or any other party, but in the latter case only if in the reasonable opinion of at least two-thirds of the members of the Board (excluding the Recipient), such fraud, material misappropriation, or significant dishonesty could reasonably be expected to have a material adverse impact on the Company or its Affiliates; or

(e) commission by the Recipient of a felony as reasonably determined by at least two-thirds of the members of the Board (excluding the Recipient).

"Change in Control" means any one of the following events which occurs following the Grant Date:

(a) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation, of equity securities of the Company that in the aggregate represent thirty percent (30%) or more of the total voting power of the Company's then outstanding equity securities;

(b) the acquisition, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or any employee benefit plan of the Company or an Affiliate, or any corporation pursuant to a reorganization, merger or consolidation of equity securities of the Company, resulting in such person or persons holding equity securities of the Company that, together with equity securities already held by such person or persons, in the aggregate represent more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding equity securities;

(c) individuals who as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(d) a reorganization, merger or consolidation, with respect to which persons who were the holders of equity securities of the Company immediately prior to such reorganization, merger or consolidation, immediately thereafter, own equity securities of the surviving entity representing less than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(e) the acquisition within a twelve (12) month period, directly or indirectly, by any "person" or "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than any corporation pursuant to a reorganization, merger or consolidation, of assets of the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award (a) unless the event also constitutes a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" within the

meaning of Code Section 409A(a)(2)(v), or (b) by reason of any actions or events in which the Recipient participates in a capacity other than in his capacity as an officer, employee, or director of the Company or an Affiliate.

"Confidential Information" means data and information relating to the business of the Company or an Affiliate (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Recipient or of which the Recipient became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Recipient without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates.

"Ending Stock Price" means the volume-weighted average price per share of Common Stock for the month of December 201__ on the exchange on which Common Stock is traded, unless a Change in Control occurs before December 31, 201__, in which case the term means the value per share determined as of the date of the Change in Control, such value to be determined by the Compensation Committee in its reasonable discretion based on the actual or implied price per share paid in the Change in Control transaction.

"Good Reason" shall have the meaning set forth in the employment agreement then in effect between the Recipient and the Company, or, if there is none, then Good Reason shall mean the occurrence of all of the events listed in either (a) or (b) below:

- (a) (i) the Recipient experiences a material diminution of the Recipient's responsibilities of his position, as reasonably modified by the person to whom the Recipient reports or the Board from time to time, such that the Recipient would no longer have responsibilities substantially equivalent to those of other executives holding equivalent positions at companies with similar revenues and market capitalization;
- (ii) the Recipient gives written notice to the Company of the facts and circumstances constituting the material diminution in responsibilities within ten (10) days following the occurrence of such material diminution;
- (iii) the Company fails to remedy the material diminution in responsibilities within ten (10) days following the Recipient's written notice of the material diminution in responsibilities; and
- (iv) the Recipient terminates his employment and this Agreement within thirty (30) days following the Company's failure to remedy the material diminution in responsibilities.
- (b) (i) the Company requires the Recipient to relocate the Recipient's primary place of employment to a new location that is more than fifty (50) miles from its current location (determined using the most direct driving route), without the Recipient's consent;
- (ii) the Recipient gives written notice to the Company within ten (10) days following receipt of notice of relocation of his objection to the relocation;
- (iii) the Company fails to rescind the notice of relocation within ten (10) days following the Recipient's written notice; and
- (iv) the Recipient terminates his employment within thirty (30) days following the Company's failure to rescind the notice.

"High Performance" means the Company has achieved Total Shareholder Return of at least twelve percent (12%).

"Performance Period" means the period from and including January 1, 201__ through the earlier of December 31, 201__ or the date of a Change in Control.

"Target Performance" means the Company has achieved Total Shareholder Return of ten percent (10%).

"Threshold Performance" means that the Company has achieved Total Shareholder Return of eight percent (8%).

"Total Shareholder Return" means the sum of the total change in the Ending Stock Price as compared to the Beginning Stock Price, plus any dividends paid to a shareholder of record with respect to one share of Common Stock during the Performance Period.

"Trade Secrets" means information including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

EXHIBIT 1

- A. The number of Vested Restricted Units earned is determined as of the last day of the Performance Period pursuant to the following chart; provided that the Recipient must remain an employee, director or consultant of the Company or an Affiliate during the entire Performance Period to earn the number of Vested Restricted Units determined in the chart below.

Below Threshold Performance	*Threshold Performance	*Target Performance	*High Performance
Zero Vested Units			

- * If Total Shareholder Return falls between Threshold Performance and Target Performance or between Target Performance and High Performance, the number of Vested Restricted Units shall be determined by rounding actual Total Shareholder Return to the closest 0.5% percentage points and then applying linear interpolation based on the percentage points by which Threshold Performance or Target Performance, respectively, as so adjusted, is exceeded.
- B. Notwithstanding the foregoing, if during the Performance Period and more than sixty (60) days before a Change in Control, the Recipient dies or becomes subject to a Disability while an employee, director or consultant of the Company or an Affiliate, the Recipient resigns from the Company for Good Reason, or the Company terminates the Recipient's employment without Cause (each such event referred to as a "Qualifying Termination"), the Recipient shall earn a number of Vested Restricted Units equal to the number of Vested Restricted Units determined in the chart above as of the completion of the Performance Period, multiplied by a fraction, the numerator of which is the number of days elapsed in the Performance Period through the date of such event and the denominator of which is 365.
- C. Notwithstanding the foregoing, if a Change in Control occurs on or after the Grant Date and before December 31, 201__ and (i) while the Recipient remains an employee, director or consultant of the Company or an Affiliate, or (ii) within sixty (60) days before the Change in Control, the Recipient incurs a Qualifying Termination, the Recipient shall earn a number of Vested Restricted Units determined in the chart above based on the level of Total Shareholder Return through the date of the Change in Control relative to the level required for the full Performance Period (determined without regard to the shortening of the period as a result of the Change in Control), and shall not thereafter earn any additional Vested Restricted Units.
- D. The portion of the Restricted Unit Grant that has not become earned Vested Restricted Units as of the earlier of the last day of the Performance Period, or, except as provided in Item C above, as of the date the Recipient ceases to be an employee, director, or consultant of the Company or an Affiliate shall be forfeited.
-

EXHIBIT 2

**NOTICE OF WITHHOLDING ELECTION
PURSUANT TO OMEGA HEALTHCARE INVESTORS, INC.
2004 STOCK INCENTIVE PLAN**

TO: Omega Healthcare Investors, Inc.
Attention: Chief Financial Officer

FROM:

RE: Withholding Election

This election relates to the Restricted Unit Grant identified in Paragraph 3 below. I hereby certify that:

(1) My correct name and social security number and my current address are set forth at the end of this document.

(2) I am (check one, whichever is applicable).

the original recipient of the Restricted Unit Grant.

the legal representative of the estate of the original recipient of the Restricted Unit Grant.

a legatee of the original recipient of the Restricted Unit Grant.

the legal guardian of the original recipient of the Restricted Unit Grant.

(3) The Restricted Unit Grant pursuant to which this election relates was issued with a Grant Date of _____ under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan (the "Plan") in the name of _____. This election relates to _____ shares of Common Stock issuable pursuant to the Restricted Unit Grant.

(4) I hereby elect to have certain of the shares of Common Stock withheld by the Company for the purpose of having the value of the shares applied to pay federal, state and local, if any, taxes arising from the exercise.

The fair market value of the shares of Common Stock to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Unit Grant shall be equal to the minimum statutory tax withholding requirement under federal, state and local law in connection with the exercise.

(5) This Withholding Election is made no later than ten (10) days after the Tax Notice Date and is otherwise timely made pursuant to the Plan.

(6) I further understand that, if this Withholding Election is not disapproved by the Committee, the Company shall withhold from the Common Stock issuable to me a whole number of shares of Common Stock having the value specified in Paragraph 4 above.

(7) The Plan has been made available to me by the Company, I have read and understand the Plan and I have no reason to believe that any of the conditions therein to the making of this Withholding Election have not been met. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

Dated:

Signature:

Name (Printed)

Street Address

City, State, Zip Code

EXHIBIT F

DETERMINATION OF NUMBERS OF RESTRICTED SHARES AND UNITS

The number of shares of stock subject to the Restricted Stock Agreement, the number of units subject to the Multi-year PRSU Agreement, and the number of units subject to the Annual PRSU Agreement shall be determined as described below. (The methodology set forth below is the same as used in the charts provided by FPL Associates L.P. to the Compensation Committee on August 19, 2010, except that for purposes of illustration, the FPL memo uses a \$23 share price assumption, whereas the actual final calculations of the potential number of shares and units will be based on the volume weighted-average trading price per share of Omega common stock ("VWAP") for the month of December 2010.)

Step 1: Start with threshold, target and high levels of 2011-2013 aggregate compensation (comprised of base salary, bonus opportunity and long-term incentive opportunity):

Threshold	Target	High
\$1,230,000	\$1,561,000	\$1,850,000

Step 2: Determine aggregate salary and bonus opportunities for 2011-2013:

Threshold	Target	High
\$877,500	\$947,700	\$1,017,900

Step 3: Subtract Step 2 from Step 1 to arrive at aggregate long-term incentive opportunity (excluding dividends) for 2011-2013:

Threshold	Target	High
\$352,500	\$613,300	\$832,100

Step 4: Determine projected dividends per share of Omega common stock based on Omega's projections as of December 31, 2010. Determine the number of shares of Omega common stock, which, based on the December 2010 VWAP and assuming "Target TSR" and "Target Relative TSR" (as defined in the Multi-year PRSU Agreement) are achieved (assuming, for purposes of calculating Target TSR and Target Relative TSR referred to above, that the projected dividends are paid), results in the \$613,300 target level of aggregate long-term incentive compensation (*i.e.*, restricted shares, units subject to the Multi-year PRSU agreement, and units subject to the Annual PRSU agreement) (excluding projected dividends) at Step 3 as of December 31, 2013 being earned. For purposes of this Exhibit F, compensation attributable to the Multi-year PRSU agreement shall be calculated based on the projected value, using the preceding methodology, of one-third of the units at each of December 31, 2011, December 31, 2012 and December 31, 2013.

Step 5: Divide the number of shares determined at Step 4 into two components equal in number.

Step 5A: The first component is the number of shares subject to the Restricted Stock Agreement.

Step 5B: Divide the second component into two sub-components equal in number. The first sub-component is the number of units subject to the Multi-year PRSU Agreement if Target TSR and Target Relative TSR are achieved. Divide the second subcomponent into three equal numbers of units, each of which represents the number of shares issuable pursuant to the Annual PRSU Agreement if "Target Performance" (as defined in the Annual PRSU Agreement) for the applicable year is achieved.

Step 6: The number of shares of stock subject to the Restricted Stock Agreement as determined at Step 5A is held constant, regardless of performance. The numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement if Target TSR and Target Relative TSR, and Target Performance, respectively are achieved are as provided in Step 5B. Determine the number of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement if "Threshold TSR" and "Threshold Relative TSR" (as those terms are defined in the Multi-year PRSU Agreement) and "Threshold Performance" (as defined in the Annual PRSU Agreement) are achieved by subtracting the projected compensation (excluding dividends) attributable to the Restricted Stock Agreement as determined in Step 5A from the \$352,500 of aggregate long-term incentive compensation (excluding dividends) at Step 3 at threshold to arrive at the difference and then determine the number of shares of Omega common stock, which based on the December 2010 VWAP and assuming Threshold TSR and Threshold Relative TSR are achieved and projected dividends are paid, results in an amount of projected compensation (excluding dividends) at December 31, 2013 that is equal to such difference. This number of units is then divided into two equal subcomponents; a multi-year subcomponent and an annual subcomponent (that is divided into three equal annual subcomponents) all in the same manner as discussed at Step 5B, but using Threshold TSR, Threshold Relative TSR and Threshold Performance instead of Target TSR, Target Relative TSR and Target Performance, respectively, in such formula. The numbers of units at High TSR, High Relative TSR and High Performance are determined in the same manner as the number of units at Threshold TSR, Threshold Relative TSR and Threshold Performance are determined in this Step 6, except that "High" is substituted into this formula in lieu of "Threshold."

This is only a summary of the methodology for determining the number of shares subject to the Restricted Stock Agreement and the numbers of units subject to the Multi-year PRSU Agreement and the Annual PRSU Agreement. The actual numbers shall be calculated by FPL Associates L.P. or other compensation consultant retained by the Compensation Committee of the Board of Directors of the Company (either, the "Compensation Consultant"), and in the event of any conflict between the terms of this summary and such calculation, the calculation shall control as long as the calculation is based on the Compensation Consultant's interpretation of this Exhibit F and such interpretation is not manifestly unreasonable.

EXHIBIT G

**RELEASE, AGREEMENT PURSUANT TO
EMPLOYMENT AGREEMENT**

This Agreement (this "Agreement") is made this ___ day of _____, 200_, by OMEGA HEALTHCARE INVESTORS, INC. (the "Employer") and _____ (the "Employee").

Introduction

Employee and the Employer entered into an Employment Agreement dated _____, 2010 (the "Employment Agreement").

The Employment Agreement requires that as a condition to the Employer's obligation to pay payments and benefits under Section 3(c) of the Employment Agreement (the "Severance Benefits"), Employee must provide a release and agree to certain other conditions as provided herein.

NOW, THEREFORE, the parties agree as follows:

1. **[For Employee under age 40: The effective date of this Agreement shall be the date on which Employee signs this Agreement ("the Effective Date"), at which time this Agreement shall be fully effective and enforceable.]**

[For Employee age 40 and over or group termination of Employees age 40 and over : Employee has been offered [twenty-one (21) days] [forty-five (45) days if group termination] from receipt of this Agreement within which to consider this Agreement. The effective date of this Agreement shall be the date eight (8) days after the date on which Employee signs this Agreement ("the Effective Date"). For a period of seven (7) days following Employee's execution of this Agreement, Employee may revoke this Agreement, and this Agreement shall not become effective or enforceable until such seven (7) day period has expired. Employee must communicate the desire to revoke this Agreement in writing. Employee understands that he or she may sign the Agreement at any time before the expiration of the [twenty-one (21) day] [forty-five (45) day] review period. To the degree Employee chooses not to wait [twenty-one (21) days] [forty-five (45) days] to execute this Agreement, it is because Employee freely and unilaterally chooses to execute this Agreement before that time. Employee's signing of the Agreement triggers the commencement of the seven (7) day revocation period.]

2. In exchange for Employee's execution of this Agreement and in full and complete settlement of any claims as specifically provided in this Agreement, the Employer will provide Employee with the Severance Benefits.
3. **[For Employee age 40 or over or group termination of Employees age 40 and over : Employee acknowledges and agrees that this Agreement is in compliance with the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act and that the releases set forth in this Agreement shall be applicable, without limitation, to any claims brought under these Acts.]**

The release given by Employee in this Agreement is given solely in exchange for the consideration set forth in Section 2 of this Agreement and such consideration is in addition to anything of value that Employee was entitled to receive prior to entering into this Agreement.

Employee has been advised to consult an attorney prior to entering into this Agreement **[For Employee age 40 or over or group termination of Employees age 40 and over: and this provision of the Agreement satisfies the requirement of the Older Workers Benefit Protection Act that Employee be so advised in writing].**

[For under age 40: Employee has been offered an ample opportunity from receipt of this Agreement within which to consider this Agreement.]

By entering into this Agreement, Employee does not waive any rights or claims that may arise after the date this Agreement is executed.

4. **[For group termination of Employees age 40 and over: The Employer has _____ [The Employer to describe class, unit, or group of individuals covered by termination program, any eligibility factors, and time limits applicable] and such employees comprise the "Decisional Unit." Attached as "Attachment 1" to this Agreement is a list of ages and job titles of persons in the Decisional Unit who were and who were not selected for termination and the offer of consideration for signing the Agreement.]**
5. This Agreement shall in no way be construed as an admission by the Employer that it has acted wrongfully with respect to Employee or any other person or that Employee has any rights whatsoever against the Employer. The Employer specifically disclaims any liability to or wrongful acts against Employee or any other person on the part of itself, its employees or its agents.

6. As a material inducement to the Employer to enter into this Agreement, Employee hereby irrevocably releases the Employer and each of the owners, stockholders, predecessors, successors, directors, officers, employees, representatives, attorneys, affiliates (and agents, directors, officers, employees, representatives and attorneys of such affiliates) of the Employer and all persons acting by, through, under or in concert with them (collectively, the "Releasees"), from any and all charges, claims, liabilities, agreements, damages, causes of action, suits, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, including, but not limited to, rights arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, or any tort, or any legal restrictions on the Employer's right to terminate employees, or any federal, state or other governmental statute, regulation, or ordinance, including, without limitation: (1) Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991 (race, color, religion, sex, and national origin discrimination); (2) the Employee Retirement Income Security Act ("ERISA"); (3) 42 U.S.C. § 1981 (discrimination); (4) the Americans with Disabilities Act (disability discrimination); (5) the Equal Pay Act; **[For Employee age 40 or over or group termination of Employees age 40 and over: (6) the Age Discrimination in Employment Act; (7) the Older Workers Benefit Protection Act;]** (6) Executive Order 11246 (race, color, religion, sex, and national origin discrimination); (7) Executive Order 11141 (age discrimination); (8) Section 503 of the Rehabilitation Act of 1973 (disability discrimination); (9) negligence; (10) negligent hiring and/or negligent retention; (11) intentional or negligent infliction of emotional distress or outrage; (12) defamation; (13) interference with employment; (14) wrongful discharge; (15) invasion of privacy; or (16) violation of any other legal or contractual duty arising under the laws of the State of Maryland or the laws of the United States ("Claim" or "Claims"), which Employee now has, or claims to have, or which Employee at any time heretofore had, or claimed to have, or which Employee at any time hereinafter may have, or claim to have, against each or any of the Releasees, in each case as to acts or omissions by each or any of the Releasees occurring up to and including the Effective Date.
7. The release in the preceding paragraph of this Agreement does not apply to (a) all benefits and awards (including without limitation cash and stock components) which pursuant to the terms of any compensation or benefit plans, programs, or agreements of the Employer are earned or become payable, but which have not yet been paid, and (b) pay for accrued but unused vacation that the Employer is legally obligated to pay Employee, if any, and only if the Employer is so obligated, (c) unreimbursed business expenses for which Employee is entitled to reimbursement under the Employer's policies, (d) any rights to indemnification that Employee has under any directors and officers or other insurance policy the Employer maintains or under the bylaws and articles of incorporation of the Company, and under any indemnification agreement, if any, and (e) any rights the Employee may have (if any) to workers compensation benefits.
8. Employee promises that he will not make statements disparaging to any of the Releasees. Employee agrees not to make any statements about any of the Releasees to the press (including without limitation any newspaper, magazine, radio station or television station) without the prior written consent of the Employer. The obligations set forth in the two immediately preceding sentences will expire two years after the Effective Date. Employee will also cooperate with the Employer and its affiliates if the Employer requests Employee's testimony. To the extent practicable and within the control of the Employer, the Employer will use reasonable efforts to schedule the timing of Employee's participation in any such witness activities in a reasonable manner to take into account Employee's then current employment, and will pay the reasonable documented out-of-pocket expenses that the Employer pre-approves and that Employee incurs for travel required by the Employer with respect to those activities.
9. Except as set forth in this Section, Employee agrees not to disclose the existence or terms of this Agreement to anyone. However, Employee may disclose it to a member of his immediate family or legal or financial advisors if necessary and on the condition that the family member or advisor similarly does not disclose these terms to anyone. Employee understands that he will be responsible for any disclosure by a family member or advisor as if he had disclosed it himself. This restriction does not prohibit Employee's disclosure of this Agreement or its terms to the extent necessary during a legal action to enforce this Agreement or to the extent Employee is legally compelled to make a disclosure. However, Employee will notify the Employer promptly upon becoming aware of that legal necessity and provide it with reasonable details of that legal necessity.
10. Employee has not filed or caused to be filed any lawsuit, complaint or charge with respect to any Claim he releases in this Agreement. Employee promises never to file or pursue a lawsuit, complaint or charge based on any Claim released by this Agreement, except that Employee may participate in an investigation or proceeding conducted by an agency of the United States Government or of any state. Notwithstanding the foregoing, Employee is not prohibited from filing a charge with the Equal Employment Opportunity Commission but expressly waives his right to personal recovery as a result of such charge. Employee also has not assigned or transferred any claim he is releasing, nor has he purported to do so. **[For group termination of Employees age 40 and over: Employee covenants and agrees not to institute, or participate in any way in anyone else's actions involved in instituting, any action against any of the members of the Decisional Unit with respect to any Claim released herein.]**
11. The Employer and Employee agree that the terms of this Agreement shall be final and binding and that this Agreement shall be interpreted, enforced and governed under the laws of the State of Maryland. The provisions of this Agreement can be severed, and if any part of this Agreement is found to be unenforceable, the remainder of this Agreement will continue to be valid and effective.
12. This Agreement sets forth the entire agreement between the Employer and Employee and fully supersedes any and all prior agreements or understandings, written and/or oral, between the Employer and Employee pertaining to the subject matter of this Agreement.
13. Employee is solely responsible for the payment of any fees incurred as the result of an attorney reviewing this agreement on behalf of Employee. In any litigation concerning the validity or enforceability of this contract or in any litigation to enforce the provisions of this contract, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs, including court costs and expert witness fees and costs.

Employee's signature below indicates Employee's understanding and agreement with all of the terms in this Agreement.

Employee should take this Agreement home and carefully consider all of its provisions before signing it. **[For Employee age 40 or over or group termination of Employees age 40 and over: Employee may take up to [twenty-one (21) days] [forty-five (45) days if group termination] to decide whether Employee wants to accept and sign this Agreement. Also, if Employee signs this Agreement, Employee will then have an additional seven (7) days in which to revoke Employee's acceptance of this Agreement after Employee has signed it. This Agreement will not be effective or enforceable, nor will any consideration be paid, until after the seven (7) day revocation period has expired.]** Again, Employee is free and encouraged to discuss the contents and advisability of signing this Agreement with an attorney of Employee's choosing.

CONSULT WITH AN ATTORNEY BEFORE EXECUTING THIS DOCUMENT.

IN WITNESS WHEREOF, Employee and the Employer have executed this agreement effective as of the date first written above.

EMPLOYEE

Michael Ritz

Signature

Date Signed

OMEGA HEALTHCARE INVESTORS, INC.

By:

Title:

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Certification

I, C. Taylor Pickett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Omega Healthcare Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2010

/S/ C. TAYLOR PICKETT

C. Taylor Pickett

Chief Executive Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER

Certifications

I, Robert O. Stephenson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Omega Healthcare Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2010
/S/ ROBERT O. STEPHENSON

Chief Financial Officer

Robert O. Stephenson

**SECTION 1350 CERTIFICATION
OF THE CHIEF EXECUTIVE OFFICER**

I, C. Taylor Pickett, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the three months ended September 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2010

/S/C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

**SECTION 1350 CERTIFICATION
OF THE CHIEF FINANCIAL OFFICER**

I, Robert O. Stephenson, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the three months ended September 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2010

/S/ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer
