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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): September 16, 2004 (September 10, 2004)

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

Maryland
(State of incorporation)

1-11316
(Commission File Number)

38-3041398
(IRS Employer
Identification No.)

9690 Deereco Road
Suite 100
Timonium, Maryland 21093
(Address of principal executive offices / Zip Code)

(410) 427-1700
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act.

Soliciting material pursuant to Rule 14a-12 under the Exchange Act.

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act.

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act.

Item 1.01. Entry Into a Material Definitive Agreement

Employment Agreements. On September 10, 2004, we entered into employment agreements, or the employment agreements, with C. Taylor Pickett, Daniel J. Booth, R. Lee Crabill and Robert O. Stephenson. Copies of each of the employment agreements have been attached to this Current Report on Form 8-K as Exhibits 10.1, 10.2, 10.3 and 10.4, respectively, and the following summary is qualified entirely by reference thereto. The significant features of the employment agreements are as follows:

- **Term.** The term of each employment agreement is effective as of September 1, 2004 and will expire on December 31, 2007.

- Annual Base Salary. The annual base salary set forth in each of the employment agreements is effective retroactively to January 1, 2004 and is as follows for each executive:

<u>Name</u>	<u>Annual Base Salary</u>
Pickett -	\$480,000
Booth -	\$295,000
Stephenson -	\$35,000
Crabill -	\$230,000

- Annual Bonus. The employment agreements provide that each executive shall be entitled to receive up to a specified percentage of his annual base salary, determined in the discretion of the compensation committee of our board of directors. The maximum annual bonus percentages for each executive are currently as follows:

<u>Name</u>	<u>Percentage</u>
Pickett -	100%
Booth -	50%
Stephenson -	50%
Crabill -	50%

The executive will be eligible for a prorated bonus if the executive's employment is terminated during the year due to death. Otherwise, the executive will be eligible for a bonus only if the executive is employed by us on the date the bonus is paid, except that if the term of employment is not extended beyond December 31, 2007, the executive will be eligible for a bonus for 2007 if he is employed by us on December 31, 2007. (The executive will be eligible for a special bonus for 2004 in amounts approved by the compensation committee, which is not part of the annual bonus and is not provided for in the employment agreement.) Earned bonuses will be paid promptly following the availability to us of the required data to calculate the bonus, which in the compensation committee's discretion may include audited financial statements.

- Severance. In the event the executive's employment is terminated by us without cause (as defined in the employment agreements) or he terminates his employment for good reason (as defined in the employment agreements), the employment agreements provide for cash compensation (the sum of annual base salary plus average annual bonus payable for the three completed fiscal years prior to termination of employment) to be paid for the number of years set forth beside the executive's name in the chart below:

<u>Name</u>	<u>Years</u>
Pickett	3
Booth	2
Stephenson	1.5
Crabill	1 .5

Payment of severance is contingent on the executive providing a comprehensive release to us. In the event of a change in control (as defined in the employment agreement), the severance payments will be increased to an amount to compensate the executive for the payment of the applicable federal excise tax, if any, payable on any portion of executive's severance and on any other payments to the executive that are contingent on a change in control. Severance will not be paid if the term of the employment agreement expires, if the executive terminates employment upon or following expiration of the term of the employment agreement, or if the executive's employment is terminated by us for cause.

- Noncompete/Nonsolicitation. During the period of employment and for one year thereafter, the employment agreements provide that the executives are obligated not to provide managerial services or management consulting services to any business that competes with us. In addition, the executive is prohibited during the term of the employment agreement and for one year thereafter not to solicit clients or customers with whom he had material contact or to solicit management level or key executives of our company. If the executive remains employed by us through December 31, 2007 the term expires at December 31, 2007, and as a result, there is no severance payable, then the noncompete and nonsolicitation provisions shall also expire at December 31, 2007.

Restricted Stock Awards. On September 10, 2004, we also entered into restricted stock awards, or the restricted stock awards, with Messrs. Pickett, Booth, Crabill and Stephenson. The form of restricted stock award has been attached to this Current Report on Form 8-K as Exhibit 10.5 and the following summary is qualified entirely by reference thereto. The restricted stock awards are granted under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.

- Number of Shares. The number of shares of restricted common stock issued to each of the executives under the restricted stock awards are as follows:

<u>Name</u>	<u>Shares</u>
-------------	---------------

Picket	-	125,000
Booth	-	75,000
Stephenson	-	60,000
Crabill	-	57,500

- Vesting. Each restricted stock award vests thirty-three and one-third percent (33 1/3%) on each of January 1, 2005, January 1, 2006, and January 1, 2007. In addition, all restricted stock vests upon the executive's death, disability, termination of employment by us without cause (as defined in the employment agreement), or if the executive voluntarily quits for good reason (as defined in the employment agreement) or upon the occurrence of a change in control (as defined in the restricted stock award).
- Dividends. Dividends are paid currently on unvested and vested shares. If unvested shares are forfeited, dividends that are declared after the date of the forfeiture are not paid on these shares.
- Dividend Equivalent Right. The restricted stock awards provide that dividend equivalents will be paid to each executive as soon as feasible after execution of the awards in an amount per restricted share equal to the dividend per share of common stock payable to shareholders of record as of July 30, 2004.

Performance Restricted Stock Unit Agreement. On September 10, 2004, we also entered into performance restricted stock unit agreements, or the restricted stock unit agreements, with Messrs. Pickett, Booth, Crabill and Stephenson. The form of restricted stock unit agreement has been attached to this Current Report on Form 8-K as Exhibit 10.6 and the following summary is qualified entirely by reference thereto. The restricted stock unit agreements are granted under the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.

- Number of Units. The number of restricted stock units issued to each of the executives under the restricted stock unit agreements are as follows:

<u>Name</u>		<u>Units</u>
Pickett	-	125,000
Booth	-	75,000
Stephenson	-	60,000
Crabill	-	57,500

- Vesting. The restricted stock unit agreements will fully vest when our company attains \$.030 per share of our common stock in adjusted funds from operations (as defined in the restricted stock unit agreement) for two (2) consecutive quarters. In addition, all restricted stock units vest upon the employee's death, disability, termination of employment by us without cause (as defined in the employment agreements), or if the executive voluntarily quits for good reason (as defined in the employment agreement) or upon the occurrence of a change in control (as defined in the restricted stock unit agreement). Restricted stock units that have not vested as of December 31, 2007 will be forfeited.
- Dividend Equivalents. The restricted stock unit agreements provide that dividend equivalents will accrue on unvested restricted stock units beginning as of July 30, 2004. Unpaid dividend equivalents accrue interest at a quarterly rate of interest equal to our average borrowing rate for the preceding quarter. Accrued dividend equivalents plus interest are paid to the executive as soon as possible, but only if, the restricted stock units vest. Dividend equivalents on vested units are paid currently.
- Distribution of Shares. Shares attributed to vested restricted stock units are not distributable until the earliest of:
 - January 1, 2008 (the day following the end of the employment agreement term);
 - occurrence of a change in control;
 - termination of employment by us without cause or if the executive quits for good reason; or
 - the executive's death or disability (as defined in the restricted stock unit agreement).

Item 9.01 Financial Statements and Exhibits

(c) Exhibits.

<u>Number</u>	<u>Description</u>
10.1	Employment Agreement, dated September 10, 2004, between Omega Healthcare Investors, Inc. and C. Taylor Pickett.
10.2	Employment Agreement, dated September 10 2004, between Omega Healthcare Investors, Inc. and Daniel J. Booth.
10.3	Employment Agreement, dated September 10, 2004, between Omega Healthcare Investors, Inc. and R. Lee Crabill
10.4	Employment Agreement, dated September 10, 2004, between Omega Healthcare Investors, Inc. and Robert O. Stephenson.
10.5	Form of Restricted Stock Award
10.6	Form of Performance Restricted Stock Unit Agreement

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)

Dated: September 16, 2004

By: /S/C. TAYLOR PICKETT
C. Taylor Pickett
President and Chief Executive Officer

Exhibit

<u>Number</u>	<u>Description</u>
10.1	Employment Agreement, dated September 10, 2004, between Omega Healthcare Investors, Inc. and C. Taylor Pickett.
10.2	Employment Agreement, dated September 10, 2004, between Omega Healthcare Investors, Inc. and Daniel J. Booth.
10.3	Employment Agreement, dated September 10, 2004, between Omega Healthcare Investors, Inc. and R. Lee Crabill
10.4	Employment Agreement, dated September 10, 2004, between Omega Healthcare Investors, Inc. and Robert O. Stephenson.
10.5	Form of Restricted Stock Award
10.6	Form of Performance Restricted Stock Unit Agreement

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") to be effective as of September 1, 2004 (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 June 12, 2001 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.** Effective January 1, 2004, the Company shall pay the Executive base salary of \$480,000 per annum, which base salary will be subject to review effective as of January 1, 2005, 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.** The Executive shall be eligible for an annual bonus of up to 100% of the Executive's annual base salary ("Bonus"), which Bonus, if any, shall be payable 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. The Bonus criteria shall be determined in the discretion of the Compensation Committee of the Board of Directors of the Company and shall consist of such objective, subjective and personal performance goals as the Compensation Committee shall determine appropriate. 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, 2007, the Executive will be eligible for a Bonus for 2007 if he remains employed through December 31, 2007. 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) Equity Compensation. The Executive shall be entitled to equity compensation from 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 equity incentives, including without limitation, stock options granted to the Executive.

(d) Expenses. The Executive shall be entitled to be reimbursed in accordance with Company policy in effect 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.

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

(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 shall begin as of the Effective Date. It shall continue through December 31, 2007, unless sooner terminated pursuant to Section 3(b) hereof (the "Term").

(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 prior to termination in writing 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 a thirty-six (36) month period. If the total payments to be paid to the Executive hereunder along with any other payments to the Executive result in the Executive being subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, the Company shall pay the Executive such additional cash compensation to put him in the same after-tax situation (taking into account all income, excise, and payroll taxes) as if no such excise tax had been applicable. The determination of the excise tax and the additional cash compensation (if any) required hereunder will be made by Company's independent outside auditors.

(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.

(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, engage in or provide managerial services or management consulting services to, any Competing Business. 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, divert or appropriate, or attempt to solicit, divert or appropriate, to a Competing Business, any individual or entity which is an actual or, to his knowledge, actively sought prospective client or customer 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.

(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, divert or hire, or attempt to solicit, divert or hire, or encourage to go to work for anyone other than the Company or its Affiliates, any person that is a management level employee of the Company or an Affiliate. 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) 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 months after the termination of the Executive's employment with the Company or any of its Affiliates.

(c) "Area" means Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Missouri, Nevada, New Hampshire, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Washington, and West Virginia, and such other states where the Company or its subsidiaries may materially do business during the most recent business day of the Term preceding the date an activity which is proscribed by Section 5(a) has occurred.

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

(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 of the interest or 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., and
- (ix) LTC Properties 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 ten (10) 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 ten (10) 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 B.

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

(l) "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.

[SIGNATURES ON FOLLOWING PAGE]

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: _____

Bernard Korman, Chairman

THE EXECUTIVE:

C. Taylor Pickett

EXHIBIT A

Investment	Ownership
Maryland Staffing, Inc. ("MSI") and various subsidiaries and companies under common control with MSI	50%

EXHIBIT B

**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 _____, 2004 (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, and (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.
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. 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.

Employee should read carefully. This agreement includes a release of all known and unknown claims through the effective date. Employee is strongly advised to 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

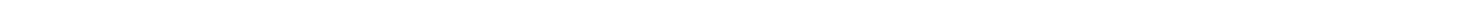
Signature

Date Signed

OMEGA HEALTHCARE INVESTORS, INC.

By: _____

Title: _____



EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") to be effective as of September 1, 2004 (the "Effective Date"), between Omega Healthcare Investors, Inc. (the "Company"), and Dan Booth (the "Executive").

INTRODUCTION

The Company and the Executive are parties to an employment agreement dated October 15, 2001 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. Effective January 1, 2004, the Company shall pay the Executive base salary of \$295,000 per annum, which base salary will be subject to review effective as of January 1, 2005, 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. The Executive shall be eligible for an annual bonus of up to 50% of the Executive's annual base salary ("Bonus"), which Bonus, if any, shall be payable 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. The Bonus criteria shall be determined in the discretion of the Compensation Committee of the Board of Directors of the Company and shall consist of such objective, subjective and personal performance goals as the Compensation Committee shall determine appropriate. 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, 2007, the Executive will be eligible for a Bonus for 2007 if he remains employed through December 31, 2007. 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) Equity Compensation. The Executive shall be entitled to equity compensation from 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 equity incentives, including without limitation, stock options granted to the Executive.

(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.

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

(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 shall begin as of the Effective Date. It shall continue through December 31, 2007, unless sooner terminated pursuant to Section 3(b) hereof (the "Term").

(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 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 prior to termination in writing 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 by unused vacation that the Employer is legally obligated to pay to the 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, and 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 a twenty-four (24) month period. If the total payments to be paid to the Executive hereunder along with any other payments to the Executive result in the Executive being subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, the Company shall pay the Executive such additional cash compensation to put him in the same after-tax situation (taking into account all income, excise, and payroll taxes) as if no such excise tax had been applicable. The determination of the excise tax and the additional cash compensation (if any) required hereunder will be made by Company's independent outside auditors.

(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.

(d) Survival. The covenants in Section 3 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, engage in or provide managerial services or management consulting services to, any Competing Business. 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, divert or appropriate, or attempt to solicit, divert or appropriate, to a Competing Business, any individual or entity which is an actual or, to his knowledge, actively sought prospective client or customer 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.

(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, divert or hire, or attempt to solicit, divert or hire, or encourage to go to work for anyone other than the Company or its Affiliates, any person that is a management level employee of the Company or an Affiliate. 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, 2007 and the Term expires at December 31, 2007, 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, 2007.

(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 months after the termination of the Executive's employment with the Company or any of its Affiliates.

(c) "Area" means Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Missouri, Nevada, New Hampshire, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Washington, and West Virginia, and such other states where the Company or its subsidiaries may materially do business during the most recent business day of the Term preceding the date an activity which is proscribed by Section 5(a) has occurred..

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

(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 of the interest or 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., and
- (ix) LTC Properties 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 ten (10) 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 ten (10) 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 B.

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

(l) "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.

[SIGNATURES ON FOLLOWING PAGE]

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: _____

C. Taylor Pickett, CEO

THE EXECUTIVE:

Dan Booth

EXHIBIT A

Investment	Ownership
None	None

EXHIBIT B

**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 _____, 2004 (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, and (d) any rights to indemnification that Employee has under any directors and officers or other insurance policy the Employer maintains or the bylaws and articles of incorporation of the Company, and under any indemnification agreement, if any.
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. 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.

Employee should read carefully. This agreement includes a release of all known and unknown claims through the effective date. Employee is strongly advised to 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

Dan Booth

Signature

Date Signed

OMEGA HEALTHCARE INVESTORS, INC.

By: _____

Title: _____

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") to be effective as of September 1, 2004 (the "Effective Date"), between Omega Healthcare Investors, Inc. (the "Company"), and R. Lee Crabill, Jr. (the "Executive").

INTRODUCTION

The Company and the Executive are parties to an employment agreement dated July 30, 2001 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.** Effective January 1, 2004, the Company shall pay the Executive base salary of \$230,000 per annum, which base salary will be subject to review effective as of January 1, 2005, 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.** The Executive shall be eligible for an annual bonus of up to 50% of the Executive's annual base salary ("Bonus"), which Bonus, if any, shall be payable 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. The Bonus criteria shall be determined in the discretion of the Compensation Committee of the Board of Directors of the Company and shall consist of such objective, subjective and personal performance goals as the Compensation Committee shall determine appropriate. 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, 2007, the Executive will be eligible for a Bonus for 2007 if he remains employed through December 31, 2007. 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) **Equity Compensation.** The Executive shall be entitled to equity compensation from 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 equity incentives, including without limitation, stock options granted to the Executive.

(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.

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

(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 shall begin as of the Effective Date. It shall continue through December 31, 2007, unless sooner terminated pursuant to Section 3(b) hereof (the "Term").

(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 prior to termination in writing 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 an eighteen (18) month period. If the total payments to be paid to the Executive hereunder along with any other payments to the Executive result in the Executive being subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, the Company shall pay the Executive such additional cash compensation to put him in the same after-tax situation (taking into account all income, excise, and payroll taxes) as if no such excise tax had been applicable. The determination of the excise tax and the additional cash compensation (if any) required hereunder will be made by Company's independent outside auditors.

(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.

(d) Survival. The covenants in Section 3 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, engage in or provide managerial services or management consulting services to, any Competing Business. 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, divert or appropriate, or attempt to solicit, divert or appropriate, to a Competing Business, any individual or entity which is an actual or, to his knowledge, actively sought prospective client or customer 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.

(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, divert or hire, or attempt to solicit, divert or hire, or encourage to go to work for anyone other than the Company or its Affiliates, any person that is a management level employee of the Company or an Affiliate. 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 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, 2007 and the Term expires at December 31, 2007, 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

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 months after the termination of the Executive's employment with the Company or any of its Affiliates.

(c) "Area" means Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Missouri, Nevada, New Hampshire, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Washington, and West Virginia, and such other states where the Company or its subsidiaries may materially do business during the most recent business day of the Term preceding the date an activity which is proscribed by Section 5(a) has occurred.

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

(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 of the interest or 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:

(i) 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 benefits 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 in the aggregate represent thirty percent (30%) or more of the combined ordinary voting power of the Company's then outstanding equity securities;

(ii) individuals who as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of the Company; 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 of Directors of the Company;

(iii) 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 do not, immediately thereafter, own equity securities of the surviving entity representing more than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(iv) a sale, or one or more sales occurring in a twelve-month period, of all or substantially all of the assets of the Company to any third party.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Agreement by reason of any actions or events in which the Executive 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., and
- (ix) LTC Properties 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 presidents 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; and

(D) the Executive terminates his employment within ten (10) 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 ten (10) 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 B.

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

(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.

[SIGNATURES ON FOLLOWING PAGE]

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: _____

C. Taylor Pickett, CEO

THE EXECUTIVE:

R. Lee Crabill, Jr.

EXHIBIT A

Investment	Ownership
None.	None.

EXHIBIT B

**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 _____, 2004 (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, and (d) any rights to indemnification that Employee has under any directors and officers or other insurance policy the Employer maintains or the bylaws and articles of incorporation of the Company, and any indemnification agreement, if any.
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. 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.

Employee should read carefully. This agreement includes a release of all known and unknown claims through the effective date. Employee is strongly advised to 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, Jr.

Signature

Date Signed

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") to be effective as of September 1, 2004 (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 August 30, 2001 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. Effective January 1, 2004, the Company shall pay the Executive base salary of \$235,000 per annum, which base salary will be subject to review effective as of January 1, 2005, 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. The Executive shall be eligible for an annual bonus of up to 50% of the Executive's annual base salary ("Bonus"), which Bonus, if any, shall be payable 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. The Bonus criteria shall be determined in the discretion of the Compensation Committee of the Board of Directors of the Company and shall consist of such objective, subjective and personal performance goals as the Compensation Committee shall determine appropriate. 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, 2007, the Executive will be eligible for a Bonus for 2007 if he remains employed through December 31, 2007. 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) Equity Compensation. The Executive shall be entitled to equity compensation from 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 equity incentives, including without limitation, stock options granted to the Executive.

(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.

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

(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 shall begin as of the Effective Date. It shall continue through December 31, 2007, unless sooner terminated pursuant to Section 3(b) hereof (the "Term").

(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 prior to termination in writing 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 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, and 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 an eighteen (18) month period. If the total payments to be paid to the Executive hereunder along with any other payments to the Executive result in the Executive being subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, the Company shall pay the Executive such additional cash compensation to put him in the same after-tax situation (taking into account all income, excise, and payroll taxes) as if no such excise tax had been applicable. The determination of the excise tax and the additional cash compensation (if any) required hereunder will be made by Company's independent outside auditors.

(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.

(d) Survival. The covenants in Section 3 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, engage in or provide managerial services or management consulting services to, any Competing Business. 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, divert or appropriate, or attempt to solicit, divert or appropriate, to a Competing Business, any individual or entity which is an actual or, to his knowledge, actively sought prospective client or customer 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.

(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, divert or hire, or attempt to solicit, divert or hire, or encourage to go to work for anyone other than the Company or its Affiliates, any person that is a management level employee of the Company or an Affiliate. 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, 2007 and the Term expires at December 31, 2007, 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

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 months after the termination of the Executive's employment with the Company or any of its Affiliates.

(c) "Area" means Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Missouri, Nevada, New Hampshire, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Washington, and West Virginia, and such other states where the Company or its subsidiaries may materially do business during the then most recent business day of the Term preceding the date an activity which is proscribed by Section 5(a) has occurred.

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

(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 of the interest or 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 reasonable 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:

(i) 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 benefits 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 in the aggregate represent thirty percent (30%) or more of the combined ordinary voting power of the Company's then outstanding equity securities;

(ii) individuals who as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of the Company; 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 of Directors of the Company;

(iii) 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 do not, immediately thereafter, own equity securities of the surviving entity representing more than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(iv) a sale, or one or more sales occurring in a twelve-month period, of all or substantially all of the assets of the Company to any third party.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Agreement by reason of any actions or events in which the Executive 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., and
- (ix) LTC Properties 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 ten (10) 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 ten (10) 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 B.

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

(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.

[SIGNATURES ON FOLLOWING PAGE]

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: _____

C. Taylor Pickett, CEO

THE EXECUTIVE:

Robert O. Stephenson

EXHIBIT A

Investment	Ownership
None	None

EXHIBIT B

**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 _____, 2004 (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, and (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, any under any indemnification agreement, if any.
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. 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.

Employee should read carefully. This agreement includes a release of all known and unknown claims through the effective date. Employee is strongly advised to 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

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

THIS AGREEMENT (sometimes referred to as this "Award") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient") subject to acceptance by the Recipient.

Upon and subject to the Terms and Conditions attached hereto and incorporated herein by reference as part of this Agreement, the Company hereby awards as of the Grant Date to the Recipient the Restricted Shares (the "Restricted Stock Grant"). Underlined and capitalized terms in items A through D below shall have the meanings there ascribed to them.

- A. Grant Date: _____, _____.
- 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 in accordance with Exhibit 1 hereto. 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 and the Recipient have executed this Agreement as of the Grant Date set forth above.

RECIPIENT

OMEGA HEALTHCARE INVESTORS, INC.

[Signature]

By: _____

Title: _____

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

1. Restricted Shares Held by the Share Custodian. The Recipient hereby authorizes and directs the Company to deliver any share certificate issued by the Company to evidence Restricted Shares to the Secretary of the Company or such other officer of the Company as may be designated by the Committee (the "Share Custodian") to be held by the Share Custodian until the Restricted Shares become Vested Restricted Shares in accordance with the Vesting Schedule. When the Restricted Shares become Vested Restricted Shares, the Share Custodian shall deliver the Restricted Shares to the Recipient. In the event that the Recipient forfeits any of the Restricted Shares, and the number of Vested Restricted Shares includes a fraction of a share, the Share Custodian shall not be required to deliver the fractional share, and the Company may pay the Recipient the amount determined by the Company to be the estimated fair market value therefor. The Recipient hereby irrevocably appoints the Share Custodian, and any successor thereto, as the true and lawful attorney-in-fact of the Recipient with full power and authority to execute any stock transfer power or other instrument necessary to transfer the Restricted Shares to the Company in accordance with this Award, in the name, place, and stead of the Recipient. The term of such appointment shall commence on the date of the Restricted Stock Grant and shall continue until the Restricted Shares are delivered to the Recipient as provided above. In the event the number of shares of Common Stock is increased or reduced by a change in the par value, split-up, stock split, reverse stock split, reclassification, merger, reorganization, consolidation, or otherwise, the Recipient agrees that any certificate representing shares of Common Stock or other securities of the Company issued as a result of any of the foregoing shall be delivered to the Share Custodian and shall be subject to all of the provisions of this Award as if initially granted thereunder. To effect the provisions of this Section, the Recipient shall complete an irrevocable stock power in favor of the Share Custodian in the form attached hereto as Exhibit 2.

2. Rights of a Shareholder. During the period that the Share Custodian holds the shares of Common Stock subject to Section 1, the Recipient shall be entitled to all rights applicable to shares of Common Stock not so held, except as otherwise provided in this 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. Dividend Equivalent Right. The Company will pay the Recipient, as soon as feasible after execution of this Agreement, an amount per Restricted Share equal to the dividend per share of Common Stock payable to shareholders of record of the Company as of July 30, 2004.

4. 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 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 4(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, 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 timely satisfy payment of the tax withholding obligation, the Recipient will forfeit the Restricted Shares.

(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 4(a), Recipient may elect to have the actual number of Vested Restricted 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 4(a).

5. 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.

6. Additional Restrictions on Transfer. Certificates evidencing the Restricted Shares shall have noted conspicuously on the certificate a legend 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 ____, 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.

7. Change in Capitalization.

(a) The number and kind of unvested Restricted Shares shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a subdivision or combination of shares or the payment of a stock dividend in shares of Common Stock to holders of outstanding shares of Common Stock or any other increase or decrease in the number of shares of Common Stock outstanding is effected without receipt of consideration by the Company. No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, extraordinary dividend, spin-off, 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 a Change in Control, the Compensation Committee shall take such action to make such adjustments with respect to the unvested Restricted Shares, 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.

8. 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 Committee, in compliance with exemptions under applicable state securities laws of the state in which Recipient resides, and/or any other applicable securities laws.

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

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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 employment with the Company or an Affiliate.

16. 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 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 of the interest or 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, 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, 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 benefits 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 in the aggregate represent thirty percent (30%) or more of the combined ordinary voting power of the Company's then outstanding equity securities;
- (b) individuals who as of the date hereof, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; 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 of Directors;
- (c) 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 do not, immediately thereafter, own equity securities of the surviving entity representing more than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or
- (d) a sale, or one or more sales occurring in a twelve-month period, of all or substantially all of the assets of the Company to any third party.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award 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 Board of Directors 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 ten (10) 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 ten (10) 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

VESTING SCHEDULE

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

Date	Percentage of Restricted Shares which are Vested Restricted Shares
January 1, 2005	33 1/3%
January 1, 2006	66 2/3%
January 1, 2007	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, all Restricted Shares shall become Vested Restricted Shares if they have not been previously forfeited at the earliest to occur of the following:

1. the Recipient's cessation of services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability;
2. the Recipient's resignation from the Company for Good Reason;
3. the Recipient's termination of employment by the Company without Cause; or
4. the occurrence of a Change in Control.

- C. Restricted Shares which have not become Vested Restricted Shares as of the Recipient's cessation of services as an employee, director, or consultant of the Company or an Affiliate shall be forfeited.

EXHIBIT 2

IRREVOCABLE STOCK POWER

The undersigned hereby assigns and transfers to Omega Healthcare Investors, Inc. (the "Company"), _____ shares of the Common Stock of the Company registered in the name of the undersigned on the stock transfer records of the Company and represented by Stock Certificate No. _____ of the Company; and the undersigned does hereby irrevocably constitute and appoint _____, his attorney-in-fact, to transfer the aforesaid shares on the books of the Company, with full power of substitution; and the undersigned does hereby ratify and confirm all that said attorney-in-fact lawfully shall do by virtue hereof.

Date: _____

Signed: _____

-

Print Name:

IN THE PRESENCE OF:

(Print Name)

(Signature)

EXHIBIT 3

**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 Stock 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 Stock Grant.

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

[] a legatee of the original recipient of the Restricted Stock Grant.

[] the legal guardian of the original recipient of the Restricted Stock Grant.

(3) The Restricted Stock 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 _____ for a total of _____ shares of Common Stock. This election relates to _____ shares of Common Stock issued upon the vesting of the Restricted Shares, provided that the numbers set forth above shall be deemed changed as appropriate to reflect stock splits and other adjustments contemplated by the applicable Plan provisions.

(4) I hereby elect to have certain of the shares 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 to be withheld in addition to \$_____ in cash to be tendered to the Company by the recipient of the Restricted Stock 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 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

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

THIS AGREEMENT (sometimes referred to as this "Award") is made as of the Grant Date, by Omega Healthcare Investors, Inc. (the "Company") to _____ (the "Recipient") subject to acceptance by the Recipient.

Upon and subject to the Terms and Conditions attached hereto and incorporated herein by reference as part of this Agreement, the Company hereby awards as of the Grant Date to the Recipient, the Restricted Units (the "Restricted Unit Grant"). Underlined and capitalized terms in items A through F below shall have the meanings there ascribed to them.

- A. Grant Date: _____, _____.
- B. Plan: (under which Restricted Unit Grant is granted): Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan.
- C. Restricted Units: _____ Restricted Units. Each Restricted Unit represents the Company's unsecured obligation to issue one share of the Company's common stock ("Common Stock") and accrued dividend equivalents (and accrued interest) in accordance with this Agreement, subject to the Vesting Schedule and subject to adjustment as provided in the attached Terms and Conditions.
- D. Vesting Schedule: The Restricted Units and shares of Common Stock represented by the Restricted Units (the "Shares") shall vest according to the Vesting Schedule attached hereto as Exhibit 1 (the "Vesting Schedule"). The Restricted Units and Shares which have become vested pursuant to the Vesting Schedule are herein referred to as the "Vested Restricted Units" and "Vested Shares," respectively.
- E. Distribution Date of Restricted Shares. Vested Shares attributable to Vested Restricted Units are to be issued and distributable at the earliest of the following, subject to receipt from the Recipient of the required tax withholding:
1. January 1, 2008;
 2. the Recipient's cessation of services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability;
 3. the Recipient's resignation from the Company for Good Reason;
 4. the Recipient's termination of employment by the Company without Cause; or
 5. the occurrence of a Change in Control.
- F. Distribution Date of Dividend Equivalents. Dividend Equivalents (and accrued interest) attributable to Restricted Units that are or become Vested Restricted Units are distributable as soon as practicable following vesting of such Vested Restricted Units.

IN WITNESS WHEREOF, the Company and the Recipient have executed this Agreement as of the Grant Date set forth above.

RECIPIENT

OMEGA HEALTHCARE INVESTORS, INC.

[Signature]

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 Restricted Units. This Section applies to Vested Restricted Units. The Company shall issue and deliver a share certificate representing the number of Shares attributable to Vested Restricted Units to the Recipient promptly following the Distribution Date of Restricted Shares. In the event that the Recipient forfeits any of the Restricted Units, and the number of Vested Restricted Units includes a fraction of a Share, the Company shall not deliver the fractional Share, and the Company shall pay the Recipient the amount determined by the Company to be the estimated fair market value thereof. In the event the number of shares of Common Stock is increased or reduced by a change in the par value, split-up, stock split, reverse stock split, reclassification, merger, reorganization, consolidation, or otherwise, the Recipient agrees that any certificate representing shares of Common Stock or other securities of the Company 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. Dividends Equivalents. Each Restricted Unit will accrue an amount equal to the dividends per share payable on Common Stock to

Shareholders of record on or after **July 30, 2004**. Dividends equivalents attributable to Restricted Units that are or become Vested Restricted Units will be paid to the Recipient at the Distribution Date for Dividend Equivalents, with interest accrued on a quarterly basis at a rate equal to the Company's average borrowing rate for the preceding calendar quarter as determined in the sole discretion of the Company, and less required tax withholding. Dividend equivalents (and interest) on Restricted Units that do not become Vested Restricted Units are not paid to the Recipient but are forfeited when the Restricted Units to which they relate are forfeited.

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 certified check payable to the Company, in the amount of all tax withholding obligations imposed on the Company on the Distribution Date of the Restricted Shares, except as provided in Section 4(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 Distribution Date of the Restricted Shares, 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 timely satisfy payment of the tax withholding obligation, the Recipient will forfeit the Vested Restricted Shares.

(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 Restricted 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 Restricted Shares, is sufficient to satisfy the minimum amount of the required tax obligations imposed on the Company on the Distribution Date 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).

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 any Restricted Units. 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. Certificates evidencing the Restricted Shares shall have noted conspicuously on the certificate a legend 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 ____, 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 Shares shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a subdivision or combination of shares or the payment of a stock dividend in shares of Common Stock to holders of outstanding shares of Common Stock or any other increase or decrease in the number of shares of Common Stock outstanding is effected without receipt of consideration by the Company. No fractional shares shall be issued in making such adjustment.

(b) In the event of a merger, consolidation, extraordinary dividend, spin-off, 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, the Compensation Committee shall take such action to make such adjustments with respect to the Shares or the terms of this Award 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 Award, substituting cash, other securities, or other property to replace the Award, or removing of restrictions on 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 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.

7. Governing Laws. This Award shall be construed, administered and enforced according to the laws of the State of Maryland; provided, however, no 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 in this Agreement:

"Adjusted Funds From Operations" means, with respect to the fiscal quarter, the Company's net income (or loss), plus depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures as hereafter provided. Notwithstanding contrary treatment under GAAP, for purposes hereof, "Adjusted Funds From Operations" shall:

(a) include the Company's income or loss from unconsolidated partnerships and joint ventures, on the same basis as consolidated partnerships and subsidiaries, as provided in the "white paper" issued in April 2002 by the National Association of Real Estate Investment Trusts,

(b) the Imputed Stock Compensation Charge,

(c) not include gains (or, if applicable, losses) resulting from or in connection with sales or redemptions of preferred stock, and

(d) not include Special Charges.

Notwithstanding the foregoing, the Compensation Committee reserves the right to include or exclude items of income, loss, or expense in the definition of Adjusted Funds From Operations as it shall determine to be necessary or advisable in its sole discretion in order for Adjusted Funds From Operations to fairly represent the results of operations, but also may in its sole discretion decline to make any such adjustments if it determines that making such adjustments would jeopardize the availability of a tax deduction for the Company pursuant to Section 162(m) of the Internal Revenue Code.

"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 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 of the interest or 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, 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, 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 benefits 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 in the aggregate represent thirty percent (30%) or more of the combined ordinary voting power of the Company's then outstanding equity securities;

(b) individuals who as of the date hereof, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; 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 of Directors;

(c) 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 do not, immediately thereafter, own equity securities of the surviving entity representing more than fifty percent (50%) of the combined ordinary voting power of the then outstanding voting securities of the surviving entity; or

(d) a sale, or one or more sales occurring in a twelve-month period, of all or substantially all of the assets of the Company to any third party.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Award 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 Board of Directors 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 ten (10) 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 ten (10) days following the Company's failure to rescind the notice.

"Imputed Stock Compensation Change" means \$441,325, representing the closing trading price per share of Common Stock on July 27, 2003 of \$9.73 multiplied by 635,000 which is the number of restricted shares of Common Stock and restricted share units approved in concept by the Compensation Committee on July 27, 2004, divided by 14 which is the number of quarters from and including July 27, 2004 through December 31, 2007.

"Special Charges" means:

(a) non-cash charges related to preferred stock redemptions;

(b) non-cash charges associated with the sale or settlement by the Company of any Swap Contract; and

(c) non-cash compensation from equity compensation awards granted to employees, officers, directors, and consultants (other than the Imputed Stock Compensation Charge).

"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

VESTING SCHEDULE

- A. The Restricted Units shall become Vested Restricted Units upon the Company attaining \$0.30 per Share of Common Stock per fiscal quarter in Adjusted Funds From Operations for two (2) consecutive fiscal quarters.
- B. Notwithstanding the foregoing, all Restricted Units shall become Vested Restricted Units if they have not been previously forfeited on the earliest to occur of the following:
1. the Recipient's cessation of services as an employee, director or consultant of the Company or an Affiliate due to the Recipient's death or Disability;
 2. the Recipient's resignation from the Company for Good Reason;
 3. the Recipient's termination of employment by the Company without Cause; or
 4. the occurrence of a Change in Control.
- C. Restricted Units which have not become Vested Restricted Units by December 31, 2007 are forfeited. Restricted Shares which have not become Vested Restricted Shares as of the Recipient's cessation of services as 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 Performance 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 Performance Restricted Unit Grant.

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

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

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

(3) The Performance 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 _____ for a total of _____ Restricted Units. This election relates to _____ shares of Common Stock issuable pursuant to the Performance Restricted Unit Grant, provided that the numbers set forth above shall be deemed changed as appropriate to reflect stock splits and other adjustments contemplated by the applicable Plan provisions.

(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 Performance 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