

OMEGA HEALTHCARE INVESTORS INC
Form DEF 14A
April 18, 2008

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

SCHEDULE 14A

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

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

Filed by Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

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

Omega Healthcare Investors, Inc.

(Name of Registrant as Specified in Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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(4) Proposed maximum aggregate value of transaction: _____

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(1) Amount previously paid: _____

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

(3) Filing party: _____

(4) Date filed: _____

OMEGA HEALTHCARE INVESTORS, INC.
9690 Deereco Road, Suite 100
Timonium, Maryland 21093
(410) 427-1700

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 22, 2008

To our Stockholders:

The Annual Meeting of Stockholders of Omega Healthcare Investors, Inc. (“Omega” or the “Company”) will be held at the Crowne Plaza, Baltimore-North, 2004 Greenspring Drive, Timonium, Maryland on Thursday, May 22, 2008, at 10:00 A.M. EDT, for the following purposes:

1. To elect two members to the Board of Directors;
2. To ratify the selection of Ernst & Young LLP as our independent auditor for fiscal year 2008;
3. To approve an amendment to the Omega Healthcare Investors, Inc. 2004 Stock Incentive Plan providing for a cap on the maximum number of shares that can be granted or dollar amount that can be paid to an employee during a year in the case of qualified performance-based awards; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

The nominees for election as directors are Harold J. Kloosterman and C. Taylor Pickett, each of whom presently serves as a director of Omega.

The Board of Directors has fixed the close of business on April 14, 2008 as the record date for the determination of stockholders who are entitled to notice of and to vote at the meeting or any adjournments thereof.

We encourage you to attend the meeting. Whether you are able to attend or not, we urge you to indicate your vote on the enclosed proxy card FOR the election of directors. Please sign, date and return the proxy card promptly in the enclosed envelope. If you attend the meeting, you may vote in person even if you previously have mailed a proxy card.

By order of Omega’s Board of Directors,

C. Taylor Pickett
Chief Executive Officer

April 18, 2008
Timonium, Maryland

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

If you hold shares through a broker, bank or other nominee (in "street name"), you may also have the ability to vote by telephone or the Internet in accordance with instructions that will be included with this mailing. In either event, we urge you to vote promptly.

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OMEGA HEALTHCARE INVESTORS, INC.

9690 Deereco Road, Suite 100
Timonium, Maryland 21093
(410) 427-1700

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
May 22, 2008

The accompanying proxy is solicited by the Board of Directors to be voted at the Annual Meeting of Stockholders of Omega Healthcare Investors, Inc. to be held at the Crowne Plaza, Baltimore-North, 2004 Greenspring Drive, Timonium, Maryland at 10:00 A.M. EDT on Thursday, May 22, 2008, and any adjournments of the meeting. It is anticipated that these proxy materials will be mailed on or about April 18, 2008, to our common stockholders of record on April 14, 2008.

A copy of our Annual Report for the year ended December 31, 2007, including financial statements, is enclosed.

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be Held on May 22, 2008. This Proxy Statement, and our Annual Report to Stockholders and Form 10-K for fiscal 2007 are available electronically at <http://www.omegahealthcare.com/annuals.cfm>.

Additional copies of our annual report on Form 10-K will be provided, without charge, upon written request addressed to Robert O. Stephenson at our principal executive offices at 9690 Deereco Road, Suite 100, Timonium, Maryland 21093.

VOTING

As of April 14, 2008, the record date, there were 68,996,852 of outstanding shares of common stock, par value \$.10 per share. Each holder of shares of common stock is entitled to one vote per share on all matters properly brought before the Annual Meeting.

The presence at the Annual Meeting of shares representing a majority of our issued and outstanding common stock will be necessary to establish a quorum for the conduct of business at the Annual Meeting. Under our Bylaws, directors are elected by a plurality of the votes cast at the Annual Meeting. The affirmative vote of a majority of all votes cast on the matter will be necessary to approve the proposal to ratify our independent auditors and the proposal to approve an amendment to our 2004 Stock Incentive Plan. In addition, the total number of votes cast on the amendment to the 2004 Stock Incentive Plan must represent more than at least a majority of the shares entitled to vote on the proposal.

Brokers holding shares in "street name" may vote the shares only if the beneficial owner provides instructions on how to vote. Brokers will provide beneficial owners instructions on how to direct the brokers to vote the shares. A so-called "broker non-vote" occurs when a broker, holding stock as nominee, does not receive voting instructions from the beneficial owner. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the results of the voting on the matters to be considered at the Annual Meeting.

As of the record date, our directors and executive officers beneficially owned 1,754,047 shares of our common stock (representing 2.5% of the votes entitled to be cast at the meeting).

There are no rights of appraisal or similar dissenter's rights with respect to any matter to be acted upon pursuant to this proxy statement.

We urge stockholders to vote promptly either by signing, dating and returning the enclosed proxy card in the enclosed envelope, or for stockholders who own their shares in street name through a broker, in accordance with the telephone or internet voting instructions your broker may include with this mailing.

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

PROPOSAL 1 — ELECTION OF DIRECTORS

Director Nominees and Voting Requirements

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

Our Nominating and Corporate Governance Committee of the Board of Directors has nominated Harold J. Kloosterman and C. Taylor Pickett for election as directors.

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

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

Information Regarding Directors

The following information relates to the nominees for election as directors of Omega and the other persons whose terms as directors continue after this meeting. Individuals not standing for election at the Annual Meeting are presented under the heading "Continuing Directors."

Director Nominees

Director (age as of April 14)	Year First Became a Director	Business Experience During Past 5 Years	Term to Expire in
Harold J. Kloosterman (66)	1992	Mr. Kloosterman is a Director and has served in this capacity since September 1, 1992. Mr. Kloosterman has served as President since 1985 of Cambridge Partners, Inc., a company he formed in 1985. He has been involved in the development and management of commercial, apartment and condominium projects in Grand Rapids and Ann Arbor, Michigan and in the Chicago area. Mr. Kloosterman was formerly a Managing Director of Omega Capital from 1986 to 1992. Mr. Kloosterman has been involved in the acquisition, development and management of commercial and multifamily properties since 1978. He has	2011

also been a senior officer of LaSalle Partners, Inc. (now Jones Lang LaSalle).

C. Taylor Pickett
(46)

2002 Mr. Pickett is the Chief Executive Officer 2011
of our company and has served in this
capacity since June, 2001. Mr. Pickett is
also a Director and has served in this
capacity since May 30, 2002. Prior to
joining our company, Mr. Pickett served
as the Executive Vice President and Chief
Financial Officer from January 1998 to
June 2001 of Integrated Health Services,
Inc., a public company specializing in
post-acute healthcare services. He also
served as Executive Vice President of
Mergers and Acquisitions from May 1997
to December 1997 of Integrated Health
Services. Prior to his roles as Chief
Financial Officer and Executive Vice
President of Mergers and Acquisitions,
Mr. Pickett served as the President of
Symphony Health Services, Inc. from
January 1996 to May 1997.

Continuing Directors

Director (age as of April 14)	Year	Business Experience During Past 5 Years	Term to
	First		Expire in
	Became		
	a		
	Director		
Thomas F. Franke (78)	1992	Mr. Franke is a Director and has served in this capacity since March 31, 1992. Mr. Franke is Chairman and a principal owner of Cambridge Partners, Inc., an owner, developer and manager of multifamily housing in Grand Rapids, Michigan. He is also a principal owner of Laurel Healthcare (a private healthcare firm operating in the United States) and is a principal owner of Abacus Hotels LTD. (a private hotel firm in the United Kingdom). Mr. Franke was a founder and previously a director of Principal Healthcare Finance Limited and Omega Worldwide, Inc.	2009
Bernard J. Korman (76)	1993	Mr. Korman is Chairman of the Board and has served in this capacity since March 8, 2004. He has served as a director since October 19, 1993. Mr. Korman has been Chairman of the Board of Trustees of Philadelphia Health Care Trust, a private healthcare foundation, since December 1995. Mr. Korman is also a director of The New America High Income Fund, Inc. (NYSE:HYB) (financial services), Medical Nutrition USA, Inc. (OTC:MDNU.OB) (develops and distributes nutritional products) and NutraMax Products, Inc. (OTC:NUTP) (consumer health care products). He was formerly President, Chief Executive Officer and Director of MEDIQ Incorporated (OTC:MDDQP) (health care services) from 1977 to 1995. Mr. Korman served as a trustee of Kramont Realty Trust (NYSE:KRT) (real estate investment trust) from June 2000 until its merger in April 2005 and of The Pep Boys, Inc. (NYSE:PBX) and also served as The Pep Boys, Inc.'s Chairman of the Board from May 28, 2003 until his retirement from such board in September	2009

2004. Mr. Korman was previously a director of Omega Worldwide, Inc.

Edward Lowenthal (63)	1995	<p>Mr. Lowenthal is a Director and has served in this capacity since October 17, 1995. Mr. Lowenthal also serves as a director of REIS (a provider of real estate market information and valuation technology), Inc. (NASDAQ:REIS), American Campus Communities (NYSE:ACC) (a public developer, owner and operator of student housing at the university level), Desarrolladora Homex (NYSE: HXM) (a Mexican homebuilder) and serves as a trustee of the Manhattan School of Music. From January 1997 to March 2002, Mr. Lowenthal served as President and Chief Executive Officer of Wellsford Real Properties, Inc. (AMEX:WRP) (a real estate merchant bank) and was President of the predecessor of Wellsford Real Properties, Inc. since 1986.</p>	2010
Stephen D. Plavin (48)	2000	<p>Mr. Plavin is a Director and has served in this capacity since July 17, 2000. Mr. Plavin has been Chief Operating Officer of Capital Trust, Inc., (NYSE:CT) a New York City-based mortgage real estate investment trust (“REIT”) and investment management company and has served in this capacity since 1998. In this role, Mr. Plavin is responsible for all of the lending, investing and portfolio management activities of Capital Trust, Inc.</p>	2010

RECOMMENDATION

The Board of Directors unanimously recommends a vote FOR the election of Messrs. Kloosterman and Pickett.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our capital stock as of April 4, 2008 for:

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

Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them, subject to community property laws where applicable. The business address of the directors and executive officers is 9690 Deereco Road, Suite 100, Timonium, Maryland 21093.

Beneficial Owner	Common Stock		Series D Preferred		
	Number of Shares		Percent of Class(1)	Number of Shares	Percent of Class(11)
C. Taylor Pickett	495,841		0.7%	—	—
Daniel J. Booth	162,785		0.2%	—	—
Michael D. Ritz	15,823		*	—	—
R. Lee Crabill, Jr.	109,530		0.2%	—	—
Robert O. Stephenson	158,536		0.2%	—	—
Thomas F. Franke	83,971	(2) (3)	0.1%	—	—
Harold J. Kloosterman	84,692	(4) (5)	0.1%	—	—
Bernard J. Korman	566,517	(6)	0.8%	—	—
Edward Lowenthal	40,062	(7)(8)	*	—	—
Stephen D. Plavin	36,290	(9)	*	—	—
Directors and executive officers as a group (9 persons)	1,754,047	(10)	2.5%	—	—

5% Beneficial Owners:

ING Groep N.V	10,195,051	(12)	14.8%
The Vanguard Group, Inc.	4,224,824	(13)	6.1%
Nomura Asset Management Co., LTD.	4,109,600	(14)	6.0%
Neuberger Berman, LLC	3,690,873	(15)	5.3%

* Less than 0.1%

- (1) Based on 68,996,852 shares of our common stock outstanding as of April 4, 2008.
- (2) Includes 47,141 shares owned by a family limited liability company (Franke Family LLC) of which Mr. Franke is a member.
- (3) Includes stock options that are exercisable within 60 days to acquire 2,668 shares.
- (4) Includes shares owned jointly by Mr. Kloosterman and his wife, and 10,827 shares held solely in Mr. Kloosterman's wife's name.
- (5) Includes stock options that are exercisable within 60 days to acquire 2,000 shares.
- (6) Includes stock options that are exercisable within 60 days to acquire 6,001 shares.

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- (7) Includes 1,400 shares owned by his wife through an individual retirement account.
- (8) Includes stock options that are exercisable within 60 days to acquire 3,000 shares.
- (9) Includes stock options that are exercisable within 60 days to acquire 14,000 shares.
- (10) Includes stock options that are exercisable within 60 days to acquire 27,669 shares.
- (11) Based on 4,739,500 shares of Series d preferred stock outstanding at April 4, 2008.
- (12) Based on a Schedule 13G/A filed by ING Groep N.V. on February 14, 2008. ING Groep N.V. is located at 201 King of Prussia Road, Suite 600, Radnor, PA 19087. Includes 4,943,904 shares of common stock over which ING Groep N.V. has sole voting power or power to direct the vote.
- (13) Based on a Schedule 13G/A filed by The Vanguard Group, Inc. on February 27, 2008. The Vanguard Group, Inc. is located at 100 Vanguard Blvd. Malvern, PA 19355. Includes 59,851 shares of common stock over which The Vanguard Group, Inc. has sole voting power or power to direct the vote.
- (14) Based on a Schedule 13G/A filed by Nomura Asset Management Co., LTD. on February 08, 2008. Nomura Asset Management Co., LTD. is located at 1-12-1, Nihonbashi, Chuo-ku, Toyko, Japan 103-8260. Includes 4,109,600 shares of common stock over which Nomura Asset Management Co., LTD. has sole voting power or power to direct the vote.
- (15) Based on a Schedule 13F filed by Neuberger Berman, LLC. on December 31, 2007.

DIRECTORS AND OFFICERS OF OUR COMPANY

Board of Directors and Committees of the Board

The members of the Board of Directors on the date of this proxy statement and the committees of the Board on which they serve are identified below.

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

* Chairman of the Board

XX Chairman of the Committee

X Member

The Board of Directors held ten meetings during 2007. All members of the Board of Directors attended more than 75% of the Board of Directors or Committee meetings held during 2007. Mr. Korman, as Chairman of the Board,

presides over any meeting, including regularly scheduled executive sessions of the non-management directors. If Mr. Korman is not present at such a session, the presiding director is chosen by a vote of those present at the session. Except for Mr. Pickett, all of the members of the Board of Directors meet the New York Stock Exchange listing standards for independence. While the Board of Directors has not adopted any categorical standards of independence, in making these independence determinations, the Board of Directors noted that no director other than Mr. Pickett (a) received direct compensation from our company other than director annual retainers and meeting fees, (b) had any relationship with our company or a third party that would preclude independence, or (c) had any business relationship with our company and its management, other than as a director of our company. Each of the members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee meets the New York Stock Exchange listing standards for independence. While we invite our directors to attend our Annual Meeting of Stockholders, we currently do not have a formal policy regarding director attendance. No directors attended the 2007 annual meeting last year.

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Audit Committee

The Audit Committee met six times in 2007. Its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to: (i) the financial information to be provided to stockholders and the Securities and Exchange Commission (“SEC”); (ii) the system of internal controls that management has established; and (iii) the external independent audit process. In addition, the Audit Committee selects our company’s independent auditors and provides an avenue for communication between the independent auditors, financial management and the Board of Directors.

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

Compensation Committee

The Compensation Committee met eleven times during 2007 and has responsibility for the compensation of our key management personnel and administration of our 2004 Stock Incentive Plan, our 2000 Stock Incentive Plan and our 1993 Deferred Compensation Plan. The responsibilities of the Compensation Committee are more fully described in its charter, which is available on our website at www.omegahealthcare.com.

Investment Committee

The Investment Committee met six times during 2007 and has responsibility for developing strategies in growing our portfolio.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee met one time during 2007 and has responsibility for identifying potential nominees to the Board of Directors and reviewing their qualifications and experience. The process for identifying and evaluating nominees to the Board is initiated by identifying candidates who meet the criteria for selection as a nominee and have the specific qualities or skills being sought based on input from members of the Board of Directors and, if the Nominating and Corporate Governance Committee deems appropriate, a third-party search firm. Nominees for director are selected based on their depth and breadth of experience, industry experience, financial background, integrity, ability to make independent analytical inquiries and willingness to devote adequate time to director duties, among other criteria. The Nominating and Corporate Governance Committee also develops and implements policies and practices relating to corporate governance.

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

Communicating with the Board of Directors and the Audit Committee

The Board of Directors and our Audit Committee have established procedures to enable anyone who has a concern about our conduct, or any employee who has a concern about our accounting, internal controls or auditing matters, to

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

Interested parties may contact our non-management directors by writing to them at our headquarters: Omega Healthcare Investors, Inc., 9690 Deereco Road, Suite 100, Timonium, Maryland 21093, or by contacting them through our website at www.omegahealthcare.com. Communications addressed to the non-management members of the Board of Directors will be reviewed by our corporate communications liaison, which is our outside legal counsel, and will be directed to the appropriate director or directors for their consideration. The corporate communications liaison may not "filter out" any direct communications from being presented to the non-management members of the Board of Directors and Audit Committee members without instruction from the directors or committee members. The corporate communications liaison is required to maintain a record of all communications received that were addressed to one or more directors, including those determined to be inappropriate communications. Such record will include the name of the addressee, the disposition by the corporate communications liaison and, in the case of communications determined to be inappropriate, a brief description of the nature of the communication. The corporate communications liaison is required to provide a copy of any additions to the record upon request of any member of the Board of Directors.

Conflicts of Interest Policies and Code of Business Conduct

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

We have adopted a written Code of Business Conduct and Ethics (“Code of Ethics”) that applies to all of our directors and employees, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. A copy of our Code of Ethics is available on our website at www.omegahealthcare.com and print copies are available upon request without charge. You can request print copies by contacting our Chief Financial Officer in writing at Omega Healthcare Investors, Inc., 9690 Deereco Road, Suite 100, Timonium, Maryland 21093 or by telephone at 410-427-1700. Any amendment to our Code of Ethics or any waiver of our Code of Ethics will be disclosed on our website at www.omegahealthcare.com promptly following the date of such amendment or waiver.

Corporate Governance Materials

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

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

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

- the members and role of our Compensation Committee (the “Committee”);
 - our compensation-setting process;
- our compensation philosophy and policies regarding executive compensation;
 - the components of our executive compensation program; and
 - our compensation decisions for fiscal year 2007 and 2008.

The Compensation Committee

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

The Committee's responsibilities and function are governed by its charter, which the Board of Directors has adopted and a copy of which is available at our website at www.omegahealthcare.com. The Committee administers our 2004 Stock Incentive Plan, our 2000 Stock Incentive Plan and our 1993 Deferred Compensation Plan and has responsibility for other incentive and benefit plans. The Committee determines the compensation of our executive officers and reviews with the Board of Directors all aspects of compensation for our executive officers.

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The Committee is responsible to the Board of Directors for the following activities:

- The Committee determines and approves the compensation for the Chief Executive Officer and our other executive officers. In doing so, the Committee evaluates their performance in light of goals and objectives reviewed by the Committee and such other factors as the Committee deems appropriate in our best interests and in satisfaction of any applicable requirements of the New York Stock Exchange and any other legal or regulatory requirements.
- The Committee reviews and recommends for the Board of Directors' approval (or approves, where applicable) the adoption and amendment of our director and executive officer incentive compensation and equity-based plans. The Committee has the responsibility for recommending to the Board the level and form of compensation and benefits for directors.
- The Committee may administer our incentive compensation and equity-based plans and may approve such awards thereunder as the Committee deems appropriate.
- The Committee reviews and monitors succession plans for the Chief Executive Officer and our other senior executives.
- The Committee meets to review and discuss with management the CD&A required by the SEC rules and regulations. The Committee recommends to the Board of Directors whether the CD&A should be included in our proxy statement or other applicable SEC filings. The Committee prepares a Compensation Committee Report for inclusion in our applicable filings with the SEC. Such reports state whether the Committee reviewed and discussed with management the CD&A, and whether, based on such review and discussion, the Committee recommended to the Board of Directors that the CD&A be included in our proxy statement or other applicable SEC filings.
- The Committee should be consulted with respect to any employment agreements, severance agreements or change of control agreements that are entered into between us and any executive officer.
- To the extent not otherwise inconsistent with its obligations and responsibilities, the Committee may form subcommittees (which shall consist of one or more members of the Committee) and delegate authority to such subcommittees hereunder as it deems appropriate.
- The Committee reports to the Board of Directors as it deems appropriate and as the Board of Directors may request.
- The Committee performs such other activities consistent with its charter, our Bylaws, governing law, the rules and regulations of the New York Stock Exchange and such other requirements applicable to us as the Committee or the Board of Directors deems necessary or appropriate.

The responsibilities of a member of the Committee are in addition to those responsibilities set out for a member of the Board.

Committee Meetings

The Committee meets as often as necessary to perform its duties and responsibilities. The Committee met eleven times during the year ended December 31, 2007. The Chairman of the Committee works, from time to time, with the Chief Executive Officer and other members of the Committee to establish the agenda. The Committee frequently meets in executive sessions without management and meets with Omega's legal counsel and outside advisors when necessary.

The Committee receives and reviews materials in advance of its meetings. These materials include information that management believes will be helpful to the Committee as well as materials the Committee has requested. Depending

upon the agenda for the particular meeting, these materials may include, among other things:

- reports from compensation consultants or legal counsel;
- a comparison of the compensation of our executives and directors compared to our competitors prepared by members of the Committee, by management at the Committee's request or by a compensation consultant engaged by the Committee;
- financial reports on year-to-date performance versus budget and compared to prior year performance, as well as other financial data regarding us and our performance;
- reports on our strategic plan and budgets for future periods;

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- information on the executive officers' stock ownership and option holdings; and
- reports on the levels of achievement of individual and corporate objectives.

The Compensation Committee Process

Committee Advisors

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

The Committee engaged a consulting group in 2004, The Schonbraun McCann Group LLP ("Schonbraun"), in connection with determining the compensation of our executive officers for 2005, and the Committee also retained Schonbraun in late 2006 in connection with evaluating the compensation and incentive arrangements for our executive officers for fiscal year 2007. Schonbraun has not performed and has agreed not to perform in the future any work for us other than work for which it is engaged by the Committee. During late 2006 and early 2007, Schonbraun presented to the Committee analysis that included, but was not limited to, the status of our current compensation scheme as compared to our peer companies, the methodologies behind the research and analysis it used to prepare the comparisons, the techniques it used to standardize the compensation schemes of peer companies in order to permit more accurate comparisons against our policies, and a proposed incentive compensation plan for executive officers. The Committee also requested that Schonbraun evaluate our current director compensation and prepare a proposal with respect to compensation for our directors in 2007.

Peer companies included in Schonbraun's 2006/2007 analysis were Alexandria Real Estate Equities, Inc., BioMed Realty Trust, Corporate Office Properties Trust Inc., Digital Realty Trust, Inc., First Potomac Realty Trust, Glenborough Realty Trust Incorporated, Health Care REIT, Inc., Healthcare Realty Trust, LTC Properties, Inc., Medical Properties Trust Inc., Nationwide Health Properties, Inc., Parkway Properties, Inc., Republic Property Trust, Ventas, Inc., Washington Real Estate Investment Trust and Windrose Medical Properties Trust. Analyses performed included a comparison of the total return to the stockholders of the respective companies, a comparison of salaries of comparable officers for each company and a comparison of the terms of officer employment agreements.

Also, our Chief Executive Officer meets with the Committee upon the Committee's request to provide information to the Committee regarding management's views regarding its performance as well as other factors the Chief Executive Officer believes should impact the compensation of our executive officers. In addition, the Chief Executive Officer provides his recommendation to the Committee regarding the compensation of the executive officers and the business and performance targets for incentive awards and bonuses.

Annual Evaluation

The Committee meets in one or more executive sessions each year to evaluate the performance of our named executive officers, to determine their bonuses for the prior year, to establish bonus metrics for the current year, to set their salaries for the current year, and to approve any grants to them of equity incentive compensation, as the case may be.

The Committee also performs an annual evaluation of its performance and the adequacy of its charter and reports to our Board of Directors regarding this evaluation.

Compensation Policy

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

- Assist in attracting and retaining talented and well-qualified executives;
 - Reward performance and initiative;
 - Be competitive with other healthcare real estate investment trusts;
- Be significantly related to accomplishments and our short-term and long-term successes, particularly measured in terms of growth in adjusted funds from operations on a per share basis;
- Align the interests of our executive officers with the interests of our stockholders; and

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- Encourage executives to achieve meaningful levels of ownership of our stock.

Elements of Compensation

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

Annual Base Salary

Our approach to base compensation levels has been to offer competitive salaries in comparison with prevailing market practices. The Committee examined market compensation levels and trends in connection with the issuance of the executive employment contracts during 2004. Additionally, in connection with the issuance of these contracts, the Committee hired Schonbraun in 2004 to conduct a review and analysis of our peer group companies and to provide the Committee with executive base salaries of individuals then employed in similar positions in such companies. The employment agreements for each of the executive officers established a base annual salary in 2004 and provided that the base salary should be reviewed on an annual basis to determine if increases are warranted.

In 2006 and 2007, the Committee evaluated and established the annual executive officer salaries for each fiscal year in connection with its annual review of management's performance and based on input from our Chairman of the Board and our Chief Executive Officer. The Committee undertook this evaluation and determination at the beginning of fiscal year 2006 and 2007 so that it could have available data for the recently completed prior fiscal year and so that it could set expectations for the beginning fiscal year. In undertaking the annual review, the Committee considered the decision-making responsibilities of each position and the experience, work performance and team-building skills of each incumbent officer, as well as our overall performance and the achievement of our strategic objectives and budgets. The Committee viewed work performance as the single most important measurement factor, followed by team-building skills and decision-making responsibilities.

The Committee approved a 3.6% increase in executive officer base salaries for 2008 based on increases in the Consumer Price Index.

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

Annual Cash Bonus

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

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

For 2007, the Company's executive officers were eligible to earn cash bonuses as set forth below:

Bonus Opportunity

Additional Cash Bonus

As Percentage of Base
Salary

C. Taylor Pickett	125%	
Daniel J. Booth	75%	
Robert O. Stephenson	60%	
R. Lee Crabill	60%	
Michael D. Ritz	35%	\$ 40,000

Fifty percent of the bonus opportunity is based on the Company's adjusted funds from operations, with the remaining fifty percent based on the subjective assessment of individual performance. The Company achieved the \$1.33 per share adjusted funds from operations target established by the Committee for 2007, and accordingly the objective bonus component was fully earned and paid for in 2007.

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The Chief Executive Officer provided the Compensation Committee with an assessment of each executive officer's performance in 2007. The Compensation Committee after consultation with the Chief Executive Officers determined the subjective portion of each executive officers bonus. The principal factors noted in the assessment of the executive officers performance included:

- Successful completion of acquisition
- Favorable rent resets, lease extensions and re-leases
 - March 2007 stock offering
- Success in portfolio restructurings and workouts
 - Finalization of IRS Closing Agreement
- Enhancement of internal controls and finance staff
 - Increase in credit facility borrowing base

Considering these factors, the Compensation Committee set annual cash bonuses related to fiscal year 2007 as follows: