OMEGA
HEALTHCARE
INVESTORS,
INC.

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Mr. Timothy S. Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
File Reference 194-B
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed Statement of Financial Accounting Standards - Consolidated Financial Statements: Purpose and Policy

Dear Mr. Lucas:

The undersigned represents Omega Healthcare Investors, Inc. (Omega), an NYSE listed Real Estate Investment Trust which invests in and provides financing to the long-term care industry. While Omega is not directly affected by the Board's Exposure Draft on consolidated financial statements, I am writing to express concern about the issuance of the proposed statement.

I strongly believe the proposed criteria on whether or not to consolidate are too vague, and they include too many qualitative assessments as to when an enterprise is in a non-shared decision making capacity. I believe this will inevitably lead to diametrically different applications in factual situations that are nearly identical, causing substantial voids in comparability among businesses with substantively the same investment structure. Finally, the proposed statement would change what is currently an objective standard for consolidation into a subjective process, opening the possibility of manipulation and circumvention.

The Board's insistence that effective control, without regard to the level of economic interest, is sufficient criteria for one business enterprise to consolidate another enterprise will lead to confusion about the core enterprise characteristics. I believe that consolidated financial statements should include only those assets, liabilities, revenues, expenses, and cash flows in which the reporting entity has a material economic interest, as well as control. Where non-shared control exists in the absence of a substantive economic benefit, the consolidation process will inevitably result in a "grossing up" of the financial statements, making meaningful financial analysis extremely difficult.

I believe the treatment in the Exposure Draft concerning "representation by directors" ignores that directors have a fiduciary duty to all shareholders irrespective of their source of appointment. As a result of their fiduciary duties, directors would be obliged to increase benefits and decrease losses with respect to all of the owners' interests, rather than favor any special interest, including a substantial minority interest ownership.

The proposed standard would require the consolidation of many entities that are currently accounted for under the equity method. I believe current practice, as specified by Accounting Principle Board Opinion No. 18 paragraph 20 (d), or its analog in AICPA Statement of Position 78-9, already requires the disclosure of the operations of significant

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equity investments. If the operations were not disclosed because they are not "significant," why does the Board believe consolidation of these operations would improve financial reporting?

Finally, the proposed standard could result in the possibility of sudden changes in control, and therefore the entities which would be consolidated, because the proposed new ground rules are framed in the form of examples of application rather than sound underlying principles. For example, under the proposal a change in the "parent's" ability to control would depend on matters such as which shareholders choose to vote at an annual meeting. Similar change in control situations could result solely from the actions of others as when an outsider's purchase of disparate small interests could result in elimination of "non-shared decision making."

I believe the Board should withdraw this proposed statement completely. A substantial majority of the respondents (including all of the "Big 5" accounting firms, the AICPA and the Financial Executives Institute (FEI)) opposed the earlier version of the proposed statement, and this version is substantively the same. The overwhelming consensus suggests the standard for consolidation is not broken, so please do not try to fix it.

Very truly yours,

David A. Stover
Chief Financial Officer