AVIV REIT, INC.
Form 424B4
March 21, 2013
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-185532

PROSPECTUS

13,200,000 Shares

COMMON STOCK

Aviv REIT, Inc. is offering 13,200,000 shares of its common stock. This is our initial public offering and no public market currently exists for our shares.

Our common stock has been approved for listing on the New York Stock Exchange under the symbol AVIV.

Shares of our common stock are subject to ownership limitations that are intended to assist us in qualifying and maintaining our qualification as a real estate investment trust, or REIT. Our charter contains certain restrictions relating to the ownership and transfer of our common stock, including, subject to certain exceptions, an 8.6% ownership limit per stockholder.

Investing in our common stock involves risks. See Risk Factors beginning on page 16.

PRICE $20.00 A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Aviv
Per Share	$20.00	$1.40	$18.60
Total	$264,000,000	$18,480,000	$245,520,000

The underwriters may also purchase up to an additional 1,980,000 shares of our common stock to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to the purchasers on March 26, 2013.

MORGAN STANLEY BofA MERRILL LYNCH GOLDMAN, SACHS & CO.

CITIGROUP

RBC CAPITAL MARKETS

SUNTRUST ROBINSON HUMPHREY

RBS

CSCA

March 20, 2013

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You should rely only on the information contained in this prospectus and any free writing prospectus provided or approved by us. We have not, and the underwriters have not, authorized anyone to provide you with other or additional information. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide our current expectations or forecasts of future events. Forward-looking statements include statements about our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events, performance and underlying assumptions and other statements that are not historical facts. Examples of forward-looking statements include all statements regarding our expected future financial position, results of operations, cash flows, liquidity, financing plans, business strategy, projected growth opportunities and potential acquisitions, plans and objectives of management for future operations, and compliance with and changes in governmental regulations. You can identify forward-looking statements by their use of forward-looking words, such as may, will, anticipates, expect, believe, estimate, intend, p seek or comparable terms, or the negative use of those words, but the absence of these words does not necessarily mean that a statement is not forward-looking.

These forward-looking statements are made based on our current expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements.

Important factors that could cause actual results to differ materially from our expectations include those disclosed under Risk Factors and elsewhere in this prospectus. These factors include, among others:

- uncertainties relating to the operations of our operators, including those relating to reimbursement by government and other third-party payors, compliance with regulatory requirements and occupancy levels;
- our ability to successfully engage in strategic acquisitions and investments;
- competition in the acquisition and ownership of healthcare properties;
- our ability to monitor our portfolio;
- environmental liabilities associated with our properties;
- our ability to re-lease or sell any of our properties;
- the availability and cost of capital;
- changes in interest rates;
- the amount and yield of any additional investments;

changes in tax laws and regulations affecting real estate investment trusts, or REITs; and

our ability to maintain our status as a REIT.

There may be additional risks of which we are presently unaware or that we currently deem immaterial. Forward-looking statements are not guarantees of future performance. Except as required by law, we do not undertake any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this prospectus or to update you on the occurrence of any unanticipated events which may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this prospectus.

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PRESENTATION OF NON-GAAP FINANCIAL INFORMATION

In this prospectus, we use financial measures that are derived on the basis of methodologies other than in accordance with United States generally accepted accounting principles (GAAP). The non-GAAP financial measures used in this prospectus include FFO, Normalized FFO, EBITDA and Adjusted EBITDA. We derive these measures as follows:

The National Association of Real Estate Investment Trusts, or NAREIT, defines FFO as net income (computed in accordance with GAAP), excluding gains and losses from sales of property (net) and impairments of depreciated real estate, plus real estate depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Applying the NAREIT definition to our financial statements results in FFO representing net income before depreciation and amortization, impairment of assets and gain (loss) on sale of assets.

Normalized FFO represents FFO before loss on extinguishment of debt, reserves for uncollectible loan receivables, transaction costs and change in fair value of derivatives.

EBITDA represents net income before interest expense (net) and depreciation and amortization.

Adjusted EBITDA represents EBITDA before impairment of assets, gain (loss) on sale of assets, transaction costs, write off of straight-line rents, stock-based compensation, loss on extinguishment of debt, reserves for uncollectible loan receivables and change in fair value of derivatives.

For a further description of how FFO, Normalized FFO, EBITDA and Adjusted EBITDA are calculated from, and a reconciliation of those measures to, our net income and cash flows provided by operating activities, see Selected Financial Data.

Our management uses FFO, Normalized FFO, EBITDA and Adjusted EBITDA as important supplemental measures of our operating performance and liquidity. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. The term FFO was designed by the real estate industry to address this issue and as an indicator of our ability to incur and service debt. Because FFO and Normalized FFO exclude depreciation and amortization unique to real estate, impairment, gains and losses from property dispositions and extraordinary items and because EBITDA and Adjusted EBITDA exclude certain non-cash charges and adjustments and amounts spent on interest and taxes, they provide our management with performance measures that, when compared year over year or with other real estate investment trusts, or REITs, reflect the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and, with respect to FFO and Normalized FFO, interest costs, in each case providing perspective not immediately apparent from net income. In addition, we believe that FFO, Normalized FFO, EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties in the evaluation of REITs.

We offer these measures to assist the users of our financial statements in assessing our financial performance and liquidity under GAAP, but these measures are non-GAAP measures and should not be considered measures of liquidity, alternatives to net income or indicators of any other performance measure determined in accordance with GAAP, nor are they indicative of funds available to fund our cash needs, including our ability to make payments on our indebtedness. In addition, our calculations of these measures are not necessarily comparable to similar measures as calculated by other companies that do not use the same definition or implementation guidelines or interpret the standards differently from us. Investors should not rely on these measures as a substitute for any GAAP measure, including net income, cash flows provided by operating activities or revenues.

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PRESENTATION OF PORTFOLIO METRICS

In addition to information regarding our financial performance, we present certain metrics in this prospectus regarding the performance of our operators. These metrics include EBITDARM coverage, EBITDAR coverage, EBITDAR margin, portfolio occupancy and quality mix, which are derived as follows:

EBITDARM coverage represents EBITDARM, which we define as earnings before interest, taxes, depreciation, amortization, rent expense and management fees allocated by the operator to one of its affiliates, of our operators for the applicable period, divided by the rent paid to us by our operators during such period.

EBITDAR coverage represents EBITDAR, which we define as earnings before interest, taxes, depreciation, amortization and rent expense, of our operators for the applicable period, divided by the rent paid to us by our operators during such period.

EBITDAR margin of an operator represents the operator s EBITDAR for the applicable period divided by the operator s total revenue for the applicable period.

Portfolio occupancy represents the average daily number of beds at our properties that are occupied during the applicable period divided by the total number of beds at our properties that are available for use during the applicable period.

Quality mix represents total revenue of our operators from all payor sources, excluding Medicaid revenues, divided by the total revenue of our operators for the applicable period.

These metrics are not derived from our financial statements but are operating statistics that we derive from reports that we receive from our operators pursuant to our triple-net leases. As a result, our portfolio metrics typically lag our own financial statements by approximately one quarter. In order to determine our portfolio metrics for the period presented, the metrics are stated only with respect to properties owned by us and operated by the same tenant for the portion of the period we owned the properties and excludes assets held for sale, properties under construction and, with certain exceptions for shorter periods, properties within 24 months of completion of construction. Accordingly, EBITDARM and EBITDAR coverage for the twelve months ended September 30, 2012 and portfolio occupancy and quality mix for the three months ended September 30, 2012 included 222 of the 250 properties (and 197 of the 220 skilled nursing facilities) in our portfolio as of September 30, 2012.

When we refer to the contractual rent of our portfolio, we are referring to the total monthly rent due under all of our triple-net leases as of the date specified, calculated based on the first full month following the specified date.

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PROSPECTUS SUMMARY

This summary highlights selected information appearing in this prospectus and may not contain all of the information that is important to you. This prospectus includes information about the shares of common stock we are offering as well as information regarding our business and detailed financial data. You should read this prospectus in its entirety, including Risk Factors and the financial statements and related notes appearing elsewhere in this prospectus, before deciding to invest in our common stock.

Unless the context requires otherwise or except as otherwise noted, as used in this prospectus the words Aviv, we, company, us and our refe Aviv REIT, Inc. and its subsidiaries, including our operating partnership, Aviv Healthcare Properties Limited Partnership, and the word Aviv REIT refers to Aviv REIT, Inc. Throughout this prospectus, we refer to operators by their commonly-known trade names; however, each operator may operate through a variety of legal entities, some or all of which may not be under common ownership. In addition, in cases in which a lessee of ours has subleased a property to a third party, we refer to the sublessee as the operator. Unless the context requires otherwise or except as otherwise noted, the information in this prospectus that is set forth on a fully-diluted basis assumes (i) that all of the OP Units of our operating partnership, other than those held directly or indirectly by us, are exchanged for shares of our common stock and (ii) the vesting in full of all outstanding equity awards.

Company Overview

We are a self-administered REIT specializing in the ownership and triple-net leasing of post-acute and long-term care skilled nursing facilities, or SNFs. We have been in the business of investing in SNFs for over 30 years, including through our predecessors. Our management team has extensive knowledge of and a track record investing in SNFs and other healthcare real estate. We believe that we own one of the largest and highest-quality portfolios of post-acute and long-term care SNFs in the United States. We generate our cash rental stream by triple-net leasing our properties to third-party operators who have responsibility for the operation of the facilities, including for all operating costs and expenses related to the property, maintenance and repair obligations and other required capital expenditures. Our leases typically include rent escalation provisions designed to provide us with organic growth in our rental stream. As of December 31, 2012, our portfolio consisted of 258 properties in 29 states leased to 38 tenants who represent many of the largest and most experienced operators in the industry. We believe we can continue to achieve attractive returns for our investors by combining a steadily growing rental stream from our existing properties with growth through acquisitions in a large and fragmented industry.

In the last five years, we have acquired 124 properties with 22 tenants in 55 separate transactions ranging in size from less than $1 million to $73 million, for a total of $559.0 million, representing a 17% compound annual growth rate (CAGR) over that period. We have established a track record of working with market-leading operators to support their growth plans through acquisitions. Our experience, reputation and relationships in the SNF industry allow us to acquire properties to which many other investors do not have access. As a result, we have been successful acquiring high-quality properties at valuations that achieve attractive lease yields and strong rent coverage for our diversified portfolio. Because we generate a significant and ongoing pipeline of investment opportunities, our growth has accelerated as we have raised more capital.

We have built a high-quality and strategically diversified portfolio of tenants and properties with $128.4 million of contractual rent for the twelve months ending March 31, 2014 based on leases in place as of February 19, 2013. We also receive income from secured loan receivables and an asset under a direct financing lease, which together have a book value of $43.7 million as of December 31, 2012. Our leases provide us with long-term cash rental streams, with a weighted-average remaining lease term of approximately 8.3 years as of December 31, 2012 and only 7% of our rent expiring over the next 5 years. We are able to proactively manage lease expirations by extending our leases in connection with acquisitions, reinvestment projects and other

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opportunities. We believe our rental stream is secure because our EBITDARM and EBITDAR coverage ratios were 2.0x and 1.6x, respectively, for the twelve months ended September 30, 2012. We believe these measures are strong indications of our tenants ability to comfortably pay the rent under our leases. In addition, our properties have strong occupancy and quality mix, with portfolio occupancy and quality mix of 80.7% and 46.9%, respectively, for the three months ended September 30, 2012. See Presentation of Portfolio Metrics for additional information regarding our coverage ratios and other portfolio metrics.

Industry Overview

The healthcare REIT industry represents a subset of the broader REIT market dedicated to owning and triple-net leasing healthcare real estate assets, including SNFs, senior housing communities, hospitals and medical office buildings. There are currently 12 publicly-traded healthcare REITs representing an aggregate public market capitalization of approximately $73 billion based on publicly available data as of December 31, 2012. Most of these companies specialize in other healthcare properties or are larger diversified companies that are less focused on investing in post-acute and long-term care SNFs. The SNF real estate industry is large and fragmented and we believe there is a significant consolidation opportunity. There are approximately 15,700 facilities and 1.7 million beds, according to the American Health Care Association, and over 2,400 SNF operators according to the National Investment Center for the Seniors Housing & Care Industry (NIC). We estimate that approximately 89% of SNFs are privately-owned.

We believe that the dynamics within the SNF industry create an opportunity for attractive returns. The SNF industry is expected to benefit from current and projected near-term demographic, economic and regulatory trends driving demand for post-acute and long-term care services provided by SNFs. The demand for SNFs is need based as they care for residents recovering from an illness or surgery who may have been discharged from a hospital and need rehabilitation or restorative care, and long-term residents who need daily skilled nursing and assistance with numerous activities of daily living. SNFs provide comprehensive delivery of care to these residents at a lower cost than higher acuity healthcare facilities. The SNF industry is insulated from competition by significant barriers to entry, which limit the supply of additional SNFs.

Furthermore, governmental programs are now designed for managed care organizations and acute care hospitals to focus on cost savings, which is expected to generate increased utilization for SNFs.

SNFs receive a majority of their revenue through reimbursement from state and federally funded Medicaid and Medicare programs. We believe government reimbursement is a key factor supporting the cost-structure and profitability of SNF operators. Since the inception of the Medicaid and Medicare programs in 1965, the state and federal governments have proven to be reliable payers in support of the care for the U.S. elderly population. Over the last decade, SNF Medicare and SNF Medicaid reimbursement rates have been increasing at a stable rate, including growing at estimated CAGRs of 4% and 3%, respectively, over the last five years through 2012. We believe that the government will continue to provide adequate funding for post-acute and long-term care SNFs.

Competitive Strengths

We believe the following strengths serve as the foundation for our business:

Established Healthcare REIT with Expertise Investing in SNFs. We specialize in triple-net leasing post-acute and long-term care SNFs to large and experienced operators. We own one of the largest portfolios of SNFs in the United States and have been investing in SNFs for over 30 years. As of December 31, 2012, 221 of our 258 properties were SNFs, representing 86.9% of our contractual rent. We have established a strong reputation in the SNF industry for experience, knowledge and relationship-oriented investing. In the last five years, we have acquired 124 properties leased to 22 tenants, for a total of $559.0 million. We have extensive experience and expertise regarding the management of our portfolio, which we believe is critical to our success. Our network of market-leading SNF operators has created a pipeline of growth opportunities.

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Strategically Diversified Portfolio of High-Quality Properties. We have a diversified portfolio of properties located in 29 states that are triple-net leased on a long-term basis to 38 tenants. We focus on strategically limiting our concentration of properties with tenants and states, with no single tenant representing more than 15.1% of our contractual rent and no state representing more than 18.3% of our contractual rent as of December 31, 2012. We have a strategically balanced portfolio of Medicare and Medicaid revenue which comes from many different reimbursement systems including from the federal government and 28 states. We believe that our diversification helps us generate a stable and steadily growing rental stream. We also pursue a strategy of leasing properties to multiple tenants in each of our markets and multiple properties for each of our tenants, which helps us expand our expertise and relationships in a given market, while also helping us mitigate risk. We focus on continually enhancing the quality of our properties and have established a reinvestment program designed to give our high-quality properties a competitive advantage in their markets. These investments include interior enhancements designed to drive revenues for our operators and exterior enhancements designed to attract residents from the community and key referral sources. We have invested a significant amount of capital in recent years in our existing properties, for which we receive incremental rent, with returns consistent with those we achieve for new acquisitions. We expect this to be a consistent and growing part of our business.

Strong Relationships with Large and Experienced Operators. We have developed strong relationships with many of the largest and most experienced operators in the United States. We have made a long-term commitment to working with operators in a cooperative and supportive manner. Our top ten tenants, which represent 77.6% of our contractual rent as of December 31, 2012, with an average of 82 properties, 11,100 employees and a ten-year relationship with us, averaged approximately $451 million in revenues in 2011. These operators possess the experience, scale and other characteristics that are key factors in driving profitability for them and our properties. Our top ten tenants have strong EBITDAR margins and coverages, of 16% and 1.6x, respectively, for our properties, for the twelve months ended September 30, 2012. We cultivate long-term relationships with our tenants and other market-leading operators. Many of our properties are leased to tenants with whom we have had a relationship for at least ten years. Our strong relationships with these operators lead to a significant pipeline of attractive investment opportunities, with approximately 71% of our $559.0 million of acquisitions over the last 5 years completed with existing tenants. We believe we will continue to generate a significant pipeline of investment opportunities as a result of our relationships.

Well-Structured Triple-Net Leases with Strong Coverage. We have strong rent coverage, which is an indication of our tenants ability to comfortably pay the rent due under our leases. Our EBITDARM and EBITDAR coverage ratios for the twelve months ended September 30, 2012 were 2.0x and 1.6x, respectively. We believe our coverages achieve the proper balance between maintaining our profitability and providing comfort that our tenants will be able to pay the rent due under our leases. Under our triple-net leases, our tenants are responsible for all operating costs and expenses related to the property, including maintenance and repair obligations and other required capital expenditures. This structure helps insulate us from variability in operator cashflows. We support our ability to generate attractive returns on a long-term basis by structuring our leases with a variety of complementary provisions. Our leases typically have initial terms of 10 years and include annual rent escalators of approximately 2% compounded per annum. These escalator provisions help us achieve a steadily growing cash rental stream. We regularly enter into lease extensions during the term of the lease in connection with additional acquisitions, reinvestment projects and other opportunities that arise from our close tenant relationships. Our lease structures also provide us with key credit support for our rents, with 99% of our contractual rent supported by personal and/or corporate guarantees and 88% supported by master leases or leases with cross-default provisions as of December 31, 2012. Our leases also typically require security deposits of several months rent.

Platform Built for Growth with Proven Investment Track Record. We employ 32 people across the organization and are committed to maintaining a growth-oriented infrastructure. We have 11 professionals focused on sourcing, underwriting and executing transactions. Our acquisition team has enabled us to grow our total assets at December 31, 2012 by 96% over the last five years. We have also developed an experienced asset management team of 8 professionals that oversees our properties, preserves our assets and identifies other investments in our existing portfolio that help grow our rental stream. We are disciplined and selective about the investments we make. Our underwriting process includes a thorough assessment of the experience and credit profile of each operator, the quality of the real estate and the demographics of the market in which the property is located. The experience of our management team and our strong working relationships with our tenants have enabled us to invest $97.2 million over the last five years in existing properties and strategic new construction projects, for which we receive incremental rent. We are disciplined and make investments with attractive returns that create long-term value.

Attractive Capital Structure with Capacity for Growth. Following this offering, we believe we will have an attractive capital structure with low leverage that will provide significant capacity to effectuate our growth plans. Our indebtedness is long-term, with a weighted-average maturity of 6.3 years following this offering. We will have significant liquidity, with an undrawn $300.0 million revolving credit line under our New Revolver. In 2011 and 2012, we made a strategic transition to publicly-traded unsecured bonds, with $400.0 million raised in three separate issuances. We have demonstrated our ability to access capital by raising over $2 billion as a private company since 2005 through a diverse combination of institutional equity investments, secured mortgage financing and our issuance of $400.0 million of unsecured bonds.

Experienced Management Team with Significant Tenure and Ownership. Craig M. Bernfield, our Chairman and Chief Executive Officer, has built our company for over 20 years and will be our second largest stockholder with a 8.0% ownership interest following this offering on a fully-diluted basis (based on the initial public offering price of $20.00 per share and including net shares issuable under in-the-money options). Our President and Chief Operating Officer, Steven J. Insoft, has been with us for eight years and has more than 20 years of experience as an operator, investor and developer of SNFs and assisted living facilities, or ALFs. Mr. Insoft will hold a 0.8% interest in our company following this offering on a fully-diluted basis (based on the initial public offering price of $20.00 per share and including net shares issuable under in-the-money options). Our Chief Financial Officer, James H. Lyman, joined the Company in 2012 with over 30 years of real estate, capital markets and operating experience, including significant public and private REIT experience as a chief financial officer and senior executive. Our other key senior executives and professionals have significant tenure and experience, averaging 10 years with the company and 23 years in their areas of expertise. Our entire management team has specialized knowledge that is critical to the operation and growth of our business.

Growth Strategies

The SNF industry is large and fragmented and we believe that market conditions are favorable for investing in post-acute and long-term care SNFs and for consolidation in the industry. According to the American Health Care Association, the SNF market is comprised of 15,700 facilities and 1.7 million beds and, according to NIC, there are over 2,400 SNF operators in the United States. We estimate that approximately 89% of SNFs are privately owned, and in our experience these owners regularly seek liquidity through the sale of their properties and sale-leaseback transactions. These transactions are attractive to us because they offer conservative property valuations and an alignment of interests with the seller since they continue to operate the property after the acquisition is completed. We have an extensive network of relationships with SNF operators and owners and an experienced team of professionals that specialize in SNFs. We believe our reputation and knowledge will provide us with a significant competitive advantage to further consolidate the ownership of post-acute and long-term care SNF properties.

The primary elements of our growth strategy are to:

Continue to Source Investments from Existing Relationships. Our tenants represent many of the largest and most experienced operators of SNFs in the United States. These market-leading operators have a

demonstrated desire, as well as the resources and ability to grow, and our strong relationships with these operators lead directly to acquisition and other investment opportunities. These operators own many of the facilities they operate which gives us a significant opportunity to grow our portfolio through sale-leaseback transactions. These transactions are attractive to the operators because they provide liquidity to grow their businesses. Approximately 71% of our $559.0 million of acquisitions over the last 5 years were completed with existing tenants. We believe we can continue to expand our relationships with our tenants, who collectively operate over 1,000 properties throughout the United States. As a result, we believe we will continue to identify attractive acquisition, sale-leaseback, reinvestment, new construction and other investment opportunities in our operators existing markets, as well as new markets.

Identify Additional Operator Relationships. We seek to expand our portfolio by capitalizing on the network of relationships with market-leading operators we have built in the SNF industry over the past 30 years. We focus on operator relationships that meet our investment criteria and we believe our experience in the industry helps us to identify these high-quality operators. This strategy has resulted in approximately 29% of our acquisitions over the last 5 years being completed with 11 new tenants who now operate 51 of our properties. Our reputation as experts in the industry has allowed us to generate a significant pipeline of attractive opportunities to grow our portfolio with some of the largest and most experienced operators in the United States.

Generate Additional Rent Through Ongoing Property Reinvestment Program. We are committed to owning and acquiring high-quality properties. We have developed a programmatic approach to reinvesting in our properties to maintain and enhance their quality over the long-term, to help our operators achieve a competitive advantage in their markets and to generate an attractive return on our invested capital. These investments include interior enhancements such as therapy gyms and specialty care units designed to drive revenues for our operators, and exterior enhancements, such as lighting, signage and architectural features, designed to attract residents from the community and key referral sources. We are able to identify and complete a significant volume of these investments, through which we are able to generate additional rents at returns consistent with those we achieve with new acquisitions and help our tenants enhance their profitability. In connection with these investments, we obtain lease extensions, which drive our long-term rental stream. We also maintain a pipeline of new construction projects, with established operator relationships, to grow our portfolio with state-of-the-art properties.

Further Enhance Our Franchise and Position as an Industry Leader. We are committed to further developing our reputation and franchise in the SNF industry. We frequently sponsor and speak at industry conferences and similar events and focus on opportunities to prominently align ourselves with other leaders in the post-acute and long-term care SNF and healthcare real estate industry. Mr. Bernfield, our Chairman and Chief Executive Officer, serves on the board of directors, and we are one of five Premier Partners, of NIC, one of our industry s leading organizations. We also host an annual conference for our operators to share best practices and ideas, which generates additional investment opportunities for us. As a result of our efforts, there is significant awareness of the Aviv franchise in the SNF industry, which results in SNF owners and operators approaching us with a significant pipeline of attractive investment opportunities.

Strategically Pursue Opportunities to Invest in Complementary Healthcare Properties. We intend to continue to capitalize on our management team s extensive knowledge of healthcare properties, as well as our strong relationships with our tenants, to supplement our core strategy of acquiring and investing in post-acute and long-term care SNFs. We opportunistically acquire complementary healthcare properties, such as ALFs, and independent living facilities, or ILFs, which collectively represented 10.5% of our contractual rents as of December 31, 2012. In addition, we have also acquired long-term acute-care hospital and traumatic brain injury facilities, which collectively represented 2.6% of our contractual rents as of December 31, 2012, with experienced operators that meet our criteria for quality and experience and we believe have the ability and desire

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to grow with us. We believe the acquisition of these properties on a strategic basis helps us continue to generate attractive returns, complement our existing portfolio and further expand and strengthen our industry relationships.

Our Portfolio

As of December 31, 2012, our portfolio consisted of 258 properties, including 221 SNFs, with approximately 19,700 beds in 29 states triple-net leased to 38 operators. Our portfolio consisted of 253 owned properties (including one property under development), three properties that we lease and sublease to a third-party operator, one property in which we hold a leasehold security interest from a third-party operator and one new construction property in which we hold a security interest. Our EBITDARM and EBITDAR coverage ratios for the twelve months ended September 30, 2012 were 2.0x and 1.6x, respectively, and our operators EBITDAR margins at our properties averaged 16%. For our SNF portfolio, our EBITDARM and EBITDAR coverage ratios for the twelve months ended September 30, 2012 were 1.9x and 1.5x, respectively. For the three months ended September 30, 2012, our portfolio occupancy was 80.7% and our quality mix was 46.9%.

The following tables summarize information about our properties as of December 31, 2012:

	Operator Diversification	
Operator	**Number of Properties**	**Percentage of Contractual Rent**
Daybreak	47	15.1%
Saber	30	14.8%
EmpRes	17	9.9%
Preferred Care	15	7.7%
Maplewood	5	7.1%
Sun Mar	13	7.1%
Benchmark	15	5.8%
Deseret	18	3.9%
Genesis	11	3.5%
Reliance	4	2.7%
Other (28 operators)	83	22.4%
Total	258	100.0%

	State Diversification	
State	**Number of Properties**	**Percentage of Contractual Rent[(1)]**
Texas	58	18.3%
California	34	16.2%
Ohio	17	9.9%
Connecticut	5	7.1%
Missouri	15	5.8%
Arkansas	11	5.6%
Pennsylvania	10	4.3%
New Mexico	9	4.0%
Illinois	8	3.7%
Kansas	16	3.4%
Other (19 states)	75	21.7%

Total	258	100.0%

(1) In the case where the facilities master lease includes more than one state, rent was allocated proportionally by number of beds.

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Recent Developments

We have invested $1.3 million in construction projects since December 31, 2012, as follows:

Operator - Location	Property Type	Opening Date	Acquisition Costs	Spent Through 12/31/2012	Subsequent Spending through 2/19	Remaining Costs to be Spent	Total Cost	Annualized Rent
CareMeridian Pleasanton, CA	SNF	Q2 2013	$ 1,162,000	$ 970,201	$ 202,115	$ 265,684	$ 2,600,000	$ 246,876
Daybreak Eagle Lake, TX	SNF	Q4 2013	100,862	590,643	415,008	4,687,487	5,794,000	637,340
Saber Chatham, PA	SNF	Q4 2013	2,200,000	2,499,533	682,016	6,818,451	12,200,000	1,342,000 (1)
Total			$ 3,462,862	$ 4,060,377	$ 1,299,139	$ 11,771,622	$ 20,594,000	$ 2,226,216

(1) When operational, this facility will replace an existing facility for which we currently anticipate 2013 scheduled rent of $256,962.

Our Structure

We conduct our business through a traditional umbrella partnership REIT, or UPREIT, in which our properties are owned by our operating partnership, Aviv Healthcare Properties Limited Partnership, or direct and indirect subsidiaries of our operating partnership. We are the sole general partner of our operating partnership and we and the limited partners of our operating partnership will initially own all of the limited partnership units of our operating partnership, which we refer to as OP Units. Prior to this offering, the capital structure of our operating partnership consisted of six classes of partnership units, each of which had different capital accounts and each of which was entitled to different distributions. In connection with the consummation of this offering, each class of units of our operating partnership will be converted into an aggregate of 21,653,813 OP Units to be owned by Aviv REIT and 11,938,420 OP Units to be held by limited partners of our operating partnership. As a result, our operating partnership will have a single class of OP Units at the time of the consummation of this offering. Following this offering, the OP Units held by limited partners of our operating partnership will be redeemable for cash, subject to our election to acquire the OP Units in exchange for unregistered shares of our common stock subject to certain restrictions on transfer for 180 days after the date of this prospectus, on a one-for-one basis, as described under Description of the Partnership Agreement of Our Operating Partnership.

We will contribute the net proceeds of this offering to our operating partnership in exchange for 13,200,000 OP Units (15,180,000 OP Units if the underwriters exercise their overallotment option in full). As a result, immediately following this offering, we will hold an interest in our operating partnership constituting approximately 74.7% of the issued and outstanding OP Units of our operating partnership (approximately 75.7% if the underwriters exercise their overallotment option in full).

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The following chart reflects an overview of our organizational structure immediately following consummation of this offering (assuming no exercise of the underwriters over-allotment option):

(1) Ownership of our common stock is presented on a fully-diluted basis, assuming the exercise of all outstanding options, but does not include OP Units that are redeemable at the option of the holder or, at our option and subject to certain limits, exchangeable for shares of our common stock.

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Our Principal Stockholder

In 2010, we consummated a strategic equity transaction with Lindsay Goldberg through which Aviv REIT was formed. In connection with the transaction and subsequent investments, Lindsay Goldberg has invested $376.8 million to support our growth and purchase of interests from certain of our limited partners. For additional information regarding our relationship with Lindsay Goldberg, see Certain Relationships and Related Transactions.

Lindsay Goldberg is a private equity investment firm based in New York with approximately $9 billion of capital under management that focuses on partnering with entrepreneurial management teams and closely held and family-owned businesses. The firm typically invests in companies in North America and Western Europe in the manufacturing, energy, financial and business services industries. Lindsay Goldberg has an investment structure that permits ownership for up to 20 years.

Summary Risk Factors

An investment in our common stock involves significant risks. You should carefully consider the matters discussed in the section Risk Factors beginning on page 16 prior to deciding whether to invest in our common stock. These risks include, but are not limited to, the following:

- Our business is dependent upon our tenants successfully operating their businesses, and their failure to do so could have a material adverse effect on our ability to successfully and profitably operate our business.

- Our portfolio currently consists predominantly of SNFs; as a result, any changes impacting the SNF industry, including regulatory or reimbursement changes, could negatively affect our operators businesses and could result in our operators being unable to meet their obligations to us.

- Certain operators account for a significant percentage of our rental income, and the failure of any of these operators to meet their obligations to us could materially reduce our rental income and net income.

- Our operators failure to comply with the requirements of governmental reimbursement programs such as Medicare or Medicaid, licensing and certification requirements, fraud and abuse regulations or new legislative developments could result in our operators being unable to meet their obligations to us.

- Our cash available for distributions may not be sufficient to make distributions at expected levels.

- Upon the consummation of this offering, Lindsay Goldberg, Mr. Bernfield, our Chairman and Chief Executive Officer, and a trust formed for the benefit of the estate of Zev Karkomi, one of our co-founders, together with certain of their respective related parties, will continue to own shares of common stock and OP Units representing 45.1%, 8.0% and 11.3%, respectively, of our outstanding common stock on a fully-diluted basis (based on the initial public offering price of $20.00 per share and including net shares issuable under in-the-money options), and will have the ability to exercise significant influence over our company and our operating partnership and any matter presented to our stockholders.

Our failure to remain qualified as a REIT would have significant adverse consequences to us and the value of our common stock.

Tax Status

We intend to operate in a manner that will allow us to continue to qualify as a REIT for U.S. federal income tax purposes. We made the election to be taxed as a REIT effective as of our taxable year ending December 31, 2010. We believe that our investments and proposed method of operation will enable us to meet the requirements for qualification as a REIT for U.S. federal income tax purposes. As a REIT, we are required to satisfy a number of organizational and operational requirements, including a requirement that we annually distribute to our stockholders at least 90% of our REIT taxable income, as such term is defined in the U.S. Internal Revenue

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Code of 1986, as amended, or the Code, computed without regard to our deduction for dividends paid and excluding any net capital gains. As a REIT, we are generally not subject to U.S. federal income tax on REIT taxable income we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax at regular corporate rates, and we may not be able to qualify for treatment as a REIT for that taxable year and the next four taxable years. Even if we continue to qualify as a REIT, we will be subject to certain federal, state and local taxes on our income and property.

Restrictions on Ownership of Our Common Stock

In order to assist us in complying with the limitations on the concentration of ownership of REIT stock imposed by the Code, our charter generally prohibits any person (other than a person who has been granted an exception as described below, or an excepted holder) from actually or constructively owning more than 8.6% (in value) of our outstanding common stock or 8.6% (in value) of our aggregate outstanding stock of all classes and series. We refer to these restrictions, collectively, as the ownership limit. Our charter permits our board of directors to make an exception to these limits or create a different limit on ownership, or excepted holder limit, and, in certain circumstances, and subject to our directors duties under applicable law, requires our board of directors to make such an exception prospectively or retroactively and to create an excepted holder limit, if the person seeking the exception or excepted holder limit makes certain representations and agreements. Our board of directors may not make an exception to the ownership limit or create an excepted holder limit if ownership by the excepted holder in excess of the ownership limit would cause us to fail to qualify as a REIT. In addition, different ownership limits will apply to Lindsay Goldberg LLC and its affiliates, or Lindsay Goldberg, to Mr. Bernfield, our Chairman and Chief Executive Officer, together with certain of his affiliates, family members and estates and trusts, and to a trust formed for the benefit of the estate of Zev Karkomi, one of our co-founders, together with certain affiliates, family members and estates and trusts, which we refer to collectively as the Karkomi Estate. These limits will allow Lindsay Goldberg, as an excepted holder, to hold up to 21,653,813 shares of our common stock or up to 21,653,813 shares of all classes and series of our outstanding stock, and Mr. Bernfield, together with certain of his affiliates, family members and estates and trusts, as an excepted holder, to hold up to 6,265,729 shares of our outstanding common stock or up to 6,265,729 shares of all classes and series of our outstanding stock, and the Karkomi Estate (and members thereof), as an excepted holder, to hold up to 5,432,759 shares of our outstanding common stock or up to 5,432,759 shares of all classes and series of our outstanding stock. In each case, the number of shares is based on the initial public offering price of $20.00 per share, and will be proportionally adjusted in the event of a stock split or stock dividend or similar transaction.

Distribution Policy and Payment of Distributions

We intend to distribute to our stockholders each year all or substantially all of our REIT net taxable income so as to avoid paying corporate income tax and excise tax on our REIT income and to qualify for the tax benefits afforded to REITs under the Code. However, the actual amount, timing and frequency of distributions will be determined by our board of directors based upon a variety of factors deemed relevant by our directors, including our results of operations and our debt service obligations. See Distribution Policy.

Corporate Information

Aviv REIT was incorporated as a Maryland corporation on July 30, 2010 and operates in a manner intended to allow it to qualify as a REIT for U.S. federal income tax purposes. Our operating partnership, Aviv Healthcare Properties Limited Partnership, a Delaware limited partnership, was formed on July 30, 2010, and was the successor to a Delaware limited partnership of the same name formed on March 4, 2005 in connection with the roll-up of various affiliated entities.

Our corporate offices are located at 303 West Madison Street, Suite 2400, Chicago, Illinois 60606. Our telephone number is (312) 855-0930. Our internet website is http://www.avivreit.com. The information contained on, or accessible through, our website is not incorporated by reference into this prospectus and should not be considered a part of this prospectus.

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THE OFFERING

Common stock we are offering	13,200,000 shares
Common stock and OP Units to be outstanding immediately after this offering(1)	47,229,693 shares/OP Units
Use of proceeds	We estimate that the net proceeds to us from this offering after expenses will be approximately $242.0 million, or approximately $278.8 million if the underwriters exercise their overallotment option in full. We intend to contribute the net proceeds from this offering to our operating partnership in exchange for OP Units of our operating partnership. Our operating partnership intends to use the net proceeds to repay certain indebtedness and to use the remainder for general corporate purposes, including the potential acquisition of additional properties in the ordinary course of business. See Use of Proceeds.
Risk factors	An investment in our common stock involves significant risks. You should carefully consider the matters discussed in the section Risk Factors beginning on page 16 prior to deciding whether to invest in our common stock.
Distribution policy	We intend to make regular quarterly distributions to holders of our common stock equal to an annual distribution rate of approximately 91.9% of our cash available for distributions. See Distribution Policy.
New York Stock Exchange symbol	Our common stock has been approved for listing on the New York Stock Exchange, which we refer to as NYSE, under the symbol AVIV.

(1) The number of shares of common stock and OP Units to be outstanding immediately after this offering includes (i) 11,938,420 OP Units not held directly or indirectly by us that are redeemable at the option of the holder or, at our option and subject to certain limits, exchangeable for shares of our common stock, (ii) 414,710 shares of our common stock to be issued in satisfaction of accrued and unpaid dividend equivalents under our 2010 Management Incentive Plan in an amount of approximately $8.3 million, net of withholding and (iii) 22,750 vested shares granted to our non-employee directors upon consummation of this offering, but excludes (a) 5,870,139 shares of our common stock issuable upon exercise of outstanding options under our 2010 Management Incentive Plan with a weighted average exercise price of $17.47 per share, (b) 47,250 shares granted to our non-employee directors upon consummation of this offering that will vest over a three-year period and that are entitled to dividends and (c) 2,000,000 shares of common stock reserved for future grants under our 2013 Long-Term Incentive Plan, which we intend to adopt in connection with this offering.

Unless otherwise stated, all information in this prospectus assumes (i) that the underwriters do not exercise their option to purchase up to 1,980,000 shares of our common stock to cover overallotments, if any, and (ii) the effectiveness of a 60.37-for-one split of our common stock, which occurred on March 8, 2013.

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SUMMARY FINANCIAL AND OPERATING DATA

You should read the following summary historical consolidated financial and other data in connection with Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

The summary historical consolidated financial data as of December 31, 2012 and for the years ended December 31, 2012, 2011 and 2010 have been derived from our audited historical consolidated financial statements and the audited historical consolidated financial statements of Aviv REIT, Inc. and Subsidiaries, appearing elsewhere in this prospectus. Certain comparative figures have been reclassified to conform to our current financial statement presentation and to reflect the effect of the classification of certain assets as discontinued operations. The historical results are not necessarily indicative of the results to be expected in the future. Historical financial data for periods prior to September 17, 2010 represent the results of operations and financial condition of our operating partnership, Aviv Healthcare Properties Limited Partnership, as predecessor to Aviv REIT.

Operating Information	Year Ended December 31, 2012	2011	2010
	(in thousands, except per share data)		
Revenues			
Rental income	$ 117,410	$ 91,012	$ 84,097
Interest on secured loans and direct financing lease	4,633	5,193	5,172
Interest and other income	1,129	844	133
Total revenues	123,172	97,049	89,402
Expenses			
Interest expense	50,983	38,667	23,730
Depreciation and amortization	26,892	20,272	17,246
General and administrative	16,506	11,422	9,823
Transaction costs	6,708	5,493	1,578
Loss on impairment of assets	11,117	5,233	96
Reserve for uncollectible secured loan receivables	6,531	1,512	750
Change in fair value of derivatives			(2,931)
Gain on sale of assets, net		(1,171)	(512)
Loss on extinguishment of debt	28	3,807	2,296
Other expenses	400	267	
Total expenses	119,165	85,502	52,076
Income from continuing operations	4,007	11,547	37,326
Discontinued operations	4,586	(234)	656
Net income	8,593	11,313	37,982
Distributions and accretion on Class E Preferred Units			(17,372)
Net income allocable to common units of Partnership/noncontrolling interests	(3,455)	(5,107)	(16,780)
Net income allocable to stockholders	$ 5,138	$ 6,206	$ 3,830
Weighted average shares outstanding			
Basic	20,019,054	14,495,018	13,643,680

Diluted	20,164,606	14,640,812	13,787,421
Income per share from continuing operations allocable to common			
Basic	$ 0.12	$ 0.44	$ 0.25
Diluted	$ 0.12	$ 0.43	$ 0.25

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Other Information	Year Ended December 31, 2012	2011 (in thousands)	2010
Cash flows provided by operating activities	$ 44,476	$ 52,088	$ 54,680
Cash flows used in investing activities	(184,690)	(207,056)	(75,117)
Cash flows provided by financing activities	117,228	182,800	17,923
FFO[(1)]	42,177	35,647	54,812
Normalized FFO[(1)]	55,444	46,459	56,505
EBITDA[(2)]	86,464	70,233	78,931
Adjusted EBITDA[(2)]	109,665	93,672	84,743

(1) For a discussion of FFO and Normalized FFO, including their limits as financial measures, see Presentation of Non-GAAP Financial Information. The following table is a reconciliation of our net income to FFO and Normalized FFO:

	Year Ended December 31, 2012	2011 (in thousands)	2010
Net Income	$ 8,593	$ 11,313	$ 37,982
Depreciation and amortization	26,892	20,272	17,246
Loss on impairment of assets	11,117	5,233	96
Gain on sale of assets, net	(4,425)	(1,171)	(512)
Funds From Operations	42,177	35,647	54,812
Loss on extinguishment of debt	28	3,807	2,296
Reserve for uncollectible loan receivables	6,531	1,512	750
Transaction costs	6,708	5,493	1,578
Change in fair value of derivatives			(2,931)
Normalized Funds From Operations	$ 55,444	$ 46,459	$ 56,505

The following table is a reconciliation of our cash flows provided by operating activities to FFO and Normalized FFO:

	Year Ended December 31, 2012	2011 (in thousands)	2010
Cash flows provided by operating activities	$ 44,476	$ 52,088	$ 54,680
Depreciation from discontinued operations	(43)	(575)	(608)
Reserve for uncollectible loan receivables	(6,531)	(1,512)	(750)
Share based compensation	(1,689)	(1,972)	(1,632)
Amortization of deferred financing costs	(3,545)	(2,665)	(1,008)
Straight-line rental income (expense), net	7,656	(467)	3,056
Rental income from intangible amortization, net	1,486	1,366	3,681
Changes in operating assets and liabilities	395	(5,967)	(4,101)
Change in fair value of derivatives			2,931
Discontinued operations		(773)	
Non-cash loss on extinguishment of debt	(42)	(3,807)	(1,437)
Other	14	(69)	
Funds From Operations	42,177	35,647	54,812

Loss on extinguishment of debt	28	3,807	2,296
Reserve for uncollectible loan receivables	6,531	1,512	750
Transaction costs	6,708	5,493	1,578
Change in fair value of derivatives			(2,931)
Normalized Funds From Operations	$ 55,444	$ 46,459	$ 56,505

(2) For a discussion of EBITDA and Adjusted EBITDA, including their limits as financial measures, see Presentation of Non-GAAP Financial Information. The following table is a reconciliation of our net income to EBITDA and Adjusted EBITDA:

	Year Ended December 31,		
	2012	2011	2010
		(in thousands)	
Net income	$ 8,593	$ 11,313	$ 37,982
Interest expense, net	50,979	38,648	23,703
Depreciation and amortization	26,892	20,272	17,246
EBITDA	86,464	70,233	78,931
Loss on impairment of assets	11,117	5,233	96
Gain on sale of assets, net	(4,425)	(1,171)	(512)
Transaction costs	6,708	5,493	1,578
Write off of straight-line rents	1,553	6,593	2,903
Share based compensation	1,689	1,972	1,632
Loss on extinguishment of debt	28	3,807	2,296
Reserve for uncollectible loan receivables	6,531	1,512	750
Change in fair value of derivatives			(2,931)
Adjusted EBITDA	$ 109,665	$ 93,672	$ 84,743

The following table is a reconciliation of our cash flows provided by operating activities to EBITDA and Adjusted EBITDA:

	Year Ended December 31,		
	2012	2011	2010
		(in thousands)	
Cash flows provided by operating activities	$ 44,476	$ 52,088	$ 54,680
Interest expense, net	50,979	38,648	23,703
Depreciation from discontinued operations	(43)	(575)	(608)
Amortization of deferred financing costs	(3,545)	(2,665)	(1,008)
Straight-line rental income (expense), net	7,656	(467)	3,056
Rental income from intangible amortization, net	1,486	1,366	3,681
Share based compensation	(1,689)	(1,972)	(1,632)
Gain on sale of assets, net	4,425	1,171	512
Loss on impairment of assets	(11,117)	(6,092)	(96)
Reserve for uncollectible loan receivables	(6,531)	(1,426)	(750)
Changes in operating assets and liabilities	395	(5,967)	(4,101)
Other	(28)	(3,876)	1,494
EBITDA	86,464	70,233	78,931
Loss on impairment of assets	11,117	5,233	96
Gain on sale of assets, net	(4,425)	(1,171)	(512)
Transaction costs	6,708	5,493	1,578
Write-off of straight-line rents	1,553	6,593	2,903
Share based compensation	1,689	1,972	1,632
Loss on extinguishment of debt	28	3,807	2,296
Reserve for uncollectible loan receivables	6,531	1,512	750
Change in fair value of derivatives			(2,931)
Adjusted EBITDA	$ 109,665	$ 93,672	$ 84,743

Cash flow used in investing activities	$ (184,690)	$ (207,056)	$ (75,117)
Cash flow provided by (used in) financing activities	$ 117,228	$ 182,800	$ 17,923

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Balance Sheet Information	As of December 31, 2012[3] Actual	As Adjusted
	(in thousands)	
Gross real estate investments	$ 1,102,832	$ 1,102,832
Cash and cash equivalents	17,876	44,101 [5]
Secured loan receivables, net	32,639	32,639
Total assets	1,099,529	1,125,754
Senior notes payable and other debt	705,153	499,647
Total liabilities[4]	779,026	566,771
Stockholders equity	326,568	417,687
Noncontrolling interests	(6,065)	141,296
Total equity	320,503	558,983
Total liabilities and equity	1,099,529	1,125,754

(3) The summary balance sheet data as of December 31, 2012 is presented (a) on an actual basis and (b) on an as adjusted basis to give effect to the sale by us pursuant to this offering of 13,200,000 shares of common stock at the initial public offering price of $20.00 per share, an anticipated draw of $75.0 million under our New Term Loan in connection with this offering and the application of the net proceeds from this offering and our New Term Loan as described in Use of Proceeds.

(4) Includes $9.4 million of below-market lease intangibles, a derivative fair value liability of approximately $3.8 million that will be paid in cash upon the consummation of this offering in connection with the termination of an interest rate swap arrangement, and approximately $3.0 million of accrued and unpaid dividends on options, net of withholding, to be settled in shares of our common stock upon the consummation of this offering.

(5) Based on our anticipated outstanding indebtedness prior to the consummation of this offering, we anticipate substantially all of the net proceeds from this offering will be utilized to repay existing indebtedness the balance of which we expect to be approximately $13.5 million higher than the balance as of December 31, 2012. See Use of Proceeds for additional information regarding the anticipated balances under our credit facilities prior to the consummation of this offering.

RISK FACTORS

An investment in our common stock involves significant risks. You should consider the following risks in addition to information set forth elsewhere in this prospectus before making your investment decision. If any of the matters highlighted by the risks discussed in this prospectus occur, our business, financial condition, liquidity and results of operations could be materially and adversely affected. If this were to happen, the price of our common stock could decline significantly and you could lose all or a part of your investment.

Risks Relating to Our Business and Operations

Our business is dependent upon our operators successfully operating their businesses and their failure to do so could have a material adverse effect on our ability to successfully and profitably operate our business.

We depend on our operators to operate the properties we own in a manner that generates revenues sufficient to allow them to meet their obligations to us, including their obligations to pay rent, maintain certain insurance coverage, pay real estate taxes and maintain the properties in a manner so as not to jeopardize their operating licenses or regulatory status. The ability of our operators to fulfill their obligations under our leases may depend, in part, upon the overall profitability of their operations, including any other SNFs or other properties or businesses they may acquire or operate. Cash flow generated by certain individual properties may not be sufficient for an operator to meet its obligations to us. Our financial position could be weakened and our ability to fulfill our obligations under our indebtedness could be limited if any of our major operators were unable to meet their obligations to us or failed to renew or extend their relationship with us as their lease terms expire, or if we were unable to lease or re-lease our properties on economically favorable terms. While we have generally been successful in the past in transitioning properties from one operator to another where properties are underperforming, we cannot assure you that we will be able to continue to identify and successfully transition underperforming properties going forward. In addition, from time to time we may recognize straight-line rent write-offs in connection with transitioning properties. These adverse developments could arise due to a number of factors, including those described in the risk factors below.

Our portfolio is predominately comprised of SNFs. As a result of our focus on SNFs, any changes affecting SNFs or SNF operators, including changes in governmental rules and regulations, particularly with respect to Medicare and Medicaid reimbursement, could have an adverse impact on our operators revenues, costs and results of operations, which may affect their ability to meet their obligations to us. Additionally, if conditions in the SNF industry decline, we may be required to evaluate our properties for impairments or write-downs, which could result in charges that might be significant.

Certain operators account for a significant percentage of our rental income, and the failure of any of these operators to meet their obligations to us could materially reduce our rental income and net income.

As of December 31, 2012, approximately 15.1% of our contractual rent was from Daybreak, which operates 47 of our properties in Texas, approximately 14.8% of our contractual rent was from Saber, which operates 30 of our properties in Ohio, Pennsylvania, and Florida and approximately 9.9% of our contractual rent was from EmpRes, which operates 17 of our properties in California, Oregon, Nevada, Montana, and Washington. No other operator generated more than 7.7% of our total contractual rent as of December 31, 2012.

The failure or inability of any of these operators, or of other operators that account for a significant percentage of our rental income, to meet their obligations to us could materially reduce our rental income and net income, which could in turn reduce the amount of dividends we pay and cause our stock price to decline.

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The geographic concentration of our properties could leave us vulnerable to an economic downturn, regulatory or reimbursement changes or acts of nature in those areas, resulting in a decrease in our revenues or otherwise negatively impacting our results of operations.

As of December 31, 2012, the three states from which we derived the largest amount of contractual rent were Texas (18.3%), California (16.2%) and Ohio (9.9%). As a result of these concentrations, the conditions of local economies and real estate markets, changes in governmental rules and regulations, particularly with respect to Medicaid, acts of nature and other factors that may result in a decrease in demand for long-term care services in these states could have an adverse impact on our operators revenues, costs and results of operations, which may affect their ability to meet their obligations to us.

We may not be successful in identifying and consummating suitable acquisitions or investment opportunities, which may impede our growth and negatively affect our results of operations and may result in the use of a significant amount of management resources.

Our ability to expand through acquisitions is integral to our business strategy and requires us to identify suitable acquisition or investment opportunities that meet our criteria and are compatible with our growth strategy. We may not be successful in identifying suitable properties or other assets that meet our acquisition criteria or in consummating acquisitions or investments on satisfactory terms or at all. Failure to identify or consummate acquisitions or investment opportunities, or to integrate successfully any acquired properties without substantial expense, delay or other operational or financial problems, would slow our growth, which could in turn adversely affect our stock price.

Our ability to acquire properties successfully may be constrained by the following significant risks:

- competition from other real estate investors with significant capital, including other publicly-traded REITs and institutional investment funds;
- unsatisfactory results of our due diligence investigations or failure to meet other customary closing conditions; and
- failure to finance an acquisition on favorable terms or at all.

If any of these risks are realized, our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock may be materially and adversely affected.

We rely on external sources of capital to fund future capital needs, and if we encounter difficulty in obtaining such capital, we may not be able to make future investments necessary to grow our business or meet maturing commitments.

In order to qualify as a REIT under the Code, we are required, among other things, to distribute each year to our stockholders at least 90% of our REIT taxable income (computed without regard to our deduction for dividends paid and excluding any net capital gains). Because of this distribution requirement, we may not be able to fund, from cash retained from operations, all of our future capital needs, including capital needs to make investments and acquisitions and to satisfy or refinance maturing commitments.

As a result, we expect to rely on external sources of capital, including debt and equity financing. If we are unable to obtain needed capital at all or only on unfavorable terms from these sources, we might not be able to make the investments needed to expand our business, or to meet our obligations and commitments as they mature. Our access to capital will depend upon a number of factors over which we have little or no control, including general market conditions, the market s perception of our current and potential future earnings and cash distributions and the market price of the shares of our capital stock. We may not be in position to take advantage of attractive investment opportunities for growth in the event that we are unable to access the capital markets on a timely basis or we are only able to obtain financing on unfavorable terms.

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Following the anticipated application of the net proceeds of this offering, we estimate that we would have had approximately $499.6 million of indebtedness outstanding as of December 31, 2012, based on the initial public offering price of $20.00 per share; our indebtedness could adversely affect our financial condition and, as a result, our operations.

We have substantial indebtedness and we may increase our indebtedness in the future. As of December 31, 2012, we had total indebtedness of $705.2 million outstanding, including $400.0 million of indebtedness with respect to our Senior Notes due 2019 (excluding $3.2 million of net debt premium balance related to the Notes) and $280.5 million of indebtedness with respect to our Term Loan, our Acquisition Credit Line, our 2014 Revolver and our 2016 Revolver. Following the anticipated application of the net proceeds of this offering to reduce our debt, we anticipate that we would have had total debt of approximately $499.6 million as of December 31, 2012, based on the initial public offering price of $20.00 per share. Our level of indebtedness could have important consequences to our stockholders. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements, or to carry out other aspects of our business;
- increase our cost of borrowing;
- require us to dedicate a substantial portion of our cash flow from operations to payments on indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures and other general corporate requirements, or to carry out other aspects of our business;
- limit our ability to make material acquisitions or take advantage of business opportunities that may arise;
- limit our ability to make distributions to our stockholders, which may cause us to lose our qualification as a REIT under the Code or to become subject to federal corporate income tax on any REIT taxable income that we do not distribute; and
- place us at a potential competitive disadvantage compared to our competitors that have less debt.

Further, we have the ability to incur substantial additional debt, including secured debt. If we incur additional debt, the related risks described above could intensify.

Because real estate investments are relatively illiquid, our ability to promptly sell properties in our portfolio is limited.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties in our portfolio is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. In addition, our properties are special purpose properties that could not be readily converted to general residential, retail or office use. Transfers of operations of SNFs and other healthcare properties are subject to regulatory approvals not required for transfers of other types of commercial operations and other types of real estate. We cannot predict whether we will be able to sell any property for the price or on the terms set by us or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. To the extent we are unable to sell any properties for our book value, we may be required to take a non-cash impairment charge or loss on the sale, either of which would reduce our net income.

We may be required to expend funds to correct defects or to make improvements before a property can be sold. We may not have funds available to correct those defects or to make those improvements. We may agree to transfer restrictions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These transfer restrictions would impede our ability to sell a property even if we deem it necessary or appropriate. These facts and any others that would impede our ability to respond to adverse changes in the performance of our properties may have a material adverse effect on our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

Uninsured losses or losses in excess of our operators insurance coverage could adversely affect our financial position and our cash flow.

Under the terms of our leases, our operators are required to maintain comprehensive general liability, fire, flood, earthquake, boiler and machinery, nursing home or long-term care professional liability and extended coverage insurance with respect to our properties with policy specifications, limits and deductibles set forth in the leases or other written agreements between us and the operator. However, our properties may be adversely affected by casualty losses which exceed insurance coverages and reserves. Should an uninsured loss occur, we could lose both our investment in, and anticipated profits and cash flows from, the property. Even if it were practicable to restore the property to its condition prior to the damage caused by a major casualty, the operations of the affected property would likely be suspended for a considerable period of time. In the event of any substantial loss affecting a property, disputes over insurance claims could arise.

Our assets may be subject to impairment charges.

We periodically evaluate our real estate investments and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based on factors such as market conditions, operator performance and legal structure. If we determine that a significant impairment has occurred, we would be required to make an adjustment to the net carrying value of the asset, which could have a material adverse affect on our results of operations and funds from operations in the period in which the write-off occurs. As part of our impairment evaluation during 2012, we recorded a charge of approximately $11.1 million.

As an owner of real property, we may be exposed to environmental liabilities.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real property, such as us, may be liable in certain circumstances for the costs of investigation, removal, remediation or release of hazardous or toxic substances (including materials containing asbestos) at, under or disposed of in connection with such property, as well as certain other potential costs relating to hazardous or toxic substances, including government fines and damages for injuries to persons or adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances and liability may be imposed on the owner in connection with the activities of an operator at the property. The cost of any required investigation, remediation, removal, fines or personal or property damages and the owner s liability therefore could exceed the value of the property and/or the assets of the owner. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect our operators ability to attract additional residents, our ability to sell or rent such property or to borrow using such property as collateral which, in turn, could reduce our revenues.

Although our leases require the operator to indemnify us for certain environmental liabilities, the scope of such obligations may be limited. For instance, some of our leases do not require the operator to indemnify us for environmental liabilities arising before the operator took possession of the premises. Further, we cannot assure you that any such operator would be able to fulfill its indemnification obligations. If we were to be liable for any such environmental liabilities and were unable to seek recovery against our operators, our business, financial condition and results of operations could be materially and adversely affected.

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We depend upon our key employees and our failure to retain or attract sufficient numbers of qualified personnel could have a material adverse effect on our business.

Our future performance depends to a significant degree upon the continued contributions of our management team and other employees. As of December 31, 2012, we had 29 full-time employees and 3 part-time employees and, as a result, the loss of even a small number of our employees may have an adverse effect on our business. Accordingly, our future success depends on our ability to retain, attract, hire and train skilled management and other qualified personnel. Competition for qualified employees is intense, and we compete for qualified employees with companies that may have greater financial resources than we have. Consequently, we may not be successful in retaining, attracting, hiring, and training the people we need, which would seriously impede our ability to implement our business strategy.

Risks Relating to Our Operators and the Skilled Nursing Facility Industry

Our operators   failure to comply with the requirements of governmental reimbursement programs such as Medicare or Medicaid, licensing and certification requirements, fraud and abuse regulations or new legislative developments may affect their ability to meet their obligations to us.

Our operators are subject to numerous federal, state and local laws and regulations that are subject to frequent and substantial changes (sometimes applied retroactively) resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing laws. The ultimate timing or effect of any changes in these laws and regulations cannot be predicted. We have no direct control over our operators   ability to meet the numerous federal, state and local regulatory requirements. The failure of any of our operators to comply with these laws, requirements and regulations may affect their ability to meet their obligations to us. In particular:

Licensing and Certification. Our operators and facilities are subject to regulatory and licensing requirements of federal, state and local authorities and are periodically surveyed by them to confirm compliance. Failure to obtain licensure or loss or suspension of licensure or certification may prevent a facility from operating or result in a suspension of reimbursement payments until all licensure or certification issues have been resolved and the necessary licenses or certification are obtained or reinstated. If an operator does not continue to meet all regulatory requirements, that operator may lose its ability to provide or bill and receive payment for healthcare services. In such event, revenues from those facilities could be reduced or eliminated for an extended period of time or permanently. Transfers of operations of SNFs and other healthcare facilities are subject to regulatory approvals not required for transfers of other types of commercial operations and real estate.

Certificate of Need. Some states require that SNFs obtain governmental approval, in the form of a Certificate of Need, or CON, or similar certification, that generally varies by state and is subject to change, prior to the addition or construction of new beds, the addition of services or certain capital expenditures. The CON laws and regulations may restrict our ability to add new facilities or expand an existing facility   s size or services. In addition, CON laws may constrain our ability to lease a particular property to a new operator.

Medicare and Medicaid Certification. A significant portion of the revenues of our operators that operate SNFs is derived from participation in government-funded reimbursement programs, primarily Medicare and Medicaid, and failure to maintain certification to participate in these programs could result in a loss of funding from such programs. Loss of certification could cause the revenues of our operators to decline, potentially jeopardizing their ability to meet their obligations to us. Medicare and Medicaid laws also require operators of SNFs to comply with extensive standards governing operations.

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Fraud and Abuse Laws and Regulations. There are various highly complex federal and state laws governing a wide array of referrals, financial relationships and arrangements and prohibiting fraud by healthcare providers, including criminal provisions that prohibit financial inducements for referrals, filing false claims or making false statements to receive payment or certification under Medicare and Medicaid, or failing to refund overpayments or improper payments. All healthcare providers, including SNFs, are subject to the Federal Anti-Kickback Statute, which generally prohibits persons from offering, providing, soliciting, or receiving remuneration to induce either the referral of an individual or the furnishing of a good or service for which payment may be made under a federal healthcare program, such as Medicare or Medicaid. SNFs are also subject to the Federal Ethics in Patient Referral Act of 1989, commonly referred to as the Stark Law. The Stark Law generally prohibits the submission of claims to Medicare for payment if the claim results from a physician referral for certain designated services and the physician has a financial relationship with the health service provider that does not qualify under one of the exceptions for a financial relationship under the Stark Law. Similar prohibitions on kickbacks, physician self-referrals and submission of claims apply to state Medicaid programs, and may also apply to private payors under state laws. Violations of these laws subject persons and entities to termination from participation in Medicare, Medicaid and other federally funded healthcare programs or result in the imposition of treble damages and fines or other penalties.

Other Laws. Other laws that impact how our operators conduct their operations include: federal and state laws designed to protect the confidentiality and security of patient health information; state and local licensure laws; laws protecting consumers against deceptive practices; laws generally affecting our operators management of property and equipment and how our operators generally conduct their operations, such as fire, health and safety, and environmental laws; federal and state laws affecting assisted living facilities mandating quality of services and care, and quality of food service; resident rights (including abuse and neglect laws); and health standards set by the federal Occupational Safety and Health Administration. For example, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) provides for communication of health information through standard electronic transaction formats and for the privacy and security of health information. In order to comply with the regulations, healthcare providers often must undertake significant operational and technical implementation efforts. Operators also may face significant financial exposure if they fail to maintain the privacy and security of medical records and other personal health information about individuals. The Health Information Technology for Economic and Clinical Health (HITECH) Act, passed in February 2009, strengthened the HHS Secretary s authority to impose civil money penalties for HIPAA violations occurring after February 18, 2009. HITECH directs the HHS Secretary to provide for periodic audits to ensure covered entities and their business associates (as that term is defined under HIPAA) comply with the applicable HITECH requirements, increasing the likelihood that a HIPAA violation will result in an enforcement action. CMS issued an interim Final Rule which conformed HIPAA enforcement regulations to the HITECH Act, increasing the maximum penalty for multiple violations of a single requirement or prohibition to $1.5 million. Higher penalties may accrue for violations of multiple requirements or prohibitions. HIPAA violations are also potentially subject to criminal penalties. We cannot predict the effect additional costs to comply with these laws may have on the expenses of our operators and their ability to meet their obligations to us.

Legislative and Regulatory Developments. The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010, which amends PPACA (collectively, the Health Reform Laws) and the June 28, 2012 United States Supreme Court ruling upholding the individual mandate of the Health Reform Laws and partially invalidating the expansion of Medicaid (further discussed below), may have a significant impact on Medicare, Medicaid, other federal healthcare programs, and private insurers, which impact the reimbursement amounts received by SNFs and other healthcare providers. The Health Reform Laws could have a substantial and material adverse effect on all parties directly or indirectly involved in the healthcare system. Together, the Health Reform Laws make the most sweeping and fundamental changes to the U.S. healthcare system undertaken since the creation of Medicare and Medicaid and contain various provisions that may directly impact us or our operators. These new laws include a large number of health-related provisions that are scheduled to take effect over the next four years, including expanding Medicaid eligibility, requiring most individuals to have health insurance, establishing new regulations on health plans, establishing health insurance exchanges and modifying certain payment systems to encourage more cost-effective care and a reduction of inefficiencies and waste, including through new tools to address fraud and abuse. Because all of our properties are used as healthcare properties, we will be impacted by the risks associated with the healthcare industry, including healthcare reform. While the expansion of healthcare coverage may result in some additional demand for services provided by operators, reimbursement levels may be lower than the costs required to provide such services, which could materially adversely affect the ability of operators to generate profits and pay rent under their lease agreements with us and thereby could materially adversely affect our business, financial position or results of operations. The Health Reform Laws also enhance certain fraud and abuse penalty provisions that could apply to our operators in the event of one or more violations of the federal healthcare regulatory laws. Furthermore, regulatory proposals and rules are released on an ongoing basis that may have an impact on the healthcare system in general and the skilled nursing and long-term care industries in particular. We cannot predict whether the existing Health Reform Laws, or future healthcare reform legislation or regulatory changes, will have a material impact on our operators property or business. If the operations, cash flows or financial condition of our operators are materially adversely impacted by the Health Reform Laws or future legislation, our revenue and operations may be adversely affected as well. In addition, despite the Supreme Court s decision to uphold the Health Reform Laws, the House of Representatives voted to repeal the Health Reform Laws in full. We cannot predict whether any of these or future attempts to repeal or amend the Health Reform Laws will be successful, nor can we predict the impact that such a repeal or amendment would have on our operators and their ability to meet their obligations to us.

Our operators depend on reimbursement from government and other third-party payors; reimbursement rates from such payors may be reduced, which could cause our operators revenues to decline and affect their ability to meet their obligations to us.

The ability of our operators to generate revenue and profit influences the underlying value of our properties. Revenues of our operators are generally derived from payments for patient care. Sources of such payments for SNFs include Medicare, state Medicaid programs, private insurance carriers, healthcare service plans, health maintenance organizations, preferred provider arrangements, self-insured employers and the patients themselves. Medicare and Medicaid programs, as well as numerous private insurance and managed care plans, generally require participating providers to accept government-determined reimbursement levels as payment in full for services rendered, without regard to a facility s charges. Changes in the reimbursement rate or methods of payment from third-party payors, including Medicare and Medicaid, or the implementation of other measures to reduce reimbursements for services provided by our operators, have in the past and could in the future result in a substantial reduction in our operators revenues. For example, beginning in 2012, SNFs were subject to a productivity adjustment, which means that the payment rates for SNFs may decrease from one year to the next. Additionally, although the Health Reform Laws delayed implementation of the Resource Utilization Group, Version Four (RUG-IV), which revises the payment classification system for SNFs, the Medicare and Medicaid Extenders Act of 2010 repealed this delay retroactively to October 1, 2010. The implementation of the RUG-IV classification may impact our operators by revising the classifications of certain patients. The federal reimbursement for certain facilities, such as SNFs, incorporates adjustments to account for facility case-mix. Additionally, on July 30, 2012, CMS released notices updating the payment rates for SNFs. Effective October 1, 2012, CMS is implementing a net 1.8% rate increase for SNFs. Additionally, revenue realizable under third-party payor agreements can change after examination and retroactive adjustment by payors during the claims settlement processes or as a result of post-payment audits. Payors may disallow requests for reimbursement based on determinations that certain costs are not reimbursable or reasonable or because additional documentation is necessary or because certain services were not covered or were not medically necessary. There also continue to be new legislative and regulatory proposals that could impose further limitations on government and private

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payments to healthcare providers. In some cases, states have enacted or are considering enacting measures designed to reduce their Medicaid expenditures and to make changes to private healthcare insurance. Moreover, healthcare facilities continue to experience pressures from private payors attempting to control healthcare costs, and reimbursement from private payors has in many cases effectively been reduced to levels approaching those of government payors. We cannot assure you that adequate reimbursement levels will continue to be available for the services provided by our operators. Further limits on the scope of services reimbursed and on reimbursement rates could have a material adverse effect on our operators liquidity, financial condition and results of operations, which could cause the revenues of our operators to decline and which may affect their ability to meet their obligations to us.

A number of states are currently managing budget deficits, which may put pressure on states to decrease reimbursement rates for our operators with the goal of decreasing state expenditures under their state Medicaid programs. The need to control Medicaid expenditures may be exacerbated by the potential for increased enrollment in Medicaid due to unemployment and declines in family incomes. These potential reductions could be compounded by the potential for federal cost-cutting efforts that could lead to reductions in reimbursement to our operators under both the Medicaid and Medicare programs. Potential reductions in Medicaid and Medicare reimbursement to our operators could reduce the cash flow of our operators and their ability to meet their obligations to us.

Possible changes in the healthcare needs of our operators residents as well as payor mix and payment methodologies may significantly affect the profitability of our operators.

The sources and amounts of our operators revenues are determined by a number of factors, including licensed bed capacity, occupancy, the healthcare needs of residents and the rate of reimbursement. Changes in the healthcare needs of the residents as well as payor mix among private pay, Medicare and Medicaid may significantly affect our operators profitability and which may affect their ability to meet their obligations to us.

Our operators may be subject to significant legal actions that could subject them to increased operating costs and substantial uninsured liabilities, which may affect their ability to meet their obligations to us.

Our operators may be subject to claims that their services have resulted in resident injury or other adverse effects. The insurance coverage maintained by our operators, whether through commercial insurance or self-insurance, may not cover all claims made against them or continue to be available at a reasonable cost, if at all. In some states, insurance coverage for the risk of punitive damages arising from professional liability and general liability claims and/or litigation may not, in certain cases, be available to our operators due to state law prohibitions or limitations of availability. As a result, our operators operating in these states may be liable for punitive damage awards that are either not covered or are in excess of their insurance policy limits. From time to time, there may also be increases in government investigations of long-term care providers, particularly in the area of Medicare/Medicaid false claims, as well as increases in enforcement actions resulting from these investigations. Insurance is not available to cover such losses. Any adverse determination in a legal proceeding or government investigation, whether currently asserted or arising in the future, could lead to potential termination from government programs, large penalties and fines and otherwise have a material adverse effect on an operator s financial condition. If an operator is unable to obtain or maintain insurance coverage, if judgments are obtained in excess of the insurance coverage, if an operator is required to pay uninsured punitive damages, or if an operator is subject to an uninsurable government enforcement action, the operator could be exposed to substantial additional liabilities, which could result in its bankruptcy or insolvency or have a material adverse effect on the operator s business and its ability to meet its obligations to us.

The bankruptcy, insolvency or financial deterioration of our operators could delay or prevent our ability to collect unpaid rents or require us to find new operators.

We receive substantially all of our income as rent payments under leases of our properties. We have very limited control over the success or failure of our operators businesses and, at any time, any of our operators may experience a downturn in its business that may weaken its financial condition. As a result, our operators may fail

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to make rent payments when due or declare bankruptcy. Any operator failures to make rent payments when due or operator bankruptcies could result in the termination of the operator s lease and could have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock. This risk is magnified in situations where we lease multiple properties to a single operator under a master lease, as an operator failure or default under a master lease could reduce or eliminate rental revenue from multiple properties.

If operators are unable to comply with the terms of the leases, we may be forced to modify the leases in ways that are unfavorable to us. Alternatively, the failure of an operator to perform under a lease could require us to declare a default, repossess the property, find a suitable replacement operator, operate the property or sell the property. There is no assurance that we would be able to lease a property on substantially equivalent or better terms than the prior lease, or at all, find another qualified operator, successfully reposition the property for other uses or sell the property on terms that are favorable to us. It may be more difficult to find a replacement operator for a SNF property than it would be to find a replacement tenant for a general commercial property due to the specialized nature of the business. Even if we are able to find a suitable replacement operator for a property, transfers of operations of SNFs and other healthcare facilities are subject to regulatory approvals not required for transfers of other types of commercial operations, which may affect our ability to successfully transition a property.

If any lease expires or is terminated, we could be responsible for all of the operating expenses for that property until it is re-leased or sold. If we experience a significant number of un-leased properties, our operating expenses could increase significantly. Any significant increase in our operating costs may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

Any bankruptcy filing by or relating to one of our operators could bar all efforts by us to collect pre-bankruptcy debts from that operator or seize its property. An operator bankruptcy could also delay our efforts to collect past due balances under the leases and could ultimately preclude collection of all or a portion of these sums. It is possible that we may recover substantially less than the full value of any unsecured claims we hold, if any, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock. Furthermore, dealing with an operator s bankruptcy or other default may divert management s attention and cause us to incur substantial legal and other costs.

If one or more of our operators files for bankruptcy relief, the U.S. federal Bankruptcy Code provides that a debtor has the option to assume or reject the unexpired lease within a certain period of time. However, our leases with operators that lease more than one of our properties are generally made pursuant to a single master lease covering all of that operator s properties leased from us, or are cross-defaulted with other leases, and consequently there is uncertainty about how such arrangements may be treated in a bankruptcy. It is possible that in bankruptcy the debtor-operator may be required to assume or reject the master lease or cross-defaulted leases as a whole, rather than making the decision on a property-by-property basis, thereby preventing the debtor-operator from assuming the better performing properties and terminating the master lease or cross-defaulted leases with respect to the poorer performing properties.

Increased competition may affect the ability of our operators to meet their obligations to us.

The healthcare industry is highly competitive. Our operators are competing with numerous other companies providing similar healthcare services or alternatives such as long-term acute care hospitals, in-patient rehabilitation facilities, home health agencies, hospices, life care at home, community-based service programs, retirement communities and convalescent centers. Our operators may not be able to achieve performance levels that will enable them to meet their obligations to us.

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Risks Relating to Our Organization and Structure

Our primary asset is our partnership interest in our operating partnership and, as a result, we will depend on distributions from our operating partnership to pay dividends and expenses.

After the consummation of this offering, we will be a holding company and will have no material assets other than our general partner interest and OP Units in our operating partnership. We intend to cause our operating partnership to make distributions to limited partners, including us, in an amount sufficient to allow us to qualify as a REIT for U.S. federal income tax purposes and to pay all our expenses. To the extent we need funds and our operating partnership is restricted from making distributions under applicable law or otherwise, or if our operating partnership is otherwise unable to provide such funds, the failure to make such distributions could materially adversely affect our liquidity and financial condition.

Members of our management and board of directors will be unitholders of our operating partnership, and their interests may differ from those of our public stockholders.

After the consummation of this offering, members of our management and board of directors will also be holders of OP Units of our operating partnership. Those unitholders may have conflicting interests with holders of our common stock. For example, holders of OP Units may have different tax positions from us or holders of our common stock, which could influence their decisions in their capacities as members of management regarding whether and when to dispose of assets, whether and when to incur new or refinance existing indebtedness and how to structure future transactions.

Upon the consummation of this offering, Lindsay Goldberg, Mr. Bernfield, our Chairman and Chief Executive Officer, and a trust formed for the benefit of the estate of Zev Karkomi, one of our co-founders, together with certain of their respective affiliates, family members and estates and trusts, will own shares of common stock and OP Units representing 45.1%, 8.0% and 11.3%, respectively, of our outstanding common stock on a fully-diluted basis and will have the ability to exercise significant influence over our company and our operating partnership and any matter presented to our stockholders.

Upon the consummation of this offering and assuming no exercise of the underwriters overallotment option, Lindsay Goldberg, Mr. Bernfield, our Chairman and Chief Executive Officer, and a trust formed for the benefit of the estate of Zev Karkomi, one of our co-founders, together with certain of their respective affiliates, family members and estates and trusts, will own shares of common stock and OP Units representing 45.1%, 8.0% and 11.3%, respectively, of our outstanding common stock on a fully-diluted basis, based on the initial public offering price of $20.00 per share, and including net shares issuable under in-the-money options. As a result of their equity ownership and their positions within our company, each of Lindsay Goldberg, Mr. Bernfield and members of the Karkomi Estate individually or, to the extent their interests are aligned, collectively may be able to influence the outcome of matters submitted for stockholder action, including the election of our board of directors and approval of significant corporate transactions, including business combinations, consolidations and mergers and the determination of our day-to-day corporate and management policies. In addition, Lindsay Goldberg will initially have the right to nominate three directors. Therefore, each of Lindsay Goldberg, Mr. Bernfield and the Karkomi Estate (and members thereof) will have substantial influence over us and could exercise influence in a manner that is not in the best interests of our other stockholders. This concentration of ownership might also have the effect of delaying or preventing a change of control that our stockholders may view as beneficial. Lindsay Goldberg has agreed that, while the Investment Agreement is in effect, in connection with any merger to which Aviv is a constituent party, a sale of all or substantially all of the assets of Aviv, plans of liquidation involving Aviv, or issuances of capital stock by Aviv, in each case, to the extent such matter is submitted to a vote of stockholders or included in a solicitation of consents with respect to the stockholders, it will vote its shares in Aviv which represent up to its indirect ownership percentage of the operating partnership in its sole and absolute discretion and will vote its shares in excess of such amount in proportion with the other stockholders of Aviv that are unaffiliated with Lindsay Goldberg.

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We currently qualify as an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We currently qualify as an emerging growth company, as defined in the Jumpstart Our Business Startups Act, or the JOBS Act. For as long as we continue to qualify as an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that do not qualify as emerging growth companies, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could qualify as an emerging growth company for up to five years, although we could lose that status sooner if our revenues exceed $1 billion, if we issue more than $1 billion in non-convertible debt in a three year period, or if the market value of our common stock held by non-affiliates exceeds $700 million as of any June 30th before that time, in which case we would no longer qualify as an emerging growth company as of the following December 31st. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We have limited experience operating as a REIT and therefore may have difficulty in successfully and profitably operating our business in compliance with the regulatory requirements applicable to REITs.

Aviv REIT, Inc. was formed on July 30, 2010, and we have limited experience operating as a REIT and complying with the numerous technical restrictions and limitations set forth in the Code, as applicable to REITs. As a result, we cannot assure you that we will be able to successfully operate as a REIT or comply with regulatory requirements applicable to REITs.

The obligations associated with being a public company will require significant resources and management attention.

As a result of the issuance of our Senior Notes in February 2011, we are a public reporting company under the Exchange Act of 1934, or the Exchange Act. However, we have limited experience complying with Securities and Exchange Commission, or SEC, regulations. Upon becoming a public company with our common stock listed on the New York Stock Exchange, or NYSE, we will need to comply with additional laws, regulations and requirements, including the requirements of the NYSE, with which we have not previously been required to comply. Despite recent reforms made possible by the JOBS Act, compliance with these laws, regulations and requirements will occupy a significant amount of time of our board of directors and management and will significantly increase our legal, accounting and other expenses, particularly after we no longer qualify as an emerging growth company. Furthermore, the need to establish the corporate infrastructure demanded of public companies may divert management s attention from implementing our growth strategy, which could prevent us from improving our business, results of operations and financial condition. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations upon becoming a public company. However, the measures we take may not be sufficient to satisfy our obligations. In addition, we cannot predict or estimate the amount of additional costs we may incur in order to comply with these requirements.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments and attestation by our independent registered public accounting firm of the effectiveness of our internal control over financial reporting. Beginning with the fiscal year ending December 31, 2014, we will be required to file an annual management assessment of the effectiveness of our internal control over financial reporting with the SEC. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting beginning with our annual report on Form 10-K following the date on which we no longer qualify as an emerging growth company or we opt not to use the applicable exemption. In connection

with our implementation of the necessary procedures and practices related to internal control over financial reporting, we or our independent registered public accounting firm may identify deficiencies that we may not be able to remedy in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. If we fail to comply with Section 404, or if we or our independent registered public accounting firm identify and report a material weakness, it may affect the reliability of our internal control over financial reporting, which could adversely affect the market price of our common stock and subject us to sanctions or investigations by the NYSE, the SEC or other regulatory authorities, which would require additional financial and management resources.

Our charter restricts the ownership and transfer of our outstanding stock, which may have the effect of delaying, deferring or preventing a transaction or change of control of our company.

In order for us to qualify as a REIT, no more than 50% of the value of outstanding shares of our stock may be owned, actually or constructively, by five or fewer individuals at any time during the last half of each taxable year. Subject to some exceptions, our charter prohibits any stockholder from owning actually or constructively more than 8.6% (in value) of our outstanding common stock or of our outstanding stock of all classes and series. Our charter s constructive ownership rules are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 8.6% of our outstanding stock by an individual or entity could cause that individual or entity to own constructively in excess of 8.6% in value of our outstanding stock, and thus violate our charter s ownership limit. Our charter also prohibits any person from owning shares of our stock that would result in our being closely held under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT. Any attempt to own or transfer shares of our stock in violation of these restrictions may result in the shares being automatically transferred to a charitable trust or may be void.

Certain provisions of Maryland Law may limit the ability of a third party to acquire control of our company.

Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of delaying, deferring or preventing a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interests.

Subject to certain limitations, provisions of the MGCL prohibit certain business combinations between us and an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our stock or an affiliate or associate of us who beneficially owned 10% or more of the voting power of our stock during the previous two years) or an affiliate of the interested stockholder for five years after the most recent date on which the stockholder became an interested stockholder. After the five year period, business combinations between us and an interested stockholder or an affiliate of the interested stockholder must generally either provide a minimum price to our stockholders or be approved by the affirmative vote of at least 80% of the votes entitled to be cast by holders of our outstanding stock and at least two-third of the votes entitled to be cast by stockholders other than the interested stockholder and its affiliates and associates.

These provisions of the MGCL relating to business combinations do not apply, however, to business combinations that are approved or exempted by our board of directors prior to the time that the interested stockholder becomes an interested stockholder. As permitted by the statute, our board of directors has by resolution exempted any business combination between us and any other person or entity from the business combination provisions of the MGCL and, consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any such person or entity. As a result, these persons may be able to enter into business combinations with us that may not be in the best interests of our stockholders without compliance by our company with the supermajority vote requirements and the other provisions of the statute. Our bylaws provide that this resolution may only be revoked, altered or amended, and our board of directors may only adopt any resolution inconsistent with such resolution, or any other resolution of

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our board of directors exempting any business combination from the business combination provisions of the MGCL, with the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock.

The MGCL also provides that holders of control shares (which are shares of our stock which, when aggregated with other shares that the acquiror owns or is entitled to direct the exercise of voting power (other than solely by virtue of a revocable proxy), entitle the stockholder to exercise (i) at least 10% but less than 33%, (ii) at least 33% but less than a majority or (iii) a majority of the voting power in the election of directors) generally have no voting rights with respect to control shares except to the extent approved by stockholders (other than the holder of the control shares, our officers and our directors who are also our employees) entitled to cast at least two-thirds of the votes entitled to be cast on the matter. As permitted by Maryland law, our bylaws contain a provision exempting from the provisions of the MGCL relating to control share acquisitions any and all acquisitions by any person of our common stock. Our board of directors may not amend this provision of our bylaws without the approval of a majority of the votes cast on any such amendment by holders of outstanding shares of our common stock.

Additionally, Title 3, Subtitle 8 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to elect to be subject to certain provisions relating to corporate governance that may have the effect of delaying, deferring or preventing a transaction or a change of control of our company that might involve a premium to the market price of our common stock or otherwise be in our stockholders best interests.

Upon the consummation of this offering, we will already be subject to certain of these provisions, either by provisions of our charter and bylaws unrelated to Subtitle 8 or by reason of an election in our charter to be subject to certain provisions of Subtitle 8. See Certain Provisions of Maryland Law and of Our Charter and Bylaws.

We may change our investment strategies and policies without stockholder approval.

Our board of directors, without the approval of our stockholders, may alter our investment strategies and policies if it determines that a change is in our best interests. The methods of implementing our investment strategies and policies may vary as new investments and financing techniques are developed.

Risks Relating to Our Tax Status and Other Tax Related Matters

Our failure to remain qualified as a REIT would have significant adverse consequences to us and the value of our common stock.

We made the election to be taxed as a REIT effective as of our taxable year ending December 31, 2010. We believe that we have been organized and have operated in a manner that has allowed us to qualify for taxation as a REIT under the Code commencing with such taxable year, and we intend to continue to be organized and operate in this manner. Qualification as a REIT involves the application of highly technical and complex Code provisions and U.S. Treasury Department regulations, or Treasury regulations, promulgated thereunder for which there are only limited judicial and administrative interpretations. Even a technical or inadvertent violation could jeopardize our ability to remain qualified as a REIT. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to remain qualified as a REIT. In order to remain qualified as a REIT, we must satisfy a number of requirements on a continuing basis, including requirements regarding the composition of our assets, sources of our gross income and stockholder ownership. Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income (computed without regard to our deduction for dividends paid and excluding any net capital gains).

We have not requested and do not plan to request a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. However, we

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expect to receive an opinion of our legal counsel, Sidley Austin LLP, with respect to our qualification as a REIT in connection with this offering of common stock. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Sidley Austin LLP will represent only the view of Sidley Austin LLP based on its review and analysis of existing law and on certain representations as to factual matters and covenants made by us as well as representations from current owners of Aviv REIT, including representations relating to the values of our assets and the sources of our income. The opinion will be expressed as of the date issued. Sidley Austin LLP will have no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Sidley Austin LLP and our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Sidley Austin LLP. This means that we may not satisfy the REIT requirements in the future. Furthermore, our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

If we lose our qualification as a REIT, we will face serious tax consequences that would substantially reduce the funds available for distribution to our stockholders for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and we would be subject to U.S. federal income tax at regular corporate rates;

- we also could be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and

- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following a year during which we were disqualified.

In addition, if we lose our qualification as a REIT, we will not be required to make distributions to stockholders, but all distributions to our stockholders will be subject to tax as regular corporate dividends to the extent of our current and accumulated earnings and profits. This means that our taxable non-corporate U.S. stockholders (as such term is defined under Material U.S. Federal Income Tax Considerations Taxation of Taxable U.S. Stockholders below) would generally be taxed on our dividends at capital gains rate, and our corporate stockholders generally would be entitled to the dividends received deduction with respect to such dividends, subject, in each case, to applicable limitations under the Code.

As a result of these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and could adversely affect the value of our common stock.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, taxes on certain prohibited transactions, taxes on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. See Material U.S. Federal Income Tax Considerations Taxation of Aviv REIT. We currently own an interest in one taxable REIT subsidiary (as such term is defined under Material U.S. Federal Income Tax Considerations Taxation of Aviv REIT below) or TRS, and we may use TRSs to undertake indirectly activities that the REIT rules might otherwise preclude us from doing directly or through pass-through subsidiaries (as such term is defined below under Material U.S. Federal Income Tax Considerations Effect of Subsidiary Entities). Such TRSs will be subject to federal, state and local corporate level income tax at regular rates. In addition, we may incur a 100% excise tax on any transaction with a TRS that is not conducted on an arm s length basis. Any of these taxes would decrease cash available for the payment of our debt obligations or for distribution to our stockholders.

To maintain our REIT qualification, we may be forced to borrow funds during unfavorable market conditions.

To qualify as a REIT, we generally must distribute to our stockholders annually at least 90% of our REIT taxable income (computed without regard to our deduction for dividends paid and excluding any net capital gains), and we will be subject to regular corporate income taxes to the extent that we distribute annually less than 100% of our REIT taxable income (computed without regard to our deduction for dividends paid and excluding any net capital gains). In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. We intend to make distributions to our stockholders to comply with the REIT requirements of the Code.

From time to time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with GAAP as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments. The terms of the indenture governing our Senior Notes, our Term Loan, our Acquisition Credit Line, our 2014 Revolver and our 2016 Revolver restrict our ability to incur additional indebtedness. If we do not have other funds available in these situations, we may need to borrow funds to the extent that we are permitted to do so, on a short-term basis, or possibly on a long-term basis, in order to make the distributions necessary to qualify as a REIT and avoid the payment of income and excise taxes, even if the then prevailing market conditions are not favorable for these borrowings.

Dividends payable by REITs generally do not qualify for the reduced tax rates applicable to some dividends.

The maximum tax rate for qualified dividends, which are dividends received during the applicable tax year from U.S. corporations and from certain qualified non-U.S. corporations, payable to taxable non-corporate U.S. stockholders is 20%. Dividends payable by REITs, however, are generally not eligible for the 20% rate. The more favorable rates applicable to regular corporate dividends could cause stockholders who are individuals, trusts or estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment currently given to corporate dividends, which could negatively affect the value of our properties. However, as a REIT, we generally would not be subject to federal or state corporate income taxes on that portion of our ordinary income or capital gain that we distribute currently to our stockholders, and we thus expect to avoid the double taxation to which other corporations are typically subject.

Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on your investment.

For so long as we qualify as a REIT, our ability to dispose of property during the first few years following acquisition may be restricted to a substantial extent as a result of our REIT qualification. Under applicable provisions of the Code regarding prohibited transactions by REITs, while we qualify as a REIT, we will be subject to a 100% penalty tax on any gain recognized on the sale or other disposition of any property (other than foreclosure property) that we own, directly or indirectly through any subsidiary entity, including our operating partnership (but generally excluding TRSs) that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of a trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property.

We intend to avoid the 100% prohibited transaction tax by (a) conducting activities that may otherwise be considered prohibited transactions through a TRS (but such TRS would incur corporate rate income taxes with respect to any income or gain recognized by it), (b) conducting our operations in such a manner so that no sale or other disposition of an asset we own, directly or indirectly through any subsidiary, will be treated as a prohibited transaction or (c) structuring certain dispositions of our properties to comply with the requirements of the prohibited transaction safe harbor available under the Code for properties that, among other requirements, have been held for at least two years. Despite our present intention, no assurance can be given that any particular property we own, directly or through any subsidiary entity, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

Complying with REIT requirements may cause us to liquidate or forgo otherwise attractive opportunities.

To qualify as a REIT for U.S. federal income tax purposes, we continually must satisfy tests concerning, among other things, the sources of our income, the type and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. As a result, we may be required to liquidate or forgo investments that would be otherwise advantageous to us in order to satisfy the source-of-income, asset-diversification or distribution requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments. The likelihood that we would be required to so liquidate or forgo otherwise advantageous investments is made greater by the fact that the terms of the indenture governing our Senior Notes and the expected terms of our New Revolver and New Term Loan restrict our ability to incur additional indebtedness, which indebtedness might otherwise be used to satisfy the REIT distribution requirements.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets generally does not constitute gross income for purposes of the 75% or 95% gross income tests that apply to REITs, if certain requirements are met. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. See Material U.S. Federal Income Tax Considerations Taxation of Aviv REIT. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because a domestic TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in a TRS will generally not provide any tax benefit, except that such losses could theoretically be carried back or forward against past or future taxable income in the TRS.

New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT.

We cannot predict how changes in the tax laws might affect our investors or us. The U.S. federal income tax rules that affect REITs are constantly under review, and the present U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could materially adversely affect the U.S. federal income tax treatment of an investment in our common stock. Revisions in U.S. federal tax laws and interpretations thereof could cause us to change our investments and commitments, which could also affect the tax considerations of an investment in our common stock. It is impossible to anticipate the effects of any such revisions at this time.

Non-U.S. stockholders may be subject to FIRPTA tax upon their receipt of certain distributions from us or upon their disposition of shares of our common stock.

A non-U.S. stockholder (as such term is defined below under Material U.S. Federal Income Tax Considerations Taxation of Stockholders Taxation of Taxable Non-U.S. Stockholders) that disposes of a U.S. real property interest , or USRPI (which includes shares of stock of a U.S. corporation whose assets consist principally of USRPIs), or that receives a distribution attributable to gains from such a disposition, is generally subject to the Foreign Investment in Real Property Tax Act of 1980, as amended, or FIRPTA, on the amount received from (or to the extent attributable to gains from) such disposition. Such FIRPTA tax does not apply, however, to the disposition of stock in a REIT that is domestically controlled. A REIT is domestically controlled if less than 50% of its stock, by value, has been owned directly or indirectly by non-U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT s existence. We cannot assure you that we will qualify as a domestically controlled REIT. If we were to fail to so qualify, amounts received by a non-U.S. stockholder on certain dispositions of shares of our common stock would be subject to FIRPTA tax, unless (i) our shares of common stock were regularly traded on an established securities market and (ii) the non-U.S. stockholder did not, at any time during a specified testing period, hold more than 5% of our common stock. Furthermore, certain distributions by us may be subject to FIRPTA tax unless our shares of common stock are regularly traded on an established securities market located in the United States and the condition in clause (ii) of the immediately preceding sentence is satisfied. For a more detailed discussion of the applicability of the FIRPTA tax to non-U.S. stockholders, see Material U.S. Federal Income Tax Considerations Taxation of Stockholders Taxation of Taxable Non-U.S. Stockholders.

Distributions to tax-exempt stockholders may be classified as UBTI.

Although generally exempt from U.S. federal income tax, tax-exempt entities may be subject to taxation on their unrelated business taxable income (as such term is defined in the Code), or UBTI. While some investments in real estate may generate UBTI, the IRS has ruled that dividend distributions from a REIT to a tax-exempt entity generally do not constitute UBTI, subject to certain exceptions. However, tax-exempt stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from U.S. federal income taxation under certain sections of the Code are subject to different UBTI rules, which generally require such stockholders to characterize distributions that we make as UBTI. Moreover, in certain circumstances, a pension trust that owns more than 10% of our stock could be required to treat a percentage of any dividends received from us as UBTI. See Material U.S. Federal Income Tax Considerations Taxation of Stockholders Taxation of Tax-Exempt Stockholders.

The limit on the percentage of shares of our common stock that any person may own may discourage a takeover or business combination that may have benefited our stockholders.

In order to maintain our qualification as a REIT under the Code, our charter generally restricts (subject to certain exceptions) any person from actually or constructively owning more than 8.6% (in value) of our common stock or of our outstanding stock of all classes and series. This restriction may discourage a change of control of us and may deter individuals or entities from making tender offers for shares of our stock on terms that might be financially attractive to you or which may cause a change in our management. This ownership restriction may also prohibit business combinations that would have otherwise been approved by our board of directors and you. In addition to deterring potential transactions that may be favorable to you, these provisions may also decrease your ability to sell your shares of our common stock.

Risks Relating to this Offering and Ownership of Our Common Stock

If you purchase shares of common stock in this offering, you will experience immediate and significant dilution in the net tangible book value per share of our common stock.

We expect the initial public offering price of our common stock to be substantially higher than the book value per share of our outstanding common stock immediately after this offering. If you purchase our common stock in this offering, you will incur immediate dilution of approximately $8.61 in the book value per share of common stock from the price you pay for our common stock in this offering, based on the initial public offering price of $20.00 per share. See Dilution for further discussion of how your ownership interest in us will be immediately diluted.

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There is currently no public market for our common stock and an active trading market for our common stock may never develop following this offering.

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on the NYSE under the symbol AVIV . However, an active trading market for our common stock may never develop or be sustained. If an active trading market does not develop, you may have difficulty selling any shares that you buy.

The market price of our common stock may be volatile, which could cause the value of your investment to fluctuate and possibly decline significantly.

Even if an active trading market develops for our common stock after this offering, the market price of our common stock may be highly volatile and subject to wide fluctuations. Our financial performance, government regulatory action, tax laws, interest rates and market conditions in general could have a significant impact on the future market price of our common stock. Some of the factors that could negatively affect our share price or result in fluctuations in the price of our stock include:

- actual or anticipated variations in our quarterly operating results;
- changes in our funds from operations or earnings estimates;
- increases in market interest rates may lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key personnel;
- actions by stockholders;
- speculation in the press or investment community;
- general market, economic and political conditions;
- our operating performance and the performance of other similar companies;
- changes in accounting principles;

passage of legislation or other regulatory developments that adversely affect us or our industry; and

the potential impact of governmental budgets and healthcare reimbursement expenditures.

Market interest rates may have an effect on the value of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution rate as a percentage of our stock price, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher distribution or interest rate on our common stock or seek securities paying higher dividends or interest. The market price of our common stock likely will be based primarily on the earnings that we derive from rental income with respect to our properties and our related distributions to stockholders, and not from the underlying appraised value of the properties themselves. As a result, interest rate fluctuations and capital market conditions can affect the market value of our common stock. For instance, if interest rates rise, it is likely that the market price of our common stock will decrease because potential investors may require a higher dividend yield on our common stock as market rates on interest-bearing securities, such as bonds, rise. In addition, rising interest rates would result in increased interest expense on our variable rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and make distributions to stockholders.

Future sales of shares of our common stock may depress the price of our shares.

We cannot predict whether future issuances of shares of our common stock or the availability of shares for resale in the open market will decrease the market price per share of our common stock. Any sales by us or our existing stockholders of a substantial number of shares of our common stock in the public market, or the

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perception that such sales might occur, may cause the market price of our shares to decline. Upon the consummation of this offering, all shares of common stock sold in this offering will be freely tradable without restriction (other than the ownership limit and the other restrictions on ownership and transfer of our stock as set forth in our charter), unless the shares are owned by one of our affiliates or subject to the lock-up agreements described below. See Shares Eligible for Future Sale.

We, each of our directors and executive officers, Lindsay Goldberg, the Karkomi Estate and certain of our other existing security holders have agreed, with limited exceptions, that we and they will not, without the prior written consent of Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. on behalf of the underwriters, during the period ending 365 days (180 days with respect to Aviv and members of the Karkomi Estate) after the date of this prospectus, among other things, directly or indirectly, offer to sell, sell or otherwise dispose of any shares of our common stock or file a registration statement with the SEC relating to the offering of any shares of our common stock.

In connection with this offering, we intend to file a registration statement on Form S-8 to register all shares of common stock reserved for issuance under our 2010 Management Incentive Plan and 2013 Long-Term Incentive Plan, and once we register these shares they can be freely sold in the public market after issuance, subject to lock-up provisions discussed above. Certain of our existing stockholders are party to registration rights agreements with us. Pursuant to those agreements, and after the lock-up agreements pertaining to this offering expire, these stockholders will have the right to demand that we register under the Securities Act for resale all or a portion of the approximately 36,927,872 shares of our common stock or OP Units, which could be exchanged for shares of common stock, held by the stockholders who are parties to those agreements. Registration of the sale of these shares of our common stock would facilitate their sale into the public market. If any or all of these holders cause a large number of their shares to be sold in the public market, such sales could reduce the trading price of our common stock and could impede our ability to raise future capital. Certain holders of OP Units, representing 24.8% of the OP Units outstanding immediately prior to this offering, will not be required to enter into the lock-up agreements described under Shares Eligible For Future Sale Lock-Up Agreements . The underwriting agreement prohibits us from exchanging shares of common stock for the OP Units of any such holder during the lock-up period unless the applicable holder enters into a lock-up agreement. However, because such holders have not signed lock-up agreements in advance, such holders of OP Units may, prior to any such exchange, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any OP Units or any securities convertible into or exercisable or exchangeable for OP Units or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the OP Units.

The exercise of any options or the vesting of any restricted stock granted to our directors, executive officers and other employees under our 2010 Management Incentive Plan and 2013 Long-Term Incentive Plan, the issuance of our common stock in connection with facility, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the market price of the shares of our common stock. In addition, future sales of shares of our common stock by us may be dilutive to existing stockholders.

Our cash available for distributions may not be sufficient to make distributions at expected levels.

Our estimated initial annual distributions represent 91.9% of our estimated initial cash available for distributions for the twelve months ending December 31, 2013 as calculated in Distribution Policy. We may be unable to pay our estimated initial annual distributions to stockholders out of cash available for distributions as calculated in Distribution Policy. If sufficient cash is not available for distributions from our operations, we may have to fund distributions from working capital or to borrow to provide funds for such distributions, or to reduce the amount of such distributions. To the extent that we fund distributions from working capital, our cash available for investing purposes will decrease. In the event the underwriters overallotment option is exercised, pending investment of the proceeds therefrom, our ability to pay such distributions out of cash from our operations may be further adversely affected.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale by us of 13,200,000 shares of common stock will be approximately $242.0 million, or $278.8 million if the underwriters exercise their overallotment option in full, based on the initial public offering price of $20.00 per share, and after deducting underwriting discounts and commissions and estimated offering expenses of approximately $3.5 million payable by us.

We intend to contribute the net proceeds to us from this offering to our operating partnership in exchange for OP Units of our operating partnership. Our operating partnership intends to use those net proceeds, together with proceeds of $75.0 million under our New Term Loan, to repay certain indebtedness, to pay $6.5 million of withholding taxes in respect of accrued dividend equivalents under our 2010 Management Incentive Plan that become payable upon consummation of this offering and to use the remainder, if any, for general corporate purposes, including the potential acquisition of additional properties in the ordinary course of business.

Repayment of existing indebtedness is expected to include repayment of $191.2 million under our Term Loan, $18.9 million under our Acquisition Credit Line and $83.9 million under our 2016 Revolver, after which we intend to terminate each of these facilities. In addition, we expect to pay approximately $3.8 million in connection with the termination of hedging agreements relating to our Term Loan and Acquisition Credit Line. As of December 31, 2012, the outstanding balance under our Term Loan and Acquisition Credit Line was $192.2 million and $18.9 million, respectively, in each case at an interest rate equal to 5.75% with a maturity date of September 2015 and the outstanding balance under our 2016 Revolver was $69.4 million at an interest rate equal to 5.25% with a maturity date of January 2016. The proceeds from our Acquisition Credit Line and our 2016 Revolver were used for general corporate purposes, including the acquisition of properties.

Pending any ultimate use of any portion of the proceeds from this offering, our operating partnership intends to invest the proceeds in a variety of liquid investments, including short-term, interest-bearing instruments such as U.S. government securities and municipal bonds.

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DISTRIBUTION POLICY

We intend to make regular quarterly distributions to holders of our common stock. We intend to pay an initial distribution with respect to the period commencing on the consummation of this offering and ending June 30, 2013, based on a distribution of $0.36 per share for a full quarter. On an annualized basis, this would be $1.44 per share, or an annual distribution rate of approximately 7.2%, based on the initial public offering price of $20.00 per share. We estimate that this initial annual distribution rate will represent approximately 91.9% of estimated cash available for distribution for the twelve months ending December 31, 2013. We have estimated our cash available for distribution to our common stockholders for the twelve months ending December 31, 2013 based on adjustments to our net income available to common stockholders for the twelve months ended December 31, 2012 as described below. This estimate was based upon our historical operating results, the assumed proceeds of this offering (and use thereof as described in Use of Proceeds) and scheduled incremental rents and committed capital expenditures and assumed related financing activities. Except as set forth below, this estimate does not take into account any additional investments and their associated cash flows, unanticipated expenditures we may have to make or other financing activities. In estimating our cash available for distribution to holders of our common stock, we have made certain assumptions as reflected in the table and footnotes below.

Our estimate of cash available for distribution does not include the effect of any changes in our working capital accounts but does include the reduction in interest expense from the repayment of debt that will be funded with offering proceeds. Any investing and/or financing activities we undertake after this offering may have a material effect on our estimate of cash available for distribution. Because we have made the assumptions set forth above in estimating cash available for distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and have estimated cash available for distribution for the sole purpose of determining the amount of our initial annual distribution rate. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP) or as an indicator of our liquidity or our ability to pay dividends or make distributions. In addition, the methodology upon which we made the adjustments described below is not necessarily intended to be a basis for determining future distributions.

We intend to maintain our initial distribution rate for the twelve-month period following consummation of this offering and believe that our estimate of cash available for distribution constitutes a reasonable basis for setting the initial distribution rate; however, we cannot assure you that our estimated distributions will be made or sustained or that our board of directors will not change our distribution policy in the future. Any distributions will be at the sole discretion of our board of directors, and their form, timing and amount, if any, will depend upon a number of factors, including our actual and projected results of operations, liquidity, cash flows and financial condition, the rent we actually receive from our tenants, our operating expenses, our debt service requirements, our capital expenditures, prohibitions and other limitations under our financing arrangements, our REIT taxable income, our annual REIT distribution requirements, applicable law and such other factors as our board of directors deems relevant. For more information regarding risk factors that could materially and adversely affect us, see Risk Factors. If our operations do not generate sufficient cash flow to enable us to pay our intended or required distributions, we may be required either to fund distributions from working capital, borrow or raise equity or to reduce such distributions. In addition, our charter allows us to issue preferred stock that could have a preference on distributions. Additionally, under certain circumstances, agreements relating to our indebtedness could limit our ability to make distributions to our common stockholders. We intend to redeem all of our currently outstanding preferred stock shortly after the completion of this offering, and we currently have no intention to issue any new shares of preferred stock, but if we do, the distribution preference on the preferred stock could limit our ability to make distributions to our common stockholders.

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We anticipate that, at least initially, our distributions will exceed our then current and accumulated earnings and profits as determined for U.S. federal income tax purposes for that period. As a result, we expect that a portion of our distributions will represent a return of capital for U.S. federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits and not treated by us as a dividend will not be taxable to a U.S. stockholder under current U.S. federal income tax law to the extent those distributions do not exceed the stockholder s adjusted tax basis in his or her common stock, but rather will reduce the stockholder s adjusted basis of his or her common stock. Therefore, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. stockholder s adjusted tax basis in his or her common stock, they will be included in income as long-term capital gain, or short-term capital gain if the shares have been held for one year or less. The percentage of our stockholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see Material U.S. Federal Income Tax Considerations.

U.S. federal income tax law requires that a REIT distribute annually at least 90% of its REIT net taxable income, excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income including net capital gains. For more information, please see Material U.S. Federal Income Tax Considerations. We anticipate that our estimated cash available for distribution will exceed the annual distribution requirements applicable to REITs. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements and we may need to borrow funds to make those distributions.

The following table describes our net income for the twelve months ended December 31, 2012, and the adjustments we have made in order to estimate our initial cash available for distribution for the twelve months ending December 31, 2013. The table reflects our consolidated information, including the limited partners interest in our operating partnership. Following this offering, the OP Units held by limited partners of our operating partnership will be redeemable for cash, subject to our election to acquire the OP Units in exchange for shares of our common stock, on a one-for-one basis.

	(in thousands, except per share data)
Net income for the twelve months ended December 31, 2012	$ 8,593
Add: Real estate depreciation and amortization	26,892
Add: Amortization of deferred financing costs	3,545
Add: Non-cash stock-based compensation expense	1,689
Add: Increases in rental income and interest on secured loans[(1)]	16,170
Add: Loss on impairment of assets	11,117
Less: Gain on sale of real estate and discontinued operations	(4,586)
Less: Net effect of straight-line rental income	(7,656)
Less: Net effect of rental income from intangible amortization	(1,486)
Add: Net effect of loan reserves	6,531
Add: Non-cash earnout accretion	400
Add: Interest expense related to the debt being repaid in connection with this offering	17,981
Less: Financing fees and incremental interest expense from debt outstanding after this offering for the twelve months ending December 31, 2013[(2)]	(5,132)

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Estimated cash flows from operating activities for the twelve months ending December 31, 2013	74,058
Estimated cash flows from investing activities for the twelve months ending December 31, 2013	
Estimated cash flows from financing activities for the twelve months ending December 31, 2013	
Estimated cash available for distribution for the twelve months ending December 31, 2013	$ 74,058
Estimated initial annualized distribution (including distributions with respect to OP Units)	$ 68,079
Estimated surplus after distribution	5,979
Distribution ratio based on estimated cash available for distribution to our holders of common stock/OP units(3)	91.9%

(1)	Increased rent from rental escalators and incremental rent from acquisitions completed during the twelve months ended December 31, 2012	$ 19,482
	Less: Decrease in rent from leases expiring during the twelve months ended December 31, 2013	(2,474)
	Less: Incremental scheduled interest income	(838)
		$ 16,170

Due to the triple net nature of our leases, no additional property-specific operating costs are incurred relating to acquired or developed properties.

(2) Represents a 0.5% unused credit facility fee on our New Revolver and the undrawn portion of our New Term Loan and interest expense on $75.0 million outstanding under our proposed New Term Loan, as well as incremental interest expense on $100.0 of Senior Notes issued March 28, 2012.

(3) Calculated as estimated initial annualized distribution divided by our cash available for distribution for the twelve months ending December 31, 2013.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of December 31, 2012:

- on an actual basis; and
- on an as adjusted basis to give effect to the sale by us pursuant to this offering of 13,200,000 shares of common stock at the initial public offering price of $20.00 per share, an anticipated draw of $75.0 million under our New Term Loan in connection with this offering and the application of the net proceeds from this offering and our New Term Loan as described in Use of Proceeds.

You should read this table in connection with Use of Proceeds, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the more detailed information contained in our historical consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of December 31, 2012	
	Actual	As Adjusted
	(in thousands)	
Cash and cash equivalents	$ 17,876	$ 44,101 (3)
Total debt:		
2016 Revolver	$ 69,369	$
2014 Revolver		
Acquisition Credit Line(1)	18,925	
Term Loan(1)	192,212	
New Revolver		
New Term Loan		75,000
Other secured debt	21,467	21,467
Senior Notes	403,180	403,180
Total debt	705,153	499,647
Stockholders equity(2)		
Common stock, $0.01 par value per share; 120,740,000 shares authorized and 21,653,813 shares issued and outstanding, actual; 300,000,000 shares authorized and 35,338,523 shares issued and outstanding, as adjusted	217	472
Additional paid-in-capital	375,030	463,742
Accumulated deficit	(46,527)	(46,527)
Accumulated other comprehensive loss	(2,152)	
Total stockholders equity	326,568	417,687
Noncontrolling interests	(6,065)	141,296
Total equity	320,503	558,983
Total capitalization	$ 1,025,656	$ 1,058,630

(1) We expect to pay approximately $3.8 million in connection with the termination of hedging agreements relating to our Term Loan and Acquisition Credit Line.

(2) Does not reflect 125 shares of our Series A Preferred Stock which we intend to redeem shortly after the completion of this offering at a cost of $125,000.

(3) Based on our anticipated outstanding indebtedness prior to the consummation of this offering, we anticipate substantially all of the net proceeds from this offering will be utilized to repay existing indebtedness the balance of which we expect to be approximately $13.5 million higher than the balance as of December 31, 2012. See Use of Proceeds for additional information regarding the anticipated balances under our credit facilities prior to the consummation of this offering.

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DILUTION

If you invest in our common stock in this offering, you will incur immediate dilution to the extent of the difference between the initial public offering price per share you pay in this offering and the net tangible book value per share of our common stock immediately after this offering. Our net tangible book value as of December 31, 2012 was approximately $301.6 million, or approximately $8.98 per share. We calculate net tangible book value per share by dividing our net tangible book value, which is equal to our total assets less intangible assets (including lease intangible assets, unamortized debt issuance costs and deferred offering costs) and total liabilities, by the number of shares that would have been outstanding as of December 31, 2012, assuming the exchange of all OP Units for shares of our common stock.

After giving effect to the sale by us of 13,200,000 shares of common stock in this offering and after deducting the underwriting discount and estimated offering expenses payable by us, an anticipated draw of $75.0 million under our New Term Loan, the issuance of shares by us in satisfaction of accrued and unpaid dividend equivalents under our 2010 Management Incentive Plan and the issuance of vested shares granted to our non-employee directors upon consummation of this offering, our net tangible book value would have been approximately $538.1 million, or approximately $11.39 per share of common stock, as of December 31, 2012, based on the initial public offering price of $20.00 per share. This represents an immediate increase in net tangible book value of approximately $2.41 per share to existing investors and an immediate dilution in net tangible book value of approximately $8.61 per share to new public investors. The following table illustrates this calculation on a per share basis:

Assumed initial public offering price per share		$ 20.00
Net tangible book value per share as of December 31, 2012	$ 8.98	
Increase in net tangible book value per share attributable to this offering	2.41	
Net tangible book value per share after this offering		11.39
Dilution per share to new common stockholders		$ 8.61

The table below summarizes, as of December 31, 2012, on a pro forma basis after giving effect to this offering and the other transactions described above, the differences between the number of shares of common stock and OP Units received from us and our operating partnership, the total consideration paid and the average price per share paid by investors in our operating partnership and paid in cash by the new investors purchasing shares in this offering.

	Shares/Units Issued		Total Consideration-Cash/Book Value		Average Price
	Number	Percentage	Amount	Percentage	per Share/Unit
	(dollars in thousands, except per share amounts)				
Existing stockholders	22,091,273	46.8%	$ 194,413	34.4%	$ 8.80
Existing holders of OP Units	11,938,420	25.3	107,190	19.0	8.98
New investors	13,200,000	27.9	264,000 (1)	46.7	20.00
Total	47,229,693	100.0%	$ 565,603	100.0%	

(1) Before underwriting discounts and offering expenses.

If the underwriters option to purchase additional common stock to cover any overallotment is exercised in full, the pro forma net tangible book value as of December 31, 2012 would be approximately $11.68 per share and the dilution in pro forma net tangible book value per share to new common stockholders would be $8.32 per share. Furthermore, the percentage of our common stock held by existing equity owners, net of OP Units converted into common stock for secondary sale by certain investors, would decrease to approximately 44.9% and the percentage of our common stock held by new common stockholders would increase to approximately 30.8%.

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SELECTED FINANCIAL DATA

You should read the following selected historical consolidated data in connection with Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

The selected historical consolidated financial data as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2012, 2011 and 2010 have been derived from our audited historical consolidated financial statements appearing elsewhere in this prospectus. The selected historical financial data as of December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008 have been derived from our audited historical consolidated financial statements which are not included in this prospectus. The historical results are not necessarily indicative of the results to be expected in the future. Certain comparative figures have been reclassified to conform to our current financial statement presentation and to reflect the effect of the classification of certain assets as discontinued operations. Historical financial data for periods prior to September 17, 2010 represent the results of operations and financial condition of our operating partnership, Aviv Healthcare Properties Limited Partnership, as predecessor to Aviv REIT.

Operating Information	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands)				
Revenues					
Rental income	$ 117,410	$ 91,012	$ 84,097	$ 80,980	$ 70,823
Interest on secured loans and direct financing lease	4,633	5,193	5,172	3,442	1,801
Interest and other income	1,129	844	133	466	2,012
Total revenues	123,172	97,049	89,402	84,888	74,636
Expenses					
Interest expense	50,983	38,667	23,730	27,069	26,809
Depreciation and amortization	26,892	20,272	17,246	16,920	13,957
General and administrative	16,506	11,422	9,823	7,557	7,021
Transaction costs	6,708	5,493	1,578	7,441	855
Loss on impairment of assets	11,117	5,233	96		932
Reserve for uncollectible secured loan receivables	6,531	1,512	750		
Change in fair value of derivatives			(2,931)	(6,988)	8,674
Gain on sale of assets, net		(1,171)	(512)		
Loss on extinguishment of debt	28	3,807	2,296		
Other expenses	400	267			
Total expenses	119,165	85,502	52,076	51,999	58,248
Income from continuing operations	4,007	11,547	37,326	32,889	16,388
Discontinued operations	4,586	(234)	656	792	485
Net income	8,593	11,313	37,982	33,681	16,873
Distributions and accretion on Class E Preferred Units			(17,372)	(14,570)	(8,843)
Net income allocable to common units of Partnership/noncontrolling interests	(3,455)	(5,107)	(16,780)	(19,111)	(155)
Net income allocable to stockholders	$ 5,138	$ 6,206	$ 3,830	$	$ 7,875

Other Information	Year Ended December 31, 2012	2011	2010 (in thousands)	2009	2008
Cash flows provided by operating activities	$ 44,476	$ 52,088	$ 54,680	$ 40,042	$ 32,048
Cash flows used in investing activities	(184,690)	(207,056)	(75,117)	(38,493)	(89,075)
Cash flows provided by financing activities	117,228	182,800	17,923	4,632	50,010
FFO(1)	42,177	35,647	54,812	50,601	31,762
Normalized FFO(1)	55,444	46,459	56,505	51,054	41,291
EBITDA(2)	86,464	70,233	78,931	77,639	57,639
Adjusted EBITDA(2)	109,665	93,672	84,743	78,498	68,100

Balance Sheet Information	As of December 31, 2012	2011	2010 (in thousands)	2009	2008
Gross real estate investments	$ 1,102,832	$ 919,384	$ 703,049	$ 636,409	$ 606,692
Cash and cash equivalents	17,876	40,862	13,029	15,543	9,361
Secured loan receivables, net	32,639	33,031	36,610	28,970	20,361
Total assets	1,099,529	951,421	731,400	665,130	634,367
Senior notes payable and other debt	705,153	600,474	440,576	480,105	463,546
Total liabilities	779,026	704,162	486,244	527,598	519,096
Stockholders equity	326,568	241,712	223,767		
Noncontrolling interests	(6,065)	5,547	21,389	1,177	956
Total equity	320,503	247,259	245,156	74,562	77,871
Total liabilities and equity	1,099,529	951,421	731,400	665,130	634,367

(1) For a discussion of FFO and Normalized FFO, including their limits as financial measures, see Presentation of Non-GAAP Financial Information. The following table is a reconciliation of our net income to FFO and Normalized FFO:

	Year Ended December 31, 2012	2011	2010 (in thousands)	2009	2008
Net income	$ 8,593	$ 11,313	$ 37,982	$ 33,681	$ 16,873
Depreciation and amortization	26,892	20,272	17,246	16,920	13,957
Loss on impairment of assets	11,117	5,233	96		932
Gain on sale of assets, net	(4,425)	(1,171)	(512)		
Funds From Operations	42,177	35,647	54,812	50,601	31,762
Loss on extinguishment of debt	28	3,807	2,296		
Reserve for uncollectible loan receivables	6,531	1,512	750		
Transaction costs	6,708	5,493	1,578	7,441	855
Change in fair value of derivatives			(2,931)	(6,988)	8,674
Normalized Funds From Operations	$ 55,444	$ 46,459	$ 56,505	$ 51,054	$ 41,291

For a reconciliation of our cash flows provided by operating activities to FFO and Normalized FFO, see page 13.

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(2) For a discussion of EBITDA and Adjusted EBITDA, including their limits as financial measures, see Presentation of Non-GAAP Financial Information. The following table is a reconciliation of our net income to EBITDA and Adjusted EBITDA:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
			(in thousands)		
Net income	$ 8,593	$ 11,313	$ 37,982	$ 33,681	$ 16,873
Interest expense, net	50,979	38,648	23,703	27,038	26,809
Depreciation and amortization	26,892	20,272	17,246	16,920	13,957
EBITDA	86,464	70,233	78,931	77,639	57,639
Loss on impairment of assets	11,117	5,233	96		932
Gain on sale of assets, net	(4,425)	(1,171)	(512)		
Transaction costs	6,708	5,493	1,578	7,441	855
Write off of straight-line rents	1,553	6,593	2,903		
Stock based compensation	1,689	1,972	1,632	406	
Loss on extinguishment of debt	28	3,807	2,296		
Reserve for uncollectible loan receivables	6,531	1,512	750		
Change in fair value of derivatives			(2,931)	(6,988)	8,674
Adjusted EBITDA	$ 109,665	$ 93,672	$ 84,743	$ 78,498	$ 68,100

For a reconciliation of our cash flows provided by operating activities to EBITDA and Adjusted EBITDA, see page 14.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the risks described in Risk Factors and elsewhere in this prospectus. You should read the following discussion with Special Note Regarding Forward-Looking Statements, Selected Financial Data and the consolidated financial statements and related notes included elsewhere in this prospectus.

Overview

We are a self-administered REIT specializing in the ownership of post-acute and long-term care skilled nursing facilities, or SNFs. We have been in the business of investing in SNFs for over 30 years, including through our predecessors. Our properties are leased through triple-net leases to third-party operators who have responsibility for the operation of the facilities. We receive a cash rental stream from these operators under our leases. Our management team has an extensive track record and knowledge of healthcare real estate. We believe that we own one of the largest and highest-quality SNF portfolios in the United States. As of December 31, 2012, our portfolio consisted of 258 properties in 29 states leased to 38 tenants who represent many of the largest and most experienced operators in the industry. We have a geographically diversified portfolio, with no state representing more than 18.3% of our contractual rent as of December 31, 2012. Our properties are leased to a diversified group of tenants, with no single tenant representing more than 15.1% of our contractual rent as of December 31, 2012.

As a result of our many years of industry experience and excellent reputation in the industry, we have developed strong relationships with, and triple-net lease our properties to, many of the largest and most experienced operators in the United States. We cultivate long-term relationships with our tenants and, as of December 31, 2012, 70% of our properties are leased to tenants with whom we have had a relationship for at least five years, and many of our properties are leased to tenants with whom we have had a relationship for at least ten years. We believe we will continue to access potential new investment opportunities as a result of our relationships with existing tenants and our network of other market-leading operators.

We structure our triple-net leases to generate attractive returns on a long-term basis. Under our triple-net leases, our tenants are responsible for all operating costs and expenses related to the property, including maintenance and repair obligations and other capital expenditures. Our leases typically have initial terms of 10 years or more and include annual rent escalators of approximately 2%. We often enter into lease extensions during the term of the lease in connection with additional acquisitions, reinvestment projects and other opportunities that arise. Leases representing 99% of our contractual rent as of December 31, 2012 are supported by personal and/or corporate guarantees and 88% represent master leases or leases with cross-default provisions, and these provisions provide us with significant credit support for our rents. Our leases also typically require security deposits of several months rent. As of December 31, 2012, only 7% of our leases are scheduled to expire before 2018.

We finance investments through borrowings under our credit facilities, unsecured senior notes, issuances of equity securities, project-specific first mortgages or a combination of these methods. We compete with other public and private companies who provide lease and/or mortgage financing to operators of a variety of different types of healthcare properties. While the overall landscape for healthcare finance is competitive, we are disciplined and selective about the investments we make and have a strong track record of identifying qualified operators and attractive markets in which to invest. We have built a high-quality and strategically-diversified portfolio of tenants and properties with $128.4 million of contractual rent for the twelve months ending March 31, 2014 based on leases in place as of February 19, 2013. We also receive income from secured loan receivables and an asset under a direct financing lease, which together have a book value of $43.7 million as of

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December 31, 2012. Our scheduled rents for the twelve months ending March 31, 2014 exclude rent due under leases related to five properties that are currently held for sale by us, which are currently under non-binding letters of intent and we anticipate will be sold in the first half of 2013 for an aggregate purchase price of $6.9 million.

Factors Affecting Our Business and the Business of Our Operators

The continued success of our business is dependent on a number of macroeconomic and industry trends. Many of these trends will influence our ongoing ability to find suitable investment properties while other factors will impact our operators ability to conduct their operations profitably and meet their obligations to us.

Industry Trends

One of the primary trends affecting our business is the long-term increase in the average age of the U.S. population. This increase in life expectancy is expected to be a primary driver for growth in the healthcare and SNF industry. We believe this demographic trend is resulting in an increased demand for services provided to the elderly. We believe that the low cost healthcare setting of a SNF will benefit our operators and facilities in relation to higher-cost healthcare providers. We believe that these trends will support a growing demand for the services provided by SNF operators, which in turn will support a growing demand for our properties.

The growth in demand for services provided to the elderly has resulted in an increase in healthcare spending. The Centers for Medicare and Medicaid Services, or CMS, and the Office of the Actuary forecast that U.S. healthcare expenditures will increase from approximately $2.7 trillion in 2011 to approximately $4.8 trillion in 2021. Furthermore, according to CMS, national expenditures for SNFs are expected to grow from approximately $151 billion in 2011 to approximately $255 billion in 2021, representing a compound annual growth rate, or CAGR, of 5.4%.

Liquidity and Access to Capital

Our single largest cost is the interest expense we incur on our debt obligations. In order to continue to expand and optimize our capital to expand our portfolio, we rely on access to the capital markets on an ongoing basis. We seek to balance this goal against maintaining ready access to funds to make investments at the time opportunities arise. We have extensive experience in and a successful track record of raising debt and equity capital over the past 30 years.

Our indebtedness outstanding upon the consummation of this offering will be comprised principally of unsecured obligations under the Senior Notes and term loans secured by first mortgages.

Factors Affecting Our Operators Profitability

Our revenues are derived from rents we receive from triple-net leases with our operators. Certain economic factors present both opportunities and risks to our operators and, therefore, influence their ability to meet their obligations to us. Our operators revenues are largely derived from third-party sources. Therefore, we indirectly rely on these same third-party sources to obtain our rents. The majority of these third-party payments come from the federal Medicare program and state Medicaid programs. Our operators also receive payments from other third-party sources, such as private insurance companies or private-pay residents, but these payments typically represent a small portion of our operators revenues. The sources and amounts of our operators revenues are determined by a number of factors, including licensed bed capacity, occupancy rates, the healthcare needs of residents and the rate of reimbursement. Changes in the profile of the residents as well as the mix among payor types, including private pay, Medicare and Medicaid, may significantly affect our operators profitability and, in turn, their ability to meet their obligations to us. Managing, billing and successfully collecting third-party payments is a relatively complex activity that requires significant experience and is critical to the successful operation of a SNF. While our operators have experienced some volatility in reimbursement rates as a result of the implementation of a new Medicare classification called RUGS IV in 2011 and we are still assessing the impact of that regulatory change, we believe the quality mix of our portfolio and resulting reimbursement rates have remained relatively stable over recent years. In addition, our portfolio occupancy has remained stable over recent years, though we have seen an increase in recent quarters as certain operators have strategically focused on taking beds out of use in order to enhance the privacy of the resident s rooms and drive overall revenue. As a result of these relatively stable underlying metrics and the recent acquisitions of strongly performing facilities and divestitures of lower performing facilities, we have experienced a gradual increase in our EBITDARM and EBITDAR coverages in recent years.

Components of Our Revenues, Expenses and Cash Flow

Revenues

Our revenues consist primarily of the rents and associated charges we collect from our operators as stipulated in our long-term triple-net leases. In addition to rent under existing leases, a part of our revenues is made up of other cash payments owed to us by our operators. Additionally, we recognize certain non-cash revenues. These other cash and non-cash revenues are highlighted below. While not a significant part of our revenues, we also earn interest from a variety of secured loans outstanding.

Rental Income

Rental income represents rent under existing leases that is paid by our operators. In addition, this includes straight-line rental income relating to straight-lining of rents as well as rental income from intangible amortization. Both straight-line rental income and rental income from intangible amortization are explained in further detail below under Components of Cash Flow Cash Provided by Operations.

Substantially all of our leases have real estate escrow clauses that require our operators to make estimated payments to us to cover their current real estate tax obligations. We collect money for these taxes and are reimbursed by our operators and the net impact after making such payments is included in rental income.

Interest on Secured Loans

We earn interest on certain capital advances and secured loans we make to our operators for a variety of purposes, including for capital expenditures at our properties for which we receive additional rent. While we amend our leases to reflect the additional rent owed as a result of these income producing capital expenditures, we recognize the investment as a secured loan for accounting purposes when the lease term exceeds the useful life of the capital expenditure. In addition, we recognize contractual rent associated with direct financing leases, in part, as interest income.

Interest and other Income

We sweep our excess cash balances into overnight interest-bearing accounts.

Expenses

We recognize a variety of cash and non-cash charges in our financial statements. Our expenses consist primarily of the interest expense on the borrowings we incur in order to make our investments, depreciation and amortization, and the general and administrative costs associated with operating our business. These interest charges are associated with our Senior Notes, Term Loan, Acquisition Credit Line and 2016 Revolver as well as certain asset specific loans.

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Interest Expense

We recognize the interest we incur on our existing borrowings as an interest expense. Additionally, we incur non-cash charges that reflect costs incurred with arranging certain debt instruments. We generally recognize these costs over the term of the respective debt instrument for which the costs were incurred.

Depreciation and amortization

We incur depreciation and amortization expense on all of our long-lived assets. This non-cash expense is designed under generally accepted accounting principles, or GAAP, to reflect the economic useful lives of our assets.

General and Administrative

Our general and administrative costs consist primarily of payroll and payroll related expense, including non-cash stock based compensation. In addition to payroll, we incur accounting, legal and other professional fees as well as certain other administrative costs of running our business, along with certain expenses related to bank charges, franchise taxes, and corporate filing fees. Additionally, when we lease a property, we recognize related rent expense which is included in general and administrative expense. We have incurred increased costs associated with being a public filer since 2011 and expect only moderate increases in such costs following the listing of our common stock.

Transaction Costs

Transaction costs include costs incurred related to the acquisition, disposition or transition of real estate investments, inclusive of indemnity expense and other related items.

Loss on Impairments

We have implemented a policy that requires management to make quarterly assessments of the market value of our properties relative to the amounts at which we carry them on our balance sheet. This assessment requires a combination of factors. Certain subjective factors such as market condition and property condition are considered as well as lease structure. We consider these results in our assessment of whether potential impairment indicators are present. We utilize subjective financial modeling that compares the sum of the undiscounted cash flows from future contractual rents plus the terminal value against the depreciated book value of an asset. When undiscounted cash flows are less than the depreciated book value of an asset, we record a charge to reflect the asset at its estimated fair value.

Reserve for uncollectible secured loan receivables

Management periodically evaluates outstanding secured loans and notes receivable for collectability. When management identifies potential loan impairment indicators, such as nonpayment under the loan documents, impairment of the underlying collateral, financial difficulty of the operator, or other circumstances that may impair full execution of the loan documents, and management believes it is probable that all amounts will not be collected under the contractual terms of the loan, the loan is written down to the present value of the expected future cash flows. Loan impairment is monitored via a quantitative and qualitative analysis including credit quality indicators.

Change in Fair Value of Derivatives

We have implemented Accounting Standards Codification (ASC) 815, *Derivatives and Hedging* (ASC 815), which establishes accounting and reporting standards requiring that all derivatives, including certain derivative instruments embedded in other contracts, be recorded as either an asset or liability measured at their fair value unless they qualify for a normal purchase or normal sales exception. When specific hedge accounting criteria are not met, ASC 815 requires that changes in a derivative s fair value be recognized currently in earnings. All of the changes in the fair market values of our derivative instruments are recorded in the consolidated statements of operations and comprehensive income for our interest rate swaps that were terminated in September 2010. In

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November 2010, we entered into two interest rate swaps and account for changes in fair value of such hedges through changes in other comprehensive income as a component of equity in our financial statements via hedge accounting.

Gain on sale of assets, net

We record any gain resulting from the sale of assets at the time of sale. We record any losses resulting from the sale of assets at the time we enter into a definitive agreement for the sale of the asset.

Loss on Extinguishment of Debt

We recognize costs relating to extinguishing debt prior to initial termination dates when we incur them, including the non-cash write-off of deferred financing cost.

Cash Flow

Cash Provided by Operations

Cash provided by operations is derived largely from net income by adjusting our revenues for those amounts not collected in cash during the period in which the revenue is recognized and for cash collected that was billed in prior periods or will be billed in future periods. Net income is further adjusted by adding back expenses charged in the period that is not paid for in cash during the same period. We make our distributions based largely on cash provided by operations. Key non-cash add-backs, in addition to depreciation and the amortization of deferred financing charges, in deriving cash provided by operations are:

Straight-line Rental Income (loss)

We recognize straight-line rental income as a result of the accounting treatment of many of our long-term leases that include fixed rent escalation clauses. Because most of our leases contain fixed rent escalations, we straight-line our lease revenue recognition. Straight-lining involves spreading the rents we expect to earn during the term of a lease under its escalation clause over the lease term. As a result, during the first half of a lease term with a fixed escalation clause, we accrue a receivable for rents owed but not paid until future periods. During the second half of the lease term, our cash receipts exceed our recognized revenues and we amortize the receivable.

Rental Income from Intangible Amortization

We incur non-cash rental income adjustments from the amortization of certain intangibles resulting from the required application of purchase accounting in the initial recording of our real estate acquisitions. At the date of acquisition, all assets acquired and liabilities assumed are recorded at their respective fair value, including any value attributable to in-place lease agreements. Any identified above or below market lease intangible asset or liability is amortized over the remaining lease term as a non-cash adjustment to rental income.

Non-Cash Stock-Based Compensation

We incur non-cash expense associated with the share-based payments to certain employees. The share-based payments are in the form of stock options. Expense is recognized ratably with the vesting schedule based on the grant date fair value of the options.

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The following table represents the time-based option awards activity for the years ended December 31, 2012, 2011, and 2010, respectively.

	2012	2011	2010
Outstanding at January 1	1,417,246	1,320,050	
Granted	701,560	97,196	1,320,050
Exercised			
Cancelled/Forfeited	(161,973)		
Outstanding at December 31	1,956,833	1,417,246	1,320,050
Options exercisable at end of period			
Weighted average fair value of options granted	$ 2.20	$ 1.87	$ 1.80

The following table represents the time-based option awards outstanding cumulatively life-to-date for the years ended December 31, 2012, 2011, and 2010, respectively, as well as other Plan data:

	2012	2011	2010
Range of exercise prices	$ 16.56 - $18.87	$ 16.56 - $18.87	$ 16.56 - $17.96
Outstanding	1,956,833	1,417,246	1,320,050
Remaining contractual life (years)	8.30	8.71	9.72
Weighted average exercise price	$ 17.43	$ 16.75	$ 16.60

We use the Black-Scholes option pricing model to estimate the grant date fair value of the options. The following table includes the assumptions that were made in estimating the grant date fair value for options awarded in 2012, 2011 and 2010.

	2012	2011	2010
Weighted average dividend yield	7.54%	8.13%	10.28%
Weighted average risk-free interest rate	1.31%	2.02%	2.10%
Weighted average expected life	7 years	7 years	7 years
Weighted average estimated volatility	38.24%	38.10%	38.00%
Weighted average exercise price	$ 18.78	$ 18.80	$ 16.60
Weighted average fair value of options granted (per option)	$ 2.88	$ 2.78	$ 1.80

We recorded non-cash compensation expense of $1.3 million, $1.1 million and $0.3 million for the years ended December 31, 2012, 2011, and 2010, respectively, related to the time-based stock options accounted for as equity awards, as a component of general and administrative expenses in the consolidated statements of operations and comprehensive income.

At December 31, 2012, the total compensation expense related to outstanding, non-vested time based equity option awards that are expected to be recognized as compensation cost in the future aggregates to approximately $1.7 million.

For the year ended December 31,	Options

2013	$ 971,210
2014	490,052
2015	188,783
2016	33,662
Total	$ 1,683,707

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All unvested options issued under the MIP will become vested upon the consummation of this offering. Any such unvested options will be entitled to be paid accrued dividend equivalents upon vesting, which will be settled, net of withholding, by delivery of shares of our common stock in an amount based on the initial public offering price of our common stock. Accordingly, we expect to recognize a one-time non-cash charge of approximately $10.0 million in the quarter in which we consummate this offering.

Non-Cash Loss on Extinguishment of Debt

We incurred certain expense associated with the partial pre-payment of our secured mortgage term loan. Costs associated with the origination of this loan were capitalized and are being ratably expensed over the life of the loan. When we pre-paid this loan in part, we recognized a prorated non-cash expense write-off for the unamortized capitalized debt costs.

Reserve for Uncollected Rental Income and Uncollectable Secured Loan Receivable

We incur an expense estimate for a reserve based upon our historical collection record of billed rental income and collections of secured loan receivables.

Investing Activities

Cash used in investing activities consists of cash that is used during a period for making new investments, capital expenditures and secured operator loans offset by cash provided by investing activities from net secured loan receivables and sales of real estate investments.

Financing Activities

Cash provided by financing activities consists of cash we received from issuances of debt and equity capital. This cash provides the primary basis for the investments in new properties, capital expenditures and secured operator loans. While we may invest a portion of our cash from operations into new investments, as a result of our distribution requirements to maintain our REIT status, it is likely that additional debt or equity issuances will finance the majority of our investment activity. Cash used in financing activities consists of repayment of debt and distributions/dividends paid to partners/stockholders.

Results of Operations

The following is a discussion of the consolidated results of operations, financial position and liquidity and capital resources of Aviv REIT.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenues

Revenues increased $26.1 million, or 26.9%, from $97.0 million for the year ended December 31, 2011 to $123.2 million for the same period in 2012. The increase in revenue generally resulted from additional rent associated with the acquisitions and investments made during 2012 and acquisitions and investments not owned for the entire period in 2011, offset by an increase in bad debt expense.

Detailed changes in revenues for the year ended December 31, 2012 compared to the same period in 2011 were as follows:

Rental income increased $26.4 million, or 29.0%, from $91.0 million for the year ended December 31, 2011 to $117.4 million for the same period in 2012. The increase is primarily due to additional cash rent of approximately $24.9 million associated with the current year acquisitions and rent from 2011 acquisitions and investments not owned for the entire period, and additional income of approximately $5.0 million associated with the decrease in non-recurring straight-line rental income write-offs, offset by a $3.7 million increase in bad debt expense.

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Interest on secured loans decreased $0.6 million, or 10.8%, from $5.2 million for the year ended December 31, 2011 to $4.6 million for the same period in 2012. This decrease was primarily due to less interest earned in 2012 on loans related to two operators.

Interest and other income increased $0.3 million, or 33.8%, from $0.8 million for the year ended December 31, 2011 to $1.1 million for the same period in 2012. The increase was due to $1.1 million of non-recurring termination fee income and indemnity reimbursements in 2012 compared to non-recurring sales proceeds of $810,000 in 2011 from the sale of unoccupied licensed beds at two of our facilities.

Expenses

Expenses increased $33.7 million, or 39.4%, from $85.5 million for the year ended December 31, 2011 to $119.2 million for the same period in 2012. The increases were primarily due to an increase of $12.3 million of interest expense, $6.6 million of depreciation and amortization due to an increase of acquisitions and investment activity in 2012, $5.9 million of loss on impairment for ten facilities, $5.0 million related to the reserve for uncollectible secured loan receivables, and $5.1 million of increased general and administrative expenses.

Detailed changes in our expenses for the year ended December 31, 2012 compared to the same period in 2011 were as follows:

Interest expense increased $12.3 million, or 31.9%, from $38.7 million for the year ended December 31, 2011 to $51.0 million for the same period in 2012. The majority of the increase was due to an increase in bond and mortgage interest expense due to the increase in principal balance in 2012.

Depreciation and amortization expense increased $6.6 million, or 32.7%, from $20.3 million for the year ended December 31, 2011 to $26.9 million for the same period in 2012. The increase was primarily due to additional depreciation associated with newly acquired facilities in 2012 and a full year of depreciation for 2011 acquisitions that were not owned for the full period.

General and administrative expense increased $5.1 million, or 44.5%, from $11.4 million for the year ended December 31, 2011 to $16.5 million for the same period in 2012. These increases were primarily due to $1.4 million increase in office salaries due to new hires in 2012, $0.8 million increase in legal expenses, $0.6 million increase in tax preparation fees related to additional tax services provided in 2012, $0.6 million increase in professional fees related to consulting services, and $0.3 million increase in travel fees. General and administrative expense for 2012 included $2.6 million of non-recurring costs related to litigation, employee recruiting, legal and tax consulting projects and write-offs of state withholding tax receivables owed by certain of the operating partnership s limited partners relating to income allocated to such partners.

Transaction costs increased $1.2 million, or 22.1%, from $5.5 million for the year ended December 31, 2011 to $6.7 million for the same period in 2012. These increases were primarily due to a non-recurring lease termination fee of $2.4 million and an increase in the number of acquisitions in 2012 and related transaction costs, offset by a $2.0 million decrease in indemnity expense related to indemnity payments that were made in 2011 related to two tenants.

Loss on impairment expense increased $5.9 million from $5.2 million for the year ended December 31, 2011 to $11.1 million for the same period in 2012. The increase was a result of the anticipated loss on disposition of assets to be sold subsequent to December 31, 2012 based upon market comparables.

Reserve for uncollectible secured loan receivables increased $5.0 million from $1.5 million for the year ended December 31, 2011 to $6.5 million for the same period in 2012. This increase is primarily due to the expense incurred in

2012 to reserve against outstanding loan balances of an operator and the write-off of another operator s loan compared to the same period in 2011.

Gain on sale of assets decreased $1.2 million from a gain of $1.2 million for year ended December 31, 2011 to $0 for the same period in 2012. This decrease was due to the sale of non-strategic assets in 2011.

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Loss on extinguishment of debt decreased $3.8 million from $3.8 million for the year ended December 31, 2011 to $28,000 for the same period in 2012. This cost was a result of prepaying certain corporate indebtedness prior to maturity and the non-cash write-off of deferred financing costs.

Other expenses increased $0.1 million, or 50.0%, from $0.3 million for the year ended December 31, 2011 to $0.4 million for the same period in 2012. The increase is due to a full year of amortization on the earnout provision liability related to an acquisition that closed in May 2011.

Discontinued operations increased $4.8 million from a $0.2 million loss for the year ended December 31, 2011 to $4.6 million of income for the same period in 2012. The activity in both years is related to four facilities that were sold in 2012. The sales resulted in a gain on sale of $4.4 million in 2012.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Revenues

Revenues increased $7.6 million, or 8.6%, from $89.4 million for the year ended December 31, 2010 to $97.0 million for the same period in 2011. The increase in revenue generally resulted from additional rent associated with the acquisitions and investments made during 2011 and 2010 acquisitions and investments not owned for the entire period, offset by the write-off of straight-line rental income as a result of owned assets being transitioned to new operators resulting in new lease agreements.

Detailed changes in revenues for the year ended December 31, 2011 compared to the same period in 2010 were as follows:

Rental income increased $6.9 million, or 8.2%, from $84.1 million for the year ended December 31, 2010 to $91.0 million for the same period in 2011. The increase is primarily due to additional cash rent of approximately $13.5 million associated with the current year acquisitions and rent from 2010 acquisitions and developments not owned for the entire period and an increase of $0.7 million associated with rent from reinvestment in existing properties and in-place lease escalators offset by an increase in write-offs of straight-line rental income of approximately $3.7 million as a result of owned assets being transitioned to new operators resulting in new lease agreements for the year ended December 31, 2011 as compared to the same period in 2010 and a decrease of $3.6 million of rental income associated with rent concessions on transitioned properties in 2011 as compared to the same period in 2010.

Interest on secured loans remained consistent over the fiscal periods.

Interest and other income increased $0.7 million from $0.1 million for the year ended December 31, 2010 to $0.8 million for the same period in 2011. The increase was primarily due to non-recurring $810,000 of sales proceeds from the sale of unoccupied licensed beds at two of our facilities.

Expenses

Expenses increased $33.4 million, or 64.2%, from $52.1 million for the year ended December 31, 2010 to $85.5 million for the same period in 2011. The increases were primarily due to an increase of $15.0 million of interest expense, $5.1 million of loss on impairment for two facilities, $3.9 million of transaction costs in conjunction with the 2011 acquisitions, $3.1 million of depreciation and amortization due to an increase of acquisitions and investment activity in 2011, and $2.9 million related to the change in fair value of derivatives and was recognized in 2010.

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Detailed changes in our expenses for the year ended December 31, 2011 compared to the same period in 2010 were as follows:

Interest expense increased $15.0 million, or 62.9%, from $23.7 million for the year ended December 31, 2010 to $38.7 million for the same period in 2011. The majority of the increase was due to an increase in the interest rate on our debt associated with our credit facilities and senior notes. Additionally, there was a $1.7 million increase in the amortization of deferred financing fees due to related to costs capitalized for new financings and subsequent amortization.

Depreciation expense increased $3.1 million, or 17.5%, from $17.2 million for the year ended December 31, 2010 to $20.3 million for the same period in 2011. The increase was a result of an increase in depreciation expense associated with newly acquired facilities described above in 2011 and a full year of depreciation for 2010 acquisitions that were not owned for the full period.

General and administrative expense increased $1.6 million, or 16.3%, from $9.8 million for the year ended December 31, 2010 to $11.4 million for the same period in 2011. These increases were primarily due to $0.7 million increase in office salaries and share based compensation, as well as a $0.3 million increase in insurance premiums, an increase of $0.3 million due to an increase in income tax expense as a result of the merger, and an increase of $0.3 million in licenses and fees as a result of a one-time reduction in the 2010 expense related to a recovery of previously paid amounts.

Transaction costs increased $3.9 million, or 248.1%, from $1.6 million for the year ended December 31, 2010 to $5.5 million for the same period in 2011. These increases were primarily due to an increase in acquisitions and investments made during 2011 compared to 2010.

Loss on impairment expense increased $5.1 million from $0.1 million for the year ended December 31, 2010 to $5.2 million for the same period in 2011. The increase was a result of the anticipated loss on disposition of assets to be sold subsequent to December 31, 2011 based upon market comparables.

Reserve for uncollectible secured loan receivables increased $0.7 million, or 101.6%, from $0.8 million for the year ended December 31, 2010 to $1.5 million for the same period in 2011. This increase is primarily due to the expense incurred in 2011 to reserve against outstanding loan balances of an additional operator compared to the same period in 2010.

Income relating to the change in fair value of derivatives decreased $2.9 million from a gain of $2.9 million in the year ended December 31, 2010 to $0 in the same period in 2011. We settled our existing swaps in September 2010 as part of our debt refinancing. We entered into new swap arrangements in November 2010 that have been deemed to be eligible for hedge accounting, and such changes are reported in accumulated other comprehensive income within the consolidated statement of changes in equity, exclusive of ineffectiveness amounts, which are recognized as adjustments to net income.

Gain on sale of assets increased $0.7 million, or 128.9%, from $0.5 million for year ended December 31, 2010 to $1.2 million for the same period in 2011. This increase was due to the sale of assets that were held for strategic repositioning.

Loss on extinguishment of debt increased $1.5 million, or 65.8%, from $2.3 million for the year ended December 31, 2010 to $3.8 million for the same period in 2011. This cost was a result of prepaying certain corporate indebtedness prior to maturity and the non-cash write-off of deferred financing costs.

Other expenses increased $0.3 million from $0 for the year ended December 31, 2010 to $0.3 million for the same period in 2011. The increase is due to the amortization of an earnout provision liability related to an acquisition that closed in May 2011.

Discontinued operations are materially consistent period over period.

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Liquidity and Capital Resources

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings. We believe that the net cash provided by operations, availability under our New Term Loan and New Revolver and the net proceeds from this offering will be adequate to fund our operating requirements, debt service and the payment of dividends in accordance with REIT requirements of the U.S. federal income tax laws for the next twelve months. We intend to make a regular distribution to our stockholders prior to this offering and the limited partners in our operating partnership of approximately $10.7 million with respect to the period from January 1, 2013 through the consummation of this offering funded by cash generated from our operations during that period. We expect to meet our long-term liquidity requirements, such as scheduled debt maturities, property acquisitions and new construction and reinvestment projects, through long-term secured and unsecured borrowings, the issuance of additional equity securities or, in connection with acquisitions of additional properties, the issuance of OP Units of our operating partnership.

We intend to repay indebtedness incurred under our credit facilities from time to time, to provide capacity for acquisitions or otherwise, out of cash flow and from the proceeds of issuances of unsecured notes, additional common shares and other securities.

We intend to invest in additional properties and portfolios as suitable opportunities arise and adequate sources of financing are available. We are currently evaluating additional potential investments consistent with the normal course of our business. These potential investments are in various stages of evaluation with both existing and new operators and include acquisitions, construction projects, capital reinvestment projects and other investment opportunities. There can be no assurance as to whether or when any portion of these investments will be completed. Our ability to complete investments is subject to a number of risks and variables, including our ability to negotiate mutually agreeable terms with the counterparties and our ability to finance the purchase price. We may not be successful in identifying and consummating suitable acquisitions or investment opportunities, which may impede our growth and negatively affect our results of operations and may result in the use of a significant amount of management resources. We expect that future investments in properties will depend on and will be financed by, in whole or in part, our existing cash, borrowings, including under our New Term Loan and New Revolver and unsecured notes or the proceeds from additional issuances of common shares, issuances of OP Units or other securities.

Indebtedness Outstanding

Our indebtedness outstanding is comprised principally of borrowings under our Senior Notes, Term Loan, Acquisition Credit Line, 2014 Revolver and 2016 Revolver. As of December 31, 2012, we had total indebtedness of approximately $705.2 million outstanding, including $400.0 million of indebtedness with respect to our Senior Notes (excluding $3.2 million of net debt premium balance related to the Notes), $192.2 million with respect to our Term Loan, $18.9 million with respect to our Acquisition Credit Line, $69.4 million with respect to our 2016 Revolver and no indebtedness outstanding under our 2014 Revolver. Substantially all of such indebtedness is scheduled to mature in late 2015 or thereafter. We intend to repay and terminate our Term Loan, Acquisition Credit Line, 2014 Revolver and 2016 Revolver using the proceeds of this offering and the New Term Loan and, if necessary, our New Revolver. The proposed terms of our New Revolver and New Term Loan are described under Description of Indebtedness on page 109.

Senior Notes

On February 4, 2011, April 5, 2011, and March 28, 2012, we, through Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Capital Corporation (the Issuers), issued $200 million, $100 million, and $100 million, respectively, of 7 3/4% Senior Notes due 2019 (the Senior Notes), in a series of private placements. The Issuers subsequently conducted an exchange offer in which all of the Senior Notes issued in the

aforementioned private placements were exchanged for freely tradable notes that have been registered under the Securities Act. The Issuers are majority owned subsidiaries of Aviv REIT. The obligations under the Senior Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by Aviv REIT and certain of our existing and, subject to certain exceptions, future subsidiaries.

The Senior Notes are unsecured senior obligations of the Issuers and will mature on February 15, 2019. The Senior Notes bear interest at a rate of 7.75% per annum, payable semiannually to holders of record at the close of business on the February 1 or the August 1 immediately preceding the interest payment dates of February 15 and August 15 of each year. A premium of $2.75 million and $1.00 million was associated with the offering of the $100 million of Senior Notes on April 5, 2011 and the $100 million of Senior Notes on March 28, 2012, respectively. The premium will be amortized as an adjustment to the yield on the Senior Notes over their term. The net proceeds from the offerings of the Senior Notes were used to repay all outstanding indebtedness under our Acquisition Credit Line, partially repay indebtedness outstanding under our Term Loan and, together with proceeds from additional equity investments made by our stockholders, to fund pending investments.

The Senior Notes are redeemable at the option of the Issuers, in whole or in part, at any time, and from time to time, on or after February 15, 2015, at the redemption prices set forth in the indenture governing the Senior Notes (the Indenture), plus accrued and unpaid interest to the applicable redemption date. In addition, prior to February 15, 2015, the Issuers may redeem all or a portion of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus a make-whole premium, plus accrued and unpaid interest to the applicable redemption date. At any time, or from time to time, on or prior to February 15, 2014, the Issuers may redeem up to 35% of the principal amount of the Senior Notes, using the proceeds of specific kinds of equity offerings, at a redemption price of 107.75% of the principal amount to be redeemed, plus accrued and unpaid interest, if any, to the applicable redemption date.

The Indenture governing the Senior Notes contains restrictive covenants that, among other things, restrict the ability of Aviv REIT, the Issuers and their restricted subsidiaries to: (i) incur or guarantee additional indebtedness; (ii) incur or guarantee secured indebtedness; (iii) pay dividends or distributions on, or redeem or repurchase, their capital stock; (iv) make certain investments or other restricted payments; (v) sell assets; (vi) create liens on their assets; (vii) enter into transactions with affiliates; (viii) merge or consolidate or sell all or substantially all of their assets; and (ix) pay dividends or other amounts to Aviv REIT. The Indenture also provides for customary events of default, including, but not limited to, the failure to make payments of interest or premium, if any, on, or principal of, the Senior Notes, the failure to comply with certain covenants and agreements specified in the Indenture for a period of time after notice has been provided, the acceleration of other indebtedness resulting from the failure to pay principal on such other indebtedness prior to its maturity, and certain events of insolvency. If any event of default occurs, the principal of, premium, if any, and accrued interest on all the then outstanding Senior Notes may become due and payable immediately.

Term Loan and Acquisition Credit Line

On September 17, 2010, we, through an indirectly-owned subsidiary, entered into a five year credit agreement with General Electric Capital Corporation, which was amended and restated on May 31, 2012. The credit agreement provides a $405.0 million mortgage term loan and a $100.0 million acquisition credit line, which we refer to as the Term Loan and the Acquisition Credit Line, respectively.

Principal payments on the Term Loan are payable in monthly installments. The payment schedule for the Term Loan is based upon a 25-year mortgage style amortization. Interest rates, at our option, are based upon the base rate or Eurodollar rate (0.36% at December 31, 2012, with a 1.25% floor) plus 4.5%. The base rate, as defined in the Credit Agreement, is the rate announced from time to time by Bank of America, N.A. as its prime rate . This loan matures on September 17, 2015 with two one-year extension options provided that certain conditions precedent for the extensions are satisfied, including, without limitation, payment of a fee equal to 0.25% of the then existing principal balance of the Term Loan and the Acquisition Credit Line and meeting certain debt service coverage and debt yield tests.

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Our Acquisition Credit Line may be used for financing acquisitions and certain property improvements. On each payment date, we pay interest only in arrears on any outstanding principal balance of the Acquisition Credit Line, except after the Acquisition Credit Line draw termination date (described below). Interest rates, at our option, are based upon the base rate or Eurodollar base rate (0.36% at December 31, 2012, with a 1.25% floor) plus 4.5%. The base rate, as defined in the Credit Agreement, is the rate announced from time to time by Bank of America, N.A. as its prime rate . Additionally, an unused fee equal to 1% per annum of the daily unused balance on the Acquisition Credit Line is due monthly. Draws on the Acquisition Credit Line are limited to 70% of the total cost of the applicable acquisition or renovation and draws for renovation projects are further limited to an aggregate of $25.0 million outstanding at any one time. The ability to draw on the Acquisition Credit Line terminates in September 2013 at which time principal and interest are payable until its maturity date in September 2015.

The Term Loan and the Acquisition Credit Line contain customary covenants that include restrictions on the ability to make acquisitions and other investments, pay dividends, incur additional indebtedness, and sell or otherwise transfer certain assets as well as customary events of default. The Term Loan and the Acquisition Credit Line generally require the consolidated borrowers under the facility to maintain a debt service coverage ratio of 1.50:1.00 and a distribution coverage ratio of 1.10:1.00. In addition, we must maintain a debt service coverage ratio of 1.25:1.00 and a debt yield ratio of greater than 17.25%. We are permitted to include cash on hand in calculating our debt yield ratio.

Immediately following any draw on the Acquisition Credit Line, both before and after giving effect to such draw, the consolidated borrowers under the Term Loan and the Acquisition Credit Line must have a pro forma debt yield ratio of at least 18%. Our debt yield ratio is the ratio of (i) either consolidated EBITDA or rental revenue for the most recently completed two fiscal quarter period times two to (ii) the average daily outstanding principal balance of loans outstanding under the Term Loan and the Acquisition Credit Line during the period.

2016 Revolver

On January 31, 2012, we, through an indirectly-owned subsidiary, entered into a $187.5 million secured revolving credit facility with General Electric Capital Corporation (the 2016 Revolver). On each payment date, we pay interest only in arrears on any outstanding principal balance of the 2016 Revolver. The interest rate under our 2016 Revolver is generally based on LIBOR (subject to a floor of 1.0%) plus 4.25%. The initial term of 2016 Revolver expires on January 31, 2016 with a one-year extension option, provided that certain conditions precedent are satisfied. The proceeds from the 2016 Revolver are available for general corporate purposes. The amount of the 2016 Revolver may be increased, upon lenders consent, by up to $87.5 million (resulting in total availability of up to $275 million), provided that certain conditions precedent are satisfied.

The 2016 Revolver is secured by first lien mortgages on certain of our properties, a pledge of the capital stock of our subsidiaries that own such properties and of the holding company of such property-owning subsidiaries and other customary collateral, including an assignment of leases and rents with respect to such mortgaged properties. The borrowing availability under the 2016 Revolver is subject to a borrowing base calculation based on, among other factors, the lesser of (i) 70% of the appraised value of the properties securing the 2016 Revolver, (ii) the aggregate EBITDAR (earnings before interest expense, income taxes, depreciation and amortization, rent expense paid to us and certain other extraordinary items) reported by the tenants of the properties securing the 2016 Revolver for the most recent two fiscal quarters *multiplied* by 2 *divided* by 18.6% and (iii) rental revenue from the properties securing the 2016 Revolver for the most recent two fiscal quarters *multiplied* by 2 *divided* by 15.5%.

The maximum availability under the 2016 Revolver may be permanently reduced, at the our option, provided that, if such reduction is a partial reduction of the maximum availability under the 2016 Revolver and occurs prior to January 31, 2013, a fee of 0.5% will be due on the amount of such reduction. The outstanding principal under the 2016 Revolver may be repaid in whole or in part without premium or penalty, provided that

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such prepayments (i) are made in a minimum principal amount of $2,000,000 and integral multiples of $1,000,000 in excess thereof and (ii) are made no more than once per month.

The 2016 Revolver provides that no loans or other extensions of credit can be made under the 2016 Revolver unless the maximum amount available under the 2014 Revolver (based on the borrowing base calculation as of the relevant date) has been drawn.

The 2014 Revolver and 2016 Revolver contain customary covenants that include restrictions on the ability to make acquisitions and other investments, pay dividends, incur additional indebtedness, and sell or otherwise transfer certain assets as well as customary events of default. The 2014 Revolver and 2016 Revolver also require us to comply with specified financial covenants, which include a maximum leverage ratio, a minimum fixed charge coverage ratio and a minimum tangible net worth requirement. We are permitted to include cash on hand in calculating our leverage ratio under both the 2014 Revolver and 2016 Revolver.

2014 Revolver

In conjunction with the Senior Notes issuance on February 4, 2011, we, through an indirectly-owned subsidiary, entered into a $25 million secured revolving credit facility with Bank of America (the 2014 Revolver). On each payment date, we pay interest only in arrears on any outstanding principal balance of the 2014 Revolver. The interest rate under our 2014 Revolver is generally based on LIBOR (subject to a floor of 1.0% and subject to our option to elect to use an alternate base rate) plus a margin that is determined by our leverage ratio from time to time. As of December 31, 2012 the interest rates are based upon the base rate (3.25% at December 31, 2012) plus the applicable percentage based on the consolidated leverage ratio (3.25% at December 31, 2012). The foregoing base rate is the highest of (i) the federal funds rate plus 0.5%, (ii) the rate announced by Bank of America as the prime rate , and (iii) the eurodollar rate. Additionally, an unused fee equal to 0.5% per annum of the daily unused balance on the Revolver is payable quarterly in arrears. The initial term of the 2014 Revolver expires on February 4, 2014 with a one-year extension option, provided that certain conditions precedent are satisfied. The proceeds from the 2014 Revolver are available for general corporate purposes.

The borrowing availability under the 2014 Revolver is subject to a borrowing base calculation based on, among other factors, the lesser of (i) the amount of a hypothetical mortgage loan based on annualized net revenues (on a pro forma basis for recently acquired properties) and (ii) 65% of the appraised value, in each case, of the properties securing the 2014 Revolver. The maximum availability under the 2014 Revolver may be permanently reduced at our option. We have the right, upon lenders consent, to increase the amount of the 2014 Revolver by up to $75.0 million (resulting in total availability of $100.0 million), provided that certain conditions precedent are satisfied.

On January 23, 2012, the outstanding balance of the 2014 Revolver was repaid and the properties securing the facility were released. However, the 2014 Revolver remains effective, and we may transfer properties to our indirectly-owned subsidiary in the future, thereby creating borrowing availability under the facility.

Other Loans

On November 1, 2010, an indirectly-owned subsidiary entered into two acquisition loan agreements on the same terms that provided for borrowings of $7.8 million. Principal and interest payments are due monthly beginning on December 1, 2010 through the maturity date of December 1, 2015. Interest is a fixed rate of 6.00%. These loans are secured by a skilled nursing facility controlled by such subsidiary.

On June 15, 2012, an indirectly-owned subsidiary assumed a HUD loan with a balance of approximately $11.5 million. The loan originated in November 2009 with a maturity date of October 1, 2044, and is based on a 35-year amortization schedule. Interest is at a fixed rate of 5.00%. We are obligated to pay the remaining principal and interest payments of the loan. A premium of $2.5 million was associated with the assumption of debt and will be amortized as an adjustment to interest expense on the HUD loan over its term.

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Contractual Obligations

The following table shows the amounts due in connection with the contractual obligations described above as of December 31, 2012 (including future interest payments):

	Payments Due by Period				
	Less than 1 Year	1-3 Years	3-5 Years (in thousands)	More than 5 Years	Total
Mortgage notes payable and other debt	$ 22,355	$ 247,110 (1)	$ 71,103	$ 19,141	$ 359,709
7 3/4% Senior Notes due 2019(2)	31,000	62,000	62,000	436,167	591,167
Total	$ 53,355	$ 309,110 (1)	$ 133,103	$ 455,308	$ 950,876

(1) Primarily relates to indebtedness under our Term Loan and Acquisition Credit Line maturing in September 2015. Does not give effect to any amounts to be drawn under the acquisition credit line which would also mature in September 2015. See Term Loan and Acquisition Credit Line above.

(2) Reflects $400 million outstanding for our 7 3/4% Senior Notes due 2019.

The following table shows the amounts due in connection with the contractual obligations described above (including future interest payments) on a pro forma basis assuming our the application of the net proceeds of this offering to reduce our indebtedness had occurred as of December 31, 2012:

	Payments Due by Period				
	Less than 1 Year	1-3 Years	3-5 Years (in thousands)	More than 5 Years	Total
Senior notes payable and other debt	$ 1,277	$ 9,801	$ 1,431	$ 19,141	$ 31,650
7 3/4% Senior Notes due 2019	31,000	62,000	62,000	436,167	591,167
Total	$ 32,277	$ 71,801	$ 63,431	$ 455,308	$ 622,817

Cash Flows

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Cash provided by operations decreased $7.6 million, or 14.6%, from $52.1 million for the year ended December 31, 2011 to $44.5 million for the same period in 2012. The decrease was primarily due to a decrease in net income for the year ended December 31, 2012 compared to the same period in 2011 and a decrease in the change in assets and liabilities.

Cash used in investing activities decreased $22.4 million, or 10.8%, from $207.1 million for the year ended December 31, 2011 to $184.7 million for the same period in 2012. This decrease was primarily due to the decrease in acquisition and investment activity for the year ended December 31, 2012 compared to the same period in 2011.

Cash provided by financing activities decreased $65.6 million, or 35.9%, from $182.8 million for the year ended December 31, 2011 to $117.2 million for the same period in 2012. The decrease was primarily due to net debt activity in 2011 exceeding net debt activity in 2012 by $66.5 million.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Cash provided by operations decreased $2.6 million, or 4.7%, from $54.7 million for the year ended December 31, 2010 to $52.1 million for the same period in 2011. The decrease was due to a decrease in net income for the year ended December 31, 2011 compared to the same period in 2010.

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Cash used in investing activities increased $131.9 million from $75.1 million for the year ended December 31, 2010 to $207.1 million for the same period in 2011. This increase was largely due to the increase in acquisition and investment activity in the year ended December 31, 2011, as compared to the same period in 2010.

Cash provided by financing activities increased $164.9 million from $17.9 million for the year ended December 31, 2010 to $182.8 million for the same period in 2011. The increase was primarily due to the $159.9 million increase in outstanding debt and $40.4 million equity issuance during the period used for investment activity. No cash was used to redeem partnership units in 2011 as was the case in the same period in 2010 along with an additional deferred contribution of $35.0 million.

Summary of Significant Accounting Policies

Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Aviv REIT, Aviv Healthcare Properties Limited Partnership, the Operating Partnership, and all controlled subsidiaries and joint ventures. We consider ourselves to control an entity if we are the majority owner of and have voting control over such entity or the power to control a variable interest entity. The portion of the net income or loss attributed to third parties is reported as net income allocable to noncontrolling interests on the consolidated statements of operations and comprehensive income, and such parties portion of the net equity in such subsidiaries is reported on the consolidated balance sheets as noncontrolling interests. All significant intercompany balances and transactions have been eliminated in consolidation.

Real Estate Investments

We periodically assess the carrying value of real estate investments and related intangible assets in accordance with ASC 360, Property, Plant, and Equipment (ASC 360), to determine if facts and circumstances exist that would suggest that assets might be impaired or that the useful lives should be modified. In the event impairment in value occurs and a portion of the carrying amount of the real estate investments will not be recovered in part or in whole, a provision will be recorded to reduce the carrying basis of the real estate investments and related intangibles to their estimated fair value. The estimated fair value of our real estate investments is determined by using customary industry standard methods that include discounted cash flow and/or direct capitalization analysis or estimated cash proceeds received upon the anticipated disposition of the asset from market comparables.

Revenue Recognition

Rental income is recognized on a straight-line basis over the term of the lease when collectibility is reasonably assured. Differences between rental income earned and amounts due under the lease are charged or credited, as applicable, to straight-line rent receivable. Income recognized from this policy is titled straight-line rental income. Additional rents from expense reimbursements for insurance, real estate taxes and certain other expenses are recognized in the period in which the related expenses are incurred and the net impact is reflected in rental income on the consolidated statements of operations and comprehensive income.

Lease Accounting

We, as lessor, make a determination with respect to each of our leases whether they should be accounted for as operating leases or direct financing leases. The classification criteria is based on estimates regarding the fair value of the leased facilities, minimum lease payments, effective cost of funds, the economic life of the facilities, the existence of a bargain purchase option, and certain other terms in the lease agreements. Payments received under operating leases are accounted for in the statements of operations and comprehensive income as rental income for actual rent collected plus or minus a straight-line adjustment for estimated minimum lease escalators. Assets subject to operating leases are reported as real estate investments in the consolidated balance sheets. For facilities leased as direct financing arrangements, an asset equal to our net initial investment is established on the balance sheet titled assets under direct financing leases. Payments received under the financing lease are bifurcated between interest income and principal amortization to achieve a consistent yield over the stated lease term using the interest method. Principal amortization (accretion) is reflected as an adjustment to the asset subject to a financing lease.

All of our leases contain fixed or formula-based rent escalators. To the extent that the escalator increases are tied to a fixed index or rate, lease payments are accounted for on a straight-line basis over the life of the lease.

Secured Loan Receivables

Secured loan receivables consist of capital improvement loans and secured loans to operators. Capital improvement loans represent the financing provided by us to the operator for capital improvements, furniture, fixtures, and equipment while the operator is operating the facility. Secured loans to operators represent financing provided by us to operators for working capital needs. Secured loan receivables are carried at their principal amount outstanding. Management periodically evaluates outstanding secured loans and notes receivable for collectability on a loan-by-loan basis. When management identifies potential loan impairment indicators, such as nonpayment under the loan documents, impairment of the underlying collateral, financial difficulty of the operator, or other circumstances that may impair full execution of the loan documents, and management believes it is probable that all amounts will not be collected under the contractual terms of the loan, the loan is written down to the present value of the expected future cash flows. Loan impairment is monitored via a qualitative and quantative analysis including credit quality indicators and it is reasonably possible that a change in the estimate could occur. As of December 31, 2012 and December 31, 2011, secured loan receivable reserves amounted to $0.3 million and $2.2 million, respectively. No other circumstances exist that would suggest that additional reserves are necessary at the balance sheet dates.

Stock-Based Compensation

We follow ASC 718, Stock Compensation (ASC 718), which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statements of operations and comprehensive income based on their grant date fair values. On September 17, 2010, we adopted a 2010 Management Incentive Plan (the Plan) as part of the transaction with Lindsay Goldberg. A pro-rata allocation of non-cash stock-based compensation expense is made to Aviv REIT and noncontrolling interests for awards granted under the Plan. The Plan s non-cash stock-based compensation expense by us through December 31, 2011 is summarized in Footnote 9 to our consolidated financial statements.

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Fair Value of Financial Instruments

ASC 820, Fair Value Measurements and Disclosures (ASC 820), establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1	Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets;
Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Our interest rate swaps are valued using models developed internally by the respective counterparty that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy.

Cash and cash equivalents and derivative financial instruments are reflected in the accompanying consolidated balance sheets at amounts considered by management to reasonably approximate fair value. Management estimates the fair value of our long-term debt using a discounted cash flow analysis based upon our current borrowing rate for debt with similar maturities and collateral securing the indebtedness. We had outstanding senior notes payable and other debt obligations with a carrying value of approximately $705.2 million and $600.5 million as of December 31, 2012 and December 31, 2011, respectively. The fair values of debt as of December 31, 2012 and 2011 were $720.8 million and $597.7 million, respectively, based upon interest rates available to us on similar borrowings (Level 3). Management estimates the fair value of its secured loan receivables using a discounted cash flow analysis based upon our current interest rates for secured loan receivables with similar maturities and collateral securing the indebtedness. We had outstanding secured loan receivables with a carrying value of $32.6 million and $33.0 million as of December 31, 2012 and December 31, 2011, respectively. The fair value of secured loan receivables as of December 31, 2012 and 2011 approximate its carrying value based upon interest rates available to us on similar borrowings.

Derivative Instruments

We have implemented ASC 815, Derivatives and Hedging (ASC 815), which establishes accounting and reporting standards requiring that all derivatives, including certain derivative instruments embedded in other contracts, be recorded as either an asset or liability measured at their fair value unless they qualify for a normal purchase or normal sales exception. When specific hedge accounting criteria are not met, ASC 815 requires that changes in a derivative s fair value be recognized currently in earnings. Changes in the fair market values of our derivative instruments are recorded in the consolidated statements of operations and comprehensive income if the derivative does not qualify for or we do not elect to apply hedge accounting. If the derivative is deemed to be eligible for hedge accounting, such changes are reported in accumulated other comprehensive income within the consolidated statement of changes in equity, exclusive of ineffectiveness amounts, which are recognized as adjustments to net income. All of the changes in the fair market values of our derivative instruments are recorded in the consolidated statements of operations and comprehensive income for our interest rate swaps that were terminated in September 2010. In November 2010, we entered into two interest rate swaps and account for changes in fair value of such hedges through accumulated other comprehensive (loss) income in equity in our financial statements via hedge accounting. Derivative contracts are not entered into for trading or speculative purposes. Furthermore, we have a policy of only entering into contracts with major financial institutions based upon their credit rating and other factors. Under certain circumstances, we may be required to replace a counterparty in the event that the counterparty does not maintain a specified credit rating.

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Income Taxes

For U.S. federal income tax purposes, we elected, with the filing of our initial IRS Form 1120-REIT, U.S. Income Tax Return for Real Estate Investment Trusts, to be taxed as a REIT effective as of the transaction with Lindsay Goldberg that occurred on September 17, 2010. To qualify as a REIT, we must meet certain organizational, income, asset and distribution tests. We currently intend to comply with these requirements and maintain REIT status. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and, if the relief provisions under the Code and Treasury regulations do not apply, may not elect REIT status for four subsequent years. However, we may still be subject to federal excise tax. In addition, we may be subject to certain state and local income and franchise taxes. Historically, we and our predecessor have generally only incurred certain state and local income and franchise taxes, but these amounts were immaterial in each of the periods presented. Prior to the transaction with Lindsay Goldberg, our predecessor partnership was a limited partnership and the consolidated operating results were included in the income tax returns of the individual partners. No uncertain income tax positions exist as of December 31, 2011 or December 31, 2010, respectively.

Purchase Accounting

We allocate the purchase price of facilities between net tangible and identified intangible assets acquired and liabilities assumed as a result of purchasing the business and subsequently leasing the business to third party operators. We make estimates of the fair value of the tangible and intangible assets and acquired liabilities using information obtained from multiple sources as a result of preacquisition due diligence, marketing, leasing activities of our diverse operator base, industry surveys of critical valuation metrics such as capitalization rates, discount rates and leasing rates and appraisals obtained as a requirement of the Term Loan (Level 3). We allocate the purchase price of facilities to net tangible and identified intangible assets acquired based on their fair values in accordance with the provisions of ASC 805, Business Combinations (ASC 805). The determination of fair value involves the use of significant judgment and estimation.

We determine fair values as follows:

Other assets acquired and other liabilities assumed are valued at stated amounts, which approximate fair value.

Real estate investments are valued using discounted cash flow projections that assume certain future revenue and costs and consider capitalization and discount rates using current market conditions.

We allocate the purchase price of facilities to net tangible and identified intangible assets acquired and liabilities assumed based on their fair values.

Assumed debt balances are valued at fair value, with the computed discount/premium amortized over the remaining term of the obligation.

We determine the value of land either based on real estate tax assessed values in relation to the total value of the asset, internal analyses of recently acquired and existing comparable properties within our portfolio, or third party appraisals. The fair value of in-place leases, if any, reflects: (i) above and below-market leases, if any, determined by discounting the difference between the estimated current market rent and the in-place rentals, the resulting intangible asset or liability of which is amortized to rental revenue over the remaining life of the associated lease plus any fixed rate renewal periods if applicable; (ii) the estimated value of the cost to obtain operators, including operator allowances, operator improvements, and leasing commissions, which is amortized over the remaining life of the associated lease; and (iii) an estimated value of the absorption period to reflect the value of the rents and recovery costs foregone during a reasonable lease-up period as if the acquired space was vacant, which is amortized over the remaining life of the associated lease. We also estimate the value of operator or other customer relationships acquired by considering the nature and extent of existing business relationships with the operator, growth prospects for developing new business with such operator, such operator s credit quality, expectations of lease renewals with such operator, and the potential for significant, additional future leasing arrangements with such operator. We amortize such value, if any, over the expected term of the

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associated arrangements or leases, which would include the remaining lives of the related leases. The amortization is included in the consolidated statements of operations and comprehensive income in rental income. Generally, our purchase price allocation of the purchased business and subsequent leasing of the business to unrelated third party operators does not include an allocation to intangible assets or intangible liabilities, as they are either immaterial or do not exist.

Discontinued Operations

In accordance with ASC 205-20, *Presentation of Financial Statements-Discontinued Operations* (ASC 205-20), the results of operations to the actual or planned disposition of rental properties are reflected in the consolidated statements of operations and comprehensive income as discontinued operations for all periods presented.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current financial statement presentation, with no effect on our consolidated financial position or results of operations.

JOBS Act

Jumpstart Our Business Startups Act of 2012

The JOBS Act permits us, as an emerging growth company, to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to opt out of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

Aviv REIT, Inc.

We were incorporated as a Maryland corporation on July 30, 2010 and operate in a manner intended to allow us to qualify as a REIT for U.S. federal income tax purposes. We are a holding company and our primary asset is our partnership interest in our operating partnership. See Prospectus Summary Our Structure.

Quantitative and Qualitative Disclosures About Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We use some derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based on their credit rating and other factors.

We entered into a swap arrangement on November 5, 2010 to hedge $200 million of floating rate debt. If LIBOR were to increase by 100 basis points, we do not expect there would be any significant effect on the interest expense on our pro forma variable rate debt as our floating rate credit agreement is subject to a LIBOR floor of 125 basis points. Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure. The fair value of our debt outstanding as of December 31, 2012 was approximately $720.8 million.

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OUR INDUSTRY

Healthcare REIT Industry

The healthcare real estate investment trust, or REIT, industry represents a subset of the broader REIT market dedicated to owning and triple-net leasing healthcare real estate assets, including skilled nursing facilities, or SNFs, senior housing communities, hospitals and medical office buildings. According to the Centers for Medicare and Medicaid Services, or CMS, and the Office of the Actuary, at 18% of the U.S. gross domestic product, healthcare is the largest industry in the United States. Total U.S. healthcare expenditures are expected to increase from approximately $2.7 trillion in 2011 to approximately $4.8 trillion in 2021. Healthcare REITs typically provide permanent or long-term financing to healthcare operators in the form of purchase and lease, sale and leaseback transactions, mortgage loans and other financings. Some healthcare REITs specialize in certain segments of the healthcare industry, while others invest across a broader spectrum of healthcare real estate. Healthcare REITs typically seek to diversify their tenant or borrower base across a range of healthcare operators. There are currently 12 publicly traded healthcare REITs representing an aggregate public market capitalization of approximately $73 billion, based on publicly available data as of December 31, 2012.

SNF Industry

Within the healthcare REIT industry, we focus on the acquisition and ownership of post-acute and long-term care SNFs. The SNF real estate industry is large and fragmented. According to CMS, national expenditures for SNF services are expected to grow from approximately $151 billion in 2011 to approximately $255 billion in 2021, representing a compound annual growth rate, or CAGR, of 5.4%. According to the American Health Care Association, there are approximately 15,700 SNFs and 1.7 million beds in the United States, and we estimate that 89% of SNFs are privately-owned as of June 2012. In addition, there are more than 2,400 SNF operators in the United States, according to the National Investment Center for the Seniors Housing & Care Industry (NIC). All of this creates an opportunity for consolidation in the industry.

SNFs Are Need-Based and Provide Comprehensive Services

SNFs care for either short-term post-acute residents recovering from an illness or surgery, who may have been discharged from a hospital and need rehabilitation or restorative care, or long-term residents who need daily skilled nursing care and assistance with numerous activities of daily living. SNFs face limited competition from lower-acuity providers such as assisted living facilities (ALFs), independent living facilities (ILFs) and home health agencies due to the comprehensive services that are offered in SNFs for a comparatively low cost. These lower acuity providers are not typically allowed by state regulations to provide the same services as SNFs. The following is a comparison of services offered by lower-acuity care settings:

Services	SNFs	ALFs	ILFs	Home Health
Activities of daily living (ADLs)	ü	ü	ü	
Therapy	ü	ü		ü
Medication	ü	ü		ü
Meals	ü	ü	ü	
Nursing Care Intermittent	ü			ü
Nursing Care 24-hour	ü			
Injections	ü			

Catheters	ü
Pain Management	ü
Other Sub-Acute Services	ü

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SNFs Are the Low Cost Provider

SNFs provide comprehensive care for a nominal cost. We believe that, because of rising healthcare costs, there will continue to be a focus on the treatment of residents in more cost effective settings, such as SNFs, compared to long-term acute care hospitals, or LTACHs, in-patient rehabilitation facilities, or IRFs, and other post-acute care settings. The majority of the cost structure of a SNF is labor and SNFs typically employ lower cost and less staff than LTACHs and IRFs. SNFs also have significantly less physical plant requirements and are efficiently designed to deliver care, typically with smaller-sized rooms that have single or double occupancy and shared bathrooms.

According to the Medicare Payment Advisory Commission (MedPAC), the cost of providing post-acute services is significantly lower in SNFs. For example, the cost of providing services for tracheotomy patients with a ventilator is on average 61% lower in a SNF than in an IRF and on average 90% lower than in an LTACH. The cost of providing services for respiratory patients with a ventilator is on average 70% lower in a SNF than in an IRF, and on average 89% lower than in an LTACH. The cost of providing services for a joint replacement patient is on average 64% lower in a SNF than in an IRF, and on average 91% lower than in an LTACH.

Average Cost for Higher Acuity Settings

Source: MedPAC

Significant Increase in Current and Near-Term Demand

We believe that the SNF industry will benefit from current and projected near-term demographic trends, driving demand for post-acute and long-term care services. According to the U.S. Census Bureau, the number of Americans age 65 and older, the targeted resident population for post-acute and long-term care SNFs, is expected to increase 36% from 2010 to 2020, representing a CAGR of 3.1%, compared to 0.9% for the total U.S. population over the same period. Even if utilization rates, or the percentage of the U.S. population age 65 and older residing in SNFs, were to remain constant, demand for SNFs is estimated to increase by approximately 500,000 beds based on the population growth from 2010 to 2020.

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Population of Age 65+

In 000s

Source: U.S. Census Bureau

We believe that the need for SNF services has the potential to increase significantly with the establishment and focus on integrated delivery networks, which seek to care for patients in the most cost efficient setting. We also believe that the ongoing focus on post-acute care in SNFs will continue as Medicare and other payors, including physicians and hospitals, seek to increasingly discharge patients from acute settings to lower cost post-acute settings, in particular SNFs. According to a report prepared for the U.S. Department of Health and Human Services, SNFs receive 41% of discharges from referral sources such as hospitals, physician groups, Accountable Care Organizations and other sources, compared to 10% for IRFs and 2% for LTACHs.

We believe that these trends will support a growing demand for the services provided by SNF operators, which in turn will support a growing demand for our properties.

% Discharged Patients Received from Acute Care Hospitals

Source: Examining Post Acute Care Relationships in an Integrated Hospital System, prepared for U.S. Department of Health and Human Services.

There is significant movement towards the formation of accountable care organizations, which are incentivized to drive patients to the lower cost settings like SNFs, which minimizes acute care utilization and inpatient medical costs that account for approximately one-third of total healthcare spending. As of October 2012, hospitals are being penalized for readmission rates from post-acute providers over a certain minimum threshold. As a result, both Managed Care Organizations, or MCOs, and acute care hospitals are increasingly focused on discharging residents to lower cost providers such as post-acute and long-term care SNFs.

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A portion of Medicaid beneficiaries are also eligible for Medicare. These beneficiaries are known as dual eligibles and are comprised of low-income seniors and people with disabilities who are enrolled in both Medicaid and Medicare. These individuals tend to consume more healthcare services due to their tendency to have more chronic health issues. Based on CMS and Kaiser Family Foundation data, we estimate there are approximately 9 million dual eligible enrollees which are expected to represent annual spending of approximately $320 billion. CMS is implementing pilot programs, in conjunction with MCOs, to coordinate care for this population of 9 million residents and lower overall spending. We believe this represents a significant opportunity for SNFs over the near and long-term as they continue to play a major role in providing quality care in a cost efficient setting for this chronically ill population.

Limited New Supply

We believe that supply dynamics in the SNF industry are favorable. The SNF industry is insulated from competition by significant barriers to entry including certificates of need and other similar programs, Medicare and Medicaid provider agreements, as well as specialized knowledge and local market expertise. New construction in the SNF industry has been limited. According to NIC, the current number of SNF beds under construction is equal to only 0.6% of the existing SNF inventory of approximately 1.7 million beds. Since 2008, there has been a meaningful decline in SNF bed construction starts. As a result, the number of facilities has remained relatively stable.

We believe that the lack of new supply together with significantly increasing demand will be favorable for our operators and increase the value of our SNFs.

Total SNF Facilities

Source: AHCA

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Increasing and Stable Reimbursement and Expenditures for SNFs Over Long Period of Time

SNFs receive a majority of their revenue from state and federally-funded Medicaid and Medicare reimbursement programs. Average daily rates for Medicare payments to SNFs have increased at an annual CAGR of 4.2% from 1999 through 2012, and average daily rates for Medicaid payments to SNFs have increased at a 4.0% CAGR. During the last 5 years, Medicaid and Medicare reimbursement rates are estimated to have increased 3% and 4%, respectively.

Source: Eljay LLC and composite of CMS, AHCA, AQNHC and Avalere Group Data

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We believe the government will continue to provide adequate funding to both the Medicare and Medicaid reimbursement for SNFs. According to CMS, national expenditures for Medicare and Medicaid payments to SNFs are expected to grow 84% from approximately $83 billion in 2011 to approximately $152 billion in 2021, representing a CAGR of 6.3%. SNFs represent a small portion of total Medicare and Medicaid expenditures, representing only 6% of total Medicare expenditures, and 10% of total Medicaid expenditures.

($ billions)

Source: CMS

For the fiscal years ended 2008, 2009, and 2010, respectively, CMS increased rates by 3.3%, 3.4%, and (1.1%), respectively. In fiscal year 2011, a new Medicare classification called RUGS IV was implemented that increased rates in excess of the government s intended effect. These rates were subsequently reduced for fiscal year 2012 to bring the level of reimbursement back to what was intended for fiscal year 2011. Despite this reduction, fiscal year 2012 rates are 3.4% higher than fiscal year 2010 rates. Fiscal year 2013 rates for Medicare are expected to increase by 1.8%.

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BUSINESS

Company Overview

We are a self-administered REIT specializing in the ownership and triple-net leasing of post-acute and long-term care skilled nursing facilities, or SNFs. We have been in the business of investing in SNFs for over 30 years, including through our predecessors. Our management team has extensive knowledge of and a track record investing in SNFs and other healthcare real estate. We believe that we own one of the largest and highest-quality portfolios of post-acute and long-term care SNFs in the United States. We generate our cash rental stream by triple-net leasing our properties to third-party operators who have responsibility for the operation of the facilities, including for all operating costs and expenses related to the property, maintenance and repair obligations and other required capital expenditures. Our leases typically include rent escalation provisions designed to provide us with organic growth in our rental stream. As of December 31, 2012, our portfolio consisted of 258 properties in 29 states leased to 38 tenants who represent many of the largest and most experienced operators in the industry. We believe we can continue to achieve attractive returns for our investors by combining a steadily growing rental stream from our existing properties with growth through acquisitions in a large and fragmented industry.

In the last five years, we have acquired 124 properties with 22 tenants in 55 separate transactions ranging in size from less than $1 million to $73 million, for a total of $559.0 million, representing a 17% compound annual growth rate (CAGR) over that period. We have established a track record of working with market-leading operators to support their growth plans through acquisitions. Our experience, reputation and relationships in the SNF industry allow us to acquire properties to which many other investors do not have access. As a result, we have been successful acquiring high-quality properties at valuations that achieve attractive lease yields and strong rent coverage for our diversified portfolio. Because we generate a significant and ongoing pipeline of investment opportunities, our growth has accelerated as we have raised more capital.

We have built a high-quality and strategically diversified portfolio of tenants and properties with $128.4 million of contractual rent for the twelve months ending March 31, 2014 based on leases in place as of February 19, 2013. We also receive income from secured loan receivables and an asset under a direct financing lease, which together have a book value of $43.7 million as of December 31, 2012. Our leases provide us with long-term cash rental streams, with a weighted-average remaining lease term of approximately 8.3 years as of December 31, 2012 and only 7% of our rent expiring over the next 5 years. We are able to proactively manage lease expirations by extending our leases in connection with acquisitions, reinvestment projects and other opportunities. We believe our rental stream is secure because our EBITDARM and EBITDAR coverage ratios were 2.0x and 1.6x, respectively, for the twelve months ended September 30, 2012. We believe these measures are strong indications of our tenants ability to comfortably pay the rent under our leases. In addition, our properties have strong occupancy and quality mix, with portfolio occupancy and quality mix of 80.7% and 46.9%, respectively, for the three months ended September 30, 2012. See Presentation of Portfolio Metrics for additional information regarding our coverage ratios and other portfolio metrics.

Competitive Strengths

We believe the following strengths serve as the foundation for our business:

Established Healthcare REIT with Expertise Investing in SNFs. We specialize in triple-net leasing post-acute and long-term care SNFs to large and experienced operators. We own one of the largest portfolios of SNFs in the United States and have been investing in SNFs for over 30 years. As of December 31, 2012, 221 of our 258 properties were SNFs, representing 86.9% of our contractual rent. We have established a strong reputation in the SNF industry for experience, knowledge and relationship-oriented investing. In the last five years, we have acquired 124 properties leased to 22 tenants, for a total of $559.0 million. We have extensive experience and expertise regarding the management of our portfolio, which we believe is critical to our success. Our network of market-leading SNF operators has created a pipeline of growth opportunities.

Strategically Diversified Portfolio of High-Quality Properties. We have a diversified portfolio of properties located in 29 states that are triple-net leased on a long-term basis to 38 tenants. We focus on strategically limiting our concentration of properties with tenants and states, with no single tenant representing more than 15.1% of our contractual rent and no state representing more than 18.3% of our contractual rent as of December 31, 2012. We have a strategically balanced portfolio of Medicare and Medicaid revenue which comes from many different reimbursement systems including from the federal government and 28 states. We believe that our diversification helps us generate a stable and steadily growing rental stream. We also pursue a strategy of leasing properties to multiple tenants in each of our markets and multiple properties for each of our tenants, which helps us expand our expertise and relationships in a given market, while also helping us mitigate risk. We focus on continually enhancing the quality of our properties and have established a reinvestment program designed to give our high-quality properties a competitive advantage in their markets. These investments include interior enhancements designed to drive revenues for our operators and exterior enhancements designed to attract residents from the community and key referral sources. We have invested a significant amount of capital in recent years in our existing properties, for which we receive incremental rent, with returns consistent with those we achieve for new acquisitions. We expect this to be a consistent and growing part of our business.

Strong Relationships with Large and Experienced Operators. We have developed strong relationships with many of the largest and most experienced operators in the United States. We have made a long-term commitment to working with operators in a cooperative and supportive manner. Our top ten tenants, which represent 77.6% of our contractual rent as of December 31, 2012, with an average of 82 properties, 11,100 employees and a ten-year relationship with us, averaged approximately $451 million in revenues in 2011. These operators possess the experience, scale and other characteristics that are key factors in driving profitability for them and our properties. Our top ten tenants have strong EBITDAR margins and coverages of 16% and 1.6x, respectively, for our properties, for the twelve months ended September 30, 2012. We cultivate long-term relationships with our tenants and other market-leading operators. Many of our properties are leased to tenants with whom we have had a relationship for at least ten years. Our strong relationships with these operators lead to a significant pipeline of attractive investment opportunities, with approximately 71% of our $559.0 million of acquisitions over the last 5 years completed with existing tenants. We believe we will continue to generate a significant pipeline of investment opportunities as a result of our relationships.

Well-Structured Triple-Net Leases with Strong Coverage. We have strong rent coverage, which is an indication of our tenants ability to comfortably pay the rent due under our leases. Our EBITDARM and EBITDAR coverage ratios for the twelve months ended September 30, 2012 were 2.0x and 1.6x, respectively. We believe our coverages achieve the proper balance between maintaining our profitability and providing comfort that our tenants will be able to pay the rent due under our leases. Under our triple-net leases, our tenants are responsible for all operating costs and expenses related to the property, including maintenance and repair obligations and other required capital expenditures. This structure helps insulate us from variability in operator cashflows. We support our ability to generate attractive returns on a long-term basis by structuring our leases with a variety of complementary provisions. Our leases typically have initial terms of 10 years and include annual rent escalators of approximately 2% compounded per annum. These escalator provisions help us achieve a steadily growing cash rental stream. We regularly enter into lease extensions during the term of the lease in connection with additional acquisitions, reinvestment projects and other opportunities that arise from our close tenant relationships. Our lease structures also provide us with key credit support for our rents, with 99% of our contractual rent supported by personal and/or corporate guarantees and 88% supported by master leases or leases with cross-default provisions as of December 31, 2012. Our leases also typically require security deposits of several months rent.

Platform Built for Growth with Proven Investment Track Record. We employ 32 people across the organization and are committed to maintaining a growth-oriented infrastructure. We have 11 professionals focused on sourcing, underwriting and executing transactions. Our acquisition team has enabled us to grow our total assets at December 31, 2012 by 96% over the last five years. We have also developed an experienced asset management team of 8 professionals that oversees our properties, preserves our assets and identifies other investments in our existing portfolio that help grow our rental stream. We are disciplined and selective about the investments we make. Our underwriting process includes a thorough assessment of the experience and credit profile of each operator, the quality of the real estate and the demographics of the market in which the property is located. The experience of our management team and our strong working relationships with our tenants have enabled us to invest $97.2 million over the last five years in existing properties and strategic new construction projects, for which we receive incremental rent. We are disciplined and make investments with attractive returns that create long-term value.

Attractive Capital Structure with Capacity for Growth. Following this offering, we believe we will have an attractive capital structure with low leverage that will provide significant capacity to effectuate our growth plans. Our indebtedness is long-term, with a weighted-average maturity of 6.3 years following this offering. We will have significant liquidity, with an undrawn $300.0 million revolving credit line under our New Revolver. In 2011 and 2012, we made a strategic transition to publicly-traded unsecured bonds, with $400.0 million raised in three separate issuances. We have demonstrated our ability to access capital by raising over $2 billion as a private company since 2005 through a diverse combination of institutional equity investments, secured mortgage financing and our issuance of $400.0 million of unsecured bonds.

Experienced Management Team with Significant Tenure and Ownership. Craig M. Bernfield, our Chairman and Chief Executive Officer, has built our company for over 20 years and will be our second largest stockholder with a 8.0% ownership interest following this offering on a fully-diluted basis (based on the initial public offering price of $20.00 per share and including net shares issuable under in-the-money options). Our President and Chief Operating Officer, Steven J. Insoft, has been with us for eight years and has more than 20 years of experience as an operator, investor and developer of SNFs and assisted living facilities, or ALFs. Mr. Insoft will hold a 0.8% interest in our company following this offering on a fully-diluted basis (based on the initial public offering price of $20.00 per share and including net shares issuable under in-the-money options). Our Chief Financial Officer, James H. Lyman, joined the Company in 2012 with over 30 years of real estate, capital markets and operating experience, including significant public and private REIT experience as a chief financial officer and senior executive. Our other key senior executives and professionals have significant tenure and experience, averaging 10 years with the company and 23 years in their areas of expertise. Our entire management team has specialized knowledge that is critical to the operation and growth of our business.

Growth Strategies

The SNF industry is large and fragmented and we believe that market conditions are favorable for investing in post-acute and long-term care SNFs and for consolidation in the industry. According to the American Health Care Association, the SNF market is comprised of 15,700 facilities and 1.7 million beds and, according to NIC, there are over 2,400 SNF operators in the United States. We estimate that approximately 89% of SNFs are privately owned, and in our experience these owners regularly seek liquidity through the sale of their properties and sale-leaseback transactions. These transactions are attractive to us because they offer conservative property valuations and an alignment of interests with the seller since they continue to operate the property after the acquisition is completed. We have an extensive network of relationships with SNF operators and owners and an experienced team of professionals that specialize in SNFs. We believe our reputation and knowledge will provide us with a significant competitive advantage to further consolidate the ownership of post-acute and long-term care SNF properties.

The primary elements of our growth strategy are to:

Continue to Source Investments from Existing Relationships. Our tenants represent many of the largest and most experienced operators of SNFs in the United States. These market-leading operators have a demonstrated desire, as well as the resources and ability to grow, and our strong relationships with these operators lead directly to acquisition and other investment opportunities. These operators own many of the facilities they operate which gives us a significant opportunity to grow our portfolio through sale-leaseback transactions. These transactions are attractive to the operators because they provide liquidity to grow their businesses. Approximately 71% of our $559.0 million of acquisitions over the last 5 years were completed with

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existing tenants. We believe we can continue to expand our relationships with our tenants, who collectively operate over 1,000 properties throughout the United States. As a result, we believe we will continue to identify attractive acquisition, sale-leaseback, reinvestment, new construction and other investment opportunities in our operators existing markets, as well as new markets.

Identify Additional Operator Relationships. We seek to expand our portfolio by capitalizing on the network of relationships with market-leading operators we have built in the SNF industry over the past 30 years. We focus on operator relationships that meet our investment criteria and we believe our experience in the industry helps us to identify these high-quality operators. This strategy has resulted in approximately 29% of our acquisitions over the last 5 years being completed with 11 new tenants who now operate 51 of our properties. Our reputation as experts in the industry has allowed us to generate a significant pipeline of attractive opportunities to grow our portfolio with some of the largest and most experienced operators in the United States.

Generate Additional Rent Through Ongoing Property Reinvestment Program. We are committed to owning and acquiring high-quality properties. We have developed a programmatic approach to reinvesting in our properties to maintain and enhance their quality over the long-term, to help our operators achieve a competitive advantage in their markets and to generate an attractive return on our invested capital. These investments include interior enhancements such as therapy gyms and specialty care units designed to drive revenues for our operators, and exterior enhancements, such as lighting, signage and architectural features, designed to attract residents from the community and key referral sources. We are able to identify and complete a significant volume of these investments, through which we are able to generate additional rents at returns consistent with those we achieve with new acquisitions and help our tenants enhance their profitability. In connection with these investments, we obtain lease extensions, which drive our long-term rental stream. We also maintain a pipeline of new construction projects, with established operator relationships, to grow our portfolio with state-of-the-art properties.

Further Enhance Our Franchise and Position as an Industry Leader. We are committed to further developing our reputation and franchise in the SNF industry. We frequently sponsor and speak at industry conferences and similar events and focus on opportunities to prominently align ourselves with other leaders in the post-acute and long-term care SNF and healthcare real estate industry. Mr. Bernfield, our Chairman and Chief Executive Officer, serves on the board of directors, and we are one of five Premier Partners, of NIC, one of our industry s leading organizations. We also host an annual conference for our operators to share best practices and ideas, which generates additional investment opportunities for us. As a result of our efforts, there is significant awareness of the Aviv franchise in the SNF industry, which results in SNF owners and operators approaching us with a significant pipeline of attractive investment opportunities.

Strategically Pursue Opportunities to Invest in Complementary Healthcare Properties. We intend to continue to capitalize on our management team s extensive knowledge of healthcare properties, as well as our strong relationships with our tenants, to supplement our core strategy of acquiring and investing in post-acute and long-term care SNFs. We opportunistically acquire complementary healthcare properties, such as ALFs, and independent living facilities, or ILFs, which collectively represented 10.5% of our contractual rents as of December 31, 2012. In addition, we have also acquired long-term acute-care hospital and traumatic brain injury facilities, which collectively represented 2.6% of our contractual rents as of December 31, 2012, with experienced operators that meet our criteria for quality and experience and we believe have the ability and desire to grow with us. We believe the acquisition of these properties on a strategic basis helps us continue to generate attractive returns, complement our existing portfolio and further expand and strengthen our industry relationships.

Our Portfolio

As of December 31, 2012, our portfolio consisted of 258 properties, comprised of 221 skilled nursing facilities, 22 assisted living facilities, 13 traumatic brain injury facilities, one long-term acute care hospital and one land parcel for development, with approximately 19,700 beds in 29 states triple-net leased to 38 operators.

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Our portfolio consisted of 253 owned properties (including one property under development), three properties that we lease and sublease to a third-party operator, one property in which we hold a leasehold security interest from a third-party operator and one new construction property in which we hold a security interest. Our EBITDARM and EBITDAR coverage ratios for the twelve months ended September 30, 2012 were 2.0x and 1.6x, respectively, and our operators EBITDAR margins at our properties averaged 16%. For our SNF portfolio, our EBITDARM and EBITDAR coverage ratios for the twelve months ended September 30, 2012 were 1.9x and 1.5x, respectively. For the three months ended September 30, 2012, our portfolio occupancy was 80.7% and our quality mix was 46.9%.

The following table provides certain information regarding our top ten operators as of December 31, 2012:

		Properties		2011	
	Founded	Aviv	Total	Revenue (in millions)	Employees
Daybreak	2001	47	70	$ 243	4,300
Saber	2001	30	64	253	6,000
EmpRes	1997	17	47	265	3,500
Preferred Care	1992	15	106	534	9,900
Maplewood	2006	5	5	12	400
Sun Mar	1986	13	26	226	2,500
Benchmark	2000	15	21	63	1,700
Deseret	2006	18	25	57	1,400
Genesis	1985	11	426	2,746	78,000
Reliance	1998	4	27	109	3,500
Top 10 Average	1997	18	82	451	11,100

We monitor the credit quality of our operators on an ongoing basis. For example, on a quarterly basis, we review quarterly the financial statements of our properties, paying special attention to trends in key metrics, liquidity measures and health surveys. Our review and analysis is accompanied by a formal quarterly conference call with each operator s key personnel in order to provide better insight into the current state of operations. Furthermore, we perform an onsite inspection of each of our properties on an annual or biennial basis, following which we make recommendations to our operators related to building improvements and reinvestment opportunities.

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We lease our properties to a diversified group of 38 operators with no single operator representing more than 15.1% of our contractual rent as of December 31, 2012. The following table sets forth information about our properties as of December 31, 2012:

Operator Diversification

Operator[(1)]	Number of Properties	Number of Beds	Percentage of Contractual Rent
Daybreak	47	3,705	15.1%
Saber	30	2,365	14.8%
EmpRes	17	1,404	9.9%
Preferred Care	15	1,402	7.7%
Maplewood	5	407	7.1%
Sun Mar	13	1,345	7.1%
Benchmark	15	1,197	5.8%
Deseret	18	889	3.9%
Genesis	11	881	3.5%
Reliance[(2)]	4	460	2.7%
New Beginnings	4	425	2.4%
Bridgemark	4	475	2.1%
CareMeridian	13	150	1.9%
Trillium	8	467	1.7%
Markleysburg	4	329	1.4%
HI-Care	3	250	1.3%
Ridgecrest	2	175	1.2%
Covenant Care	2	224	0.9%
Advocat	1	154	0.8%
Heyde	3	203	0.8%
Concepts	3	306	0.8%
JK&L	2	104	0.8%
Lion	1	162	0.7%
Safe Haven	2	124	0.7%
Physician s Hospital Group	1	30	0.7%
NuCare	1	94	0.6%
Ultracare	3	139	0.6%
Transitions	1	135	0.6%
Homestead	6	348	0.6%
Trinity Healthcare	1	134	0.4%
Orion	1	93	0.4%
Prestige	1	95	0.4%
LTP Generations	2	97	0.3%
Health Dimensions	1	90	0.3%
ConvaCare	1	40	0.0%
Fountain	1	78	0.0%
RAMM	1	111	0.0%
Prestige Care[(3)]	9	621	0.0%
Other[(4)]	1	0	0.0%
Total	258	19,708	100.0%

(1) Throughout this prospectus, we refer to operators by their commonly-known trade names; however, each operator may operate through a variety of legal entities, some or all of which may not be under common ownership and properties may not be subject to master leases or cross-defaulted.

(2) The lease for four of the five properties leased to ConvaCare was transitioned to Reliance effective January 1, 2013.

(3) The initial annual contracted rent under the Prestige Care lease is $4.0 million, with payments beginning in April 2013.

(4) Reflects one closed facility that is held for sale.

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We have a geographically diversified portfolio of properties located in 29 states with no state representing more than 18.3% of our contractual rent as of December 31, 2012. The following table sets forth information about our properties as of December 31, 2012:

State Diversification

State	Number of Properties	Number of Beds	Percentage of Contractual Rent[1]
Texas	58	4,702	18.3%
California	34	2,268	16.2%
Ohio	17	1,143	9.9%
Connecticut	5	407	7.1%
Missouri	15	1,197	5.8%
Arkansas	11	1,129	5.6%
Pennsylvania	10	1,134	4.3%
New Mexico	9	760	4.0%
Illinois	8	827	3.7%
Kansas	16	836	3.4%
Massachusetts	9	682	2.6%
Florida	6	398	2.4%
Arizona	5	478	2.3%
Wisconsin	5	387	1.6%
Idaho[2]	5	402	1.6%
Nebraska	3	312	1.3%
Iowa	7	347	1.3%
Washington[2]	11	630	1.2%
Oregon[2]	6	393	1.2%
Nevada	3	241	0.9%
Kentucky	1	154	0.8%
Michigan	2	188	0.8%
Minnesota	3	155	0.7%
Indiana	1	30	0.7%
Oklahoma	3	139	0.6%
Montana	2	110	0.5%
Virginia	1	97	0.5%
Tennessee	1	102	0.4%
Utah	1	60	0.3%
Total	258	19,708	100.0%

(1) In the case where the facilities   master lease includes more than one state, rent was allocated proportionately by number of beds.

(2) The lease for nine properties located in Idaho, Washington and Oregon was transitioned to Prestige Care effective October 1, 2012, with rental payments beginning in April 2013.

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Lease Expiration

The following table sets forth information regarding the expiration dates of our leases as of December 31, 2012:

Year	Number of Properties with Leases Expiring	Percentage of Contractual Rent
2013	2	0.4%
2014	2	0.2%
2015	9	2.7%
2016	6	2.6%
2017	17	1.1%
2018	18	10.1%
2019	5	1.6%
2020	31	11.2%
2021	89	33.4%
2022	47	21.1%
Thereafter	31	15.6%
Total	257 [(1)]	100.0%

(1) Does not include one closed facility that is held for sale.

Competition

The market for making investments in healthcare facilities is highly competitive and fragmented. We compete with other public and private companies who provide lease and/or mortgage financing to operators of a variety of different types of healthcare properties. We also face competition leasing available properties to prospective operators. We compete with these other companies based on reputation, purchase price and financing alternatives offered and the relationship that develops during the term of the lease. We believe there has been a trend in our industry over the last few years of companies pursuing large portfolio transactions. In addition, we believe our industry has also experienced a trend over the last few years of companies seeking to diversify into other asset classes and away from SNFs. In contrast, we have focused on smaller and middle-market transactions, primarily involving SNFs. We have experience identifying and underwriting the abilities of qualified local, regional and national operators. We have established a track record of working with market-leading operators to support their growth plans through acquisitions. Our experience, reputation and relationships in the SNF industry allow us to acquire properties to which other investors do not have access.

Regulation

Typically, operators of SNFs receive significant funding from governmental programs and are regulated by the states and the federal government. Operators of SNFs are subject to federal and state laws that regulate the type and quality of the nursing care provided, ancillary services (e.g., respiratory, occupational, physical and infusion therapies), qualifications of the administrative personnel and nursing staff, the adequacy of the physical plant and equipment, distribution of pharmaceuticals, reimbursement and rate setting and operating policies. In addition, most, if not all, of our operators are subject to extensive laws and regulations pertaining to healthcare fraud and abuse, including kickbacks and false claims. The following discussion describes certain material U.S. federal and state healthcare laws and regulations that may affect our operations and those of our operators. However, the discussion does not address all applicable federal, state and local healthcare laws and regulations that could affect our operations and those of our operators.

Licensing and Certification. Our operators and facilities are subject to regulatory and licensing requirements of federal, state and local authorities and are periodically surveyed by them to confirm compliance. Failure to obtain licensure or loss or suspension of licensure or certification may prevent a facility from operating or result in a suspension of reimbursement payments until all licensure or certification issues have been resolved and the necessary licenses or certification are obtained or reinstated. Facilities may also be affected by changes in accreditation standards or procedures of accrediting agencies that are recognized by governments in the certification process. State licensing laws require operators of SNFs and other healthcare facilities to comply with extensive standards governing operations. State agencies administering those laws regularly inspect such facilities and investigate complaints. Transfers of operations of SNFs and other healthcare facilities are subject to regulatory approvals not required for transfers of other types of commercial operations and real estate.

Certificate of Need. Some states require that SNFs obtain governmental approval, in the form of a Certificate of Need, or CON, or similar certification, that generally varies by state and is subject to change, prior to the addition or construction of new beds, the addition of services or certain capital expenditures. CON laws in those states that have them generally require an applicant to demonstrate the need for constructing a new facility, expanding an existing facility, changing the ownership or control of an existing licensed facility, or terminating services that have been approved through the CON process. The CON laws and regulations may restrict our ability to add new facilities or expand an existing facility s size or services. In addition, CON laws may constrain our ability to lease a particular property to a new operator.

Medicare and Medicaid Certification. A significant portion of the revenues of our operators that operate SNFs is derived from participation in government-funded reimbursement programs, primarily Medicare and Medicaid, and failure to maintain certification to participate in these programs could result in a loss of funding from such programs. Medicare and Medicaid laws also require operators of SNFs to comply with extensive standards governing operations. Federal and state agencies administering those laws regularly inspect such facilities and investigate complaints. From time to time, our operators are notified of potential penalties, financial or otherwise, relating to facilities operated by them, and such penalties have been imposed from time to time. If they are unable to cure deficiencies which have been identified or which are identified in the future, such sanctions may be imposed and if imposed may adversely affect our operators revenues, which may affect their ability to meet their obligations to us.

Fraud and Abuse Laws and Regulations. There are various highly complex federal and state laws governing a wide array of referrals, financial relationships and arrangements and prohibiting fraud by healthcare providers, including criminal provisions that prohibit financial inducements for referrals, filing false claims or making false statements to receive payment or certification under Medicare and Medicaid, or failing to refund overpayments or improper payments. All healthcare providers, including SNFs, are subject to the Federal Anti-Kickback Statute, which generally prohibits persons from offering, providing, soliciting, or receiving remuneration to induce either the referral of an individual or the furnishing of a good or service for which payment may be made under a federal healthcare program, such as Medicare or Medicaid. SNFs are also subject to the Federal Ethics in Patient Referral Act of 1989, commonly referred to as the Stark Law. The Stark Law generally prohibits the submission of claims to Medicare for payment if the claim results from a physician referral for certain designated services and the physician has a financial relationship with the health service provider that does not qualify under one of the exceptions for a financial relationship under the Stark Law. Similar prohibitions on kickbacks, physician self-referrals and submission of claims apply to state Medicaid programs, and may also apply to private payors under state laws. Further, healthcare providers, including, but not limited to, SNFs are subject to substantial financial penalties under the Civil Monetary Penalties Act and the Federal False Claims Act and, in particular, actions under the Federal False Claims Act s whistleblower provisions. Private enforcement of healthcare fraud has increased due in large part to amendments to the Federal False Claims Act that encourage private individuals to sue on behalf of the government. These whistleblower suits brought by private individuals, known as qui tam actions, may be filed by almost anyone, including present and former patients, nurses and other employees. Such whistleblower actions have been brought against nursing facilities on the basis of the alleged failure of the nursing facility to meet applicable regulations relating to its operations. Significantly, if a claim is successfully adjudicated, the Federal False Claims Act provides for treble damages and penalties up to $11,000 per claim. Violations of these laws subject persons and entities to termination from participation in Medicare, Medicaid and other federally funded healthcare programs or result in the imposition of treble damages and fines or other penalties. Governments are also devoting increasing attention and resources to anti-fraud initiatives

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against healthcare providers. The Office of the Inspector General of the U.S. Department of Health and Human Services has announced a number of new and ongoing initiatives to study instances of potential Medicare and Medicaid overbilling and/or fraud in SNFs. Violations of these laws subject persons and entities to termination from participation in Medicare, Medicaid and other federally-funded healthcare programs. In addition, the federal False Claims Act allows a private individual with knowledge of fraud to bring a claim on behalf of the federal government and earn a percentage of the federal government s recovery. Because of these incentives, these so-called whistleblower suits have become more frequent. The violation of any of these laws or regulations by an operator may result in the imposition of treble damages and fines or other penalties, which may affect that operator s ability to meet its obligations to us or to continue operating the facility. Also, the Health Reform Laws (discussed in greater detail below) revise healthcare fraud and abuse provisions that will affect our operators. Specifically, the Health Reform Laws allow for up to treble damages under the Federal False Claims Act for violations related to state based health insurance exchanges authorized by the Health Reform Laws, which will be implemented beginning in 2014. The Health Reform Laws also impose new civil monetary penalties for false statements or actions that lead to delayed inspections, with penalties of up to $15,000 per day for failure to grant timely access and up to $50,000 for a knowing violation. Additionally, the Health Reform Laws require certain entities including providers, suppliers, Medicaid managed care organizations, Medicare Advantage organizations, and prescription drug program sponsors to report and return overpayments to the appropriate payer by the later of (a) sixty (60) days after the date the overpayment was identified, or (b) the date that the corresponding cost report is due. The entity also must notify the payer in writing of the reason for the overpayment. A violation of these requirements may result in criminal liability, civil liability under the FCA, and/or exclusion from the federal healthcare programs. On February 14, 2012, CMS published a proposed rule implementing the Health Reform Laws requirement that healthcare providers and suppliers report and return self-identified overpayments by the later of 60 days after the date the overpayment was identified, or the date any corresponding cost report is due, if applicable. The Health Reform Laws also amend the Federal Anti Kickback Statute to state that any items or services resulting from a violation of the Anti Kickback Statute constitutes a false or fraudulent claim under the Federal False Claims Act. The Health Reform Laws also provide for additional funding to investigate and prosecute healthcare fraud and abuse. Accordingly, the increased penalties under the Health Reform Laws for fraud and abuse violations may have a negative impact on our operators in the event that the government brings an enforcement action or subjects them to penalties.

Other Laws. Other laws that impact how our operators conduct their operations include: federal and state laws designed to protect the confidentiality and security of patient health information; state and local licensure laws; laws protecting consumers against deceptive practices; laws generally affecting our operators management of property and equipment and how our operators generally conduct their operations, such as fire, health and safety, and environmental laws; federal and state laws affecting assisted living facilities mandating quality of services and care, and quality of food service; resident rights (including abuse and neglect laws); and health standards set by the federal Occupational Safety and Health Administration. For example, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) provides for communication of health information through standard electronic transaction formats and for the privacy and security of health information. In order to comply with the regulations, healthcare providers often must undertake significant operational and technical implementation efforts. Operators also may face significant financial exposure if they fail to maintain the privacy and security of medical records and other personal health information about individuals. The Health Information Technology for Economic and Clinical Health (HITECH) Act, passed in February 2009, strengthened the HHS Secretary s authority to impose civil money penalties for HIPAA violations occurring after February 18, 2009. HITECH directs the HHS Secretary to provide for periodic audits to ensure covered entities and their business associates (as that term is defined under HIPAA) comply with the applicable HITECH requirements, increasing the likelihood that a HIPAA violation will result in an enforcement action. CMS issued an interim Final Rule which conformed HIPAA enforcement regulations to the HITECH Act, increasing the maximum penalty for multiple violations of a single requirement or prohibition to $1.5 million. Higher penalties may accrue for violations of multiple requirements or prohibitions. HIPAA violations are also potentially subject to criminal penalties.

Legislative and Regulatory Developments. Because all of our properties are used as healthcare properties, we will be impacted by the risks associated with the healthcare industry, including healthcare reform. The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010, which amends PPACA (collectively, the Health Reform Laws) and the June 28, 2012 United States Supreme Court ruling upholding the individual mandate of the Health Reform Laws and partially invalidating the expansion of Medicaid (further discussed below), may have a significant impact on Medicare, Medicaid, other federal healthcare programs, and private insurers, which impact the reimbursement amounts received by SNFs and other healthcare providers. The Health Reform Laws could have a substantial and material adverse effect on all parties directly or indirectly involved in the healthcare system. Together, the Health Reform Laws make the most sweeping and fundamental changes to the U.S. healthcare system undertaken since the creation of Medicare and Medicaid and contain various provisions that may directly impact us or our operators. These new laws include a large number of health-related provisions that are scheduled to take effect over the next four years, including expanding Medicaid eligibility, requiring most individuals to have health insurance, establishing new regulations on health plans, establishing health insurance exchanges and modifying certain payment systems to encourage more cost-effective care and a reduction of inefficiencies and waste, including through new tools to address fraud and abuse. Because all of our properties are used as healthcare properties, we will be impacted by the risks associated with the healthcare industry, including healthcare reform. While the expansion of healthcare coverage may result in some additional demand for services provided by operators, reimbursement levels may be lower than the costs required to provide such services, which could materially adversely affect the ability of operators to generate profits and pay rent under their lease agreements with us and thereby could materially adversely affect our business, financial position or results of operations. The Health Reform Laws also enhance certain fraud and abuse penalty provisions that could apply to our operators in the event of one or more violations of the federal healthcare regulatory laws. In addition, there are provisions that impact the health coverage that we and our operators provide to our respective employees. Furthermore, regulatory proposals and rules are released on an ongoing basis that may have an impact on the healthcare system in general and the skilled nursing and long-term care industries in particular. We cannot predict whether the existing Health Reform Laws, or future healthcare reform legislation or regulatory changes, will have a material impact on our operators or tenants property or business. If the operations, cash flows or financial condition of our operators are materially adversely impacted by the Health Reform Laws or future legislation, our revenue and operations may be adversely affected as well.

On July 29, 2011, CMS released its final rule regarding 2012 Medicare payment rates for SNFs, which became effective October 1, 2011. The rule recalibrated the method of calculating Medicare reimbursement rates, and caused the reimbursement rates for SNFs to be reduced by approximately 11.1% on a system-wide basis for fiscal year 2012. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion will allow States not to participate in the expansion and to forego funding for the Medicaid expansion without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is unclear whether any state will pursue this option, although at least some appear to be considering this option at this time. Despite the Supreme Court s decision to uphold the Health Reform Laws, the House of Representatives voted to repeal the Health Reform Laws in full. We cannot predict whether any of these or future attempts to repeal or amend the Health Reform Laws will be successful, nor can we predict the impact that such a repeal or amendment would have on our operators.

Additionally, provisions of Title VI of the Health Care Reform Laws are designed to increase transparency and program integrity of SNFs. Specifically, SNFs will be required to institute compliance and ethics programs. Additionally, the Health Reform Laws make it easier for consumers to file complaints against nursing homes by mandating that states establish complaint websites. The provisions calling for enhanced transparency will increase the administrative burden and costs on these providers. Regulatory proposals and rules are released on an ongoing basis that may have an impact on the healthcare system in general and the skilled nursing and long-term care industries in particular. We cannot predict whether any legislative or regulatory proposals will be adopted or, if adopted, what effect, if any, these proposals would have on our operators. In 2007, CMS instituted a Special Focus Facility, or SFF, initiative to stimulate improvement in the quality of care for SNFs with a history of compliance difficulties. Properties are identified based on SNFs that have more problems than other

SNFs (about twice the average number of deficiencies), more serious problems than most SNFs and a pattern of problems that has persisted over a long period of time (generally three years). CMS requires that SFFs be visited by survey teams twice as frequently as other nursing homes (about twice per year). Within approximately 24 months after a facility is identified as a SFF, CMS expects one of three outcomes: improvement and graduation from the list; termination from participation in Medicare; or an extension of time to continue showing improvement. Five of our properties have been identified by CMS as SFFs, two of which are classified as showing significant improvement, two of which are classified as not showing significant improvement and one of which was recently identified as a SFF.

Environmental Matters

In addition to environmental risks relating to releases of hazardous substances, our properties are subject to environmental laws regulating, among other things, air emissions, wastewater discharges and the handling and disposal of wastes, including medical wastes. Certain of our properties utilize above or underground storage tanks to store heating oil for use at the properties. Other properties were built during the time that asbestos-containing building materials were routinely installed in residential and commercial structures. Our leases obligate our operators to comply with applicable environmental laws and to indemnify us if their noncompliance results in losses or claims against us. An operator s failure to comply could result in fines and penalties or the requirement to undertake corrective actions which may result in significant costs to the operator and thus adversely affect their ability to meet their obligations to us.

Pursuant to U.S. federal, state and local environmental laws and regulations, a current or previous owner or operator of real property may be required to investigate, remove and/or remediate a release of hazardous substances or other regulated materials at, or emanating from, such property. Further, under certain circumstances, such owners or operators of real property may be held liable for property damage, personal injury and/or natural resource damage resulting from or arising in connection with such releases. Certain of these laws have been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. We also may be liable under certain of these laws for damage that occurred prior to our ownership of a property or at a site where we sent wastes for disposal. The failure to properly remediate a property may also adversely affect our ability to lease, sell or rent the property or to borrow funds using the property as collateral.

In connection with the ownership of our current or past properties and any properties that we may acquire in the future, we could be legally responsible for environmental liabilities or costs relating to a release of hazardous substances or other regulated materials at or emanating from such property. In order to assess the potential for such liability, we typically engage a consultant to conduct a limited environmental assessment of each property prior to acquisition and oversee our properties in accordance with environmental laws. Most of our leases require operators to conduct all activities in compliance with environmental laws and to indemnify the owner for any harm caused by the failure to do so. We are not aware of any environmental issues that are expected to have a material impact on the operations of any of our properties. See Risk Factors Risks Relating to Our Business and Operations.

Insurance

Under the terms of our leases, our operators are required to maintain comprehensive general liability, fire, flood, earthquake, boiler and machinery, nursing home or long-term care professional liability and extended coverage insurance with respect to our properties with policy specifications, limits and deductibles set forth in the lease agreement or other written agreement between us and the operator. In some limited situations, we have agreed in our leases to pay half of the cost of earthquake insurance. We believe that our properties are covered by adequate insurance provided by reputable companies and with commercially reasonable deductibles and limits. Our leases provide that insurance premiums are the responsibility of the operator, and our operators are responsible for any increases in premiums. In addition, we carry contingent property and liability coverage for our properties encumbered by the existing credit facility.

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Employees

As of December 31, 2012, we had 29 full-time employees and 3 part-time employees. None of our employees is represented by a union.

Offices

Our corporate headquarters are located at 303 West Madison Street, Suite 2400, Chicago, Illinois 60606. We believe that our current offices are adequate for our present and future business operations.

Legal Proceedings

In January 2013, Aviv REIT reached a settlement of certain litigation matters in the Delaware Chancery Court and the Circuit Court of Cook County, Illinois relating to an adjustment to the distributions of cash flows of our operating partnership among the classes of limited partners that existed prior to the investment of Aviv REIT. See Note 14 to our audited consolidated financial statements included in this prospectus.

We are involved in various unresolved legal actions and proceedings, which arise in the normal course of our business. Although the outcome of a particular proceeding can never be predicted, we do not believe that the result of any of these matters will have a material adverse effect on our business, operating results, liquidity, or financial positions.

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MANAGEMENT

Directors, Executive Officers and Key Employees

Set forth below are the names, ages (as of December 31, 2012) and positions of Aviv REIT s directors, executive officers, key employees and director nominees:

Name	Age	Position
Craig M. Bernfield	51	Chairman of the Board and Chief Executive Officer
Steven J. Insoft	48	President and Chief Operating Officer
James H. Lyman	54	Chief Financial Officer and Treasurer
Leticia Chavez	44	Executive Vice President, Administration
Samuel H. Kovitz	49	Executive Vice President, General Counsel and Secretary
Donna M. O Neill	51	Chief Accounting Officer
Joshua J. Kochek	34	Vice President, Investments
Steven R. Levin	54	Vice President, Real Estate
Michael W. Dees	39	Director
Alan E. Goldberg	58	Director
Robert D. Lindsay	57	Director
Ari Ryan	37	Director
J. Russell Triedman	43	Director
Norman R. Bobins	70	Director Nominee
Susan R. Lichtenstein	55	Director Nominee
Mark B. McClellan	49	Director Nominee
Sharon O Keefe	60	Director Nominee
Mark J. Parrell	46	Director Nominee
Ben W. Perks	70	Director Nominee
James H. Roth	55	Director Nominee

The following are biographical summaries of the experience of Aviv REIT s directors, executive officers and key employees.

Craig M. Bernfield. Mr. Bernfield is our Chief Executive Officer and has served in such capacity since he co-founded Aviv Healthcare Properties Limited Partnership in 2005. Since September 2010, Mr. Bernfield has also served as the Chairman of our board of directors. Prior to co-founding our company, Mr. Bernfield was Chief Executive Officer and President of Karell Capital Ventures, Inc., or KCV, which he joined in 1990. KCV managed the entities that were combined in 2005 in connection with the formation of our predecessor partnership. Mr. Bernfield has been an investor in the nursing home industry for approximately 20 years and was the co-founder of some of the entities that were combined in 2005. Mr. Bernfield received a J.D. degree from The University of Chicago Law School and a B.S. degree in Finance from the College of Business at the University of Illinois at Urbana-Champaign. Mr. Bernfield brings extensive business, managerial and leadership experience to our board of directors. With over 20 years of experience as an investor in the SNF industry, Mr. Bernfield provides the board of directors with a vital understanding and appreciation of our business and the industry. His position as co-founder and Chief Executive Officer of our company also makes Mr. Bernfield uniquely qualified to serve as the Chairman of our board of directors.

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Steven J. Insoft. Mr. Insoft is our President and Chief Operating Officer and has served in such capacity since 2012, while previously serving as Chief Financial Officer and Treasurer. Prior to joining our company in 2005, Mr. Insoft spent eight years as a Vice President and Senior Investment Officer of Nationwide Health Properties, Inc., a publicly-traded REIT. Before that, he was President and Chief Financial Officer of CMI Senior Housing & Healthcare, Inc., a privately-held nursing home and assisted living facility operations and development company, for seven years. Mr. Insoft received an M.B.A. from Columbia University and a B.S.E. in Electrical Engineering from the University of Pennsylvania.

James H. Lyman. Mr. Lyman is our Chief Financial Officer and Treasurer and has served in such capacity since 2012. Prior to joining the company in May 2012, Mr. Lyman served as the founder and principal of Perseus LLC, an investment management and advisory company providing advisory and capital raising services to real estate clients. From 2007 to 2009, he served as a senior executive of Duke Realty Corporation, a publicly-traded REIT, where he managed the private equity fundraising program. In addition, Mr. Lyman has served as Chief Financial Officer for Strategic Hotel Capital, Inc. and Urban Shopping Centers, Inc., both NYSE-listed REITs, and as a real estate investment banker at Merrill Lynch & Co., where he took numerous companies public and advised clients on public and private capital raising. Mr. Lyman received an M.B.A from Columbia University and a B.A. in Urban and Regional Planning from University of Illinois at Urbana-Champaign.

Leticia Chavez. Ms. Chavez is our Executive Vice President, Administration. Ms. Chavez was present at the formation of Aviv in 2005. Prior to that she was with Karell Capital Ventures, the predecessor entity to Aviv, which she joined in 1988. Ms Chavez is responsible for administration, human resources and business management. She also has extensive involvement with operator and asset management matters.

Samuel H. Kovitz. Mr. Kovitz is our Executive Vice President, General Counsel and Secretary. Mr. Kovitz was present at the formation of Aviv in 2005. Prior to that, Mr. Kovitz was Vice President and General Counsel of Karell Capital Ventures, the predecessor entity to Aviv, which he joined in 1996. From 1988 to 1996, he practiced law at Rudnick & Wolfe. Mr. Kovitz received a J.D. degree from Northwestern University and a B.S. degree in Accounting from the College of Business at the University of Illinois at Urbana-Champaign.

Donna M. O Neill. Ms. O Neill is our Chief Accounting Officer and has served in such capacity since 2012, while previously serving as Senior Vice President, Finance. Prior to joining the company in 2008, Ms. O Neill served as Vice President Finance and Principal Accounting Officer at Northfield Laboratories, Inc. from 2006 and as its Controller from 2004, where she was responsible for oversight of accounting and financial reporting. Ms. O Neill received a B.S. degree in Finance and an M.B.A. degree in Management Information Systems from DePaul University.

Joshua J. Kochek. Mr. Kochek is our Vice President, Investments. Prior to joining Aviv in 2008, Mr. Kochek served as Vice President of healthcare lending at Bank of America, where he specialized in senior housing and long-term care. Before that, he served in various healthcare lending capacities at LaSalle Bank and GE Healthcare Financial Services. Mr. Kochek received a Bachelor s in Finance from the University of Kentucky.

Steven R. Levin. Mr. Levin is our Vice President, Real Estate. Prior to joining Aviv in 2011, Mr. Levin was the President of Continental Wingate Development Company where he focused on development and construction activities, concentrating on healthcare and senior housing. Mr. Levin attended the Boston Architectural Center.

Michael W. Dees. Mr. Dees has served as a member of our board of directors since September 2010. Mr. Dees has been with Lindsay Goldberg since 2004, serving as Principal before becoming Partner in 2009. Previously, he worked at Morgan Stanley in the mergers and acquisitions and the Capital Partners groups in New York and in the Real Estate Private Equity group in Tokyo. Mr. Dees currently serves as a director of Bell

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Nursery Holdings, LLC, Crane & Co., Inc., OTLG C.V., Weener Plastik GmbH, NuStar Asphalt LLC and Value Place Holdings LLC. Mr. Dees experience advising growth-oriented companies and his position with an affiliate of Aviv REIT s largest stockholder, LG Aviv L.P., qualify him for service on our board of directors.

Alan E. Goldberg. Mr. Goldberg has served as a member of our board of directors since September 2010. Mr. Goldberg is a Co-Managing Partner of Goldberg Lindsay & Co., LLC, which he co-founded in 2001. Previously, he served as Chairman and Chief Executive Officer of Morgan Stanley Private Equity from February 1998 to January 2001. Mr. Goldberg joined Morgan Stanley in 1978. Mr. Goldberg currently serves as a director of FAPS Holdings, Inc., Maine Beverage Company, LLC, Continental Energy Systems LLC, Intermex Holdings, Inc., The Brock Group, Inc., Brightstar Corp., Petrologistics L.P., Ambulatory Services of America, Inc., Crane & Co., Inc., Scandza AS, PSC, LLC, Panadero Aggregates Holdings, LLC, and Pacific Architects and Engineers Incorporated. He also serves as a trustee of Yeshiva University. Mr. Goldberg has previously served as a director of EnergySolutions, Inc. and Smurfit-Stone Container Corporation. Mr. Goldberg s years of business, financial, managerial, executive and board experience across a broad spectrum of industries make him a valuable member of our board of directors. He also indirectly controls (together with Robert D. Lindsay) Aviv REIT s largest stockholder, LG Aviv L.P.

Robert D. Lindsay. Mr. Lindsay has served as a member of our board of directors since September 2010. Mr. Lindsay is a Co-Managing Partner of Goldberg Lindsay & Co., LLC, which he co-founded in 2001. In addition, Mr. Lindsay serves as the Managing General Partner of Bessemer Holdings, which he joined in 1991. Prior to Bessemer Holdings, Mr. Lindsay was a Managing Director at Morgan Stanley Private Equity. He also serves as President and CEO of Bessemer Securities LLC, a director of The Bessemer Group, Incorporated and its subsidiary banks, including Bessemer Trust Company, N.A., and as a director of Pike Electric Corporation, FAPS Holdings, Inc., Maine Beverage Company, LLC, Continental Energy Systems LLC, Intermex Holdings, Inc., The Brock Group LLC, Bell Nursery Holdings, LLC, Brightstar Corporation, Petrologistics L.P., Ambulatory Services of America, Inc., Crane & Co., Inc., Scandza AS, PSC, LLC, Panadero Aggregates Holdings, LLC, Pacific Architects, Engineers Incorporated and NuStar Asphalt LLC. He also serves as a trustee of the Cold Spring Harbor Biological Laboratory. Mr. Lindsay has previously served as director of EnergySolutions, Inc. Mr. Lindsay s years of business, financial, managerial, executive and board experience across a broad spectrum of industries make him a valuable member of our board of directors. He also indirectly controls (together with Alan E. Goldberg) Aviv REIT s largest stockholder, LG Aviv L.P.

Ari Ryan. Mr. Ryan has served as a member of our board of directors since September 2010. Mr. Ryan is an independent real estate investor and developer and entrepreneur. Mr. Ryan participates in real estate syndications and financing and as a consultant to start up enterprises of all types. He currently manages a private commercial and residential real estate portfolio and serves on the board of directors of the Friends of the Israel Defense Forces, Western Region. Mr. Ryan is the grandson of the late Zev Karkomi, our co-founder. Mr. Ryan s entrepreneurial experience in the real estate industry and his familial connection to our co-founder make him a valuable member of our board of directors.

J. Russell Triedman. Mr. Triedman has served as a member of our board of directors since September 2010. Mr. Triedman also serves as a Partner at Lindsay Goldberg LLC, which he joined in 2001. Previously, he worked as a Principal at Bessemer Holdings from 2000 to 2001. He also worked as a Director at Fox Paine & Company, LLC, a San Francisco-based private equity firm, in the mergers and acquisitions and high yield finance groups at Cravath, Swaine & Moore LLP and in the private equity group of Brown Brothers Harriman & Co. Mr. Triedman also serves as a director of Continental Energy Systems LLC, Pike Electric Corporation, Pacific Architects and Engineers Incorporated, NuStar Asphalt LLC and Value Place Holdings LLC. Mr. Triedman s experience advising growth-oriented companies and his position with an affiliate of Aviv REIT s largest stockholder, LG Aviv L.P., qualify him for service on our board of directors.

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Composition of the Board after this Offering

Our board of directors currently consists of six directors. We expect that our board of directors following the offering will be comprised of each of the directors named above, other than Mr. Lindsay and Mr. Ryan, and the director nominees named below. Upon the consummation of this offering, we expect that our board of directors will consist of eleven individuals and that each of our outside directors will satisfy the NYSE s listing standards for independence. In making its determination that each of our directors other than Mr. Bernfield is independent, our board considered (i) with respect to the directors affiliated with Lindsay Goldberg, the ownership of common stock by Lindsay Goldberg and (ii) with respect to Mr. Bobins, (1) the fact that he serves as the non-executive chairman of The PrivateBank and Trust Company, one of the lenders under our Term Loan, Acquisition Credit Line and 2016 Revolver and one of the proposed lenders under our New Revolver and New Term Loan, (2) that, while he was serving as a member of the advisory board to our company, he facilitated the introduction of our company to Lindsay Goldberg for which he received a cash payment from Lindsay Goldberg and a 1% profits interest in LG Aviv L.P., the legal entity through which Lindsay Goldberg holds its interest in Aviv REIT, and (3) the fact that he continues to serve as a consultant to Lindsay Goldberg.

Norman R. Bobins. Mr. Bobins will be appointed to our board of directors upon consummation of this offering. Mr. Bobins was named Non-Executive Chairman of The PrivateBank and Trust Company, a bank subsidiary of PrivateBancorp, Inc., in July 2008. From May 2007 until October 2007, Mr. Bobins was Chairman of the Board of LaSalle Bank Corporation and thereafter served as Chairman Emeritus until July 2008. From 2003 to 2007, he was President and Chief Executive Officer of LaSalle Bank Corporation. From 2006 to 2007, he was President and Chief Executive Officer of ABN AMRO North America. Mr. Bobins also serves on the boards of directors of SIMS Metal Management, AAR CORP., AGL Resources Inc., Transco Inc. and RREEF America REIT II, Inc. In the past five years, Mr. Bobins also served on the board of Hyatt Hotels Corporation. Mr. Bobins years of banking experience, his financial and accounting knowledge and his service as a director of other public companies all qualify him for service on our board of directors.

Susan R. Lichtenstein. Ms. Lichtenstein will be appointed to our board of directors upon consummation of this offering. Since May 2010, Ms. Lichtenstein has been Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary of Hill-Rom Holdings, Inc., a leading provider of patient support systems and other medical technical equipment for hospitals and post-acute care settings. Prior to joining Hill-Rom, Ms. Lichtenstein was Senior Vice President and General Counsel of Baxter International Inc. since April 2005. Prior to joining Baxter, she served as General Counsel to the governor of Illinois. Ms. Lichtenstein currently serves on the boards of RUSH University Medical Center, the Civic Consulting Alliance of Chicago, Olin-Sang-Ruby Union Institute and the Midwest Region of the Anti-Defamation League. She is a member of The Economic Club of Chicago, The Chicago Network, and is a steering committee member of the Senior Businesswomen s Forum. Ms. Lichtenstein s experience in corporate, government and private law practice qualifies her for service on our board of directors.

Mark B. McClellan, M.D., Ph.D. Dr. McClellan will be appointed to our board of directors upon consummation of this offering. Since 2007, Dr. McClellan has acted as senior fellow and director of the Engelberg Center for Health Care Reform, as well as the Leonard D. Schaeffer Chair in Health Policy Studies at the Brookings Institution. He previously served as an administrator of the Centers for Medicare & Medicaid Services from 2004 to 2006 and as commissioner of the Food and Drug Administration from 2002 to 2004. Dr. McClellan has served in two presidential administrations, including as a member of the Council of Economic Advisers, as a senior director for health care policy and as deputy assistant secretary of the Treasury for economic policy. Dr. McClellan previously was an associate professor of economics and associate professor of medicine with tenure at Stanford University. Dr. McClellan is the chair of the FDA s Reagan-Udall Foundation. He is a member of the Institute of Medicine of the National Academy of Sciences and is a research associate at the National Bureau of Economic Research. He holds an M.D. from the Harvard-MIT Division of Health Sciences and Technology and a Ph.D. in Economics from MIT. Dr. McClellan s years of experience providing practical solutions to achieve high-quality, innovative, affordable health care with particular emphasis on identifying opportunities on the national, state and local levels make him a valuable member of our board of directors.

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Sharon O Keefe. Ms. O Keefe will be appointed to our board of directors upon consummation of this offering. Ms. O Keefe is the President of the University of Chicago Medical Center (UCMC), a position she has held since February 2011. Previously, she served as President at Loyola University Medical Center, where she served from 2009 until her appointment at UCMC, and as Chief Operating Officer at Barnes-Jewish Hospital from 2002 until 2009. She currently serves on the National Institutes of Health Advisory board for Clinical Research and Finance Committee, the Illinois Hospital Association Board of Trustees, the University Healthcare Consortium board, the board of CURE: Citizens United for Research in Epilepsy and the board of Vocera Communications. Her experience as a nationally recognized authority on hospital operations, health care quality, patient satisfaction and employee engagement qualifies her to serve on our board of directors.

Mark J. Parrell. Mr. Parrell will be appointed to our board of directors upon consummation of this offering. Mr. Parrell is the Executive Vice President and Chief Financial Officer of Equity Residential, a NYSE-listed multifamily residential property REIT, which is a position he has held since October 2007. From August 2005 until October 2007, Mr. Parrell served as the Equity Residential s Senior Vice President and Treasurer, and from February 2003 to July 2005 he served as First Vice President in the capital markets group. Mr. Parrell s experience as an executive of a growth-oriented S&P 500 REIT and U.S. finance background qualify him for service on our board of directors.

Ben W. Perks. Mr. Perks will be appointed to our board of directors upon consummation of this offering. Mr. Perks was the Executive Vice President and Chief Financial Officer of Navigant Consulting, Inc., a NYSE-listed company, from May 2000 until his retirement in August 2007. Prior to joining Navigant Consulting, Mr. Perks was with PricewaterhouseCoopers LLP for 32 years, including 22 years as a Partner in the Audit and Financial Advisory Services groups. Mr. Perks years of public company financial and accounting experience qualify him for service on our board of directors.

James H. Roth. Mr. Roth will be appointed to our board of directors upon consummation of this offering. Mr. Roth has served as Chief Executive Officer of Huron Consulting Group Inc. a strategy, technology and operations consulting company, since July 2009, was elected to Huron s board of directors in November 2009, and was appointed as President of Huron in March 2011. Previously, he served as practice group leader of Huron s Higher Education Consulting practice from the inception of Huron in 2002 until he became CEO. Mr. Roth has more than 30 years of consulting experience working with many of the premier research universities and academic medical centers. His consulting, managerial and executive experience qualifies him to serve on our board of directors.

Nomination of Directors

Pursuant to the Investment Agreement, so long as Lindsay Goldberg holds at least 27.5% of our common stock (assuming all partnership units of our operating partnership are exchanged for shares of our common stock), Lindsay Goldberg will have the right to nominate three directors to our board of directors, subject to stockholder vote. The right to nominate directors decreases as follows (in each case assuming all partnership units of our operating partnership are exchanged for shares of our common stock):

- if Lindsay Goldberg owns less than 27.5%, but at least 18.0%, then it will be entitled to nominate two directors;
- if Lindsay Goldberg owns less than 18.0%, but at least 10%, then it will be entitled to nominate one director;
- if Lindsay Goldberg owns less than 10%, then it will no longer be able to nominate any directors.

Board Leadership Structure

Due to our Chairman s service as Chief Executive Officer of our company, he does not meet the NYSE s standards for independence. Recognizing the importance of highly independent and empowered directors, the board of directors has determined to appoint a Lead Independent Director. The Lead Independent Director will be selected by the independent directors, and the independent directors intend to elect Mr. Perks, the chair of the audit committee, to serve as the Lead Independent Director upon the consummation of this offering. The Lead Independent Director s responsibilities will include, among others, presiding at the meetings of independent directors, advising the Chairman as to the quality, quantity and timeliness of information sent to the board and serving as the principal liaison and facilitator between the independent directors and the Chairman.

Board Committees

Upon the consummation of this offering, our board of directors will appoint an audit committee, a compensation committee and a nominating and corporate governance committee. Each of these committees will have at least three directors and will be composed exclusively of independent directors, by reference to the rules, regulations and listing standards of the NYSE. Our board of directors may from time to time establish other committees to facilitate the management of our company.

Audit Committee

The audit committee will help ensure the integrity of our financial statements, the qualifications and independence of our independent auditors and the performance of our internal audit function and independent auditors. The audit committee will select, assist and meet with the independent auditors, oversee each annual audit and quarterly review, establish and maintain our internal audit controls and prepare the report that U.S. federal securities laws require to be included in our annual proxy statement. We expect that Mr. Perks will chair our audit committee and serve as our audit committee financial expert, as that term is defined by the SEC, and Mr. Bobins and Mr. Parrell will serve as members of this committee.

Compensation Committee

The compensation committee will review and approve the compensation and benefits of our executive officers, administer and make recommendations to our board of directors regarding our compensation and stock incentive plans and produce an annual report on executive compensation for inclusion in our proxy statement. We expect that Mr. Roth will chair our compensation committee and Ms. O Keefe and Mr. Triedman will serve as members of this committee.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee will develop and recommend to our board of directors a set of corporate governance principles, a code of ethics and policies with respect to conflicts of interest, monitor our compliance with corporate governance requirements of state and U.S. federal law and the rules and regulations of the NYSE, establish criteria for prospective members of our board of directors, conduct candidate searches and interviews, oversee and evaluate our board of directors and management; evaluate from time to time the appropriate size and composition of our board of directors, recommend, as appropriate, increases, decreases and changes in the composition of our board of directors and formally propose the slate of directors to be elected at each annual meeting of our stockholders. We expect that Ms. Lichtenstein will chair our nominating and corporate governance committee and Mr. Dees and Dr. McClellan will serve as members of this committee.

Code of Ethics

Upon the consummation of this offering, our board of directors will adopt a code of ethics that applies to all of our directors, officers and employees, including our Chief Executive Officer and Chief Financial Officer. The code will address, among other things, honesty and ethical conduct, conflicts of interest, compliance with laws, regulations and policies, including disclosure requirements under the federal securities laws, confidentiality, trading on insider information and reporting of violations to the code. Upon adoption, a copy of our code of ethics will be posted on our website at www.avivreit.com.

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Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks and none of our employees will participate on the compensation committee.

Indemnification Agreements

We intend to enter into indemnification agreements with each of our directors and executive officers that will obligate us to indemnify them to the maximum extent permitted by Maryland law as discussed under Certain Provisions of Maryland Law and of Our Charter and Bylaws Indemnification and Limitation of Directors and Officers Liability. The indemnification agreements will provide that, if a director or executive officer is a party to, or witness in, or is threatened to be made a party to, or witness in, any proceeding by reason of his or her service as a director, trustee, officer, employee or agent of our company or of any other corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that he or she is or was serving in such capacity at our request, we must indemnify the director or executive officer for all expenses and liabilities actually and reasonably incurred by him or her, or on his or her behalf, to the maximum extent permitted under Maryland law, including in any proceeding brought by the director or executive officer to enforce his or her rights under the indemnification agreement, to the extent provided by the agreement. The indemnification agreements will also require us to advance reasonable expenses incurred by the indemnitee within ten days of the receipt by us of a statement from the indemnitee requesting the advance, provided the statement reasonably evidences the expenses and includes, is accompanied or is preceded by:

- a written affirmation of the indemnitee s good faith belief that he or she has met the standard of conduct necessary for indemnification; and

- a written undertaking by the indemnitee or on his or her behalf to repay the amount paid if it shall ultimately be established that the standard of conduct has not been met.

The indemnification agreements will also provide for procedures for the determination of entitlement to indemnification, including requiring such determination be made by independent counsel after a change of control of our company.

In addition, our charter and bylaws provide for indemnification of our directors and officers, as discussed under Certain Provisions of Maryland Law and of Our Charter and Bylaws Indemnification and Limitation of Directors and Officers Liability, and our directors and officers may be entitled to indemnification pursuant to the terms of the partnership agreement of our operating partnership, as discussed under Description of the Partnership Agreement of our Operating Partnership Management Liability and Indemnification.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Stock Ownership Guidelines

We anticipate implementing stock ownership guidelines for our Chief Executive Officer and other senior executives. Our executives will be required to maintain equity ownership of a number of shares whose value equals a multiple of his or her base salary. We expect that our CEO will be required to hold five times his base salary, while each of our named executive officers will be required to hold three times his or her base salary. The executives will have five years to achieve these guidelines.

We also anticipate implementing stock ownership guidelines for our directors. We expect that our directors will be required to maintain equity ownership of a number of shares whose value equals five times his or her base annual cash retainer. The directors will have five years to achieve these guidelines. Lindsay Goldberg s stock ownership will be attributed to Messrs. Dees, Goldberg and Triedman for purposes of these guidelines.

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Executive Compensation

The following discussion and analysis of the compensation arrangements of our named executive officers (defined in 2012 as our Chairman and Chief Executive Officer, our President and Chief Operating Officer and our Executive Vice President, General Counsel and Secretary) and our directors should be read together with the tables and related footnote disclosures detailed below under the headings Executive Compensation and Director Compensation. The following discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt may differ, potentially materially, from the anticipated programs described below. Following the consummation of this offering, our compensation committee will oversee the implementation of our compensation program and, together with our board of directors, will periodically evaluate the need for revisions to ensure our compensation program, including compensation for the remainder of 2013, is consistent and competitive with the companies with which we compete for executive talent.

Compensation Program Objectives

The primary goal of our executive compensation program is to attract, motivate and retain top-caliber talent needed to lead us in achieving business success. Our compensation approach has traditionally been reflective of the operation of our business as a closely held private company and the compensation tools available to us in that structure. Historically, the principal owners have been solely responsible for setting and adjusting the overall design of our pay programs for the named executive officers. Our Chairman and Chief Executive Officer has negotiated executive compensation packages as part of the hiring process and reviewed each executive s compensation as part of the annual performance review and budgeting process.

Evolution of Our Compensation Program

Our compensation philosophy is to provide market median compensation opportunity levels which can only be achieved upon satisfaction of our operating and financial goals and objectives. We have implemented a performance-based compensation program to ensure that our executives only receive competitive levels of compensation if our financial and operating goals are met and/or exceeded.

We retained Pay Governance LLC, the Consultant, to assist us in assessing competitive market pay levels and program designs. In establishing compensation opportunity levels for our executive officers for 2012, the Consultant gathered compensation data from a number of sources:

- proxy data obtained from publicly-traded healthcare industry REITs or real estate companies;
- proxy data obtained from publicly-traded REITs or real estate companies of similar size to us, as measured by market capitalization; and
- survey data obtained from the NAREIT Compensation Survey, which includes more than 100 participating companies, which was adjusted to include participants of similar size and/or industry/asset focus to us.

We believe that the comparator groups (which we define as publicly-traded REITs and real estate companies of relevant industry and/or size scope) constitute a critical component of the market where we compete for executive talent. At the time of our 2011 executive compensation review, our two comparator groups were comprised of the following organizations:

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*Publicly-Traded Health Care Industry REITs and Real Estate Companies**

Health Care REIT Inc.	Omega Healthcare Investors Inc.
Healthcare Realty Trust Inc.	Sabra Health Care
LTC Properties Inc.	Senior Housing Properties Trust
Medical Properties Trust Inc.	Universal Health Realty Income Trust
National Health Investors Inc.	

* In addition to these nine companies, we also reviewed pay design practices for two other industry peers, HCP, Inc. and Ventas, who are too large to use in direct pay level comparisons.

Publicly-Traded REITs and Real Estate Companies of Similar Size to Us:

Cousins Properties Inc.	Pebblebrook Hotel Trust
EastGroup Properties Inc.	Pennsylvania Real Estate Investment Trust
First Potomac Realty Trust	Saul Centers Inc.
Getty Realty Group	Sovran Self Storage Inc.
Government Properties Income Trust	Strategic Hotels & Resorts, Inc.
Hersha Hospitality Trust	U-Store-It Trust
Lexington Realty Trust	

After the consummation of this offering, we anticipate that our compensation committee will consider changes to executive compensation to reflect our new ownership structure and market practices for publicly-traded companies. At this time, we anticipate maintaining our compensation philosophy of targeting executive pay to approximate the median of a competitive market, defined by reference to other publicly-traded real estate companies of a similar size, and delivering the majority of executive compensation opportunity through performance-based programs designed to provide that our executives earn competitive pay only if our performance warrants.

While our compensation committee has not yet determined the details of our compensation programs, we anticipate that (i) our annual incentive program will reflect prevalent practices among our competitive market and provide our named executive officers the opportunity to earn cash incentive awards based on the level of achievement of pre-defined measures of our financial performance that we believe are most closely linked to stockholder value and (ii) our named executive officers will have the vast majority of their annual incentive opportunity tied to these pre-defined measures. We anticipate that our compensation committee will also implement a long-term incentive program that provides named executive officers the opportunity to earn shares of our stock primarily upon our achievement of competitive total shareholder return in comparison to defined groups and/or indices of publicly-traded real estate companies over a three-year performance period. A small portion of the total award opportunity may be granted in the form of time-based restricted stock units in order to provide appropriate future shareholder alignment among the executive team and serve to retain our talent. At this time, to provide an estimated median award opportunity over the applicable performance periods, we anticipate the target award grant level for each named executive officer will be no more than one or two times base salary. We expect the ultimate value of any of these awards, if any, will be directly tied to future relative total shareholder return, future share price and dividend performance. See the description of our proposed long-term incentive program below under 2013 Long-Term Incentive Plan.

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We anticipate the following compensation structure for our named executive officers and our Chief Financial Officer and Treasurer for 2013:

Name and Principal Position	Salary	Target Annual Incentive Opportunity	Target Annual Long-Term Incentive Award Opportunity (1)
Craig M. Bernfield Chairman and Chief Executive Officer	$ 625,000	$ 781,300	$ 900,000
Steven J. Insoft President and Chief Operating Officer	$ 395,000	$ 316,000	$ 700,000
Samuel H. Kovitz Executive Vice President, General Counsel and Secretary	$ 310,000	$ 155,000	$ 250,000
James H. Lyman Chief Financial Officer and Treasurer	$ 325,000	$ 227,500	$ 450,000

(1) As discussed above, it is anticipated that long-term equity incentives will be based primarily upon our achievement of competitive total shareholder return in comparison to defined groups and/or indices of publicly-traded real estate companies over a three-year performance period. The number of shares subject to the award will be calculated based on the market price of our common stock at the time of grant.

Each officer has the opportunity to earn a maximum of 200% of his target annual incentive and target annual long-term incentive award, depending on performance.

Current Executive Compensation Components

Our 2012 executive compensation program consisted of the following elements, each of which is described in more detail below:

Element	Description