

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2011

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

For the transition period from _____ to _____

Commission file number 333-173824-103 (Aviv REIT, Inc.)
Commission file number 333-173824 (Aviv Healthcare Properties Limited Partnership)

AVIV REIT, INC.
AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP
(Exact Name of Registrant as Specified in Its Charter)

<p style="text-align:center">Maryland (Aviv REIT, Inc.) Delaware (Aviv Healthcare Properties Limited Partnership) (State or Other Jurisdiction of Incorporation or Organization)</p> <p style="text-align:center">303 W. Madison Street, Suite 2400 Chicago, Illinois (Address of Principal Executive Offices)</p>	<p style="text-align:center">27-3200673 (Aviv REIT, Inc.) 35-2249166 (Aviv Healthcare Properties Limited Partnership) (I.R.S. Employer Identification No.)</p> <p style="text-align:center">60606 (Zip Code)</p> <p style="text-align:center">(312) 855-0930 (Registrant's Telephone Number, Including Area Code)</p> <p style="text-align:center">(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)</p>
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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of November 14, 2011, Aviv REIT, Inc. had 262,278 shares of common stock outstanding.

As of November 14, 2011, Aviv Healthcare Properties Limited Partnership had 13,467,223 Class A Units, 4,523,145 Class B Units, 100 Class C Units, 8,050 Class D Units, 2,684,900 Class F Units and 262,278 Class G Units outstanding.

EXPLANATORY NOTE

This combined Form 10-Q is being filed separately by Aviv REIT, Inc. (“Aviv REIT”) and Aviv Healthcare Properties Limited Partnership (the “Partnership”). Unless the context requires otherwise or except as otherwise noted, as used herein the words “we,” “company,” “us” and “our” refer to Aviv REIT, Inc. and Subsidiaries and Aviv Healthcare Properties Limited Partnership and Subsidiaries, as the operations of the two aforementioned entities are materially comparable for the periods presented.

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AVIV REIT, INC. AND SUBSIDIARIES

**Consolidated Balance Sheets
(unaudited)**

	September 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents	\$ 6,264,886	\$ 13,029,474
Deferred rent receivable	28,873,295	30,660,773
Tenant receivables, net	6,090,209	1,168,842
Rental properties and financing leases, at cost:		
Land	90,882,968	76,466,020
Buildings and improvements	705,696,951	615,806,273
Assets under direct financing leases	10,881,228	10,777,184
	<u>807,461,147</u>	<u>703,049,477</u>
Less accumulated depreciation	<u>(91,252,681)</u>	<u>(75,948,944)</u>
Net rental properties	716,208,466	627,100,533
Deferred finance costs, net	13,648,381	9,957,636
Loan receivables, net	30,868,334	36,610,638
Other assets	5,629,414	12,872,323
Total assets	<u><u>\$807,582,985</u></u>	<u><u>\$731,400,219</u></u>
Liabilities and equity		
Accounts payable and accrued expenses	\$ 10,090,892	\$ 6,012,809
Tenant security and escrow deposits	14,218,676	13,658,384
Other liabilities	31,584,569	25,996,492
Mortgage and other notes payable	525,486,808	440,575,916
Total liabilities	581,380,945	486,243,601
Equity:		
Stockholders' equity		
Common stock (par value \$0.01; 235,898 and 227,003 shares outstanding, respectively)	2,359	2,270
Additional paid-in-capital	234,775,166	223,838,999
Accumulated deficit	(15,219,201)	(2,261,839)
Accumulated other comprehensive (loss) income	<u>(1,669,782)</u>	<u>2,188,155</u>
Stockholders' equity	217,888,542	223,767,585
Noncontrolling interests	8,313,498	21,389,033
Total equity	<u>226,202,040</u>	<u>245,156,618</u>
Total liabilities and equity	<u><u>\$807,582,985</u></u>	<u><u>\$731,400,219</u></u>

See accompanying notes to consolidated financial statements.

AVIV REIT, INC. AND SUBSIDIARIES

**Consolidated Statements of Operations
(unaudited)**

	<u>Three Months Ended September 30, 2011</u>	<u>September 30, 2010</u>	<u>Nine Months Ended September 30, 2011</u>	<u>September 30, 2010</u>
Revenues				
Rental income	\$ 20,979,359	\$ 21,354,972	\$ 64,782,196	\$ 63,776,959
Tenant recoveries	1,800,900	1,640,285	5,325,960	4,851,521
Interest on loans to lessees—capital expenditures	266,506	183,613	957,608	909,186
Interest on loans to lessees—working capital and capital lease	970,316	1,144,301	2,960,338	2,937,698
Total revenues	<u>24,017,081</u>	<u>24,323,171</u>	<u>74,026,102</u>	<u>72,475,364</u>
Expenses				
Rent and other operating expenses	228,499	199,500	621,304	484,476
General and administrative	5,974,461	2,376,911	12,986,000	6,486,367
Real estate taxes	1,771,520	1,558,495	5,473,975	4,870,994
Depreciation	5,322,918	4,451,210	15,303,737	13,248,400
Loss on impairment	858,916	96,000	858,916	96,000
Total expenses	<u>14,156,314</u>	<u>8,682,116</u>	<u>35,243,932</u>	<u>25,186,237</u>
Operating income	9,860,767	15,641,055	38,782,170	47,289,127
Other income and expenses:				
Interest and other income	7,276	(14,116)	840,144	41,816
Interest expense	(9,311,128)	(5,211,327)	(26,226,779)	(16,123,723)
Change in fair value of derivatives	—	489,312	—	2,931,309
Amortization of deferred financing costs	(667,406)	(194,324)	(1,996,845)	(472,914)
Earnout accretion	(100,088)	—	(166,814)	—
Gain on sale of assets	—	581,734	—	581,734
Loss on extinguishment of debt	—	(2,285,028)	(3,806,513)	(2,285,028)
Total other income and expenses	<u>(10,071,346)</u>	<u>(6,633,749)</u>	<u>(31,356,807)</u>	<u>(15,326,806)</u>
Net (loss) income	(210,579)	9,007,306	7,425,363	31,962,321
Distributions and accretion on Class E Preferred Units	—	(9,353,806)	—	(17,371,893)
Net loss (income) allocable to common units of				
Partnership/noncontrolling interests	96,030	960,162	(3,386,174)	(13,976,766)
Net (loss) income allocable to stockholders	<u>\$ (114,549)</u>	<u>\$ 613,662</u>	<u>\$ 4,039,189</u>	<u>\$ 613,662</u>
Net (loss) income	\$ (210,579)		\$ 7,425,363	
Unrealized loss on derivative instrument	(4,086,047)		(7,164,043)	
Total comprehensive (loss) income	<u>\$ (4,296,626)</u>		<u>\$ 261,320</u>	
Net (loss) income allocable to stockholders	<u>\$ (114,549)</u>		<u>\$ 4,039,189</u>	
Unrealized loss on derivative instrument, net of noncontrolling				
interest portion of \$1,863,352 and \$3,306,106, respectively	(2,222,695)		(3,857,937)	
Total comprehensive (loss) income allocable to stockholders	<u>\$ (2,337,244)</u>		<u>\$ 181,252</u>	

See accompanying notes to consolidated financial statements.

AVIV REIT, INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

Nine Months Ended September 30, 2011 (unaudited)

	<u>Common Stock</u>		<u>Additional Paid-In- Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>	<u>Noncontrolling Interests</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>						
Balance at January 1, 2011	227,003	\$2,270	\$223,838,999	\$ (2,261,839)	\$ 2,188,155	\$223,767,585	\$ 21,389,033	\$245,156,618
Non-cash stock (unit)-based compensation	—	—	936,256	—	—	936,256	662,459	1,598,715
Distributions to partners	—	—	—	—	—	—	(14,237,819)	(14,237,819)
Capital contributions	8,895	89	9,999,911	—	—	10,000,000	419,757	10,419,757
Unrealized loss on derivative instruments	—	—	—	—	(3,857,937)	(3,857,937)	(3,306,106)	(7,164,043)
Dividends to stockholders	—	—	—	(16,996,551)	—	(16,996,551)	—	(16,996,551)
Net income	—	—	—	4,039,189	—	4,039,189	3,386,174	7,425,363
Balance at September 30, 2011	<u>235,898</u>	<u>\$2,359</u>	<u>\$234,775,166</u>	<u>\$(15,219,201)</u>	<u>\$ (1,669,782)</u>	<u>\$217,888,542</u>	<u>\$ 8,313,498</u>	<u>\$226,202,040</u>

See accompanying notes to consolidated financial statements.

AVIV REIT, INC. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows
(unaudited)**

	Nine Months Ended September 30,	
	2011	2010
Operating activities		
Net income	\$ 7,425,363	\$ 31,962,321
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,303,737	13,248,400
Amortization	1,996,845	472,914
Change in fair value of derivatives	—	(2,931,309)
Deferred rental loss (income), net	1,586,497	(2,600,415)
Rental income from intangible amortization, net	(1,044,431)	(3,318,913)
Non-cash stock (unit)-based compensation	1,598,715	345,101
Gain on sale of assets	—	(581,734)
Non-cash loss on extinguishment of debt	3,806,513	1,437,233
Loss on impairment of assets	858,916	96,000
Reserve for uncollectible loan receivables	1,250,113	—
Accretion of earn-out provision for previously acquired rental properties	166,814	—
Changes in assets and liabilities:		
Tenant receivables	(6,685,920)	557,018
Other assets	2,070,268	(309,666)
Accounts payable and accrued expenses	95,433	(1,080,771)
Tenant security deposits and other liabilities	3,048,863	40,327
Net cash provided by operating activities	<u>31,477,726</u>	<u>37,336,506</u>
Investing activities		
Purchase of rental properties	(80,719,101)	(8,380,000)
Sales of rental properties	—	3,988,927
Capital improvements and other developments	(17,300,401)	(5,863,863)
Payment of earn-out provision for previously acquired rental properties	—	(9,600,731)
Loan receivables received from (funded to) others, net	6,256,744	(5,637,247)
Net cash used in investing activities	<u>(91,762,758)</u>	<u>(25,492,914)</u>
Financing activities		
Borrowings of debt	328,802,912	405,000,000
Repayment of debt	(243,892,020)	(480,309,036)
Payment of financing costs	(9,429,792)	(10,405,360)
Payment for swap termination	—	(3,380,160)
Capital contributions	10,419,757	223,772,055
Redemption of Class E Preferred Units	—	(92,001,451)
Redemption of Class F Units	—	(23,602,649)
Cash distributions to partners	(14,838,568)	(33,003,335)
Cash dividends to stockholders	(17,541,845)	—
Net cash provided by (used in) financing activities	<u>53,520,444</u>	<u>(13,929,936)</u>
Net decrease in cash and cash equivalents	<u>(6,764,588)</u>	<u>(2,086,344)</u>
Cash and cash equivalents:		
Beginning of period	13,029,474	15,542,507
End of period	<u>\$ 6,264,886</u>	<u>\$ 13,456,163</u>
Supplemental cash flow information		
Cash paid for interest	\$ 25,080,857	\$ 16,644,364
Supplemental disclosure of noncash activity		
Accrued dividends payable to stockholders	\$ 5,547,639	\$ —
Accrued distributions payable to partners	\$ 4,646,091	\$ 3,106,549
Earn-out accrual and addition to rental properties	\$ 3,332,745	\$ —
Write-off of deferred rent receivable	\$ 6,785,132	\$ 2,233,768
Write-off of in-place lease intangibles, net	\$ 35,536	\$ 1,956,499
Write-off of deferred financing costs, net	\$ 3,806,513	\$ 1,235,969
Write-off debt discount	\$ —	\$ 202,307

See accompanying notes to consolidated financial statements.

AVIV REIT, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (unaudited)

1. Description of Operations and Formation

Aviv REIT, Inc., a Maryland corporation, and Subsidiaries (the REIT) is the sole general partner of Aviv Healthcare Properties Limited Partnership, a Delaware limited partnership, and Subsidiaries (the Partnership). The Partnership is a majority owned subsidiary that owns all of the real estate properties. In these footnotes, the Company refers generically to Aviv REIT, Inc., the Partnership, and their subsidiaries. The Partnership was formed in 2005 and directly or indirectly owned or leased 200 properties, principally skilled nursing facilities, across the United States at September 30, 2011. The Company generates the majority of its revenues by entering into long-term triple-net leases with qualified local, regional, and national operators. In addition to the base rent, leases provide for tenants to pay the Company an ongoing escrow for real estate taxes. Furthermore, all operating and maintenance costs of the buildings are the responsibility of the tenants. Substantially all depreciation expense reflected in the consolidated statements of operations relates to the ownership of real estate properties. The Company manages its business as a single business segment as defined in Accounting Standards Codification (ASC) 280, *Segment Reporting*.

The Partnership is the general partner of Aviv Healthcare Properties Operating Partnership I, L.P. (the Operating Partnership), a Delaware limited partnership, and Aviv Healthcare Capital Corporation, a Delaware company. The Operating Partnership has five wholly owned subsidiaries: Aviv Financing I, LLC (Aviv Financing I), a Delaware limited liability company; Aviv Financing II, LLC (Aviv Financing II), a Delaware limited liability company; Aviv Financing III, LLC (Aviv Financing III), a Delaware limited liability company; Aviv Financing IV, LLC (Aviv Financing IV), a Delaware limited liability company; and Aviv Financing V, LLC (Aviv Financing V), a Delaware limited liability company.

On September 17, 2010, the predecessor to the Partnership entered into an agreement (the Merger Agreement), by and among the REIT, Aviv Healthcare Merger Sub LP, a Delaware limited partnership of which the REIT is the general partner (Merger Sub), Aviv Healthcare Merger Sub Partner LLC, a Delaware limited liability company and a wholly owned subsidiary of the REIT, and the predecessor to the Partnership. Pursuant to the Merger Agreement, the predecessor to the Partnership merged (the Merger) with and into Merger Sub, with Merger Sub continuing as the surviving entity with the identical name (the Surviving Partnership). Following the Merger, the REIT remains as the sole general partner of the Surviving Partnership and the Surviving Partnership, as the successor to the predecessor to the Partnership, became the general partner of the Operating Partnership. All of the business, assets and operations will continue to be held by the Operating Partnership and its subsidiaries. The REIT's equity interest in the Surviving Partnership will be linked to future investments in the REIT, such that future equity issuances by the REIT (pursuant to the Stockholders Agreement, the REIT's management incentive plan or otherwise as agreed between the parties) will result in a corresponding increase in the REIT's equity interest in the Surviving Partnership. The REIT is authorized to issue 2 million shares of common stock (par value \$0.01) and 1,000 shares of preferred stock (par value \$1,000). At September 30, 2011, there were 235,898 shares of common stock and 125 shares of preferred stock outstanding. An additional 26,380 shares of common stock were issued by the REIT on October 28, 2011 concurrent with a \$30 million equity contribution by the REIT's stockholders. Dividends on each outstanding share of preferred stock accrue on a daily basis at the rate of 12.5% per annum of the sum of \$1,000 plus all accumulated and unpaid dividends thereon which are in arrears. The REIT makes annual distributions on the preferred shares in the aggregate amount of \$15,625 per year. With respect to the payment of dividends or other distributions and the distribution of the REIT's assets upon dissolution, liquidation, or winding up, the preferred stock will be senior to all other classes and series of stock of the REIT. The preferred stock has not been shown separately in the consolidated balance sheets, is immaterial, and included in additional paid-in-capital.

As a result of the common control of the REIT (which was newly formed) and the predecessor to the Partnership, the Merger, for accounting purposes, did not result in any adjustment to the historical carrying value of the assets or liabilities of the Partnership. The REIT was funded in September 2010 with approximately \$235 million from its stockholders. The REIT contributed the net proceeds of its capital raise to

Notes to Consolidated Financial Statements (unaudited) - (continued)

the Partnership in exchange for Class G Units in the Partnership. Periods prior to September 17, 2010 represent the results of operations and financial condition of the Partnership, as predecessor to the Company. An additional \$10 million was contributed by the REIT's stockholders on January 25, 2011. Subsequently, an additional \$30 million was contributed by the REIT's stockholders on October 28, 2011.

The operating results of the Partnership are allocated based upon the respective economic interests therein. As of September 30, 2011, the REIT owned 54.4% of the Partnership. On October 28, 2011, the REIT's stockholders contributed \$30 million to the REIT, which was further contributed to the Partnership, increasing the REIT ownership of the Partnership to 57.01%.

2. 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 the REIT, the Partnership, the Operating Partnership, and all controlled subsidiaries. The Company considers itself to control an entity if it is the majority owner of and has 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 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.

Quarterly Reporting

The accompanying unaudited financial statements and notes of the Company as of September 30, 2011 and for the three and nine months ended September 30, 2011 and 2010 have been prepared in accordance with GAAP for interim financial information. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under GAAP have been condensed or omitted pursuant to such rules. In the opinion of management, all adjustments considered necessary for a fair presentation of the Company's balance sheets, statements of operations, statement of changes in equity, and statements of cash flows have been included and are of a normal and recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for the Company for the years ended December 31, 2010, 2009, and 2008. The consolidated statements of operations and cash flows for the three and nine months ended September 30, 2011 and 2010 are not necessarily indicative of full year results.

The balance sheet at December 31, 2010 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, including definitions of capitalized terms not defined herein, refer to the consolidated financial statements and footnotes thereto included in the Partnership's Registration Statement on Form S-4 declared effective by the Securities and Exchange Commission on July 21, 2011.

Rental Properties

The Company periodically assesses the carrying value of rental properties 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 rental properties will not be recovered in part or in whole, a provision will be recorded to reduce the carrying basis of the rental properties and related intangibles to their estimated fair value. The estimated fair value of the Company's rental properties is determined by using customary industry standard methods that include discounted cash flow and/or direct capitalization analysis. As part of the impairment evaluation during 2011, a building in Medford, MA was impaired for \$858,916 to reflect the difference between the book value and the estimated selling price less costs to dispose (Level 3).

Revenue Recognition

Rental income is recognized on a straight-line basis over the term of the lease when collectability is reasonably assured. Differences between rental income earned and amounts due under the lease are charged or credited, as applicable, to deferred rent receivable. Income recognized from this policy is titled deferred 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 are reflected as tenant recoveries on the consolidated statements of operations.

Below is a summary of the components of rental income for the respective periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cash rental income	\$22,541,964	\$18,876,220	\$65,324,262	\$57,857,631
Deferred rental (loss) income	(1,882,643)	1,423,137	(1,586,497)	2,600,415
Rental income from intangible amortization	320,038	1,055,615	1,044,431	3,318,913
Total rental income	<u>\$20,979,359</u>	<u>\$21,354,972</u>	<u>\$64,782,196</u>	<u>\$63,776,959</u>

During the three and nine months ended September 30, 2011 and 2010, deferred rental (loss) income includes a write-off (expense) of deferred rent receivable of \$3,504,562, \$6,785,936, \$0 and \$2,233,768, respectively, due to the early termination of leases and replacement of operators.

Lease Accounting

The Company, as lessor, makes a determination with respect to each of its 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 statement of operations 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 rental properties in the consolidated balance sheets. For facilities leased as direct financing arrangements, an asset equal to the Company's 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. Such accretion was \$33,832, \$104,044, \$35,100 and \$107,614 for the three and nine months ended September 30, 2011 and 2010, respectively.

Notes to Consolidated Financial Statements (unaudited) - (continued)

All of the Company's 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.

Loan Receivables

Loan receivables consist of capital improvement loans to tenants and working capital loans to operators. Loan receivables are carried at their principal amount outstanding. Management periodically evaluates outstanding 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. As of September 30, 2011 and December 31, 2010, loan receivable reserves amounted to \$2,000,113 and \$750,000, respectively. No other circumstances exist that would suggest that additional reserves are necessary at the balance sheet dates.

Stock-Based Compensation

The Company follows 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 based on their grant date fair values. On September 17, 2010, the Company adopted a 2010 Management Incentive Plan (the Plan) as part of the Merger transaction. A pro-rata allocation of non-cash stock-based compensation expense is made to the Company and noncontrolling interests for awards granted under the Plan. The Plan's non-cash stock-based compensation expense by the Company through September 30, 2011 is summarized in Footnote 9.

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 or;
- 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.

The Company's 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 its long-term debt using a discounted cash flow analysis based upon the Company's current borrowing rate for debt with similar maturities and collateral securing the indebtedness. The Company had outstanding mortgage and other notes payable obligations with a carrying value of approximately \$525.5 million and \$440.6 million as of September 30, 2011 and December 31, 2010, respectively. The fair values of debt as of September 30, 2011 was \$502.2 million and as of December 31, 2010 approximates its carrying value based upon interest rates available to the Company on similar borrowings (Level 3). Management estimates the fair value of its loan receivables using a discounted cash flow analysis based upon the Company's current interest rates for loan receivables with

Notes to Consolidated Financial Statements (unaudited) - (continued)

similar maturities and collateral securing the indebtedness. The Company had outstanding loan receivables with a carrying value of \$30.9 million and \$36.6 million as of September 30, 2011 and December 31, 2010, respectively. The fair values of loan receivables as of September 30, 2011 and as of December 31, 2010 approximate its carrying value based upon interest rates available to the Company on similar borrowings.

Derivative Instruments

The Company has 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 the Company's derivative instruments are recorded in the consolidated statements of operations if the derivative does not qualify for or the Company does 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 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.

Income Taxes

For federal income tax purposes, the Company elected, with the filing of its initial 1120 REIT, U.S. Income Tax Return for Real Estate Investment Trusts, to be taxed as a Real Estate Investment Trust (REIT) effective at the time of the Merger. To qualify as a REIT, the Company must meet certain organizational, income, asset and distribution tests. The Company currently intends to comply with these requirements and maintain REIT status. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not elect REIT status for four subsequent years. However, the Company may still be subject to federal excise tax. In addition, the Company may be subject to certain state and local income and franchise taxes. Historically, the Company and its 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 Merger, the 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 September 30, 2011 or December 31, 2010.

Business Combinations

The Company applies ASC 805, *Business Combinations* (ASC 805), in determining how to account for and identify business combinations while allocating fair value to tangible and identified intangible assets acquired and liabilities assumed using market comparables and historical operating results (Level 3). Acquisition related costs are expensed as incurred. Prior to the Merger on September 17, 2010, Aviv Asset Management, L.L.C. (AAM) was a non-consolidated management company to the Partnership based on the application of appropriate accounting guidance (as discussed in Footnote 10). Upon the Merger, AAM became a consolidated entity of the Company and is presented as such for all periods included herein with all periods shown at historical cost (carryover basis with no adjustments to fair value). This treatment is in accordance with ASC 805 due to the fact that AAM was under common control prior and subsequent to the Merger.

Reclassifications

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

3. Rental Property Activity

The Company had the following rental property activity during the nine months ended September 30, 2011 as described below:

- In January 2011, Aviv Financing I acquired a property in Kansas from an unrelated third party for a purchase price of \$3,045,000. The Company financed this purchase through cash and borrowings of \$2,131,000 under the Acquisition Credit Line (see Footnote 7).
- In March 2011, Aviv Financing II acquired a property in Pennsylvania from an unrelated third party for a purchase price of approximately \$2,200,000. The Company financed this purchase through cash.
- In March 2011, Aviv Financing II acquired a property in Ohio from an unrelated third party for a purchase price of approximately \$9,581,000. The Company financed this purchase through cash.
- In March 2011, Aviv Financing II acquired a property in Florida from an unrelated third party for a purchase price of approximately \$10,000,000. The Company financed this purchase through borrowings of \$10,200,000 under the Revolver (see Footnote 7).
- In April 2011, Aviv Financing II acquired three properties in Ohio from an unrelated third party for a purchase price of \$9,250,000. The Company financed this purchase through cash.
- In April 2011, Aviv Financing II acquired a property in Kansas from an unrelated third party for a purchase price of \$1,300,000. The Company financed this purchase through cash.
- In April 2011, Aviv Financing II acquired a property in Texas from an unrelated third party for a purchase price of \$2,093,000. The Company financed this purchase through cash.
- In April 2011, Aviv Financing II acquired three properties in Texas from an unrelated third party for a purchase price of \$8,707,000. The Company financed this purchase through cash.
- In May 2011, Aviv Financing II acquired three properties in Kansas from an unrelated third party for a purchase price of \$2,273,000. The Company financed this purchase through cash.
- In May 2011, Aviv Financing II acquired a property in Missouri from an unrelated third party for a purchase price of \$5,470,000. The Company financed this purchase through cash.
- In May 2011, Aviv Financing II acquired a property in Connecticut from an unrelated third party for a purchase price of \$12,000,000. In addition, as part of this acquisition, the Company recognized an approximate \$3,333,000 addition to the purchase price as per the guidance within ASC 805 as it relates to an earn-out provision defined at closing (Level 3). The Company financed this purchase through cash.
- In August 2011, Aviv Financing II acquired a property in Pennsylvania from an unrelated third party for a purchase price of \$6,100,000. The Company financed this purchase through borrowings under the Revolver (see Footnote 7).
- In August 2011, Aviv Financing II acquired a property in Connecticut from an unrelated third party for a purchase price of \$5,500,000. The Company financed this purchase through borrowings under the Revolver (see Footnote 7).
- In September 2011, Aviv Financing I acquired a property in Ohio from an unrelated third party for a purchase price of \$3,200,000. The Company financed this purchase through borrowings under the Revolver (see Footnote 7).

AVIV REIT, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

Related to the above business combinations, the Company incurred \$984,000 of acquisition costs that are expensed in general and administrative expenses in the consolidated statements of operations. In accordance with ASC 805, the Company allocated the approximate net purchase price paid for these properties acquired in 2011 as follows:

Land	\$13,288,000
Buildings and improvements	<u>67,431,000</u>
Borrowings and available cash	<u>\$80,719,000</u>

The Company considers renewals on below-market leases when ascribing value to the in-place lease intangible liabilities at the date of a property acquisition. In those instances where the renewal lease rate pursuant to the terms of the lease does not adjust to a current market rent, the Company evaluates whether the stated renewal rate is below current market rates and considers the past and current operations of the property, the current rent coverage ratio of the tenant, and the number of years until potential renewal option exercise. If renewal is considered probable based on these factors, an additional lease intangible liability is recorded at acquisition and amortized over the renewal period.

4. Loan Receivables

The following summarizes the Company's loan receivables at:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Beginning balance, January 1, 2011 and 2010, respectively	\$ 36,610,638	\$ 28,970,129
New capital improvement loans issued	765,463	1,415,579
Working capital and other loans issued	6,846,377	14,705,259
Reserve for uncollectible loans	(1,250,113)	(750,000)
Loan write offs	(86,156)	—
Loan amortization and repayments	<u>(12,017,875)</u>	<u>(7,730,329)</u>
	<u>\$ 30,868,334</u>	<u>\$ 36,610,638</u>

The Company's reserve for uncollectible loan receivables balances at September 30, 2011 and December 31, 2010 was \$2,000,113 and \$750,000, respectively. The activity for the three and nine months ended September 30, 2011 consisted of additional reserves of \$926,474 and \$1,250,113, respectively.

During 2011 and 2010, the Company funded loans for both working capital and capital improvement purposes to various operators and tenants. All loans held by the Company accrue interest. The payments received from the operator or tenant cover both interest accrued as well as amortization of the principal balance due. Any payments received from the tenant or operator made outside of the normal loan amortization schedule are considered principal prepayments and reduce the outstanding loan receivables balance.

Interest income earned on loan receivables for the three and nine months ended September 30, 2011 and 2010 was \$880,965, \$2,853,722, \$976,682 and \$2,796,655, respectively.

5. Deferred Finance Costs

The following summarizes the Company's deferred finance costs at:

AVIV REIT, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Gross amount	\$15,790,721	\$10,567,931
Accumulated amortization	<u>(2,142,340)</u>	<u>(610,295)</u>
Net	<u>\$13,648,381</u>	<u>\$ 9,957,636</u>

Amortization of deferred financing costs is reported in the amortization expense line item in the consolidated statements of operations.

During the three and nine months ended September 30, 2011, the Company wrote-off deferred financing costs of \$0 and \$4,271,312, respectively with \$0 and \$464,799 of accumulated amortization associated with the Mortgage (see Footnote 7) pay down for a net recognition as loss on extinguishment of debt of \$0 and \$3,806,513, respectively.

6. In-Place Lease Intangibles

The following summarizes the Company's in-place lease intangibles classified as part of other assets or other liabilities at:

	<u>September 30, 2011</u>		<u>December 31, 2010</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Gross amount	\$ 7,460,119	\$ 24,363,147	\$ 8,393,488	\$ 25,798,147
Accumulated amortization	<u>(3,193,933)</u>	<u>(14,737,331)</u>	<u>(3,049,093)</u>	<u>(14,049,691)</u>
	<u>\$ 4,266,186</u>	<u>\$ 9,625,816</u>	<u>\$ 5,344,395</u>	<u>\$ 11,748,456</u>

Amortization expense for the in-place lease intangible assets for the three and nine months ended September 30, 2011 and 2010 was \$161,142, \$483,427, \$199,628 and \$621,232, respectively. Accretion for the in-place lease intangible liabilities for the three and nine months ended September 30, 2011 and 2010 was \$516,566, \$1,563,243, \$523,339 and \$1,983,647, respectively.

For both the three and nine months ended September 30, 2011, the Company wrote-off in-place lease intangible assets of \$933,369 with accumulated amortization of \$338,587, and in-place lease intangible liabilities of \$1,435,000 with accumulated accretion of \$875,603, for a net recognition of \$35,385 in rental income from intangible amortization. These write-offs were in connection with the anticipated termination of leases that will be transitioned to new operators.

During the three and nine months ended September 30, 2010, the Company wrote-off in-place lease intangible assets of \$265,000 and \$2,943,000 with accumulated amortization of \$215,020 and \$1,531,253, and in-place lease intangible liabilities of \$3,817,347 and \$8,477,347 with accumulated accretion of \$3,035,463 and \$5,109,101, for a net recognition of \$731,904 and \$1,956,499 in rental income from intangible amortization, respectively. These write-offs were in connection with the anticipated termination of leases that were transitioned to new operators.

7. Mortgage and Other Notes Payable

The Company's mortgage and other notes payable consisted of the following:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Mortgage (interest rates of 5.75% on September 30, 2011 and December 31, 2010, respectively)	\$197,859,139	\$402,794,111
Acquisition Credit Line (interest rates of 5.75% on September 30, 2011 and December 31, 2010, respectively)	—	28,677,230
Construction loan (interest rates of 5.95% on September 30, 2011 and December 31, 2010, respectively)	2,295,066	1,312,339
Revolver (interest rate of 6.50% on September 30, 2011)	15,000,000	—

AVIV REIT, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

Acquisition loans (interest rates of 6.00% on September 30, 2011 and December 31, 2010, respectively)	7,712,418	7,792,236
Senior Notes (interest rate of 7.75% on September 30, 2011), inclusive of \$2.6 million net premium balance	302,620,185	—
Total	<u><u>\$525,486,808</u></u>	<u><u>\$440,575,916</u></u>

Senior Notes

On February 4, 2011 and April 5, 2011, Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Capital Corporation (the Issuers) issued \$200 million and \$100 million of Senior Notes (the Senior Notes), respectively. The REIT is a guarantor of the Issuers' Senior Notes. 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 date on February 15 and August 15 of each year, commencing August 15, 2011. A premium of \$2.75 million was associated with the offering of the \$100 million of Senior Notes on April 5, 2011. The premium will be amortized as an adjustment to the yield on the Senior Notes over their term. The Company used the proceeds, amongst other things, to pay down approximately \$201.6 million on the Mortgage and the balance of \$28.7 million on the Acquisition Credit Line.

Revolver

In conjunction with the Senior Notes issuance on February 4, 2011, the Company, under Aviv Financing IV, LLC, entered into a \$25 million revolver with Bank of America (the Revolver). On each payment date, the Company pays interest only in arrears on any outstanding principal balance of the Revolver. The interest rate under the Company's Revolver is generally based on LIBOR (subject to a floor of 1.0% and subject to the Company's option to elect to use a prime base rate) plus a margin that is determined by the Company's leverage ratio from time to time. As of September 30, 2011 the interest rates are based upon the base rate (3.25% at September 30, 2011) plus the applicable percentage based on the consolidated leverage ratio (3.25% at September 30, 2011). The base rate is the rate announced by Bank of America as the "prime rate". Additionally, an unused fee equal to 0.5% per annum of the daily unused balance on the Revolver is due monthly. The Revolver commitment terminates in February 2014. The Revolver had an outstanding balance of \$15,000,000 at September 30, 2011.

8. Partnership Equity and Incentive Program

Distributions to the Partnership's partners are summarized as follows for the three months ended September 30:

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F</u>	<u>Class G</u>
2011	\$1,683,430	\$809,605	\$1,599,295	\$ —	\$ —	\$553,761	\$5,547,638
2010	\$2,911,567	\$997,288	\$9,072,045	\$ —	\$1,623,288	\$958,840	\$ —

Distributions to the Partnership's partners are summarized as follows for the nine months ended September 30:

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F</u>	<u>Class G</u>
2011	\$5,050,290	\$2,702,588	\$4,823,658	\$ —	\$ —	\$1,661,283	\$16,996,392
2010	\$9,692,937	\$2,894,457	\$11,917,798	\$ —	\$5,342,466	\$3,155,677	\$ —

AVIV REIT, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

Weighted-average Units outstanding are summarized as follows for the three months ended September 30:

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F</u>	<u>Class G</u>
2011	13,467,223	4,523,145	2	8,050	—	2,684,900	236,022
2010	13,467,223	4,523,145	2	7,250	6,440,260	5,241,948	—

Weighted-average Units outstanding are summarized as follows for the nine months ended September 30:

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F</u>	<u>Class G</u>
2011	13,467,223	4,523,145	2	8,050	—	2,684,900	235,207
2010	13,467,223	4,523,145	2	7,403	7,142,888	4,990,412	—

The Partnership had established an officer incentive program linked to its future value. Awards vest annually over a five-year period assuming continuing employment by the recipient. The awards can be settled in Class C Units or cash at the Company's discretion at the settlement date of December 31, 2012. For accounting purposes, expense recognition under the program commenced in 2008, and the related expense for the three and nine months ended September 30, 2011 and 2010 was approximately \$101,500, \$304,500, \$101,500 and \$304,500, respectively.

As a result of the Merger on September 17, 2010, such incentive program was modified such that 40% of the previously granted award settled immediately on the Merger date with another 20% vesting and settling on December 31, 2010. The remaining 40% will vest equally on December 31, 2011 and December 31, 2012, and will settle in 2018, subject to the terms and conditions of the amended incentive program agreement. In accordance with ASC 718, *Compensation – Stock Compensation* (ASC 718), such incentive program will continue to be expensed through general and administrative expenses as non-cash compensation on the statements of operations through the ultimate vesting date of December 31, 2012.

9. Option Awards

On September 17, 2010, the Company adopted a 2010 Management Incentive Plan (the Plan) as part of the Merger transaction.

The following table represents the time based option awards activity for the nine months ended September 30, 2011.

	<u>Nine months ended September 30, 2011</u>
Outstanding at January 1, 2011	21,866
Granted	456
Exercised	—
Cancelled/Forfeited	—
Outstanding at March 31, 2011	22,322
Granted	—
Exercised	—
Cancelled/Forfeited	—
Outstanding at June 30, 2011	22,322
Granted	—
Exercised	—
Cancelled/Forfeited	—
Outstanding at September 30, 2011	22,322
Options exercisable at end of period	—
Weighted average fair value of options granted to date	<u>\$ 109.37</u>
Weighted average remaining contractual life (years)	<u>8.97</u>

AVIV REIT, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

The following table represents the time based option awards outstanding at September 30, 2011 as well as other Plan data:

Range of exercise prices	Outstanding	Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$1,000 – \$1,124	22,322	8.98	\$1,004

The Company has used 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 2011.

	2011 Grants
Dividend yield	9.16%
Risk-free interest rate	2.72%
Expected life	7.0 years
Estimated volatility	38.00%
Weighted average exercise price	\$1,124.22
Weighted average fair value of options granted (per option)	\$ 149.09

The Company recorded non-cash compensation expenses of \$329,889 and \$936,256 for the three and nine months ended September 30, 2011, 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, respectively.

At September 30, 2011, the total compensation cost 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 \$1,167,606.

For the period ended December 31,	Options
2011	\$ 168,963
2012	575,013
2013	304,499
2014	119,078
2015	53
Total	<u>\$1,167,606</u>

Dividend equivalent rights associated with the Plan amounted to \$524,567 and \$1,607,181 for the three and nine months ended September 30, 2011, and are included in general and administrative expense in the consolidated statements of operations, respectively. These dividend rights will be paid in four installments as the option vests.

10. Related Parties

Related party receivables and payables represent amounts due from/to various affiliates of the Company, including advances to members of the Company, amounts due to certain acquired companies and limited liability companies for transactions occurring prior to the formation of the Company, and various advances to entities controlled by affiliates of the Company's management. An officer of the Company received a loan of \$311,748, which has been paid off in full as of September 30, 2011.

The Partnership had entered into a management agreement, as amended, effective April 1, 2005, with AAM, an entity affiliated by common ownership. Under the management agreement, AAM had been granted the exclusive right to oversee the portfolio of the Partnership, providing, among other administrative services, accounting and all required financial services; legal administration and regulatory compliance; investor, tenant, and lender relationship services; and transactional support to the Partnership. Except as otherwise provided in the Partnership Agreement, all management powers of the business and affairs of the Partnership were exclusively vested in the General Partner. The annual fee for such services equaled six-tenths of one percent (0.6%) of the aggregate fair market value of the properties as determined by the Partnership and AAM annually. This fee arrangement was amended as discussed

Notes to Consolidated Financial Statements (unaudited) - (continued)

below. In addition, the Partnership reimbursed AAM for all reasonable and necessary out-of-pocket expenses incurred in AAM's conduct of its business, including, but not limited to, travel, legal, appraisal, and brokerage fees, fees and expenses incurred in connection with the acquisition, disposition, or refinancing of any property, and reimbursement of compensation and benefits of the officers and employees of AAM. This agreement was terminated on September 17, 2010 when the Merger occurred, effectively consolidating AAM into the Company, and eliminating the necessity for reimbursement.

On October 16, 2007, the Company legally acquired AAM through a Manager Contribution and Exchange Agreement dated October 16, 2007 (the Contribution Agreement). As stipulated in the Contribution Agreement and the Second Amended and Restated Agreement of Limited Partnership on October 16, 2007 (Partnership Agreement), the Company issued a new class of Company Unit, Class F Units, as consideration to the contributing members of AAM. The contributing members of AAM served as the general partner of the Partnership. With respect to distributions other than to the holders of the Class G Units, the Class F Units have subordinated payment and liquidity preference to the Class E Units (which were subsequently cancelled) but are senior in payment and liquidity preference, where applicable, to the Class A, B, C, and D Units of the Partnership. The Class F Units paid in quarterly installments an annual dividend of 8.25% of the preliminary face amount of \$53,698,000 (of which half were subsequently redeemed). The preliminary pricing was based upon trading multiples of comparably sized publicly traded healthcare REITs. The ultimate Class F Unit valuation is subject to a true-up formula at the time of a Liquidity Event, as defined in the Partnership Agreement.

For accounting purposes, prior to the Merger, AAM had not been consolidated by the Company, nor had any value been ascribed to the Class F Units issued due to the ability of the Class E Unitholders prior to the Merger to unwind the acquisition as described below. Such action was outside the control of the Company, and accordingly, the acquisition is not viewed as having been consummated. The dividends earned by the Class F Unitholders were reflected as a component of management fees as described above. Prior to the Merger, the fee for management services to the Company was equal to the dividend earned on the Class F Unit.

Under certain circumstances, the Partnership Agreement did permit the Class E Unitholders to unwind this transaction and required the Company to redeem the Class F Units by returning to the affiliates all membership interests in AAM. On September 17, 2010, the Company settled the investment with JER Aviv Acquisition, LLC (JER), the sole Class E Unitholder, and cancelled all outstanding Class E Units. For accounting purposes, this treatment triggered the retroactive consolidation of AAM by the Company.

The original and follow-on investments of Class E unitholders were made subject to the Unit Purchase Agreement and related documents (UPA) between the Company and JER dated May 26, 2006. The UPA did not give either party the right to settle the investment prior to May 26, 2011. However, the UPA did have an economic arrangement as to how either party could settle the arrangement on or after that date. This economic construct guided the discussions and negotiations of settlement. The UPA allowed the Company to call the E Units and warrants anytime after May 26, 2011 as long as it provided JER with a 15% IRR from date of inception. The IRR would be calculated factoring interim distributions as well as exit payments. The units were settled for \$92,001,451 contemporaneous with the Merger. A portion of the settlement related to outstanding warrants held by JER and originally issued in connection with the E units issuance.

Coincident with the Merger, 50% of the Class F Unit was purchased and settled by the Company for \$23,602,649 and is reported as a component of distributions to partners and accretion on Class E Preferred Units in the consolidated statements of changes in equity. The remaining Class F Units will pay in quarterly installments an annual dividend of 9.38% of the face amount of \$23,602,649.

11. Derivatives

During the periods presented, the Company was party to various interest rate swaps, which were purchased to fix the variable interest rate on the denoted notional amount under the original debt agreements.

At September 30, 2011, the Company is party to two interest rate swaps, with identical terms for \$100 million each. They were purchased to fix the variable interest rate on the denoted notional amount under the Mortgage which was obtained in September, 2010, and qualify for hedge accounting. For presentational purposes they are shown as one derivative due to the identical nature of their economic terms.

AVIV REIT, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

Total notional amount	\$200,000,000
Fixed rates	6.49% (1.99% effective swap base rate plus 4.5% spread per credit agreement)
Floor rate	1.25%
Effective date	November 9, 2010
Termination date	September 17, 2015
Asset balance at September 30, 2011 (included in other assets)	\$—
Asset balance at December 31, 2010 (included in other assets)	\$4,094,432
Liability balance at September 30, 2011 (included in other liabilities)	\$(3,069,611)
Liability balance at December 31, 2010 (included in other liabilities)	\$—

The fair value of each interest rate swap agreement may increase or decrease due to changes in market conditions but will ultimately decrease to zero over the term of each respective agreement.

For the three and nine months ended September 30, 2011 and 2010, the Company recognized \$0, \$0, \$489,312 and \$2,931,309 of net income, respectively, in the consolidated statements of operations related to the change in the fair value of these interest rate swap agreements, where the Company did not elect to apply hedge accounting. Such instruments that did not elect to apply hedge accounting were settled at the Merger date.

The following table provides the Company's derivative assets and liabilities carried at fair value as measured on a recurring basis as of September 30, 2011 (dollars in thousands):

	Total Carrying Value at September 30, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative assets	\$ —	\$ —	\$ —	\$ —
Derivative liabilities	(3,069)	—	(3,069)	—
	<u>\$ (3,069)</u>	<u>\$ —</u>	<u>\$ (3,069)</u>	<u>\$ —</u>

The Company's derivative assets and liabilities include interest rate swaps that effectively convert a portion of the Company's variable rate debt to fixed rate debt. The derivative positions are valued using models developed by the respective counterparty that use as their basis readily observable market parameters (such as forward yield curves) and are classified within Level 2 of the valuation hierarchy. The Company considers its own credit risk as well as the credit risk of its counterparties when evaluating the fair value of its derivatives.

12. Commitments and Contingencies

Notes to Consolidated Financial Statements (unaudited) - (continued)

The Company has a contractual arrangement with a tenant to reimburse quality assurance fees levied by the California Department of Health Care Services from August 1, 2005 through July 31, 2008. The Company is obligated to reimburse the fees to the tenant if and when the state withholds these fees from the tenant's Medi-Cal reimbursements associated with 5 facilities that were formerly leased to Trinity Health Systems. The total possible obligation for these fees is approximately \$1.7 million, of which approximately \$1.3 million has been paid to date. For the three and nine months ended September 30, 2011, and 2010, the Company's indemnity expense for these fees was \$0.2 million, \$0.3 million, \$0.3 million and \$1.0 million, respectively, which equaled the actual amount paid during the period, and are included as a component of general and administrative expense in the consolidated statements of operations.

Judicial proceedings seeking declaratory relief for these fees are in process which if successful would provide for recovery of such amounts from the State of California. The Company has certain rights to seek relief against Trinity Health Systems for monies paid out under the indemnity claim; however, it is uncertain whether the Company will be successful in receiving any amounts from Trinity.

During 2011, the Company entered into a contractual arrangement with a tenant in one of its facilities to reimburse any liabilities, obligations or claims of any kind or nature resulting from the actions of the former tenant in such facility, Brighten Health Care Group. The Company is obligated to reimburse the fees to the tenant if and when the tenant incurs such expenses associated with certain Indemnified Events, as defined therein. The total possible obligation for these fees is estimated to be \$2.0 million, of which approximately \$0.5 million has been paid to date. The \$2.0 million was accrued and included as a component of general and administrative expense in the consolidated statements of operations for the three and nine months ended September 30, 2011.

In the normal course of business, the Company is involved in legal actions arising from the ownership of its property. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the financial position, operations, or liquidity of the Company.

13. Concentration of Credit Risk

As of September 30, 2011, the Company's portfolio of investments consisted of 200 healthcare facilities, located in 25 states and operated by 32 third party operators. At September 30, 2011, approximately 55.3% (measured as a percentage of total assets) were leased by five private operators: Evergreen Healthcare (14.1%), Daybreak Healthcare (12.9%), Sun Mar Healthcare (9.6%), Saber Healthcare (9.5%), and Benchmark Healthcare (9.2%). No other operator represents more than 7.9% of our total assets. The five states in which the Company had its highest concentration of total assets were California (19.5%), Texas (17.0%), Missouri (10.0%), Arkansas (8.3%), and New Mexico (6.1%) at September 30, 2011.

For the nine months ended September 30, 2011, the Company's rental income from operations totaled approximately \$64.8 million, of which approximately \$8.9 million was from Evergreen Healthcare (13.7%), \$7.6 million was from Daybreak Venture (11.7%), \$7.3 million was from Sun Mar Healthcare (11.3%), \$6.9 million was from Saber Healthcare (10.7%), and \$5.3 million was from Cathedral Rock (8.1%). No other operator generated more than 6.5% of the Company's rental income from operations for the nine months ended September 30, 2011.

14. Subsequent Events

On October 28, 2011, the REIT received a contribution of \$30,000,000 from its stockholders which was further contributed to the Partnership.

On October 31, 2011, Aviv Financing II entered into a promissory note as the lender with an unrelated third party for a principal sum of \$11,874,013, due to mature on February 28, 2013. At closing, Aviv Financing II funded \$3,186,145 of the note with the remainder to be drawn over the course of the note.

On November 1, 2011, Aviv Financing I acquired five properties in Kansas from an unrelated third party for a purchase price of \$10,800,000. The Company financed the purchase through cash and borrowings of \$7,560,000 under the Acquisition Credit Line.

AVIV REIT, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

On November 1, 2011, Aviv Financing I acquired a property in Oklahoma from an unrelated third party for a purchase price of \$3,300,000. The Company financed the purchase through cash and borrowings of \$1,940,000 under the Acquisition Credit Line.

On November 1, 2011, Aviv Financing I disposed of 3 land parcels in Massachusetts in three separate transactions to unrelated third parties for a total selling price of \$1,360,000 and will result in a gain that will be recognized in the fourth quarter.

On November 1, 2011, Aviv Financing I acquired 7 properties in Ohio and Pennsylvania from an unrelated third party for a purchase price of \$50,143,000. The Company financed the purchase through cash and borrowings of \$37,340,000 under the Acquisition Credit Line.

On November 1, 2011, Aviv Financing II acquired a property in Pennsylvania from an unrelated third party for a purchase price of \$6,657,000. The Company financed the purchase through cash.

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

**Consolidated Balance Sheets
(unaudited)**

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Assets		
Cash and cash equivalents	\$ 4,995,185	\$ 13,028,474
Deferred rent receivable	28,873,295	30,660,773
Tenant receivables, net	6,090,209	1,168,842
Rental properties and financing leases, at cost:		
Land	90,882,968	76,466,020
Buildings and improvements	705,696,951	615,806,273
Assets under direct financing leases	<u>10,881,228</u>	<u>10,777,184</u>
	807,461,147	703,049,477
Less accumulated depreciation	<u>(91,252,681)</u>	<u>(75,948,944)</u>
Net rental properties	716,208,466	627,100,533
Deferred finance costs, net	13,648,381	9,957,636
Loan receivables, net	30,868,334	36,610,638
Other assets	<u>5,629,414</u>	<u>12,872,323</u>
Total assets	<u><u>\$806,313,284</u></u>	<u><u>\$731,399,219</u></u>
Liabilities and equity		
Accounts payable and accrued expenses	\$ 10,090,892	\$ 6,012,809
Tenant security and escrow deposits	14,218,676	13,658,384
Other liabilities	30,315,868	25,996,492
Mortgage and other notes payable	<u>525,486,808</u>	<u>440,575,916</u>
Total liabilities	580,112,244	486,243,601
Equity:		
Partners' equity	229,270,651	241,061,186
Accumulated other comprehensive (loss) income	<u>(3,069,611)</u>	<u>4,094,432</u>
Total equity	<u><u>226,201,040</u></u>	<u><u>245,155,618</u></u>
Total liabilities and equity	<u><u>\$806,313,284</u></u>	<u><u>\$731,399,219</u></u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations
(unaudited)

	Three Months Ended September 30, 2011	September 30, 2010	Nine Months Ended September 30, 2011	September 30, 2010
Revenues				
Rental income	\$ 20,979,359	\$ 21,354,972	\$ 64,782,196	\$ 63,776,959
Tenant recoveries	1,800,900	1,640,285	5,325,960	4,851,521
Interest on loans to lessees—capital expenditures	266,506	183,613	957,608	909,186
Interest on loans to lessees—working capital and capital lease	970,316	1,144,301	2,960,338	2,937,698
Total revenues	<u>24,017,081</u>	<u>24,323,171</u>	<u>74,026,102</u>	<u>72,475,364</u>
Expenses				
Rent and other operating expenses	228,499	199,500	621,304	484,476
General and administrative	5,974,461	2,336,310	12,986,000	6,445,748
Real estate taxes	1,771,520	1,558,495	5,473,975	4,870,994
Depreciation	5,322,918	4,451,210	15,303,737	13,248,400
Loss on impairment	858,916	96,000	858,916	96,000
Total expenses	<u>14,156,314</u>	<u>8,641,515</u>	<u>35,243,932</u>	<u>25,145,618</u>
Operating income	9,860,767	15,681,656	38,782,170	47,329,746
Other income and expenses:				
Interest and other income	7,276	(14,116)	840,144	41,816
Interest expense	(9,311,128)	(5,211,327)	(26,226,779)	(16,123,723)
Change in fair value of derivatives	—	489,312	—	2,931,309
Amortization of deferred financing costs	(667,406)	(194,324)	(1,996,845)	(472,914)
Earnout accretion	(100,088)	—	(166,814)	—
Gain on sale of assets	—	581,734	—	581,734
Loss on extinguishment of debt	—	(2,285,028)	(3,806,513)	(2,285,028)
Total other income and expenses	<u>(10,071,346)</u>	<u>(6,633,749)</u>	<u>(31,356,807)</u>	<u>(15,326,806)</u>
Net (loss) income	(210,579)	9,047,907	7,425,363	32,002,940
Distributions and accretion on Class E Preferred Units	—	(9,353,806)	—	(17,371,893)
Net income allocable to noncontrolling interests	—	(84,773)	—	(241,622)
Net income allocable to common units	<u>\$ (210,579)</u>	<u>\$ (390,672)</u>	<u>\$ 7,425,363</u>	<u>\$ 14,389,425</u>
Net (loss) income allocable to common units	\$ (210,579)	\$ (390,672)	\$ 7,425,363	\$ 14,389,425
Unrealized loss on derivative instruments	(4,086,047)	—	(7,164,043)	—
Total comprehensive (loss) income allocable to common units	<u>\$ (4,296,626)</u>	<u>\$ (390,672)</u>	<u>\$ 261,320</u>	<u>\$ 14,389,425</u>

See accompanying notes to consolidated financial statements.

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

Nine Months Ended September 30, 2011 (unaudited)

	<u>Partners' Equity</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Equity</u>
Balance at January 1, 2011	\$241,061,186	\$ 4,094,432	\$245,155,618
Non-cash stock-based compensation	1,598,715	—	1,598,715
Distributions to partners	(31,234,370)	—	(31,234,370)
Capital contributions	10,419,757	—	10,419,757
Unrealized loss on derivative instruments	—	(7,164,043)	(7,164,043)
Net income	7,425,363	—	7,425,363
Balance at September 30, 2011	<u>\$229,270,651</u>	<u>\$ (3,069,611)</u>	<u>\$226,201,040</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30,	
	2011	2010
Operating activities		
Net income	\$ 7,425,363	\$ 32,002,940
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,303,737	13,248,400
Amortization	1,996,845	472,914
Change in fair value of derivatives	—	(2,931,309)
Deferred rental loss (income), net	1,586,497	(2,600,415)
Rental income from intangible amortization, net	(1,044,431)	(3,318,913)
Non-cash stock (unit)-based compensation	1,598,715	304,500
Non-cash loss on extinguishment of debt	3,806,513	1,437,233
Gain on sale of assets	—	(581,734)
Loss on impairment of assets	858,916	96,000
Reserve for uncollectible loan receivables	1,250,113	—
Accretion of earn-out provision for previously acquired rental properties	166,814	—
Changes in assets and liabilities:		
Due from related parties	—	(4,984,190)
Tenant receivables	(6,685,920)	557,018
Other assets	2,070,268	(324,958)
Accounts payable and accrued expenses	95,433	(1,081,289)
Tenant security deposits and other liabilities	1,780,161	39,809
Net cash provided by operating activities	30,209,024	32,336,006
Investing activities		
Purchase of rental properties	(80,719,101)	(8,380,000)
Sale of rental properties	—	3,988,927
Capital improvements and other developments	(17,300,401)	(5,863,863)
Payment of earn-out provision for previously acquired rental properties	—	(9,600,731)
Loan receivables received from (funded to) others, net	6,256,744	(5,637,247)
Net cash used in investing activities	(91,762,758)	(25,492,914)
Financing activities		
Borrowings of debt	328,802,912	405,000,000
Repayment of debt	(243,892,020)	(480,309,036)
Payment of financing costs	(9,429,792)	(10,405,360)
Payment for swap termination	—	(3,380,160)
Capital contributions	10,419,757	223,772,055
Redemption of Class E Preferred Units	—	(92,001,451)
Redemption of Class F Units	—	(23,602,649)
Cash distributions to partners	(32,380,412)	(33,003,335)
Net cash provided by (used in) financing activities	53,520,445	(13,929,936)
Net decrease in cash and cash equivalents	(8,033,289)	(7,086,844)
Cash and cash equivalents:		
Beginning of period	13,028,474	15,542,507
End of period	<u>\$ 4,995,185</u>	<u>\$ 8,455,663</u>
Supplemental cash flow information		
Cash paid for interest	\$ 25,080,857	\$ 16,644,364
Supplemental disclosure of noncash activity		
Accrued distributions payable to partners	\$ 10,193,730	\$ 3,106,549
Earn-out accrual and addition to rental properties	\$ 3,332,745	\$ —
Write-off of deferred rent receivable	\$ 6,785,132	\$ 2,233,768
Write-off of in-place lease intangibles, net	\$ 35,536	\$ 1,956,499
Write-off of deferred financing costs, net	\$ 3,806,513	\$ 1,235,969
Write-off debt discount	\$ —	\$ 202,307

See accompanying notes to consolidated financial statements.

1. Description of Operations and Formation

Aviv Healthcare Properties Limited Partnership, a Delaware limited partnership, and Subsidiaries (the Partnership) was formed in 2005 and directly or indirectly owned or leased 200 properties, principally skilled nursing facilities, across the United States at September 30, 2011. The Partnership generates the majority of its revenues by entering into long-term triple-net leases with qualified local, regional, and national operators. In addition to the base rent, leases provide for tenants to pay the Partnership an ongoing escrow for real estate taxes. Furthermore, all operating and maintenance costs of the buildings are the responsibility of the tenants. Substantially all depreciation expense reflected in the consolidated statements of operations relates to the ownership of real estate properties. The Partnership manages its business as a single business segment as defined in Accounting Standards Codification (ASC) 280, *Segment Reporting*.

The Partnership is the general partner of Aviv Healthcare Properties Operating Partnership I, L.P. (the Operating Partnership), a Delaware limited partnership, and Aviv Healthcare Capital Corporation, a Delaware company. The Operating Partnership has five wholly owned subsidiaries: Aviv Financing I, LLC (Aviv Financing I), a Delaware limited liability company; Aviv Financing II, LLC (Aviv Financing II), a Delaware limited liability company; Aviv Financing III, LLC (Aviv Financing III), a Delaware limited liability company; Aviv Financing IV, LLC (Aviv Financing IV), a Delaware limited liability company; and Aviv Financing V, LLC (Aviv Financing V), a Delaware limited liability company.

On September 17, 2010, the predecessor to the Partnership entered into an agreement (the Merger Agreement), by and among Aviv REIT, Inc. (the REIT), a Maryland corporation, Aviv Healthcare Merger Sub LP (Merger Sub), a Delaware limited partnership of which the REIT is the general partner, Aviv Healthcare Merger Sub Partner LLC, a Delaware limited liability company and a wholly owned subsidiary of the REIT, and the Partnership. Effective on such date, the REIT is the sole general partner of the Partnership. Pursuant to the Merger Agreement, the predecessor to the Partnership merged (the Merger) with and into Merger Sub, with Merger Sub continuing as the surviving entity with the identical name (the Surviving Partnership). Following the Merger, the REIT remains as the sole general partner of the Surviving Partnership and the Surviving Partnership, as the successor to the predecessor to the Partnership, became the general partner of the Operating Partnership.

All of the business, assets and operations will continue to be held by the Operating Partnership and its subsidiaries. The REIT's equity interest in the Surviving Partnership will be linked to future investments in the REIT, such that future equity issuances by the REIT (pursuant to the Stockholders Agreement, the REIT's management incentive plan or otherwise as agreed between the parties) will result in a corresponding increase in the REIT's equity interest in the Surviving Partnership. The REIT is authorized to issue 2 million shares of common stock (par value \$0.01) and 1,000 shares of preferred stock (par value \$1,000). At September 30, 2011, there were 235,898 shares of common stock and 125 shares of preferred stock outstanding. An additional 26,380 shares of common stock were issued by the REIT on October 28, 2011 concurrent with a \$30 million equity contribution by the REIT's stockholders.

As a result of the common control of the REIT (which was newly formed) and the predecessor to the Partnership, the Merger, for accounting purposes, did not result in any adjustment to the historical carrying value of the assets or liabilities of the Partnership. The REIT was funded in September 2010 with approximately \$235 million from its stockholders, and such amounts, net of costs, was contributed to the Partnership in September 2010 in exchange for Class G Units in the Partnership. An additional \$10 million was contributed by the REIT's stockholders on January 25, 2011. As of September 30, 2011, the REIT owned 54.4% of the Partnership. On October 28, 2011, the REIT's stockholders contributed \$30 million to the REIT, which was further contributed to the Partnership, increasing the REIT ownership of the Partnership to 57.01%.

2. 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 the Partnership, the Surviving Partnership, the Operating Partnership, and all controlled subsidiaries. The Partnership considers itself to control an entity if it is the majority owner of and has 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 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.

Quarterly Reporting

The accompanying unaudited financial statements and notes of the Partnership as of September 30, 2011 and for the three and nine months ended September 30, 2011 and 2010 have been prepared in accordance with GAAP for interim financial information. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under GAAP have been condensed or omitted pursuant to such rules. In the opinion of management, all adjustments considered necessary for a fair presentation of the Partnership's balance sheets, statements of operations, statement of changes in equity, and statements of cash flows have been included and are of a normal and recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for the Partnership for the years ended December 31, 2010, 2009, and 2008. The consolidated statements of operations and cash flows for the three and nine months ended September 30, 2011 and 2010 are not necessarily indicative of full year results.

The balance sheet at December 31, 2010 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, including definitions of capitalized terms not defined herein, refer to the consolidated financial statements and footnotes thereto included in the Partnership's Registration Statement on Form S-4 declared effective by the Securities and Exchange Commission on July 21, 2011.

Rental Properties

The Partnership periodically assesses the carrying value of rental properties 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 rental properties will not be recovered in part or in whole, a provision will be recorded to reduce the carrying basis of the rental properties and related intangibles to their estimated fair value. The estimated fair value of the Partnership's rental properties is determined by using customary industry standard methods that include discounted cash flow and/or direct capitalization analysis. As part of the impairment evaluation during 2011, a building in Medford, MA was impaired for \$858,916 to reflect the difference between the book value and the estimated selling price less costs to dispose (Level 3).

Notes to Consolidated Financial Statements (unaudited) - (continued)

Revenue Recognition

Rental income is recognized on a straight-line basis over the term of the lease when collectability is reasonably assured. Differences between rental income earned and amounts due under the lease are charged or credited, as applicable, to deferred rent receivable. Income recognized from this policy is titled deferred 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 are reflected as tenant recoveries on the consolidated statements of operations.

Below is a summary of the components of rental income for the respective periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cash rental income	\$22,541,964	\$18,876,220	\$65,324,262	\$57,857,631
Deferred rental (loss) income	(1,882,643)	1,423,137	(1,586,497)	2,600,415
Rental income from intangible amortization	320,038	1,055,615	1,044,431	3,318,913
Total rental income	<u>\$20,979,359</u>	<u>\$21,354,972</u>	<u>\$64,782,196</u>	<u>\$63,776,959</u>

During the three and nine months ended September 30, 2011 and 2010, deferred rental (loss) income includes a write-off (expense) of deferred rent receivable of \$3,504,562, \$6,785,936, \$0 and \$2,233,768, respectively, due to the early termination of leases and replacement of operators.

Lease Accounting

The Partnership, as lessor, makes a determination with respect to each of its 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 statement of operations 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 rental properties in the consolidated balance sheets. For facilities leased as direct financing arrangements, an asset equal to the Partnership's 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. Such accretion was \$33,832, \$104,044, \$35,100, and \$107,614 for the three and nine months ended September 30, 2011 and 2010, respectively.

All of the Partnership's 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.

Loan Receivables

Loan receivables consist of capital improvement loans to tenants and working capital loans to operators. Loan receivables are carried at their principal amount outstanding. Management periodically evaluates outstanding 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. As of September 30, 2011 and December 31, 2010, loan

Notes to Consolidated Financial Statements (unaudited) - (continued)

receivable reserves amounted to \$2,000,113 and \$750,000, respectively. No other circumstances exist that would suggest that additional reserves are necessary at the balance sheet dates.

Stock-Based Compensation

The Partnership follows 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 based on their grant date fair values. On September 17, 2010, the Company adopted a 2010 Management Incentive Plan (the Plan) as part of the Merger transaction. A pro-rata allocation of non-cash stock-based compensation expense is made to the Partnership for awards granted under the Plan. The Plan's non-cash stock-based compensation expense by the Partnership through September 30, 2011 is summarized in Footnote 9.

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 or;
- 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.

The Partnership's 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 its long-term debt using a discounted cash flow analysis based upon the Partnership's current borrowing rate for debt with similar maturities and collateral securing the indebtedness. The Partnership had outstanding mortgage and other notes payable obligations with a carrying value of approximately \$525.5 million and \$440.6 million as of September 30, 2011 and December 31, 2010, respectively. The fair values of debt as of September 30, 2011 was \$502.2 million and as of December 31, 2010 approximates its carrying value based upon interest rates available to the Partnership on similar borrowings (Level 3). Management estimates the fair value of its loan receivables using a discounted cash flow analysis based upon the Partnership's current interest rates for loan receivables with similar maturities and collateral securing the indebtedness. The Partnership had outstanding loan receivables with a carrying value of \$30.9 million and \$36.6 million as of September 30, 2011 and December 31, 2010, respectively. The fair values of loan receivables as of September 30, 2011 and as of December 31, 2010 approximate its carrying value based upon interest rates available to the Partnership on similar borrowings.

Derivative Instruments

The Partnership has implemented ASC 815, *Derivatives and Hedging* (ASC 815), which establishes accounting and reporting standards requiring that all derivatives, including certain derivative instruments

Notes to Consolidated Financial Statements (unaudited) - (continued)

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 the Partnership's derivative instruments are recorded in the consolidated statements of operations if the derivative does not qualify for or the Partnership does 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 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.

Income Taxes

As a limited partnership, the consolidated operating results are included in the income tax returns of the individual partners. Accordingly, the Partnership does not provide for federal income taxes. State income taxes were not significant in any of the periods presented. No uncertain income tax positions exist as of September 30, 2011 or December 31, 2010.

Business Combinations

The Partnership applies ASC 805, *Business Combinations* (ASC 805), in determining how to account for and identify business combinations while allocating fair value to tangible and identified intangible assets acquired and liabilities assumed using market comparables and historical operating results (Level 3). Acquisition related costs are expensed as incurred. Prior to the Merger on September 17, 2010, Aviv Asset Management, L.L.C. (AAM) was a non-consolidated management company to the Partnership based on the application of appropriate accounting guidance (as discussed in Footnote 10). Upon the Merger, AAM became a consolidated entity of the Partnership and is presented as such for all periods included herein with all periods shown at historical cost (carryover basis with no adjustments to fair value). This treatment is in accordance with ASC 805 due to the fact that AAM was under common control prior and subsequent to the Merger.

Reclassifications

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

3. Rental Property Activity

The Partnership had the following rental property activity during the nine months ended September 30, 2011 as described below:

- In January 2011, Aviv Financing I acquired a property in Kansas from an unrelated third party for a purchase price of \$3,045,000. The Partnership financed this purchase through cash and borrowings of \$2,131,000 under the Acquisition Credit Line (see Footnote 7).
- In March 2011, Aviv Financing II acquired a property in Pennsylvania from an unrelated third party for a purchase price of approximately \$2,200,000. The Partnership financed this purchase through cash.
- In March 2011, Aviv Financing II acquired a property in Ohio from an unrelated third party for a purchase price of approximately \$9,581,000. The Partnership financed this purchase through cash.

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

- In March 2011, Aviv Financing II acquired a property in Florida from an unrelated third party for a purchase price of approximately \$10,000,000. The Partnership financed this purchase through borrowings of \$10,200,000 under the Revolver (see Footnote 7).
- In April 2011, Aviv Financing II acquired three properties in Ohio from an unrelated third party for a purchase price of \$9,250,000. The Partnership financed this purchase through cash.
- In April 2011, Aviv Financing II acquired a property in Kansas from an unrelated third party for a purchase price of \$1,300,000. The Partnership financed this purchase through cash.
- In April 2011, Aviv Financing II acquired a property in Texas from an unrelated third party for a purchase price of \$2,093,000. The Partnership financed this purchase through cash.
- In April 2011, Aviv Financing II acquired three properties in Texas from an unrelated third party for a purchase price of \$8,707,000. The Partnership financed this purchase through cash.
- In May 2011, Aviv Financing II acquired three properties in Kansas from an unrelated third party for a purchase price of \$2,273,000. The Partnership financed this purchase through cash.
- In May 2011, Aviv Financing II acquired a property in Missouri from an unrelated third party for a purchase price of \$5,470,000. The Partnership financed this purchase through cash.
- In May 2011, Aviv Financing II acquired a property in Connecticut from an unrelated third party for a purchase price of \$12,000,000. In addition, as part of this acquisition, the Partnership recognized an approximate \$3,333,000 addition to the purchase price as per the guidance within ASC 805 as it relates to an earn-out provision defined at closing (Level 3). The Partnership financed this purchase through cash.
- In August 2011, Aviv Financing II acquired a property in Pennsylvania from an unrelated third party for a purchase price of \$6,100,000. The Partnership financed this purchase through borrowings under the Revolver (see Footnote 7).
- In August 2011, Aviv Financing II acquired a property in Connecticut from an unrelated third party for a purchase price of \$5,500,000. The Partnership financed this purchase through borrowings under the Revolver (see Footnote 7).
- In September 2011, Aviv Financing I acquired a property in Ohio from an unrelated third party for a purchase price of \$3,200,000. The Partnership financed this purchase through borrowings under the Revolver (see Footnote 7).

Related to the above business combinations, the Partnership incurred \$984,000 of acquisition costs that are expensed in general and administrative expenses in the consolidated statements of operations. In accordance with ASC 805, the Partnership allocated the approximate net purchase price paid for these properties acquired in 2011 as follows:

Land	\$13,288,000
Buildings and improvements	<u>67,431,000</u>
Borrowings and available cash	<u>\$80,719,000</u>

The Partnership considers renewals on below-market leases when ascribing value to the in-place lease intangible liabilities at the date of a property acquisition. In those instances where the renewal lease rate pursuant to the terms of the lease does not adjust to a current market rent, the Partnership evaluates whether the stated renewal rate is below current market rates and considers the past and current operations of the property, the current rent coverage ratio of the tenant, and the number of years until potential renewal option exercise. If renewal is considered probable

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

based on these factors, an additional lease intangible liability is recorded at acquisition and amortized over the renewal period.

4. Loan Receivables

The following summarizes the Partnership's loan receivables at:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Beginning balance, January 1, 2011 and 2010, respectively	\$ 36,610,638	\$ 28,970,129
New capital improvement loans issued	765,463	1,415,579
Working capital and other loans issued	6,846,377	14,705,259
Reserve for uncollectible loans	(1,250,113)	(750,000)
Loan write offs	(86,156)	—
Loan amortization and repayments	<u>(12,017,875)</u>	<u>(7,730,329)</u>
	<u>\$ 30,868,334</u>	<u>\$ 36,610,638</u>

The Partnership's reserve for uncollectible loan receivables balances at September 30, 2011 and December 31, 2010 was \$2,000,113 and \$750,000, respectively. The activity for the three and nine months ended September 30, 2011 consisted of additional reserves of \$926,474 and \$1,250,113, respectively.

During 2011 and 2010, the Partnership funded loans for both working capital and capital improvement purposes to various operators and tenants. All loans held by the Partnership accrue interest. The payments received from the operator or tenant cover both interest accrued as well as amortization of the principal balance due. Any payments received from the tenant or operator made outside of the normal loan amortization schedule are considered principal prepayments and reduce the outstanding loan receivables balance.

Interest income earned on loan receivables for the three and nine months ended September 30, 2011 and 2010 was \$880,965, \$2,853,722, \$976,682 and \$2,796,655, respectively.

5. Deferred Finance Costs

The following summarizes the Partnership's deferred finance costs at:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Gross amount	<u>\$15,790,721</u>	<u>\$10,567,931</u>
Accumulated amortization	<u>(2,142,340)</u>	<u>(610,295)</u>
Net	<u>\$13,648,381</u>	<u>\$ 9,957,636</u>

Amortization of deferred financing costs is reported in the amortization expense line item in the consolidated statements of operations.

During the three and nine months ended September 30, 2011, the Partnership wrote-off deferred financing costs of \$0 and \$4,271,312, respectively with \$0 and \$464,799 of accumulated amortization associated with the Mortgage (see Footnote 7) pay down for a net recognition as loss on extinguishment of debt of \$0 and \$3,806,513, respectively.

6. In-Place Lease Intangibles

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

The following summarizes the Partnership's in-place lease intangibles classified as part of other assets or other liabilities at:

	September 30, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
Gross amount	\$ 7,460,119	\$ 24,363,147	\$ 8,393,488	\$ 25,798,147
Accumulated amortization	(3,193,933)	(14,737,331)	(3,049,093)	(14,049,691)
	\$ 4,266,186	\$ 9,625,816	\$ 5,344,395	\$ 11,748,456

Amortization expense for the in-place lease intangible assets for the three and nine months ended September 30, 2011 and 2010 was \$161,142, \$483,427, \$199,628 and \$621,232, respectively. Accretion for the in-place lease intangible liabilities for the three and nine months ended September 30, 2011 and 2010 was \$516,566, \$1,563,243, \$523,339 and \$1,983,647, respectively.

For both the three and nine months ended September 30, 2011, the Partnership wrote-off in-place lease intangible assets of \$933,369 with accumulated amortization of \$338,587, and in-place lease intangible liabilities of \$1,435,000 with accumulated accretion of \$875,603, for a net recognition of \$35,385 in rental income from intangible amortization. These write-offs were in connection with the anticipated termination of leases that will be transitioned to new operators.

During the three and nine months ended September 30, 2010, the Partnership wrote-off in-place lease intangible assets of \$265,000 and \$2,943,000 with accumulated amortization of \$215,020 and \$1,531,253, and in-place lease intangible liabilities of \$3,817,347 and \$8,477,347 with accumulated accretion of \$3,035,463 and \$5,109,101, for a net recognition of \$731,904 and \$1,956,499 in rental income from intangible amortization, respectively. These write-offs were in connection with the anticipated termination of leases that were transitioned to new operators.

7. Mortgage and Other Notes Payable

The Partnership's mortgage and other notes payable consisted of the following:

	September 30, 2011	December 31, 2010
Mortgage (interest rates of 5.75% on September 30, 2011 and December 31, 2010, respectively)	\$197,859,139	\$402,794,111
Acquisition Credit Line (interest rates of 5.75% on September 30, 2011 and December 31, 2010, respectively)	—	28,677,230
Construction loan (interest rates of 5.95% on September 30, 2011 and December 31, 2010, respectively)	2,295,066	1,312,339
Revolver (interest rate of 6.50% on September 30, 2011)	15,000,000	—
Acquisition loans (interest rates of 6.00% on September 30, 2011 and December 31, 2010, respectively)	7,712,418	7,792,236
Senior Notes (interest rate of 7.75% on September 30, 2011), inclusive of \$2.6 million net premium balance	302,620,185	—
Total	\$525,486,808	\$440,575,916

Senior Notes

On February 4, 2011 and April 5, 2011, Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Capital Corporation (the Issuers) issued \$200 million and \$100 million of Senior Notes (the Senior Notes), respectively. The REIT is a guarantor of the Issuers' Senior Notes. 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

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

immediately preceding the interest payment date on February 15 and August 15 of each year, commencing August 15, 2011. A premium of \$2.75 million was associated with the offering of the \$100 million of Senior Notes on April 5, 2011. The premium will be amortized as an adjustment to the yield on the Senior Notes over their term. The Partnership used the proceeds, amongst other things, to pay down approximately \$201.6 million on the Mortgage and the balance of \$28.7 million on the Acquisition Credit Line.

Revolver

In conjunction with the Senior Notes issuance on February 4, 2011, the Partnership, under Aviv Financing IV, LLC, entered into a \$25 million revolver with Bank of America (the Revolver). On each payment date, the Partnership pays interest only in arrears on any outstanding principal balance of the Revolver. The interest rate under the Partnership's Revolver is generally based on LIBOR (subject to a floor of 1.0% and subject to the Partnership's option to elect to use a prime base rate) plus a margin that is determined by the Partnership's leverage ratio from time to time. As of September 30, 2011 the interest rates are based upon the base rate (3.25% at September 30, 2011) plus the applicable percentage based on the consolidated leverage ratio (3.25% at September 30, 2011). The base rate is the rate announced by Bank of America as the "prime rate". Additionally, an unused fee equal to 0.5% per annum of the daily unused balance on the Revolver is due monthly. The Revolver commitment terminates in February 2014. The Revolver had an outstanding balance of \$15,000,000 at September 30, 2011.

8. Partnership Equity and Incentive Program

Distributions to the Partnership's partners are summarized as follows for the three months ended September 30:

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F</u>	<u>Class G</u>
2011	\$1,683,430	\$809,605	\$1,599,295	\$ —	\$ —	\$553,761	\$5,547,638
2010	\$2,911,567	\$997,288	\$9,072,045	\$ —	\$1,623,288	\$958,840	\$ —

Distributions to the Partnership's partners are summarized as follows for the nine months ended September 30:

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F</u>	<u>Class G</u>
2011	\$5,050,290	\$2,702,588	\$ 4,823,658	\$ —	\$ —	\$1,661,283	\$16,996,392
2010	\$9,692,937	\$2,894,457	\$11,917,798	\$ —	\$5,342,466	\$3,155,677	\$ —

Weighted-average Units outstanding are summarized as follows for the three months ended September 30:

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F</u>	<u>Class G</u>
2011	13,467,223	4,523,145	2	8,050	—	2,684,900	236,022
2010	13,467,223	4,523,145	2	7,250	6,440,260	5,241,948	—

Weighted-average Units outstanding are summarized as follows for the nine months ended September 30:

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F</u>	<u>Class G</u>
2011	13,467,223	4,523,145	2	8,050	—	2,684,900	235,207
2010	13,467,223	4,523,145	2	7,403	7,142,888	4,990,412	—

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

The Partnership had established an officer incentive program linked to its future value. Awards vest annually over a five-year period assuming continuing employment by the recipient. The awards can be settled in Class C Units or cash at the Partnership's discretion at the settlement date of December 31, 2012. For accounting purposes, expense recognition under the program commenced in 2008, and the related expense for the three and nine months ended September 30, 2011 and 2010 was approximately \$101,500, \$304,500, \$101,500 and \$304,500, respectively.

As a result of the Merger on September 17, 2010, such incentive program was modified such that 40% of the previously granted award settled immediately on the Merger date with another 20% vesting and settling on December 31, 2010. The remaining 40% will vest equally on December 31, 2011 and December 31, 2012, and will settle in 2018, subject to the terms and conditions of the amended incentive program agreement. In accordance with ASC 718, *Compensation – Stock Compensation* (ASC 718), such incentive program will continue to be expensed through general and administrative expenses as non-cash compensation on the statements of operations through the ultimate vesting date of December 31, 2012.

The Partnership's equity balance that is presented on the consolidated balance sheets is split between the general partner and limited partners in the amounts of \$219,557,324 and \$9,713,327 at September 30, 2011, respectively. The Partnership's equity balance that is presented on the consolidated balance sheets is split between the general partner and limited partners in the amounts of \$221,578,430 and \$19,482,756 at December 31, 2010, respectively.

9. Option Awards

On September 17, 2010, the Company adopted a 2010 Management Incentive Plan (the Plan) as part of the Merger transaction.

The following table represents the time based option awards activity for the nine months ended September 30, 2011.

	Nine months ended September 30, 2011
Outstanding at January 1, 2011	21,866
Granted	456
Exercised	—
Cancelled/Forfeited	—
Outstanding at March 31, 2011	22,322
Granted	—
Exercised	—
Cancelled/Forfeited	—
Outstanding at June 30, 2011	22,322
Granted	—
Exercised	—
Cancelled/Forfeited	—
Outstanding at September 30, 2011	22,322
Options exercisable at end of period	—
Weighted average fair value of options granted to date	\$ 109.37
Weighted average remaining contractual life (years)	8.97

The following table represents the time based option awards outstanding at September 30, 2011 as well as other Plan data:

Range of Exercise Prices	Outstanding	Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$1,000 – \$1,124	22,322	8.98	\$1,004

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

The Partnership has used 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 2011.

	2011 Grants
Dividend yield	9.16%
Risk-free interest rate	2.72%
Expected life	7.0 years
Estimated volatility	38.00%
Weighted average exercise price	\$ 1,124.22
Weighted average fair value of options granted (per option)	\$ 149.09

The Partnership recorded non-cash compensation expenses of \$329,889 and \$936,256 for the three and nine months ended September 30, 2011, 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, respectively.

At September 30, 2011, the total compensation cost 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 \$1,167,606.

For the period ended December 31,	Options
2011	\$ 168,963
2012	575,013
2013	304,499
2014	119,078
2015	53
Total	<u>\$1,167,606</u>

Dividend equivalent rights associated with the Plan amounted to \$524,567 and \$1,607,181 for the three and nine months ended September 30, 2011, and are included in general and administrative expense in the consolidated statements of operations, respectively. These dividend rights will be paid in four installments as the option vests.

10. Related Parties

Related party receivables and payables represent amounts due from/to various affiliates of the Partnership, including advances to members of the Partnership, amounts due to certain acquired companies and limited liability companies for transactions occurring prior to the formation of the Partnership, and various advances to entities controlled by affiliates of the Partnership's management. An officer of the Company received a loan of \$311,748, which has been paid off in full as of September 30, 2011.

The Partnership had entered into a management agreement, as amended, effective April 1, 2005, with AAM, an entity affiliated by common ownership. Under the management agreement, AAM had been granted the exclusive right to oversee the portfolio of the Partnership, providing, among other administrative services, accounting and all required financial services; legal administration and regulatory compliance; investor, tenant, and lender relationship services; and transactional support to the Partnership. Except as otherwise provided in the Partnership Agreement, all management powers of the business and affairs of the Partnership were exclusively vested in the General Partner. The annual fee for such services equaled six-tenths of one percent (0.6%) of the aggregate fair market value of the properties as determined by the Partnership and AAM annually. This fee arrangement was amended as discussed below. In addition, the Partnership reimbursed AAM for all reasonable and necessary out-of-pocket expenses incurred in AAM's conduct of its business, including, but not limited to, travel, legal, appraisal, and brokerage fees, fees and expenses incurred in connection with the acquisition, disposition, or refinancing of any property, and reimbursement of compensation and benefits of the officers and employees of AAM. This agreement was terminated on September 17, 2010 when the Merger occurred, effectively consolidating AAM into the Partnership, and eliminating the necessity for reimbursement.

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

On October 16, 2007, the Partnership legally acquired AAM through a Manager Contribution and Exchange Agreement dated October 16, 2007 (the Contribution Agreement). As stipulated in the Contribution Agreement and the Second Amended and Restated Agreement of Limited Partnership on October 16, 2007 (Partnership Agreement), the Partnership issued a new class of Partnership Unit, Class F Units, as consideration to the contributing members of AAM. The contributing members of AAM served as the general partner of the Partnership. With respect to distributions other than to the holders of the Class G Units, the Class F Units have subordinated payment and liquidity preference to the Class E Units (which were subsequently cancelled) but are senior in payment and liquidity preference, where applicable, to the Class A, B, C, and D Units of the Partnership. The Class F Units paid in quarterly installments an annual dividend of 8.25% of the preliminary face amount of \$53,698,000 (of which half were subsequently redeemed). The preliminary pricing was based upon trading multiples of comparably sized publicly traded healthcare REITs. The ultimate Class F Unit valuation is subject to a true-up formula at the time of a Liquidity Event, as defined in the Partnership Agreement.

For accounting purposes, prior to the Merger, AAM had not been consolidated by the Partnership, nor had any value been ascribed to the Class F Units issued due to the ability of the Class E Unitholders prior to the Merger to unwind the acquisition as described below. Such action was outside the control of the Partnership, and accordingly, the acquisition is not viewed as having been consummated. The dividends earned by the Class F Unitholders were reflected as a component of management fees as described above. Prior to the Merger, the fee for management services to the Partnership was equal to the dividend earned on the Class F Unit.

Under certain circumstances, the Partnership Agreement did permit the Class E Unitholders to unwind this transaction and required the Partnership to redeem the Class F Units by returning to the affiliates all membership interests in AAM. On September 17, 2010, the Partnership settled the investment with JER Aviv Acquisition, LLC (JER), the sole Class E Unitholder, and cancelled all outstanding Class E Units. For accounting purposes, this treatment triggered the retroactive consolidation of AAM by the Partnership.

The original and follow-on investments of Class E unitholders were made subject to the Unit Purchase Agreement and related documents (UPA) between the Partnership and JER dated May 26, 2006. The UPA did not give either party the right to settle the investment prior to May 26, 2011. However, the UPA did have an economic arrangement as to how either party could settle the arrangement on or after that date. This economic construct guided the discussions and negotiations of settlement. The UPA allowed the Partnership to call the E Units and warrants anytime after May 26, 2011 as long as it provided JER with a 15% IRR from date of inception. The IRR would be calculated factoring interim distributions as well as exit payments. The units were settled for \$92,001,451 contemporaneous with the Merger. A portion of the settlement related to outstanding warrants held by JER and originally issued in connection with the E units issuance.

Coincident with the Merger, 50% of the Class F Unit was purchased and settled by the Partnership for \$23,602,649 and is reported as a component of distributions to partners and accretion on Class E Preferred Units in the consolidated statements of changes in equity. The remaining Class F Units will pay in quarterly installments an annual dividend of 9.38% of the face amount of \$23,602,649.

11. Derivatives

During the periods presented, the Partnership was party to various interest rate swaps, which were purchased to fix the variable interest rate on the denoted notional amount under the original debt agreements.

At September 30, 2011, the Partnership is party to two interest rate swaps, with identical terms for \$100 million each. They were purchased to fix the variable interest rate on the denoted notional amount under the Mortgage which was obtained in September, 2010, and qualify for hedge accounting. For presentational purposes they are shown as one derivative due to the identical nature of their economic terms.

Total notional amount	\$200,000,000
Fixed rates	6.49% (1.99% effective swap base rate plus 4.5% spread per credit agreement)

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

Floor rate	1.25%
Effective date	November 9, 2010
Termination date	September 17, 2015
Asset balance at September 30, 2011 (included in other assets)	\$—
Asset balance at December 31, 2010 (included in other assets)	\$4,094,432
Liability balance at September 30, 2011 (included in other liabilities)	\$(3,069,611)
Liability balance at December 31, 2010 (included in other liabilities)	\$—

The fair value of each interest rate swap agreement may increase or decrease due to changes in market conditions but will ultimately decrease to zero over the term of each respective agreement.

For the three and nine months ended September 30, 2011 and 2010, the Partnership recognized \$0, \$0, \$489,312 and \$2,931,309 of net income, respectively, in the consolidated statements of operations related to the change in the fair value of these interest rate swap agreements, where the Partnership did not elect to apply hedge accounting. Such instruments that did not elect to apply hedge accounting were settled at the Merger date.

The following table provides the Partnership's derivative assets and liabilities carried at fair value as measured on a recurring basis as of September 30, 2011 (dollars in thousands):

	Total Carrying Value at September 30, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative assets	\$ —	\$ —	\$ —	\$ —
Derivative liabilities	(3,069)	—	(3,069)	—
	<u>\$ (3,069)</u>	<u>\$ —</u>	<u>\$ (3,069)</u>	<u>\$ —</u>

The Partnership's derivative assets and liabilities include interest rate swaps that effectively convert a portion of the Partnership's variable rate debt to fixed rate debt. The derivative positions are valued using models developed by the respective counterparty that use as their basis readily observable market parameters (such as forward yield curves) and are classified within Level 2 of the valuation hierarchy. The Partnership considers its own credit risk as well as the credit risk of its counterparties when evaluating the fair value of its derivatives.

12. Commitments and Contingencies

The Partnership has a contractual arrangement with a tenant to reimburse quality assurance fees levied by the California Department of Health Care Services from August 1, 2005 through July 31, 2008. The Partnership is obligated to reimburse the fees to the tenant if and when the state withholds these fees from the tenant's Medi-Cal reimbursements associated with 5 facilities that were formerly leased to Trinity Health Systems. The total possible obligation for these fees is approximately \$1.7 million, of which approximately \$1.3 million has been paid to date. For the three and nine months ended September 30, 2011, and 2010, the Partnership's indemnity expense for these fees was \$0.2

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

million, \$0.3 million, \$0.3 million, and \$1.0 million, respectively, which equaled the actual amount paid during the period, and are included as a component of general and administrative expense in the consolidated statements of operations.

Judicial proceedings seeking declaratory relief for these fees are in process which if successful would provide for recovery of such amounts from the State of California. The Partnership has certain rights to seek relief against Trinity Health Systems for monies paid out under the indemnity claim; however, it is uncertain whether the Partnership will be successful in receiving any amounts from Trinity.

During 2011, the Partnership entered into a contractual arrangement with a tenant in one of its facilities to reimburse any liabilities, obligations or claims of any kind or nature resulting from the actions of the former tenant in such facility, Brighten Health Care Group. The Partnership is obligated to reimburse the fees to the tenant if and when the tenant incurs such expenses associated with certain Indemnified Events, as defined therein. The total possible obligation for these fees is estimated to be \$2.0 million, of which approximately \$0.5 million has been paid to date. The \$2.0 million was accrued and included as a component of general and administrative expense in the consolidated statements of operations for the three and nine months ended September 30, 2011.

In the normal course of business, the Partnership is involved in legal actions arising from the ownership of its property. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the financial position, operations, or liquidity of the Partnership.

13. Concentration of Credit Risk

As of September 30, 2011, the Partnership's portfolio of investments consisted of 200 healthcare facilities, located in 25 states and operated by 32 third party operators. At September 30, 2011, approximately 55.3% (measured as a percentage of total assets) were leased by five private operators: Evergreen Healthcare (14.1%), Daybreak Healthcare (12.9%), Sun Mar Healthcare (9.6%), Saber Healthcare (9.5%), and Benchmark Healthcare (9.2%). No other operator represents more than 7.9% of our total assets. The five states in which the Partnership had its highest concentration of total assets were California (19.5%), Texas (17.0%), Missouri (10.0%), Arkansas (8.3%), and New Mexico (6.1%) at September 30, 2011.

For the nine months ended September 30, 2011, the Partnership's rental income from operations totaled approximately \$64.8 million, of which approximately \$8.9 million was from Evergreen Healthcare (13.7%), \$7.6 million was from Daybreak Venture (11.7%), \$7.3 million was from Sun Mar Healthcare (11.3%), \$6.9 million was from Saber Healthcare (10.7%), and \$5.3 million was from Cathedral Rock (8.1%). No other operator generated more than 6.5% of the Partnership's rental income from operations for the nine months ended September 30, 2011.

14. Subsequent Events

On October 28, 2011, the REIT received a contribution of \$30,000,000 from its stockholders which was further contributed to the Partnership.

On October 31, 2011, Aviv Financing II entered into a promissory note as the lender with an unrelated third party for a principal sum of \$11,874,013, due to mature on February 28, 2013. At closing, Aviv Financing II funded \$3,186,145 of the note with the remainder to be drawn over the course of the note.

On November 1, 2011, Aviv Financing I acquired five properties in Kansas from an unrelated third party for a purchase price of \$10,800,000. The Partnership financed the purchase through cash and borrowings of \$7,560,000 under the Acquisition Credit Line.

On November 1, 2011, Aviv Financing I acquired a property in Oklahoma from an unrelated third party for a purchase price of \$3,300,000. The Partnership financed the purchase through cash and borrowings of \$1,940,000 under the Acquisition Credit Line.

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited) - (continued)

On November 1, 2011, Aviv Financing I disposed of 3 land parcels in Massachusetts in three separate transactions to unrelated third parties for a total selling price of \$1,360,000 and will result in a gain that will be recognized in the fourth quarter.

On November 1, 2011, Aviv Financing I acquired 7 properties in Ohio and Pennsylvania from an unrelated third party for a purchase price of \$50,143,000. The Partnership financed the purchase through cash and borrowings of \$37,340,000 under the Acquisition Credit Line.

On November 1, 2011, Aviv Financing II acquired a property in Pennsylvania from an unrelated third party for a purchase price of \$6,657,000. The Partnership financed the purchase through cash.

15. Condensed Consolidating Information

The Company and certain of the Partnership's direct and indirect wholly owned subsidiaries (the "Wholly Owned Subsidiary Guarantors") fully and unconditionally guaranteed, on a joint and several basis, the obligation to pay principal and interest with respect to our Senior Notes issued in February 2011 and April 2011. Separate financial statements of the guarantors are not provided as the consolidating financial information contained herein provides a more meaningful disclosure to allow investors to determine the nature of the assets held by and the operations of the respective guarantor and non-guarantor subsidiaries. Other wholly owned subsidiaries ("Non-Guarantor Subsidiaries") that were not included among the Guarantors were not obligated with respect to the Senior Notes. The Non-Guarantor Subsidiaries are subject to mortgages. The following summarizes our condensed consolidating information as of September 30, 2011 and December 31, 2010 and for the three and nine months ended September 30, 2011 and 2010:

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements - unaudited - (continued)

CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2011

(unaudited)

	Issuers	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 5,271,415	\$ (180,674)	\$ (95,556)	\$ —	\$ 4,995,185
Net rental properties	—	695,350,780	20,857,686	—	716,208,466
Deferred financing costs, net	8,052,697	5,578,415	17,269	—	13,648,381
Other	11,433,017	59,919,777	108,458	—	71,461,252
Investment in and due from related parties, net	519,873,869	(306,467,903)	(9,024,554)	(204,381,412)	—
Total assets	<u>\$544,630,998</u>	<u>\$ 454,200,395</u>	<u>\$11,863,303</u>	<u>\$(204,381,412)</u>	<u>\$806,313,284</u>
Liabilities and equity					
Mortgage and other notes payable	\$302,620,185	\$ 212,859,139	\$10,007,484	\$ —	\$525,486,808
Due to related parties	6,071,663	—	—	—	6,071,663
Tenant security and escrow deposits	25,000	13,993,509	200,167	—	14,218,676
Accounts payable and accrued expenses	3,779,263	5,382,260	929,369	—	10,090,892
Other liabilities	5,930,847	18,313,358	—	—	24,244,205
Total liabilities	318,426,958	250,548,266	11,137,020	—	580,112,244
Total equity	<u>226,204,040</u>	<u>203,652,129</u>	<u>726,283</u>	<u>(204,381,412)</u>	<u>226,201,040</u>
Total liabilities and equity	<u>\$544,630,998</u>	<u>\$ 454,200,395</u>	<u>\$11,863,303</u>	<u>\$(204,381,412)</u>	<u>\$806,313,284</u>

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements - unaudited - (continued)

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2010

(unaudited)

	<u>Issuers</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets					
Cash and cash equivalents	\$ 12,126,776	\$ 908,612	\$ (6,914)	\$ —	\$ 13,028,474
Net rental properties	—	609,972,113	17,128,420	—	627,100,533
Deferred financing costs, net	100,000	9,834,291	23,345	—	9,957,636
Other	13,380,055	67,896,040	36,481	—	81,312,576
Investment in and due from related parties, net	232,906,755	(42,847,014)	(6,964,810)	(183,094,931)	—
Total assets	<u>\$258,513,586</u>	<u>\$645,764,042</u>	<u>\$10,216,522</u>	<u>\$(183,094,931)</u>	<u>\$731,399,219</u>
Liabilities and equity					
Mortgage and other notes payable	\$ —	\$431,471,341	\$ 9,104,575	\$ —	\$440,575,916
Due to related parties	6,092,936	—	—	—	6,092,936
Tenant security and escrow deposits	—	13,422,705	235,679	—	13,658,384
Accounts payable and accrued expenses	1,431,564	4,102,506	478,739	—	6,012,809
Other liabilities	5,833,468	14,070,088	—	—	19,903,556
Total liabilities	13,357,968	463,066,640	9,818,993	—	486,243,601
Total equity	<u>245,155,618</u>	<u>182,697,402</u>	<u>397,529</u>	<u>(183,094,931)</u>	<u>245,155,618</u>
Total liabilities and equity	<u>\$258,513,586</u>	<u>\$645,764,042</u>	<u>\$10,216,522</u>	<u>\$(183,094,931)</u>	<u>\$731,399,219</u>

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements - unaudited - (continued)

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended September 30, 2011
(unaudited)**

	<u>Issuers</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues					
Rental income	\$ —	\$20,633,075	\$ 346,284	\$ —	\$ 20,979,359
Tenant recoveries	—	1,770,829	30,071	—	1,800,900
Interest on loans to lessees	436,193	800,629	—	—	1,236,822
Total revenues	<u>436,193</u>	<u>23,204,533</u>	<u>376,355</u>	<u>—</u>	<u>24,017,081</u>
Expenses					
Rent and other operating expenses	39,958	188,541	—	—	228,499
General and administrative	2,960,242	3,013,419	800	—	5,974,461
Real estate taxes	—	1,741,449	30,071	—	1,771,520
Depreciation	—	5,205,742	117,176	—	5,322,918
Loss on impairment	—	858,916	—	—	858,916
Total expenses	<u>3,000,200</u>	<u>11,008,067</u>	<u>148,047</u>	<u>—</u>	<u>14,156,314</u>
Operating (loss) income	<u>(2,564,007)</u>	<u>12,196,466</u>	<u>228,308</u>	<u>—</u>	<u>9,860,767</u>
Total other income and expenses	<u>(5,952,062)</u>	<u>(4,001,306)</u>	<u>(117,978)</u>	<u>—</u>	<u>(10,071,346)</u>
Net (loss) income	<u>(8,516,069)</u>	<u>8,195,160</u>	<u>110,330</u>	<u>—</u>	<u>(210,579)</u>
Equity in income (loss) of subsidiaries	<u>8,305,490</u>	<u>—</u>	<u>—</u>	<u>(8,305,490)</u>	<u>—</u>
Net (loss) income allocable to common units	<u>\$ (210,579)</u>	<u>\$ 8,195,160</u>	<u>\$ 110,330</u>	<u>\$(8,305,490)</u>	<u>\$ (210,579)</u>

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements - unaudited - (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2011
(unaudited)

	<u>Issuers</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues					
Rental income	\$ —	\$ 63,743,341	\$ 1,038,855	\$ —	\$ 64,782,196
Tenant recoveries	—	5,235,746	90,214	—	5,325,960
Interest on loans to lessees	1,058,317	2,859,629	—	—	3,917,946
Total revenues	<u>1,058,317</u>	<u>71,838,716</u>	<u>1,129,069</u>	<u>—</u>	<u>74,026,102</u>
Expenses					
Rent and other operating expenses	120,526	500,778	—	—	621,304
General and administrative	6,235,686	6,746,687	3,627	—	12,986,000
Real estate taxes	—	5,383,762	90,213	—	5,473,975
Depreciation	—	14,952,208	351,529	—	15,303,737
Loss on impairment	—	858,916	—	—	858,916
Total expenses	<u>6,356,212</u>	<u>28,442,351</u>	<u>445,369</u>	<u>—</u>	<u>35,243,932</u>
Operating (loss) income	<u>(5,297,895)</u>	<u>43,396,365</u>	<u>683,700</u>	<u>—</u>	<u>38,782,170</u>
Total other income and expenses	<u>(14,421,675)</u>	<u>(16,580,185)</u>	<u>(354,947)</u>	<u>—</u>	<u>(31,356,807)</u>
Net (loss) income	<u>(19,719,570)</u>	<u>26,816,180</u>	<u>328,753</u>	<u>—</u>	<u>7,425,363</u>
Equity in income (loss) of subsidiaries	27,144,933	—	—	(27,144,933)	—
Net (loss) income allocable to common units	<u>\$ 7,425,363</u>	<u>\$ 26,816,180</u>	<u>\$ 328,753</u>	<u>\$(27,144,933)</u>	<u>\$ 7,425,363</u>

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements - unaudited - (continued)

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended September 30, 2010
(unaudited)**

	<u>Issuers</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues					
Rental income	\$ —	\$21,269,273	\$ 85,699	\$ —	\$21,354,972
Tenant recoveries	—	1,620,844	19,441	—	1,640,285
Interest on loans to lessees	448,264	879,650	—	—	1,327,914
Total revenues	<u>448,264</u>	<u>23,769,767</u>	<u>105,140</u>	<u>—</u>	<u>24,323,171</u>
Expenses					
Rent and other operating expenses	—	199,500	—	—	199,500
General and administrative	538,258	1,793,684	4,368	—	2,336,310
Real estate taxes	—	1,539,054	19,441	—	1,558,495
Depreciation	—	4,416,056	35,154	—	4,451,210
Loss on impairment	—	96,000	—	—	96,000
Total expenses	<u>538,258</u>	<u>8,044,294</u>	<u>58,963</u>	<u>—</u>	<u>8,641,515</u>
Operating (loss) income	<u>(89,994)</u>	<u>15,725,473</u>	<u>46,177</u>	<u>—</u>	<u>15,681,656</u>
Total other income and expenses	<u>(98,938)</u>	<u>(6,534,811)</u>	<u>—</u>	<u>—</u>	<u>(6,633,749)</u>
Net (loss) income	<u>(188,932)</u>	<u>9,190,662</u>	<u>46,177</u>	<u>—</u>	<u>9,047,907</u>
Distributions and accretion on Class E Preferred units	(9,353,806)	—	—	—	(9,353,806)
Net income attributable to noncontrolling interests	(84,773)	—	—	—	(84,773)
Equity in income (loss) of subsidiaries	9,236,839	—	—	(9,236,839)	—
Net (loss) income allocable to common units	<u>\$ (390,672)</u>	<u>\$ 9,190,662</u>	<u>\$ 46,177</u>	<u>\$(9,236,839)</u>	<u>\$ (390,672)</u>

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements - unaudited - (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2010
(unaudited)

	<u>Issuers</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues					
Rental income	\$ —	\$ 63,374,715	\$ 402,244	\$ —	\$ 63,776,959
Tenant recoveries	—	4,793,199	58,322	—	4,851,521
Interest on loans to lessees	1,146,486	2,700,398	—	—	3,846,884
Total revenues	<u>1,146,486</u>	<u>70,868,312</u>	<u>460,566</u>	<u>—</u>	<u>72,475,364</u>
Expenses					
Rent and other operating expenses	—	484,476	—	—	484,476
General and administrative	1,641,708	4,798,973	5,067	—	6,445,748
Real estate taxes	—	4,812,672	58,322	—	4,870,994
Depreciation	—	13,143,298	105,102	—	13,248,400
Loss on impairment	—	96,000	—	—	96,000
Total expenses	<u>1,641,708</u>	<u>23,335,419</u>	<u>168,491</u>	<u>—</u>	<u>25,145,618</u>
Operating (loss) income	<u>(495,222)</u>	<u>47,532,893</u>	<u>292,075</u>	<u>—</u>	<u>47,329,746</u>
Total other income and expenses	<u>(302,212)</u>	<u>(15,024,594)</u>	<u>—</u>	<u>—</u>	<u>(15,326,806)</u>
Net (loss) income	<u>(797,434)</u>	<u>32,508,299</u>	<u>292,075</u>	<u>—</u>	<u>32,002,940</u>
Distributions and accretion on Class E Preferred units	(17,371,893)	—	—	—	(17,371,893)
Net income attributable to noncontrolling interests	(241,622)	—	—	—	(241,622)
Equity in income (loss) of subsidiaries	32,800,374	—	—	(32,800,374)	—
Net (loss) income allocable to common units	<u>\$ 14,389,425</u>	<u>\$ 32,508,299</u>	<u>\$ 292,075</u>	<u>\$(32,800,374)</u>	<u>\$ 14,389,425</u>

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements - unaudited - (continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended September 30, 2011
(unaudited)

	<u>Issuers</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net cash (used in) provided by operating activities	\$ (280,891,669)	\$ 308,940,822	\$ 2,159,871	\$ —	\$ 30,209,024
Net cash provided by (used in) investing activities	1,906,008	(90,517,343)	(3,151,423)	—	(91,762,758)
Financing activities					
Borrowings of debt	302,620,184	25,200,000	982,728	—	328,802,912
Repayment of debt	—	(243,812,202)	(79,818)	—	(243,892,020)
Payment of financing costs	(8,529,229)	(900,563)	—	—	(9,429,792)
Capital contributions	10,419,757	—	—	—	10,419,757
Cost of raising capital	—	—	—	—	—
Cash distributions to partners	(32,380,412)	—	—	—	(32,380,412)
Net cash provided by (used in) financing activities	<u>272,130,300</u>	<u>(219,512,765)</u>	<u>902,910</u>	<u>—</u>	<u>53,520,445</u>
Net decrease in cash and cash equivalents	(6,855,361)	(1,089,286)	(88,642)	—	(8,033,289)
Cash and cash equivalents:					
Beginning of period	12,126,776	908,612	(6,914)	—	13,028,474
End of period	<u>\$ 5,271,415</u>	<u>\$ (180,674)</u>	<u>\$ (95,556)</u>	<u>\$ —</u>	<u>\$ 4,995,185</u>

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements - unaudited - (continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended September 30, 2010
(unaudited)

	<u>Issuers</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net cash (used in) provided by operating activities	\$ (55,606,900)	\$ 87,979,517	\$ (36,611)	\$ —	\$ 32,336,006
Net cash used in investing activities	(2,054,813)	(23,438,101)	—	—	(25,492,914)
Financing activities					
Borrowings of debt	—	405,000,000	—	—	405,000,000
Repayment of debt	(12,000,000)	(468,309,036)	—	—	(480,309,036)
Payment of financing costs	—	(10,405,360)	—	—	(10,405,360)
Payment for swap termination	—	(3,380,160)	—	—	(3,380,160)
Capital contributions	223,772,055	—	—	—	223,772,055
Redemption of Class E Preferred Units	(92,001,451)	—	—	—	(92,001,451)
Redemption of Class F Units	(23,602,649)	—	—	—	(23,602,649)
Cash distributions to partners	(29,847,658)	(3,155,677)	—	—	(33,003,335)
Net cash provided by (used in) financing activities	<u>66,320,297</u>	<u>(80,250,233)</u>	<u>—</u>	<u>—</u>	<u>(13,929,936)</u>
Net increase (decrease) in cash and cash equivalents	8,658,584	(15,708,817)	(36,611)	—	(7,086,844)
Cash and cash equivalents:					
Beginning of period	256,598	15,285,909	—	—	15,542,507
End of period	<u>\$ 8,915,182</u>	<u>\$ (422,908)</u>	<u>\$ (36,611)</u>	<u>\$ —</u>	<u>\$ 8,455,663</u>

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing in Part I, Item 1, "Financial Statements."

Forward-Looking Statements

The information presented herein includes forward-looking statements. 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," "plan," "should," "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 filings made by us with the Securities and Exchange Commission (the "SEC"). 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. 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 as of which such statements are made 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 herein.

Overview

We operate a self-administered real estate investment trust, or REIT, that focuses on the ownership of healthcare properties, principally skilled nursing facilities ("SNFs"). We generate our revenues through long-term triple-net leases with a diversified group of high quality operators throughout the United States. Through our predecessor entities, we have been in the business of financing operators of SNFs for over 30 years. We believe that we have one of the largest SNF portfolios in the United States which as of September 30, 2011 consisted of 202 properties, of which 186 were SNFs, with 19,600 licensed beds in 25 states leased to 32 operators.

We believe we are well positioned to benefit from our diversified portfolio of properties and extensive network of operator relationships. We focus on cultivating close relationships with our tenants by working closely with them to help them achieve their business objectives. As a result of these efforts, we are in a position to effectively manage our portfolio, make additional investments and continue to expand our business.

We lease our properties to a diversified group of 32 operators with no single operator representing more than 13.7% of our revenues for the nine months ended September 30, 2011. We have a geographically diversified portfolio of properties located in 25 states, with no state representing more than 19.8% of our revenues for the nine months ended September 30, 2011. Our properties are leased to third party tenants under long-term triple-net leases. The operators are responsible for all operating costs and expenses related to the property, including facility maintenance and insurance required in connection with the properties and the business conducted on the properties, taxes levied on or with respect to the properties (other than taxes on our income) and all utilities and other services necessary or appropriate for the properties and the business conducted on the properties. Our leases are typically master leases with initial terms of 10 years or more, annual rent escalation provisions of 2% to 3%, guarantees, cross-default provisions and security deposits and typically do not have operator purchase options. As of September

30, 2011, the leases for 201 of our 202 properties were supported by personal and/or corporate guarantees. As of September 30, 2011, our leases had an average remaining term of 8.5 years.

We finance investments through borrowings under our credit facilities, unsecured senior notes, private placements 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. As a key part of our growth strategy, we evaluate acquisition opportunities on an ongoing basis and are in various stages of due diligence, preliminary discussions or competitive bidding with respect to a number of potential transactions, some of which would be significant. None of these potential significant transactions is so far advanced as to make the transaction reasonably certain.

Factors Affecting Our Business and the Business of Our Tenants

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 tenants' 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 tenants 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 \$2.3 trillion in 2008 to approximately \$4.5 trillion in 2019. Furthermore, according to CMS, national expenditures for SNFs are expected to grow from approximately \$144 billion in 2009 to approximately \$246 billion in 2019, representing a compound annual growth rate, or CAGR, of 5.5%.

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 reliance by maintaining ready access to funds to make investments as the 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 is comprised principally of term loans secured by first mortgages, unsecured obligations under the Senior Notes and borrowings under our mortgage term loan, an acquisition credit line and a revolving credit facility.

Substantially all of such indebtedness is scheduled to mature in late 2015 or thereafter.

Factors Affecting Our Tenants' Profitability

Our revenues are derived from rents we receive from triple-net leases with our tenants. Certain economic factors present both opportunities and risks to our tenants and, therefore, influence their ability to meet their obligations to us. These factors directly affect our tenants' operations and, given our reliance on their

performance under our leases, present risks to us that may affect our results of operations or ability to meet our financial obligations. The recent U.S. economic slowdown and other factors have resulted in cost-cutting at both the federal and state levels, which, in certain situations, resulted in a reduction of reimbursement rates and levels to our tenants under both the Medicare and Medicaid programs.

Our tenants' 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 tenants 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 tenants' revenues. The sources and amounts of our tenants' revenues are determined by a number of factors, including licensed bed capacity, occupancy rates, the acuity profile of residents and the rate of reimbursement. Changes in the acuity profile of the residents as well as the mix among payor types, including private pay, Medicare and Medicaid, may significantly affect our tenants' 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.

Labor and related expenses typically represent our tenants' largest cost component. Therefore, the labor markets in which our tenants operate affect their ability to operate cost effectively and profitably. In order for our tenants to be successful, they must possess the management capability to attract and maintain skilled and motivated workforces. Much of the required labor needed to operate a SNF requires specific technical experience and education. As a result, our tenants may be required to increase their payroll costs to attract labor and adequately staff their operations. Increases in labor costs due to higher wages and greater employee benefits required to attract and retain qualified personnel could affect our tenants' ability to meet their obligations to us.

While our revenues are generated from the rents our tenants pay to us, we seek to establish our rent at an appropriate level so that our tenants are able to succeed. This requires discipline to ensure that we do not overpay for the properties we acquire. While we operate in a competitive environment, we carefully assess the long-term risks facing our tenants as we consider an investment. Because our leases are long-term arrangements, we are required to assess both the short and long-term capital needs of the properties we acquire. SNFs are generally highly specialized real estate assets. We believe we have developed broad expertise in assessing the short and long-term needs of this asset class.

On July 29, 2011, CMS released its final rule regarding 2012 Medicare payment rates for SNFs, which became effective October 1, 2011. The rule recalibrates the method of calculating Medicare reimbursement rates, and is expected to cause the reimbursement rates for SNFs to be reduced by approximately 11.1% on a system-wide basis for fiscal year 2012.

Components of Our Revenues, Expenses and Cash Flow

Revenues

Our revenues consist primarily of the rents and associated charges we collect from our tenants 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 tenants. 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 loans outstanding.

- *Rental Income*

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

- *Tenant Recoveries*

All of our leases have real estate escrow clauses that require our tenants to make estimated payments to us to cover their current real estate tax obligations. We collect money for these taxes and pay them on behalf of our tenants. We account for the receipt of these amounts as revenue and the payment of the actual taxes as an expense (real estate taxes). Because the escrow charges to our tenants are made on an estimated basis, the amounts recognized as revenue and corresponding expense will differ slightly in any given fiscal period.

- *Interest on Loans to Lessees*

We earn interest on certain capital advances and loans we make to our tenants 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 loan for accounting purposes when the lease term exceeds the useful life of the capital expenditure. In addition, we recognize rent associated with direct financing leases, in part, as interest income.

Expenses

We recognize a variety of cash and non-cash charges in our financial statements. Our cash expenses consist primarily of the interest expense on the borrowings we incur in order to make our investments and the general and administrative costs associated with operating our business. These interest charges are associated with our mortgage term loan, acquisition credit line and revolving credit facility as well as certain asset specific loans.

- *Rent and Other Operating Expenses*

When we lease an office or a property, we recognize related rent expense.

- *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, corporate filing fees, and transaction related costs.

- *Real Estate Taxes*

All of our leases have real estate escrow clauses that require our tenants to make estimated payments to us to cover their current real estate tax obligations. We collect money for these taxes and pay them on behalf of our tenants. We account for the receipt of these amounts as revenue (tenant recoveries) and the payment of the actual taxes as an expense. Because the escrow charges to our tenants are made on an estimated basis, the amounts recognized as revenue and corresponding expense will differ slightly in any given fiscal period.

- *Depreciation*

We incur depreciation 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.

- *Loss on Impairment of Assets*

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. We utilize objective 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. In addition, 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.

Other Income and Expenses

- *Interest and Other Income*

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

- *Interest Expense*

We recognize the interest we incur on our existing borrowings as an interest expense.

- *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 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.

- *Amortization of Deferred Financing Costs*

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.

- *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 costs.

Components of 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:

Deferred Rental Income. We recognize deferred 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.

The Partnership follows ASC 718, *Compensation-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 based on their grant date fair values. On September 17, 2010, Aviv REIT adopted a 2010 Management Incentive Plan (the Plan) as part of the merger transaction with an affiliate of Lindsay Goldberg LLC (“Lindsay Goldberg”). A pro-rata allocation of non-cash stock-based compensation expense is made to the Partnership for awards granted under the Plan.

The Partnership had established an officer incentive program linked to its future value. These awards vest annually over a five-year period assuming continuing employment by the recipient. The awards can be settled in Class C Units or cash at the Partnership’s discretion at the settlement date of December 31, 2012. For accounting purposes, expense recognition under the program commenced in 2008, and the related expense for the three months ended September 30, 2011 and 2010 was \$101,500 and \$101,500, respectively. The related expense for the nine months ended September 30, 2011 and 2010 was \$304,500 and \$304,500, respectively. As a result of the transaction with Lindsay Goldberg on September 17, 2010, such incentive program was modified such that 40% of the previously granted award settled immediately on such date with another 20% vesting and settling on December 31, 2010. The remaining 40% will vest equally on December 31, 2011 and December 31, 2012, and will settle in 2018, subject to the terms and conditions of the amended incentive program agreement. In accordance with ASC 718, such incentive program will continue to be expensed through general and administrative expenses as non-cash compensation on the statements of operations through the ultimate vesting date of December 31, 2012.

The following table represents the time based option awards activity for the nine months ended September 30, 2011.

	Nine months ended September 30, 2011
Outstanding at January 1, 2011	21,866
Granted	456
Exercised	—
Cancelled/Forfeited	—
Outstanding at March 31, 2011	22,322
Granted	—
Exercised	—
Cancelled/Forfeited	—
Outstanding at June 30, 2011	22,322
Granted	—
Exercised	—
Cancelled/Forfeited	—
Outstanding at September 30, 2011	22,322
Options exercisable at end of period	—
Weighted average fair value of options granted	\$ 109.37
Weighted average remaining contractual life (years)	8.97

The following table represents the time based option awards outstanding at September 30, 2011 as well as other Plan data:

Range of exercise prices	Outstanding	Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$1,000 – \$1,124	22,322	8.98	\$1,004

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 2011.

	2011 Grants
Dividend yield	9.16%
Risk-free interest rate	2.72%
Expected life	7.0 years
Estimated volatility	38.00%
Weighted average exercise price	\$ 1,124.22
Weighted average fair value of options granted (per option)	\$ 149.09

Aviv REIT recorded non-cash compensation expenses of \$329,889 and \$936,256 for the three and nine months ended September 30, 2011, 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.

At September 30, 2011, the total compensation cost 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 \$1,167,606.

For the period ended December 31,	Options
2011	\$ 168,963
2012	575,013
2013	304,499
2014	119,078
2015	53
Total	<u>\$1,167,606</u>

Dividend equivalent rights associated with the Plan amounted to \$524,567 and \$1,607,181 for the three and nine months ended September 30, 2011, and are included in general and administrative expense in the consolidated statements of operations. These dividend rights will be paid in four installments as the options vest.

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 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 Loan Receivable. We incur an expense estimate for a reserve based upon our historical collection record of billed rental income and collections of loan receivables and an understanding of the financial operating results of the underlying operator.

Investing Activities

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

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 tenant 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 the Partnership.

Three and Nine Months Ended September 30, 2011 Compared to Three and Nine Months Ended September 30, 2010

Revenues

Revenues decreased \$0.3 million, or 1.3%, from \$24.3 million for the three months ended September 30, 2010 to \$24.0 million for the same period in 2011. The decrease in rental revenue generally resulted from the write-off of deferred rental income and intangibles as a result of owned assets being transitioned to new operators resulting in new lease agreements, which was offset by additional rent associated with the acquisitions and investments made during 2011.

Revenues increased \$1.5 million, or 2.1%, from \$72.5 million for the nine months ended September 30, 2010 to \$74.0 million for the same period in 2011. The increase in rental revenue generally resulted from the write-off of deferred rental income and intangibles as a result of owned assets being transitioned to new operators resulting in new lease agreements, which was offset by additional rent associated with the acquisitions and investments made during 2011.

Detailed changes in revenues for the three and nine months ended September 30, 2011 compared to the same periods in 2010 were as follows:

- Rental income decreased \$0.4 million, or 1.8%, from \$21.4 million for the three months ended September 30, 2010 to \$21.0 million for the same period in 2011. The decrease is primarily due to the write-off of deferred rental income and intangibles of approximately \$4.1 million as a result of owned assets being transitioned to new operators resulting in new lease agreements, which was partially offset by the additional rent of approximately \$4.3 million associated the current year acquisitions and investments.

Rental income increased \$1.0 million, or 1.6%, from \$63.8 million for the nine months ended September 30, 2010 to \$64.8 million for the same period in 2011. The increase is primarily due to additional rent of approximately \$8.7 million associated the current year acquisitions and investments, which was partially offset by the write-off of deferred rental income of approximately \$6.8 million.

- Tenant recoveries increased \$0.2 million, or 9.8%, from \$1.6 million for the three months ended September 30, 2010 to \$1.8 million for the same period in 2011. The increase was a result of the additional tenant recoveries associated with real estate taxes for newly acquired facilities. The increase was also due increases in real estate taxes from investments held more than one year.

Tenant recoveries increased \$0.5 million, or 9.8%, from \$4.8 million for the nine months ended September 30, 2010 to \$5.3 million for the same period in 2011. The increase was a result of the additional tenant recoveries associated with real estate taxes for newly acquired facilities. The increase was also due to increases in real estate taxes from investments held more than one year.

- Interest on loans to tenants decreased \$0.1 million, or 6.9%, from \$1.3 million for the three months ended September 30, 2010 to \$1.2 million for the same period in 2011. The decrease was due to reduced interest earned due to the repayment of principal on certain loans.

Interest on loans to tenants increased \$0.1 million, or 1.8%, from \$3.8 million for the nine months ended September 30, 2010 to \$3.9 million for the same period in 2011. Most of this increase was a result of loans to tenants for capital expenditures for which we receive interest, which was partially offset by the repayment of principal on certain loans.

Expenses

Expenses increased \$5.5 million, or 63.1%, from \$8.7 million for the three months ended September 30, 2010 to \$14.2 million for the same period in 2011. This increase was primarily due to an increase in general and administrative expenses of \$3.6 million which was primarily attributable to \$1.9 million in indemnity payments in the 2011 period.

Expenses increased \$10.0 million, or 39.9%, from \$25.2 million for the nine months ended September 30, 2010 to \$35.2 million for the same period in 2011. These increases were primarily due to an increase in general and administrative expenses of \$6.5 million which was primarily attributable to a \$1.3 million increase in indemnity payments, a \$2.9 million increase in share-based compensation and \$1.0 million in closing costs expensed in conjunction with acquisitions for the nine months ended September 30, 2011 compared to the same period in 2010.

Detailed changes in expenses for the three and nine months ended September 30, 2011 compared to the same periods in 2010 were as follows:

- Rent and other operating expenses increased \$29,000, or 14.5%, from \$200,000 for the three months ended September 30, 2010 to \$229,000 for the same period in 2011. This increase is primarily due to increases in insurance premiums, which was partially offset by a decrease in rent for the corporate space for the three months ended September 30, 2011.

Rent and other operating expenses increased \$0.1 million, or 28.2%, from \$0.5 million for the nine months ended September 30, 2010 to \$0.6 million for the same period in 2011. This increase is primarily due to increases in insurance premiums, which was partially offset by a decrease in rent for the corporate space for the nine months ended September 30, 2011.

- General and administrative expense increased \$3.6 million, or 151.4%, from \$2.4 million for the three months ended September 30, 2010 to \$6.0 million for the same period in 2011. The increase was primarily due to a \$1.9 million indemnity payment and a \$0.5 million increase expense attributable to share based compensation during the three months ended September 30, 2011.

General and administrative expense increased \$6.5 million, or 100%, from \$6.5 million for the nine months ended September 30, 2010 to \$13.0 million for the same period in 2011. The increase was primarily due to a \$1.3 million increase in indemnity payments, a \$2.9 million increase expense attributable to share based compensation and \$1.0 million increase in closing costs expensed in conjunction with 2011 acquisitions.

- Real estate tax expense increased by \$0.2 million, or 13.7%, from \$1.6 million for the three months ended September 30, 2010 compared to \$1.8 million for the same period in 2011. The increase is associated with additional taxes for newly acquired facilities described above.

Real estate tax expense increased by \$0.6 million, or 12.4%, from \$4.9 million for the nine months ended September 30, 2010 compared to \$5.5 million for the same period in 2011. The increase is associated with additional taxes for newly acquired facilities described above.

- Depreciation expense increased \$0.9 million, or 19.6%, from \$4.4 million for the three months ended September 30, 2010 to \$5.3 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.

Depreciation expense increased \$2.1 million, or 15.5%, from \$13.2 million for the nine months ended September 30, 2010 to \$15.3 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.

- Loss on impairment expense increased \$763,000, or 794.7%, from \$96,000 for the three months ended September 30, 2010 to \$859,000 for the same period in 2011. The increase was a result of the anticipated loss on sale for one property that will be sold subsequent to September 30, 2011.

Loss on impairment expense increased \$763,000, or 794.7%, from \$96,000 for the three months ended September 30, 2010 to \$859,000 for the same period in 2011. The increase was a result of the anticipated loss on sale for one property that will be sold subsequent to September 30, 2011.

Other Income and Expenses

- Interest and other income increased \$21,000, from \$(14,000) for the three months ended September 30, 2010 to \$7,000 for the same period in 2011. Interest and other income expense is materially consistent period over period.

Interest and other income increased \$798,000, from \$42,000 for the nine months ended September 30, 2010 to \$840,000 for the same period in 2011. The increase was primarily due to \$810,000 of sales proceeds from the sale of bed licenses at two of our facilities.

- Interest expense increased \$4.1 million, or 78.7%, from \$5.2 million for the three months ended September 30, 2010 to \$9.3 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.

Interest expense increased \$10.1 million, or 62.7%, from \$16.1 million for the nine months ended September 30, 2010 to \$26.2 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.

- Income relating to the change in fair value of derivatives decreased \$0.5 million, or 100%, from a gain of \$0.5 million in the three months ended September 30, 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 and because these swaps have been 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.

Income relating to the change in fair value of derivatives decreased \$2.9 million, or 100%, from a gain of \$2.9 million in the nine months ended September 30, 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 and because these swaps 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.

- Amortization of deferred financing fees increased \$0.5 million, or 243.5%, from \$0.2 million for the three months ended September 30, 2010 to \$0.7 million for the same period in 2011. The increase was due to additional fees incurred in conjunction with our new \$405 million mortgage term loan entered into in September 2010 and our \$300 million issuance of Senior Notes in 2011 and subsequent amortization.

Amortization of deferred financing fees increased \$1.5 million, or 322.2%, from \$0.5 million for the nine months ended September 30, 2010 to \$2.0 million for the same period in 2011. The increase was due to additional fees incurred in conjunction with our new \$405 million mortgage term loan entered into in September 2010 and our \$300 million issuance of Senior Notes in 2011 and subsequent amortization.

- Earnout accretion increased \$0.1 million, or 100%, from \$0 for the three months ended September 30, 2010 to \$0.1 million for the same period in 2011. The increase is due to the amortization of the earnout provision liability for three months related to an acquisition that closed in May 2011.

Earnout accretion increased \$0.2 million, or 100%, from \$0 for the nine months ended September 30, 2010 to \$0.2 million for the same period in 2011. The increase is due to the amortization of the earnout provision liability for five months related to an acquisition that closed in May 2011.

- Loss on extinguishment of debt decreased \$2.3 million, or 100%, from \$2.3 million for the three months ended September 30, 2010 to \$0 for the same period in 2011. This non-recurring cost was a result of prepaying certain corporate indebtedness prior to maturity and the non-cash write-off of deferred financing costs.

Loss on extinguishment of debt increased \$1.5 million, or 66.6%, from \$2.3 million for the nine months ended September 30, 2010 to \$3.8 for the same period in 2011. This non-recurring cost was a result of prepaying certain corporate indebtedness prior to maturity and the non-cash write-off of deferred financing costs.

Property Acquisitions

Aviv REIT had the following rental property activity during the nine months ended September 30, 2011 as described below:

- In January 2011, Aviv Financing I, L.L.C., an indirect subsidiary of Aviv REIT (“Aviv Financing I”), acquired a property in Kansas from an unrelated third party for a purchase price of \$3,045,000. Aviv REIT financed this purchase with cash and borrowings of \$2,131,000 under the acquisition credit line.
- In March 2011, Aviv Financing II, L.L.C., an indirect subsidiary of Aviv REIT (“Aviv Financing II”), acquired a property in Pennsylvania from an unrelated third party for a purchase price of approximately \$2,200,000. Aviv REIT financed this purchase with cash.
- In March 2011, Aviv Financing II acquired a property in Ohio from an unrelated third party for a purchase price of approximately \$9,581,000. Aviv REIT financed this purchase with cash.
- In March 2011, Aviv Financing II acquired a property in Florida from an unrelated third party for a purchase price of approximately \$10,000,000. Aviv REIT financed this purchase with borrowings of \$10,200,000 under the Revolver.
- In April 2011, Aviv Financing II acquired three properties in Ohio from an unrelated third party for a purchase price of \$9,250,000. Aviv REIT financed this purchase with cash.
- In April 2011, Aviv Financing II acquired a property in Kansas from an unrelated third party for a purchase price of \$1,300,000. Aviv REIT financed this purchase with cash.
- In April 2011, Aviv Financing II acquired a property in Texas from an unrelated third party for a purchase price of \$2,093,000. Aviv REIT financed this purchase with cash.
- In April 2011, Aviv Financing II acquired three properties in Texas from an unrelated third party for a purchase price of \$8,707,000. Aviv REIT financed this purchase with cash.
- In May 2011, Aviv Financing II acquired three properties in Kansas from an unrelated third party for a purchase price of \$2,273,000. Aviv REIT financed this purchase with cash.

- In May 2011, Aviv Financing II acquired a property in Missouri from an unrelated third party for a purchase price of \$5,470,000. Aviv REIT financed this purchase with cash.
- In May 2011, Aviv Financing II acquired a property in Connecticut from an unrelated third party for a purchase price of \$12,000,000. As part of this acquisition, Aviv REIT recognized an additional approximate \$3,333,000 addition to the purchase price as per the guidance within ASC 805 as it relates to the earn-out provision defined at closing (Level 3). Aviv REIT financed this purchase with cash.
- In August 2011, Aviv Financing II acquired a property in Pennsylvania from an unrelated third party for a purchase price of \$6,100,000. Aviv REIT financed this purchase through borrowings under the acquisition credit line.
- In August 2011, Aviv Financing II acquired a property in Connecticut from an unrelated third party for a purchase price of \$5,500,000. Aviv REIT financed this purchase through borrowings under the acquisition credit line.
- In September 2011, Aviv Financing I acquired a property in Ohio from an unrelated third party for a purchase price of \$3,200,000. Aviv REIT financed this purchase through borrowings under the acquisition credit line.

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 and availability under our revolving credit facility will be adequate to fund our operating requirements, debt service and the payment of dividends in accordance with REIT requirements of the federal income tax laws for the next twelve months. We expect to meet our long-term liquidity requirements, such as scheduled debt maturities and property acquisitions, through long-term secured and unsecured borrowings and the issuance of additional equity securities.

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 additional equity interests 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 tenants and include acquisitions, development projects, income producing capital expenditures 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, the proceeds from issuances of securities or borrowings (including under our acquisition credit line and our revolving credit facility).

Indebtedness Outstanding

Our indebtedness outstanding is comprised principally of borrowings under our mortgage term loan, acquisition credit line, revolving credit facility and the Senior Notes. We have a total indebtedness of approximately \$525.5 million as of September 30, 2011. Substantially all of such indebtedness is scheduled to mature in late 2015 or thereafter.

Mortgage Term Loan and Acquisition Credit Line

On September 17, 2010, Aviv Financing I entered into a five year credit agreement with General Electric Capital Corporation, or GE, which provides a \$405.0 million mortgage term loan and a \$100.0 million acquisition credit line. The acquisition credit line can be paid down and redrawn until September 2013. The initial term of the mortgage term loan and acquisition credit line expires in September 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 mortgage term loan and acquisition credit line and meeting certain debt service coverage and debt yield tests.

Our mortgage term loan and 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, the Partnership and its consolidated subsidiaries 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 such debt service coverage ratios. Immediately following any draw on the acquisition credit line, both before and after giving effect to such draw, the consolidated borrowers under the mortgage term loan and 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 mortgage term loan and acquisition credit line during the period.

As of September 30, 2011, we were in compliance with the financial covenants of our outstanding debt and lease agreements.

7.75% Senior Notes due 2019

On February 4, 2011 we, through the Partnership and Aviv Healthcare Capital Corporation (collectively, the “Issuers”), which are majority-owned subsidiaries of Aviv REIT, issued \$200.0 million aggregate principal amount of senior unsecured notes (the “Senior Notes”) in a private placement. The Issuers are majority owned subsidiaries of Aviv REIT. Such Senior Notes were sold at par, resulting in gross proceeds of \$200.0 million and net proceeds of approximately \$194.5 million after deducting commissions and expenses. The net proceeds from the offering of such Senior Notes were used to repay all outstanding indebtedness under our acquisition credit line and to partially repay our outstanding mortgage term loan.

On April 5, 2011 we issued an additional \$100.0 million aggregate principal amount of Senior Notes in a private placement. Such Senior Notes were sold at a premium, resulting in gross proceeds of \$102.8 million and net proceeds of approximately \$99.8 million after deducting commissions and expenses. The net proceeds from the offering of such Senior Notes were used to partially repay indebtedness outstanding under our mortgage term loan, and together with proceeds from additional equity investments made by Aviv REIT’s shareholders, to fund pending investments.

On July 21, 2011, the Issuers launched an exchange offer in order to provide investors with an opportunity to exchange the Senior Notes issued in the aforementioned private placements for freely tradable notes that have been registered under the Securities Act of 1933. The exchange consummated on August 22, 2011, and 100% of the Senior Notes were exchanged for registered Senior Notes.

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 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.

As of September 30, 2011, we were in compliance with all applicable financial covenants under the indenture governing the Senior Notes.

Revolving Credit Facility

In conjunction with the Senior Notes issuance on February 4, 2011, the Partnership, under Aviv Financing IV, L.L.C., an indirect wholly-owned subsidiary of the Partnership, entered into a \$25 million secured revolving credit facility with Bank of America (the "Revolver"). On each payment date, the Partnership pays interest only in arrears on any outstanding principal balance of the Revolver. The interest rate under the Revolver is generally based on LIBOR (subject to a floor of 1.0% and subject to the Partnership's option to elect to use a prime base rate) plus a margin that is determined by the Partnership's leverage ratio from time to time, and the interest rate as of September 30, 2011 was 6.50% (prime plus 3.25%). We are permitted to include cash on hand in calculating our leverage ratio for periods through June 30, 2011. The initial term of our Revolver expires in January 2014 with a one-year extension option. We have the right to increase the amount of the Revolver by up to \$75.0 million (resulting in total availability of \$100.0 million), provided that certain conditions precedent are satisfied.

The Revolver is secured by first lien mortgages on 14 of our properties, a pledge of the capital stock of our subsidiaries owning such properties (plus the equity of our subsidiary that acts as the holding company of the subsidiaries owning such properties) and other customary collateral, including an assignment of leases and rents with respect to such mortgaged properties. The borrowing availability under our Revolver is subject to a borrowing base calculation based on, among other factors, the lesser of (i) the amount of a hypothetical mortgage based on the net revenues for the prior four quarters (on a pro forma basis for recently acquired properties) and (ii) 65% of the appraised value, in each case, of the properties securing our revolving credit facility. As of September 30, 2011, the Revolver had an outstanding balance of \$15.0 million.

The Revolver contains 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 secured revolving credit facility also requires 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. As of September 30, 2011, we were in compliance with all applicable financial covenants under the Revolver.

Contractual Obligations

The following table shows the amounts due in connection with the contractual obligations described above as of September 30, 2011 (including future interest payments).

	Payments Due by Period				Total
	(in thousands)				
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	
Mortgage term loan and other notes payable	\$18,115	\$52,670	\$205,970(1)	\$ —	\$276,755
7 3/4% Senior Notes due 2019 (2)	23,250	46,500	46,500	356,188	472,439
Total	<u>\$41,365</u>	<u>\$99,170</u>	<u>\$252,470(1)</u>	<u>\$356,188</u>	<u>\$749,193</u>

- (1) Primarily relates to maturity of indebtedness under our mortgage term loan and acquisition credit line 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. Interest rate for mortgage term loan is inclusive of swap rate. See “—Mortgage Term Loan and Acquisition Credit Line” above.
- (2) Reflects \$300 million outstanding of our 7³/₄% Senior Notes due 2019.

Cash Flows

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

- Cash provided by operations decreased \$5.8 million, or 15.7%, from \$37.3 million for the nine months ended September 30, 2010 to \$31.5 million for the same period in 2011. The decrease was primarily due to a decrease in net income of approximately \$24.5 million and an increase in outstanding tenant receivables causing a decrease in cash flow of approximately \$7.2 million, as compared to the same period in 2010. This is partially offset by an increase in depreciation, amortization and tenant security deposits due to the additional acquisitions and investments made in 2011.
- Cash used in investing activities increased \$66.3 million, or 260.0%, from \$25.5 million for the nine months ended September 30, 2010 to \$91.8 million for the same period in 2011. This increase was largely due to the increase in acquisition and investment activity in the nine months ended September 30, 2011, as compared to the same period in 2010.
- Cash provided by financing activities increased \$67.4 million from cash used of \$13.9 million for the nine months ended September 30, 2010 to cash provided of \$53.5 million for the same period in 2011. The increase was primarily due to the \$85 million increase in outstanding debt and \$10 million equity issuance during the period used for investment activity. No cash was used to redeem partnership units as was the case in the same period in 2010.

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, the Partnership, Aviv Healthcare Properties Operating Partnership I, L.P., and all controlled subsidiaries and joint ventures. Aviv REIT considers itself to control an entity if it is the majority owner of and has 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 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.

Quarterly Reporting

The accompanying unaudited financial statements and notes of Aviv REIT as of September 30, 2011 and for the three and nine months ended September 30, 2011 and 2010 have been prepared in accordance with GAAP

for interim financial information. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under GAAP have been condensed or omitted pursuant to such rules. In the opinion of management, all adjustments considered necessary for a fair presentation of Aviv REIT's balance sheets, statements of operations, statement of changes in equity, and statements of cash flows have been included and are of a normal and recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for Aviv REIT for the years ended December 31, 2010, 2009, and 2008. The consolidated statements of operations and cash flows for the three and nine months ended September 30, 2011 and 2010 are not necessarily indicative of full year results.

The balance sheet at December 31, 2010 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, including definitions of capitalized terms not defined herein, refer to the consolidated financial statements and footnotes thereto included in the Partnership's Registration Statement on Form S-4 declared effective by the Securities and Exchange Commission on July 21, 2011.

Rental Properties

Aviv REIT periodically assesses the carrying value of rental properties 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 rental properties will not be recovered in part or in whole, a provision will be recorded to reduce the carrying basis of the rental properties and related intangibles to their estimated fair value. The estimated fair value of Aviv REIT's rental properties is determined by using customary industry standard methods that include discounted cash flow and/or direct capitalization analysis.

Revenue Recognition

Rental income is recognized on a straight-line basis over the term of the lease when collectability is reasonably assured. Differences between rental income earned and amounts due under the lease are charged or credited, as applicable, to deferred rent receivable. Income recognized from this policy is titled deferred 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 are reflected as tenant recoveries on the consolidated statements of operations.

Below is a summary of the components of rental income for the respective periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cash rental income	\$22,541,964	\$18,876,220	\$65,324,262	\$57,857,631
Deferred rental (loss) income	(1,882,643)	1,423,137	(1,586,497)	2,600,415
Rental income from intangible amortization	320,038	1,055,615	1,044,431	3,318,913
Total rental income	<u>\$20,979,359</u>	<u>\$21,354,972</u>	<u>\$64,782,196</u>	<u>\$63,776,959</u>

During the three and nine months ended September 30, 2011 and 2010, deferred rental (loss) income includes a write-off (expense) of deferred rent receivable of \$3,504,562, \$6,785,936, \$0 and \$2,233,768, respectively, due to the early termination of leases and replacement of operators.

Lease Accounting

Aviv REIT, as lessor, makes a determination with respect to each of its 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 statement of operations 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 rental properties in the consolidated balance sheets. For facilities

leased as direct financing arrangements, an asset equal to Aviv REIT's 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. Such accretion was \$33,832, \$104,044, \$35,100 and \$107,614 for the three and nine months ended September 30, 2011 and 2010, respectively.

All of Aviv REIT's 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.

Loan Receivables

Loan receivables consist of capital improvement loans to tenants and working capital loans to operators. Loan receivables are carried at their principal amount outstanding. Management periodically evaluates outstanding 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. As of September 30, 2011 and December 31, 2010, loan receivable reserves amounted to \$2,000,113 and \$750,000, respectively. No other circumstances exist that would suggest that additional reserves are necessary at the balance sheet dates.

Stock-Based Compensation

Aviv REIT follows ASC 718, *Compensation—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 based on their grant date fair values. On September 17, 2010, Aviv REIT 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 Aviv REIT through September 30, 2011 is summarized in Footnote 9 in Part I, Item 1, "Financial Statements".

Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures*, 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 or;
- 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.

Aviv REIT's 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 its long-term debt using a discounted cash flow analysis based upon Aviv REIT's current borrowing rate for debt with similar maturities and collateral securing the indebtedness. Aviv REIT had outstanding mortgage and other notes payable obligations with a carrying value of approximately \$525.5 million and \$440.6 million as of September 30, 2011 and December 31, 2010, respectively. The fair value of debt as of September 30, 2011 was \$502.2 million and as of December 31, 2010 approximates its carrying value based upon interest rates available to Aviv REIT on similar borrowings. Management estimates the fair value of its loan receivables using a discounted cash flow analysis based upon Aviv REIT's current interest rates for loan receivables with similar maturities and collateral securing the indebtedness. Aviv REIT had outstanding loan receivables with a carrying value of \$30.9 million and \$36.6 million as of September 30, 2011 and December 31, 2010, respectively. The fair values of loan receivables as of September 30, 2011 and as of December 31, 2010 approximate its carrying value based upon interest rates available to Aviv REIT on similar borrowings.

Derivative Instruments

Aviv REIT has 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 Aviv REIT's derivative instruments are recorded in the consolidated statements of operations if the derivative does not qualify for or Aviv REIT does 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.

Income Taxes

For federal income tax purposes, Aviv REIT elected, with the filing of its initial 1120 REIT, U.S. Income Tax Return for Real Estate Investment Trusts, to be taxed as a Real Estate Investment Trust ("REIT") effective as of the transaction with Lindsay Goldberg that occurred on September 17, 2010. To qualify as a REIT, Aviv REIT must meet certain organizational, income, asset and distribution tests. Aviv REIT currently intends to comply with these requirements and maintain REIT status. If Aviv REIT fails to qualify as a REIT in any taxable year, Aviv REIT will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not elect REIT status for four subsequent years. However, Aviv REIT may still be subject to federal excise tax. In addition, Aviv REIT may be subject to certain state and local income and franchise taxes. Historically, Aviv REIT and its 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, the 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 September 30, 2011 or December 31, 2010.

Business Combinations

Aviv REIT applies ASC 805, *Business Combinations* (ASC 805), in determining how to account for and identify business combinations while allocating fair value to tangible and identified intangible assets acquired and liabilities assumed using market comparables and historical operating results (Level 3). Acquisitions related costs are expensed as incurred. Prior to the transaction with Lindsay Goldberg on September 17, 2010, Aviv Asset Management, L.L.C. (AAM) was a non-consolidated management company to the Partnership based on the application of appropriate accounting guidance (as discussed in Footnote 10 in Part I, Item 1, "Financial Statements"). Upon the transaction with Lindsay Goldberg, AAM became a consolidated entity of Aviv REIT and is presented as such for all periods included herein with all periods shown at historical cost (carryover basis with no adjustments to fair value). This treatment is in accordance with ASC 805 due to the fact that AAM was under common control prior and subsequent to the transaction with Lindsay Goldberg.

Reclassifications

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

Item 3. 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 September 30, 2011 was approximately \$502.2 million.

Item 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures of Aviv REIT Under the supervision of and with the participation of Aviv REIT's management, including its Chief Executive Officer and Chief Financial Officer, Aviv REIT evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, which we refer to as the Exchange Act) as of the end of the period covered by this quarterly report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Aviv REIT's disclosure controls and procedures were effective as of September 30, 2011 to provide reasonable assurance that information required to be disclosed by Aviv REIT in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to Aviv REIT's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting of Aviv REIT. During the quarter ended September 30, 2011, there have been no changes in Aviv REIT's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures of Aviv Healthcare Properties Limited Partnership. Under the supervision of and with the participation of the Partnership's management, including the Chief Executive Officer and Chief Financial Officer of Aviv REIT, the Partnership evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this quarterly report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Partnership's disclosure controls and procedures were effective as of September 30, 2011 to provide reasonable assurance that information required to be disclosed by the Partnership in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to the Partnership's management, including the Chief Executive Officer and Chief Financial Officer of Aviv REIT, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting of Aviv Healthcare Properties Limited Partnership. During the quarter ended September 30, 2011, there have been no changes in the Partnership's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION.

Item 1. LEGAL PROCEEDINGS.

We are not involved in any material litigation nor, to our knowledge, is any material litigation pending or threatened against us, other than routine litigation arising out of the ordinary course of business or which is expected to be covered by insurance and not expected to materially harm our business, financial condition or results of operations.

Item 5. OTHER INFORMATION.

On November 1, 2011, Ohio Pennsylvania Property, L.L.C., Kansas Five Property, L.L.C. and Murray County, L.L.C., as Additional Borrowers, Aviv Financing I, L.L.C., as Parent Borrower, and General Electric Capital Corporation, as Administrative Agent, entered into that certain Borrower Joinder and Affirmation Agreement. The Borrower Joinder and Affirmation Agreement evidences the joinder of such Additional Borrowers, each being indirect subsidiaries of the Partnership, as borrowers under the mortgage term loan and acquisition credit line.

In connection with such Borrower Joinder and Affirmation Agreement, on November 1, 2011, Aviv REIT and the Partnership entered into that certain Second Supplemental Indenture among Aviv REIT, the Partnership, Aviv Healthcare Capital Corporation (collectively with the Partnership, the "Issuers"), those direct and indirect subsidiaries of the Partnership named therein, including the Additional Borrowers, and The Bank of New York Mellon Trust Company, N.A., as trustee. The Second Supplemental Indenture evidences the guarantee of the Issuers' 7 ³/₄% Senior Notes due 2019 by the Additional Borrowers.

Item 6. EXHIBITS.

- 4.1.2 Second Supplemental Indenture, dated as of November 1, 2011, among Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Capital Corporation, as Issuers, the Guarantors named therein, as Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee.
- 10.1.7 Borrower Joinder and Affirmation Agreement, dated as of November 1, 2011, among Ohio Pennsylvania Property, L.L.C., Kansas Five Property, L.L.C., Murray County, L.L.C., each as Additional Borrowers, Aviv Financing I, L.L.C., as Parent Borrower, and General Electric Capital Corporation, as Administrative Agent.
- 31.1 Certification of Chief Executive Officer of Aviv REIT, Inc. pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer of Aviv REIT, Inc. pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification of Chief Executive Officer of Aviv REIT, Inc., in its capacity as the general partner of Aviv Healthcare Properties Limited Partnership, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.4 Certification of Chief Financial Officer of Aviv REIT, Inc., in its capacity as the general partner of Aviv Healthcare Properties Limited Partnership, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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- 101 Sections of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Changes in Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements.

SIGNATURES

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

AVIV REIT, INC.

November 14, 2011

By: /s/ Steven J. Insoft

Name: Steven J. Insoft

Title: Chief Financial Officer and Treasurer
(principal financial officer)

November 14, 2011

**AVIV HEALTHCARE PROPERTIES
LIMITED PARTNERSHIP**

By: Aviv REIT, Inc., its general partner

By: /s/ Steven J. Insoft

Name: Steven J. Insoft

Title: Chief Financial Officer and Treasurer
(principal financial officer)

EXHIBIT INDEX

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- 32.4 Certification of Chief Financial Officer of Aviv REIT, Inc., in its capacity as the general partner of Aviv Healthcare Properties Limited Partnership, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 Sections of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Changes in Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements.

THIS SECOND SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”), dated as of November 1, 2011, is made by and among Aviv Healthcare Properties Limited Partnership, a Delaware limited partnership (the “Partnership”), and Aviv Healthcare Capital Corporation, a Delaware corporation (each, an “Issuer”, and together, the “Issuers”), Aviv REIT, Inc., a Maryland corporation (the “Parent”), as Guarantor, the other Subsidiary Guarantors named in the Indenture (as defined herein) (the “Subsidiary Guarantors”), Kansas Five Property, L.L.C., a Delaware limited liability company, Murray County, L.L.C., a Delaware limited liability company, and Ohio Pennsylvania Property, L.L.C., a Delaware limited liability company (collectively, the “New Guarantors”), as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, as Trustee (the “Trustee”).

WITNESSETH

WHEREAS, the Issuers, the Parent and the Subsidiary Guarantors have heretofore executed and delivered to the Trustee an indenture dated as of February 4, 2011, as supplemented by that certain First Supplemental Indenture dated as of March 22, 2011 (the “Indenture”), providing for the issuance of the Issuers’ 7^{3/4}% Senior Notes due 2019 (the “Notes”);

WHEREAS, on November 1, 2011, the New Guarantors, which constitute Restricted Subsidiaries that are not Subsidiary Guarantors, became co-borrowers with respect to the Acquisition Line and Term Loan;

WHEREAS, the Parent desires to elect, in its sole discretion pursuant to Section 4.14 of the Indenture, to cause the New Guarantors to guarantee the Notes;

WHEREAS, the Parent, the Issuers and the Subsidiary Guarantors desire to supplement the Indenture in order to, among other things, provide for the guarantee of the Notes by the New Guarantors;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, all the conditions and requirements necessary to make this Supplemental Indenture a valid, binding and legal instrument in accordance with its terms have been performed and fulfilled by the parties hereto and the execution and delivery thereof have been in all respects duly authorized by the parties hereto.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuers, the Parent, the Subsidiary Guarantors, the New Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee. Each New Guarantor hereby agrees to unconditionally and irrevocably guarantee, jointly and severally, to each Holder and to the Trustee and its successors and assigns, the Guaranteed Obligations, on and subject to the terms, conditions and limitations set forth in the Indenture, including but not limited to Article Ten thereof, and to perform all of the obligations and agreements of a Guarantor under the Indenture as if named as a Guarantor thereunder.

3. New York Law to Govern. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO CONFLICTS OF LAW PRINCIPLES TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

4. Counterparts. All parties may sign any number of copies of this Supplemental Indenture. Each signed copy or counterpart shall be an original, but all of them together shall represent the same agreement. Delivery of an executed counterpart of a signature page to this Supplemental Indenture by facsimile, .pdf transmission, email or other electronic means shall be effective as delivery of a manually executed counterpart.

5. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

* * *

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, all as of the date first above written.

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP, as Issuer

By: Aviv REIT, Inc., its general partner

By: /s/ Craig M. Bernfield

Name: Craig M. Bernfield

Title: President and Chief Executive Officer

AVIV HEALTHCARE CAPITAL CORPORATION, as Issuer

By: /s/ Craig M. Bernfield

Name: Craig M. Bernfield

Title: President and Chief Executive Officer

AVIV REIT, INC., as Parent and a Guarantor

By: /s/ Craig M. Bernfield

Name: Craig M. Bernfield

Title: President and Chief Executive Officer

AVIV OP LIMITED PARTNER, L.L.C. and AVIV ASSET MANAGEMENT, L.L.C., as Subsidiary Guarantors

By: Aviv Healthcare Properties Limited Partnership, their sole member

By: Aviv REIT, Inc., its general partner

By: /s/ Craig M. Bernfield

Name: Craig M. Bernfield

Title: President and Chief Executive Officer

AVIV HEALTHCARE PROPERTIES OPERATING PARTNERSHIP I, L.P., as Subsidiary Guarantors

By: Aviv Healthcare Properties Limited Partnership, its general partner

By: Aviv REIT, Inc., its general partner

By: /s/ Craig M. Bernfield

Name: Craig M. Bernfield

Title: President and Chief Executive Officer

Second Supplemental Indenture

**AVIV FINANCING I, L.L.C.,
AVIV FINANCING II, L.L.C.,
AVIV FINANCING III, L.L.C.,
AVIV FINANCING IV, L.L.C. and
AVIV FINANCING V, L.L.C.,**
as Subsidiary Guarantors

By: Aviv Healthcare Properties Operating Partnership I, L.P.,
their sole member

By: Aviv Healthcare Properties Limited Partnership, its
general partner

By: Aviv REIT, Inc., its general partner

By: /s/ Craig M. Bernfield

Name: Craig M. Bernfield

Title: President and Chief Executive Officer

The entities listed on Schedule I hereto,
Subsidiary Guarantors

By: Aviv Financing I, L.L.C., their sole member

By: Aviv Healthcare Properties Operating Partnership I, L.P.,
its sole member

By: Aviv Healthcare Properties Limited Partnership, its
general partner

By: Aviv REIT, Inc., its general partner

By: /s/ Craig M. Bernfield

Name: Craig M. Bernfield

Title: President and Chief Executive Officer

The entities listed on Schedule II hereto,
as Subsidiary Guarantors

By: Aviv Financing II, L.L.C., their sole member

By: Aviv Healthcare Properties Operating Partnership I, L.P.,
its sole member

By: Aviv Healthcare Properties Limited Partnership, its
general partner

By: Aviv REIT, Inc., its general partner

By: /s/ Craig M. Bernfield

Name: Craig M. Bernfield

Title: President and Chief Executive Officer

Second Supplemental Indenture

**The entities listed on Schedule III hereto,
as Subsidiary Guarantors**

By: Aviv Financing IV, L.L.C., their sole member

By: Aviv Healthcare Properties Operating
Partnership I, L.P.,
its sole member

By: Aviv Healthcare Properties Limited Partnership,
its general partner

By: Aviv REIT, Inc., its general partner

By: /s/ Craig M. Bernfield
Name: Craig M. Bernfield
Title: President and Chief Executive Officer

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A.,
as Trustee,

By: /s/ Mary Callahan
Name: Mary Callahan
Title: Vice President

Second Supplemental Indenture

Schedule I

Subsidiaries of Aviv Financing I, L.L.C.

Alamogordo Aviv, L.L.C.
Arma Yates, L.L.C.
Aviv Liberty, L.L.C.
Avon Ohio, L.L.C.
Benton Harbor, L.L.C.
California Aviv Two, L.L.C.
California Aviv, L.L.C.
Chenal Arkansas, L.L.C.
Chippewa Valley, L.L.C.
Clayton Associates, L.L.C.
Columbia View Associates, L.L.C.
Columbus Texas Aviv, L.L.C.
Columbus Western Avenue, L.L.C.
Commerce Nursing Homes, L.L.C.
Denison Texas, L.L.C.
Falfurrias Texas, L.L.C.
Florence Heights Associates, L.L.C.
Freewater Oregon, L.L.C.
Fullerton California, L.L.C.
Great Bend Property, L.L.C.
Heritage Monterey Associates, L.L.C.
Highland Leasehold, L.L.C.
Hobbs Associates, L.L.C.
Hot Springs Aviv, L.L.C.
Houston Texas Aviv, L.L.C.
Hutchinson Kansas, L.L.C.
Kansas Five Property, L.L.C.
Manor Associates, L.L.C.
Massachusetts Nursing Homes, L.L.C.
Missouri Regency Associates, L.L.C.
Mt. Vernon Texas, L.L.C.
Murray County, L.L.C.
N.M. Bloomfield Three Plus One Limited Company
N.M. Espanola Three Plus One Limited Company
N.M. Lordsburg Three Plus One Limited Company
N.M. Silver City Three Plus One Limited Company
Ohio Pennsylvania Property, L.L.C.
Omaha Associates, L.L.C.
Orange ALF Property, L.L.C.
Peabody Associates, L.L.C.
Raton Property Limited Company

Red Rocks, L.L.C.

Riverside Nursing Home Associates, L.L.C.

Santa Ana-Bartlett, L.L.C.

Savoy/Bonham Venture, L.L.C.

Skyview Associates, L.L.C.

Tujung, L.L.C.

VRB Aviv, L.L.C.

Washington-Oregon Associates, L.L.C.

Wheeler Healthcare Associates, L.L.C.

Willis Texas Aviv, L.L.C.

Yuba Aviv, L.L.C.

Schedule II
Subsidiaries of Aviv Financing II, L.L.C.

Arkansas Aviv, L.L.C.
Aviv Foothills, L.L.C.
Belleville Illinois, L.L.C.
Bellingham II Associates, L.L.C.
BHG Aviv, L.L.C.
Bonham Texas, L.L.C.
Camas Associates, L.L.C.
Chatham Aviv, L.L.C.
Clarkston Care, L.L.C.
Colonial Madison Associates, L.L.C.
CR Aviv, L.L.C.
Effingham Associates, L.L.C.
Elite Mattoon, L.L.C.
Elite Yorkville, L.L.C.
Fountain Associates, L.L.C.
Four Fountains Aviv, L.L.C.
Giltex Care, L.L.C.
HHM Aviv, L.L.C.
Hidden Acres Property, L.L.C.
Idaho Associates, L.L.C.
Karan Associates, L.L.C.
Karan Associates Two, L.L.C.
KB Northwest Associates, L.L.C.
Mansfield Aviv, L.L.C.
Minnesota Associates, L.L.C.
Monterey Park Leasehold Mortgage, L.L.C.
Newtown ALF Property, L.L.C.
Northridge Arkansas, L.L.C.
Norwalk ALF Property, L.L.C.
Oakland Nursing Homes, L.L.C.
October Associates, L.L.C.
Ogden Associates, L.L.C.
Ohio Aviv, L.L.C.
Oregon Associates, L.L.C.
Prescott Arkansas, L.L.C.
Salem Associates, L.L.C.
San Juan NH Property, L.L.C.
Santa Fe Missouri Associates, L.L.C.
Searcy Aviv, L.L.C.
Skagit Aviv, L.L.C.
Southeast Missouri Property, L.L.C.

Star City Arkansas, L.L.C.

Sun-Mesa Properties, L.L.C.

Wellington Leasehold, L.L.C.

West Pearl Street, L.L.C.

Woodland Arkansas, L.L.C.

Xion, L.L.C.

Schedule III
Subsidiaries of Aviv Financing IV, L.L.C.

Burton NH Property, L.L.C.

Casa/Sierra California Associates, L.L.C.

Kingsville Texas, L.L.C.

Missouri Associates, L.L.C.

Montana Associates, L.L.C.

Orange, L.L.C.

Pomona Vista, L.L.C.

Richland Washington, L.L.C.

Rose Baldwin Park Property, L.L.C.

Watauga Associates, L.L.C.

BORROWER JOINDER AND AFFIRMATION AGREEMENT

THIS BORROWER JOINDER AND AFFIRMATION AGREEMENT (this "Agreement"), dated as of November 1, 2011 (the "Effective Date"), is by and between OHIO PENNSYLVANIA PROPERTY, L.L.C., a Delaware limited liability company ("Ohio Penn Borrower"), KANSAS FIVE PROPERTY, L.L.C., a Delaware limited liability company ("Kansas Borrower") and MURRAY COUNTY, L.L.C., a Delaware limited liability company ("Murray Borrower"; together with Ohio Penn Borrower and Kansas Borrower, each an "Additional Borrower" and collectively, the "Additional Borrowers"), AVIV FINANCING I, L.L.C., a Delaware limited liability company (the "Parent Borrower") and GENERAL ELECTRIC CAPITAL CORPORATION (together with its successors as assigns, the "Administrative Agent"), in its capacity as Administrative Agent under that certain Credit Agreement (as it may be amended, modified, restated or supplemented from time to time, the "Credit Agreement"), dated as of September 17, 2010, by and among the Parent Borrower, certain Subsidiaries of the Parent Borrower (such Subsidiaries, together with Parent Borrower and each of the entities who become a party thereto by execution of a Borrower Joinder Agreement, collectively, the "Borrowers"), the Lenders from time to time party thereto, and Administrative Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Credit Parties are required under the provisions of Section 6.13 of the Credit Agreement to cause each Additional Borrower to become a "Borrower".

Accordingly, each Additional Borrower and the Parent Borrower each hereby agree as follows with the Administrative Agent, for the benefit of the Lenders:

1. Each Additional Borrower hereby acknowledges, agrees and confirms that, by its execution of this Agreement, each Additional Borrower will be deemed to be a party to the Credit Agreement and Notes and a "Borrower" for all purposes of the Credit Agreement and Notes, and shall have all of the obligations of a Borrower thereunder as if it had executed the Credit Agreement and Notes. Each Additional Borrower hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions applicable to the Borrowers contained in the Credit Agreement. Without limiting the generality of the foregoing terms of this paragraph 1, each Additional Borrower hereby jointly and severally together with the other Borrowers, promises to pay and guarantees to each Lender and the Administrative Agent, the prompt payment and performance of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) strictly in accordance with the terms thereof.

2. Each Additional Borrower hereby acknowledges, agrees and confirms that, by its execution of this Agreement, each Additional Borrower will be deemed to be a party to the Security Agreement, and shall have all the obligations of an "Obligor" (as such term is defined in the Security Agreement) thereunder as if it had executed the Security Agreement. Each Additional Borrower hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Security Agreement. Without limiting generality of the foregoing terms of this paragraph 2, each Additional Borrower hereby grants to the Administrative Agent, for the benefit of the Lenders, a continuing security interest in, lien on, and, subject to the terms and conditions of the Security Agreement, a right of set off against any and all right, title and interest of each such Additional Borrower in and to the Collateral (as such term is defined in Section 1 of the Security Agreement). Each Additional Borrower hereby represents and warrants to the Administrative Agent that:

(i) Such Additional Borrower's legal name, state of formation, chief executive office and chief place of business are (and for the term of its existence have been) located at the locations set forth on Schedule 1 hereto and such Additional Borrower keeps its books and records at such locations.

(ii) The type of Collateral owned by such Additional Borrower and the location of all Collateral owned by the Additional Borrower is as shown on Schedule 2 hereto.

(iii) Such Additional Borrower's legal name is as shown in this Agreement and such Additional Borrower has not in the past four (4) months changed its name, been party to a merger, consolidation or other change in structure or used any tradename except as set forth in Schedule 3 hereto.

(iv) All Equity Interests in such Additional Borrower's Subsidiaries and Instruments, Documents, or Tangible Chattel Paper that are required to be pledged and/or delivered to Administrative Agent pursuant to the Security Agreement are set forth on Schedule 4 attached hereto.

(v) All Commercial Tort Claims (as defined in the Security Agreement) of such Additional Borrower are listed on Schedule 5 attached hereto.

3. Each Additional Borrower hereby acknowledges, agrees and confirms that, by its execution of this Agreement, such Additional Borrower will be deemed to be a party to the Hazardous Materials Indemnity Agreement and an "Indemnitor" for all purposes of the Hazardous Materials Indemnity Agreement, and shall have all of the obligations of an Indemnitor thereunder as if it had executed the Hazardous Materials Indemnity Agreement. Each Additional Borrower hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions applicable to the Indemnitor contained in the Hazardous Materials Indemnity Agreement. Without limiting the generality of the foregoing terms of this paragraph 4, each Additional Borrower hereby jointly and severally together with the other Indemnitor, guarantees to each Lender and the Administrative Agent, the prompt payment and performance of the indemnification obligations and other covenants under the Hazardous Materials Indemnity Agreement strictly in accordance with the terms thereof.

4. Each Additional Borrower hereby acknowledges, agrees and confirms that, by its execution of this Agreement, such Additional Borrower will be deemed to be a party to all of the other Credit Documents other than the mortgages not specifically enumerated herein to which Borrowers are a party (the "Other Credit Documents") for all purposes of the Other Credit Documents, and shall have all of the obligations of a Borrower thereunder as if it had executed the Other Credit Documents. Each Additional Borrower hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions applicable to the Borrowers contained in the Other Credit Documents. Without limiting the generality of the foregoing terms of this paragraph 6, each Additional Borrower hereby jointly and severally together with the other Borrowers, guarantees to each Lender and the Administrative Agent, the prompt performance of the obligations and covenants under the Other Credit Documents strictly in accordance with the terms thereof.

5. The address of each Additional Borrower for purposes of all notices and other communications is described on Schedule 10.02 of the Credit Agreement.

6. The following changes are hereby deemed made to the Schedules attached to the Credit Agreement: (a) the Additional Borrowers are added to Schedule 1.01, and (b) the Additional Borrowers are added to Schedule 5.11 as a subsidiary of the Parent Borrower.

7. The Additional Borrowers and the Parent Borrower each hereby represent and warrant to the Administrative Agent that attached hereto as (a) Schedule 6 is an updated version of Schedule 2.12 to the Credit Agreement and (b) Schedule 7 is an updated version of Part I of Schedule 5.12 to the Credit Agreement.

8. Each Additional Borrower hereby represents and warrants to the Administrative Agent that promptly after the date hereof, each will complete, or cause to be completed, the immediate repairs set forth in the summary ("Summary") attached hereto as Schedule 8 within 90 days of the Effective Date. Additionally, (a) to the extent backup generators and smoke detectors are referenced in any actual property condition report ("PCR"), such items will only be required to the extent such items are required under the respective Facility Operating Lease or by any governing state or local Governmental Authority, (b) to the extent any roof replacements are referenced in any PCR, such replacement will be waived if the repair of such roof will be warranted for an additional 5 years for the date of such repair and (c) any repairs recommended in any required mold or engineering studies must be completed within the time recommended in such study to the satisfaction of the Administrative Agent.

9. Ohio Penn Borrower and Parent Borrower each hereby represents and warrants to the Administrative Agent that within 120 days of the Effective Date (the "Compliance Period"), each will deliver or cause to be delivered to

Administrative Agent with respect to the property located at 222 West Edison Avenue, New Castle, Pennsylvania (the “Edison Manor Property”) (i) evidence in form and substance reasonably satisfactory to Administrative Agent that the applicable governmental authorities have waived the requirement that Edison Avenue be continued from Wilmington Avenue to Locust Street and (ii) (A) a zoning endorsement with respect to the Edison Manor Property or (B) in the event a zoning endorsement is not available in the State of Pennsylvania, an updated zoning report indicating that the Edison Manor Property is either legally conforming or legally non-conforming and is otherwise in compliance with the applicable zoning code, regulations and law. In the event that the foregoing subparagraphs (i) and (ii) are not satisfied within the Compliance Period, Parent Borrower shall pay Administrative Agent the applicable Release Price for the Edison Manor Property within two (2) Business Days after the expiration of the Compliance Period (the “Required Edison Release Payment”) and Administrative Agent shall, upon receipt in full of such payment price, release its lien on the Edison Manor Property in accordance with Section 9.12 of the Credit Agreement; provided, that the failure to make the Required Edison Release Payment if and when required as set forth in this paragraph 9 shall, in Administrative Agent’s sole and absolute discretion, constitute an immediate Event of Default under the Credit Agreement.

10. Each of Kansas Borrower, Murray Borrower and Parent Borrower each hereby represents and warrants to the Administrative Agent that within 7 days of the Effective Date, each will provide or cause to be provided liability insurance certificates which evidence, among other things, that all locations held by Kansas Borrower and Murray Borrower as evidenced on Schedule 7 attached hereto have been added to the contingent liability policy held by Aviv, which shall be in form and substance satisfactory to Administrative Agent.

11. Each Additional Borrower and Parent Borrower each hereby represents and warrants that each Operating Tenant added to Part I of Schedule 5.12 of the Credit Agreement (attached hereto as Schedule 7) as of the date hereof (a) are Eligible Tenants and (b) on a pro forma basis, each such Operating Tenant represents less than or equal to 10% of Rental Revenue.

12. This Agreement may be executed in one or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract.

13. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Illinois, without regard to conflict of laws principles.

[Remainder of page intentionally blank; signature page follows]

IN WITNESS WHEREOF, each Additional Borrower and Parent Borrower have caused this Borrower Joinder and Affirmation Agreement to be duly executed by its authorized officer, and the Administrative Agent, for the benefit of the Lenders, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

ADDITIONAL BORROWER:

OHIO PENNSYLVANIA PROPERTY, L.L.C.,
a Delaware limited liability company

By: **AVIV FINANCING I, L.L.C.,**
a Delaware limited liability company
its sole member

By: /s/ Sam Kovitz

Name: Sam Kovitz

Its: Authorized Representative

KANSAS FIVE PROPERTY, L.L.C.,
a Delaware limited liability company

By: **AVIV FINANCING I, L.L.C.,**
a Delaware limited liability company
its sole member

By: /s/ Sam Kovitz

Name: Sam Kovitz

Its: Authorized Representative

MURRAY COUNTY, L.L.C.,
a Delaware limited liability company

By: **AVIV FINANCING I, L.L.C.,**
a Delaware limited liability company
its sole member

By: /s/ Sam Kovitz

Name: Sam Kovitz

Its: Authorized Representative

PARENT BORROWER:

AVIV FINANCING I, L.L.C.,
a Delaware limited liability company

By: /s/ Sam Kovitz

Name: Sam Kovitz

Its: Authorized Representative

Acknowledged and accepted:

GENERAL ELECTRIC CAPITAL CORPORATION,
as Administrative Agent

By: /s/ David Harper
Name: David Harper
Title: Its Duly Authorized Representative

Schedule 1

TO BORROWER JOINDER AND AFFIRMATION AGREEMENT

[Location information]

Ohio Pennsylvania Property, L.L.C., a Delaware limited liability company

Principal Place of Business and
Chief Executive Office:

303 West Madison Street, Suite 2400
Chicago, IL 60606

Kansas Five Property, L.L.C., a Delaware limited liability company

Principal Place of Business and
Chief Executive Office:

303 West Madison Street, Suite 2400
Chicago, IL 60606

Murray County, L.L.C., a Delaware limited liability company

Principal Place of Business and
Chief Executive Office:

303 West Madison Street, Suite 2400
Chicago, IL 60606

Schedule 2

TO BORROWER JOINDER AND AFFIRMATION AGREEMENT

[Types and Locations of Collateral]

None.

Schedule 3

TO BORROWER JOINDER AND AFFIRMATION AGREEMENT

[Name Changes; Mergers, Consolidations or Other Changes in Structure; Tradenames]

Each Additional Borrower was formed within four (4) months of the Effective Date.

Schedule 4

TO BORROWER JOINDER AND AFFIRMATION AGREEMENT

[Pledged Equity; Instruments, Documents or Tangible Chattel Paper]

Pledged Equity

OBLIGOR: AVIV FINANCING I, L.L.C.

<u>NAME OF SUBSIDIARY</u>	<u>Number of Shares</u>	<u>Certificate Number</u>	<u>% Ownership</u>
Ohio Pennsylvania Property, L.L.C., a Delaware limited liability company	N/A	N/A	100%
Kansas Five Property, L.L.C., a Delaware limited liability company	N/A	N/A	100%
Murray County, L.L.C., a Delaware limited liability company	N/A	N/A	100%

INSTRUMENTS, DOCUMENTS OR TANGIBLE CHATTEL PAPER

None.

Schedule 5

TO BORROWER JOINDER AND AFFIRMATION AGREEMENT

[Commercial Tort Claims]

None.

Schedule 6**TO BORROWER JOINDER AND AFFIRMATION AGREEMENT****[TO BE COMPLETED UPON FINALIZATION OF LOAN AMOUNT AND ALLOCATIONS]**SCHEDULE 2.12
ALLOCABLE AMOUNTS

<u>Borrower</u>	<u>Total</u>
Alamogordo Aviv, L.L.C., a New Mexico limited liability company	\$ 4,713,267
Arkansas Aviv, L.L.C., a Delaware limited liability company	\$ 7,922,299
Arma Yates, L.L.C., a Delaware limited liability company (Arma Property)	\$ 2,068,657
Arma Yates, L.L.C., a Delaware limited liability company (Yates Property)	\$ 2,131,343
Aviv Foothills, L.L.C., a Delaware limited liability company	\$ 4,813,549
Aviv Liberty, L.L.C., a Delaware limited liability company	\$ 5,365,101
Avon Ohio, L.L.C., a Delaware limited liability company	\$ 3,309,315
Belleville Illinois, L.L.C., a Delaware limited liability company	\$ 5,014,114
Bellingham II Associates, L.L.C., a Delaware limited liability company	\$ 902,540
Benton Harbor, L.L.C., an Illinois limited liability company	\$ 2,657,480
BHG Aviv, L.L.C., a Delaware limited liability company	\$18,552,222
Bonham Texas, L.L.C., a Delaware limited liability company	\$ 1,303,670
Burton NH Property, L.L.C., a Delaware limited liability company	\$ 902,540
California Aviv Two, L.L.C., a Delaware limited liability company	\$ 9,827,663
California Aviv, L.L.C., a Delaware limited liability company	\$31,588,918
Camas Associates, L.L.C., a Delaware limited liability company	\$ 1,504,234
Casa/Sierra California Associates, L.L.C., a Delaware limited liability company	\$ 4,211,856
Chenal Arkansas, L.L.C., a Delaware limited liability company	\$ 4,362,279
Chippewa Valley, L.L.C., an Illinois limited liability company	\$ 5,314,961
Clarkston Care, L.L.C., a Delaware limited liability company	\$ 3,961,150
Clayton Associates, L.L.C., a New Mexico limited liability company	\$ 1,454,093
Colonial Madison Associates, L.L.C., a Delaware limited liability company	\$ 2,005,646
Columbia View Associates, L.L.C., a Delaware limited liability company	\$ 651,835
Columbus Texas Aviv, L.L.C., a Delaware limited liability company	\$ 260,734
Columbus Western Avenue, L.L.C., a Delaware limited liability company	\$ 1,253,528
Commerce Nursing Homes, L.L.C., an Illinois limited liability company	\$ 5,164,537
CR Aviv, L.L.C., a Delaware limited liability company	\$16,596,718
Denison Texas, L.L.C., a Delaware limited liability company	\$ 2,908,186
Effingham Associates, L.L.C., an Illinois limited liability company	\$ 4,161,714
Elite Mattoon, L.L.C., a Delaware limited liability company	\$ 1,153,246
Elite Yorkville, L.L.C., a Delaware limited liability company	\$ 1,554,375
Falfurrias Texas, L.L.C., a Delaware limited liability company	\$ 1,052,964
Florence Heights Associates, L.L.C., a Delaware limited liability company	\$ 551,553
Fountain Associates, L.L.C., a Delaware limited liability company	\$ 1,103,105
Four Fountains Aviv, L.L.C., a Delaware limited liability company	\$ 4,261,997
Freewater Oregon, L.L.C., a Delaware limited liability company	\$ 3,660,303
Fullerton California, L.L.C., a Delaware limited liability company	\$ 3,710,444
Giltex Care, L.L.C., a Delaware limited liability company	\$ 1,704,799
Great Bend Property, L.L.C., a Delaware limited liability company	\$ 3,500,000
Heritage Monterey Associates, L.L.C., an Illinois limited liability company	\$ 8,624,276

Borrower	Total
HHM Aviv, L.L.C., a Delaware limited liability company	\$ 8,072,723
Highland Leasehold, L.L.C., a Delaware limited liability company	\$ 3,209,033
Hobbs Associates, L.L.C., an Illinois limited liability company	\$ 902,540
Hot Springs Aviv, L.L.C., a Delaware limited liability company	\$ 6,016,937
Houston Texas Aviv, L.L.C., a Delaware limited liability company	\$ 1,002,823
Hutchinson Kansas, L.L.C., a Delaware limited liability company	\$ 4,161,714
Idaho Associates, L.L.C., an Illinois limited liability company	\$ 6,117,220
Kansas Five Property, L.L.C., a Delaware limited liability company	\$ 7,560,000
Karan Associates Two, L.L.C., a Delaware limited liability company	\$ 7,270,465
Karan Associates, L.L.C., a Delaware limited liability company	\$ 18,502,078
KB Northwest Associates, L.L.C., a Delaware limited liability company	\$ 1,754,940
Kingsville Texas, L.L.C., a Delaware limited liability company	\$ 3,459,739
Manor Associates, L.L.C., a Delaware limited liability company	\$ 4,312,138
Mansfield Aviv, L.L.C., a Delaware limited liability company	\$ 752,117
Massachusetts Nursing Homes, L.L.C., a Delaware limited liability company	\$ 11,316,854
Minnesota Associates, L.L.C., a Delaware limited liability company	\$ 3,359,456
Missouri Associates, L.L.C., a Delaware limited liability company	\$ 2,807,904
Missouri Regency Associates, L.L.C., a Delaware limited liability company	\$ 11,181,473
Montana Associates, L.L.C., an Illinois limited liability company	\$ 2,507,057
Mt. Vernon Texas, L.L.C., a Delaware limited liability company	\$ 110,311
Murray County, L.L.C., a Delaware limited liability company	\$ 1,940,000
N.M. Bloomfield Three Plus One Limited Company, a New Mexico limited liability company	\$ 3,008,468
N.M. Espanola Three Plus One Limited Company, a New Mexico limited liability company	\$ 4,312,138
N.M. Lordsburg Three Plus One Limited Company, a New Mexico limited liability company	\$ 701,976
N.M. Silver City Three Plus One Limited Company, a New Mexico limited liability company	\$ 3,560,021
Northridge Arkansas, L.L.C., a Delaware limited liability company	\$ 2,507,057
Oakland Nursing Homes, L.L.C., a Delaware limited liability company	\$ 2,406,775
October Associates, L.L.C., a Delaware limited liability company	\$ 1,580,893
Ogden Associates, L.L.C., a Delaware limited liability company	\$ 2,055,787
Ohio Aviv, L.L.C., a Delaware limited liability company	\$ 8,173,006
Ohio Pennsylvania Property, L.L.C., a Delaware limited liability company	\$ 37,339,969
Omaha Associates, L.L.C., a Delaware limited liability company	\$ 7,471,030
Orange ALF Property, L.L.C., a Delaware limited liability company	\$ 8,690,730
Orange, L.L.C., an Illinois limited liability company	\$ 2,156,069
Oregon Associates, L.L.C., a Delaware limited liability company	\$ 2,406,775
Peabody Associates, L.L.C., a Delaware limited liability company	\$ 601,694
Pomona Vista L.L.C., an Illinois limited liability company	\$ 1,052,964
Prescott Arkansas, L.L.C., a Delaware limited liability company	\$ 902,540
Raton Property Limited Company, a New Mexico limited liability company	\$ 2,456,916
Red Rocks, L.L.C., an Illinois limited liability company	\$ 1,955,504
Richland Washington, L.L.C., a Delaware limited liability company	\$ 6,217,501
Riverside Nursing Home Associates, L.L.C., a Delaware limited liability company	\$ 1,303,670
Rose Baldwin Park Property L.L.C., an Illinois limited liability company	\$ 802,258
Salem Associates, L.L.C., a Delaware limited liability company	\$ 5,615,807

Borrower	Total
San Juan NH Property, L.L.C., a Delaware limited liability company	\$ 2,858,045
Santa Ana-Bartlett, L.L.C., an Illinois limited liability company	\$ 4,813,549
Santa Fe Missouri Associates, L.L.C., an Illinois limited liability company	\$ 2,456,916
Savoy/Bonham Venture, L.L.C., a Delaware limited liability company	\$ 1,153,246
Searcy Aviv, L.L.C., a Delaware limited liability company	\$ 9,276,110
Skyview Associates, L.L.C., a Delaware limited liability company	\$ 4,512,702
Southeast Missouri Property, L.L.C., a Delaware limited liability company	\$ 7,361,837
Star City Arkansas, L.L.C., a Delaware limited liability company	\$ 1,604,516
Sun-Mesa Properties, L.L.C., an Illinois limited liability company	\$ 10,078,369
Tujunga, L.L.C., a Delaware limited liability company	\$ 1,554,375
VRB Aviv, L.L.C., a Delaware limited liability company	\$ 11,382,038
Washington-Oregon Associates, L.L.C., an Illinois limited liability company	\$ 6,668,772
Watauga Associates, L.L.C., an Illinois limited liability company	\$ 3,259,174
West Pearl Street, L.L.C., a Delaware limited liability company	\$ 3,860,868
Wheeler Healthcare Associates, L.L.C., a Texas limited liability company	\$ 1,754,940
Willis Texas Aviv, L.L.C., a Delaware limited liability company	\$ 2,256,351
Woodland Arkansas, L.L.C., a Delaware limited liability company	\$ 1,554,375
Xion, L.L.C., an Illinois limited liability company	\$ 270,762
Yuba Aviv, L.L.C., a Delaware limited liability company	\$ 3,518,156
GRAND TOTAL	\$479,553,382

Schedule 7

TO BORROWER JOINDER AND AFFIRMATION AGREEMENT

[Updated Part I of Schedule 5.12—Real Property Asset Matters]

SCHEDULE 5.12
PART I – REAL PROPERTY ASSETS

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
1	N/A	N/A	N/A	N/A	N/A	N/A
2	1208 Highway 7 North, Hot Springs, AR	Hot Springs Aviv, L.L.C.	1. Lease dated 3/26/08 2. First Amendment to Lease dated 11/5/08 3. Second Amendment to Lease dated 1/5/09 4. Third Amendment to Lease dated 11/18/09 5. Unconditional Guaranty of Lease dated 3/26/08	Fountain Properties, LLC	2/28/2038	N/A
3	N/A	N/A	N/A	N/A	N/A	N/A
4	N/A	N/A	N/A	N/A	N/A	N/A
5	N/A	N/A	N/A	N/A	N/A	N/A
6	N/A	N/A	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A	N/A	N/A

¹ HUD Subsidiaries are noted with an asterisk.

² Unless otherwise noted, the address of Eligible Tenant is the Real Property Asset Address.

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
8	#3 Chenal Heights Drive, Little Rock, AR	Chenal Arkansas, L.L.C.	1. Lease dated 12/29/05 2. First Amendment to Lease dated 6/29/06 3. Second Amendment to Lease dated 2/7/08 4. Third Amendment to Lease dated 4/14/08 5. Fourth Amendment to Lease dated 11/5/08 6. Fifth Amendment to Lease dated 1/5/09 7. Sixth Amendment to Lease dated 11/18/09 8. Unconditional Guaranty of Lease dated 12/29/05 9. Seventh Amendment to Lease dated 12/20/2010	Chenal Health, LLC dba Chenal Heights Nursing and Rehab	2/28/2018	N/A
9	N/A	N/A	N/A	N/A	N/A	N/A
10	N/A	N/A	N/A	N/A	N/A	N/A
11	N/A	N/A	N/A	N/A	N/A	N/A
12	N/A	N/A	N/A	N/A	N/A	N/A
13	N/A	N/A	N/A	N/A	N/A	N/A
14	N/A	N/A	N/A	N/A	N/A	N/A
15	N/A	N/A	N/A	N/A	N/A	N/A
16	N/A	N/A	N/A	N/A	N/A	N/A
17	N/A	N/A	N/A	N/A	N/A	N/A
18	N/A	N/A	N/A	N/A	N/A	N/A
19	N/A	N/A	N/A	N/A	N/A	N/A

<u>Site No.</u>	<u>Real Property Asset Address</u>	<u>Borrower/Owner¹</u>	<u>Facility Operating Leases</u>	<u>Eligible Tenant²</u>	<u>Facility Operating Lease Termination Date</u>	<u>Ground Leases</u>
20	1000 Executive Parkway, Oroville, CA	California Aviv, L.L.C.	1. Master Lease dated 7/22/08 2. First Amendment to Master Lease dated 4/21/09 3. Side Letter to Master Lease dated 6/11/09 4. Letter Agreement to Master Lease dated 4/29/2010 5. Second Amendment to Master Lease dated 4/29/2010 6. Unconditional Guaranty of Lease dated 7/22/08 7. Third Amendment to Master Lease dated 9/29/2010 8. Fourth Amendment to Master Lease dated 5/12/2011	AB12 Master Tenant, L.L.C.	8/31/2018	N/A
21	1200 Springfield Avenue, Chico, CA	California Aviv, L.L.C.	1. Master Lease dated 7/22/08 2. First Amendment to Master Lease dated 4/21/09 3. Side Letter to Master Lease dated 6/11/09 4. Letter Agreement to Master Lease dated 4/29/2010 5. Second Amendment to Master Lease dated 4/29/2010 6. Unconditional Guaranty of Lease dated 7/22/08 7. Third Amendment to Master Lease dated 9/29/2010 8. Fourth Amendment to Master Lease dated 5/12/2011	AB12 Master Tenant, L.L.C.	8/31/2018	N/A

Site No.	Real Property Asset Address	Borrower/Owner¹	Facility Operating Leases	Eligible Tenant²	Facility Operating Lease Termination Date	Ground Leases
22	6212 Tudor Way, Bakersfield, CA	California Aviv, L.L.C.	<ol style="list-style-type: none"> 1. Master Lease dated 7/22/08 2. First Amendment to Master Lease dated 4/21/09 3. Side Letter to Master Lease dated 6/11/09 4. Letter Agreement to Master Lease dated 4/29/2010 5. Second Amendment to Master Lease dated 4/29/2010 6. Unconditional Guaranty of Lease dated 7/22/08 7. Third Amendment to Master Lease dated 9/29/2010 8. Fourth Amendment to Master Lease dated 5/12/2011 	AB12 Master Tenant, L.L.C.	8/31/2018	N/A
23	323 Campus Drive, Arvin, CA	California Aviv, L.L.C.	<ol style="list-style-type: none"> 1. Master Lease dated 7/22/08 2. First Amendment to Master Lease dated 4/21/09 3. Side Letter to Master Lease dated 6/11/09 4. Letter Agreement to Master Lease dated 4/29/2010 5. Second Amendment to Master Lease dated 4/29/2010 6. Unconditional Guaranty of Lease dated 7/22/08 7. Third Amendment to Master Lease dated 9/29/2010 8. Fourth Amendment to Master Lease dated 5/12/2011 	AB12 Master Tenant, L.L.C.	8/31/2018	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
24	1291 Craig Avenue, Lakeport, CA	California Aviv, L.L.C.	1. Master Lease dated 7/22/08 2. First Amendment to Master Lease dated 4/21/09 3. Side Letter to Master Lease dated 6/11/09 4. Letter Agreement to Master Lease dated 4/29/2010 5. Second Amendment to Master Lease dated 4/29/2010 6. Unconditional Guaranty of Lease dated 7/22/08 7. Third Amendment to Master Lease dated 9/29/2010 8. Fourth Amendment to Master Lease dated 5/12/2011	AB12 Master Tenant, L.L.C.	8/31/2018	N/A
25	610 N Garfield Ave, Monterey Park, CA	Heritage Monterey Associates, L.L.C.*	1. Lease dated 10/30/95 2. First Amendment to Lease dated 12/20/95 3. Second Amendment to Lease dated 1/11/96 4. Third Amendment to Lease dated 9/4/96 5. Fourth Amendment to Lease dated 12/11/01 6. Fifth Amendment to Lease dated 2/1/02 7. Sixth Amendment to Lease dated 12/31/03 8. Seventh Amendment to Lease Agreement dated 3/3/08 9. Eighth Amendment to Lease dated 12/9/08 10. Continuing Guarantee dated 11/95 11. Ninth Amendment to Lease dated 10/26/2010	Heritage Manor Healthcare, LLC	1/31/2026	N/A
26	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
27	N/A	N/A	N/A	N/A	N/A	N/A
28	N/A	N/A	N/A	N/A	N/A	N/A
29	N/A	N/A	N/A	N/A	N/A	N/A
30	7660 Wyngate St, Tujunga, CA	Tujunga, L.L.C.*	<ol style="list-style-type: none"> 1. Lease dated 8/31/00 2. First Amendment to Lease dated 2/1/02 3. Second Amendment to Lease dated 11/1/02 4. Third Amendment to Lease dated 12/31/03 5. Fourth Amendment to Lease Agreement dated 3/3/08 6. Fifth Amendment to Lease dated 12/9/08 7. Unconditional Guaranty of Lease dated 8/31/00 8. Sixth Amendment to Lease dated 10/26/2010 	Wyngate Nursing Center	9/30/2040	N/A
31	600 E Washington Ave, Santa Ana, CA	Santa Ana-Bartlett, L.L.C.*	<ol style="list-style-type: none"> 1. Lease dated 2/26/98 2. First Amendment to Lease dated 2/1/02 3. Second Amendment to Lease dated 2/1/03 4. Third Amendment to Lease dated 12/31/03 5. Fourth Amendment to Lease Agreement dated 3/3/08 6. Fifth Amendment to Lease dated 12/9/08 7. Sixth Amendment to Lease dated 1/28/2009 8. Unconditional Guaranty of Lease dated 2/26/98 9. Seventh Amendment to Lease dated 10/26/2010 	Bartlett Care Center, LLC	4/30/2028	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
32	1819 E. Chapman Ave, Fullerton, CA	Fullerton California L.L.C.	1. Lease dated 11/28/01 2. First Amendment dated 2/1/02 3. Second Amendment dated 12/31/03 4. Third Amendment to Lease Agreement dated 3/3/08 5. Fourth Amendment to Lease dated 12/9/08 6. Unconditional Guaranty of Lease dated 11/28/01 7. Fifth Amendment to Lease dated 10/26/2010	Gordon Lane Healthcare, LLC	11/30/2031	N/A
33	8171 Magnolia Ave, Riverside, CA	Riverside Nursing Home Associates, L.L.C.*	1. Lease dated 6/18/98 2. First Amendment to Lease dated 9/6/01 3. Second Amendment to Lease dated 2/1/02 4. Third Amendment to Lease dated 12/31/03 5. Fourth Amendment to Lease Agreement dated 3/3/08 6. Fifth Amendment to Lease dated 12/9/08 7. Unconditional Guaranty of Lease dated 6/16/98 8. Sixth Amendment to Lease dated 10/26/2010	F & B Healthcare	5/31/2028	N/A
34	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
35	15720 Bernardo Center Drive, San Diego, CA	VRB Aviv, L.L.C.*	<ol style="list-style-type: none"> 1. Lease dated 8/21/96 2. First Amendment to Lease dated 9/30/96 3. Letter of Amendment dated 1/28/97 4. Second Amendment to Lease dated 12/1/98 5. Third Amendment to Lease dated 11/1999 6. Fourth Amendment to Lease dated 4/2002 7. Side Agreement to Lease dated 12/31/03 8. First Amendment to Side Agreement dated 5/11/04 9. Fifth Amendment to Lease dated 12/31/03 10. Second Side Agreement to Lease dated 11/1/07 11. Sixth Amendment to Lease dated 3/3/08 12. Seventh Amendment to Lease dated 12/9/08 13. Unconditional Guaranty of Lease dated 8/21/96 14. Eighth Amendment to Lease dated 10/26/2010 	<p>Villa Rancho Bernardo Health Care, LLC</p>	9/30/2026	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
36	2586 Buthmann Avenue, Tracy, CA	California Aviv, L.L.C.	1. Master Lease dated 7/22/08 2. First Amendment to Master Lease dated 4/21/09 3. Side Letter to Master Lease dated 6/11/09 4. Letter Agreement to Master Lease dated 4/29/2010 5. Second Amendment to Master Lease dated 4/29/2010 6. Unconditional Guaranty of Lease dated 7/22/08 7. Third Amendment to Master Lease dated 9/29/2010 8. Fourth Amendment to Master Lease dated 5/12/2011	AB12 Master Tenant, L.L.C.	8/31/2018	N/A
37	300 Douglas Street, Petaluma, CA	California Aviv Two, L.L.C.	1. Master Lease dated 4/21/2009 2. Side Letter to Master Lease dated 6/11/09 3. Letter Agreement to Master Lease dated 4/29/2010 4. First Amendment to Master Lease dated 4/29/2010 5. Amended and Restated Unconditional Guaranty of Lease dated 4/21/09 6. Second Amendment to Master Lease dated 9/29/2010	AB12 Master Tenant, L.L.C.	8/31/2018	N/A
38	N/A	SOLD - See Schedule 5.01(b)	N/A	N/A	N/A	N/A
39	N/A	SOLD - See Schedule 5.01(b)	N/A	N/A	N/A	N/A
40	N/A	N/A	N/A	N/A	N/A	N/A
41	N/A	N/A	N/A	N/A	N/A	N/A
42	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
43	640 Filer Ave. W, Twin Falls, ID (604 and 650 Filer Avenue West, per Assessor)	Skyview Associates, L.L.C.	1. Lease dated 8/1/87 2. Agreement to Amend Lease dated 9/1987 3. Lease Assignment and Assumption dated 1/1/96 4. First Amendment to Lease dated 1/1/96 5. Second Amendment to Lease dated 6/20/00 6. Third Amendment to Lease dated 10/18/06 7. Unconditional Guaranty of Lease dated 1/1/96 8. Fourth Amendment to Lease Agreement dated 10/29/2010 9. Unconditional Guaranty of Lease dated 10/29/2010	SunBridge Healthcare Corporation	12/31/2020	N/A
44	N/A	N/A	N/A	N/A	N/A	N/A
45	N/A	N/A	N/A	N/A	N/A	N/A
46	N/A	N/A	N/A	N/A	N/A	N/A
47	N/A	N/A	N/A	N/A	N/A	N/A
48	1450 26th St, Highland, IL	Highland Leasehold, L.L.C.	1. Sublease dated 5/1/92 2. First Amendment to Sublease dated 11/30/95 3. Assignment and Assumption of Sublease and Consent to Assignment dated 4/1/97 4. Second Amendment to Sublease dated 1/1/05 5. Assignment and Assumption of Lease Documents dated 6/30/05 6. Unconditional Guaranty of SubLease dated 4/1/97	Covenant Care Midwest, Inc.	12/31/2015	N/A
49	N/A	N/A	N/A	N/A	N/A	N/A
50	N/A	N/A	N/A	N/A	N/A	N/A
51	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
52	N/A	N/A	N/A	N/A	N/A	N/A
53	500 Peabody Ave, Peabody, KS	Peabody Associates, L.L.C.	<ul style="list-style-type: none"> 1. Lease dated 5/1/97 2. First Amendment to Lease dated 10/23/06 3. Second Amendment to Lease dated 8/28/2009 4. Unconditional Guaranty of Lease dated 5/1/97 	Markleysburg Healthcare Investors, L.P.	6/30/2015	N/A
54	1601 North Main, McPherson, KS	Hutchinson Kansas, L.L.C.	<ul style="list-style-type: none"> 1. Master Lease dated 11/26/08 2. First Amendment to Master Lease dated 5/4/2010 3. Unconditional Guaranty of Master Lease dated 11/26/08 4. Second Amendment to Lease dated 11/30/2010 5. Third Amendment to Master Lease dated 3/15/2011 6. Unconditional Guaranty of Master Lease dated 4/19/2011 	McPherson Care Center, LLC	12/31/2018	N/A
55	2301 N. Severance St, Hutchinson, KS	Hutchinson Kansas, L.L.C.	<ul style="list-style-type: none"> 1. Master Lease dated 11/26/08 2. First Amendment to Master Lease dated 5/4/2010 3. Unconditional Guaranty of Master Lease dated 11/26/08 4. Second Amendment to Lease dated 11/30/2010 5. Third Amendment to Master Lease dated 3/15/2011 6. Unconditional Guaranty of Master Lease dated 4/19/2011 	Hutchinson Care Center, LLC	12/31/2018	N/A
56	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
57	547 Highland Ave, Fall River, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
58	281 Broadway, Methuen, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
59	555 S Union St, Lawrence, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
60	800 Essex St, Lawrence, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
61	557 Varnum Ave, Lowell, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
62	134 North St, North Reading, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
63	18 Hammond St, Worcester, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
64	81 Chatham St, Worcester, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
65	3 Pine St, Oxford, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
66	1385 E Empire Ave, Benton Harbor, MI	Benton Harbor, L.L.C.	1. Lease Dated 9/5/02 2. First Amendment to Lease dated 9/13/02 3. Second Amendment to Lease dated 12/17/02 4. Third Amendment to Lease dated 1/15/03 5. Fourth Amendment to Lease dated 10/1/04 6. Fifth Amendment to Lease dated 5/20/2010 7. Sixth Amendment to Lease dated 2/10/2011 8. Unconditional Guaranty of Lease dated 7/27/04 9. Unconditional Guaranty of Lease dated 9/5/02	Northpoint Senior Services, LLC	9/30/2013	N/A
67	120 Baseline Road, South Haven, MI	Chippewa Valley, L.L.C.	1. Lease Agreement dated 2/6/96 2. Assignment and Assumption of Lease dated 5/30/97 3. Assignment and Assumption of Lease dated 5/1/00 4. First Amendment to Lease dated 10/21/05 5. Unconditional Guaranty of Lease dated 5/1/00 6. Second Amendment to Lease Agreement dated 11/01/2010	CCG-Countryside, LLC	4/30/2016	N/A
68	N/A	N/A	N/A	N/A	N/A	N/A
69	N/A	N/A	N/A	N/A	N/A	N/A
70	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
71	410 W. Benton, Monett, MO	Missouri Regency Associates, L.L.C.	1. Master Lease dated 5/7/2010 2. First Amendment to Master Lease dated 7/26/2010 3. Consent to Sublease, Attornment and Unconditional Guaranty of Master Lease dated 8/9/2010 4. Unconditional Guaranty of Master Lease dated 5/7/10 5. Second Amendment to Master Lease dated 10/1/2010 6. Second Amendment to Master Lease dated 12/1/2010	Benchmark West Missouri Healthcare, LLC	6/30/2020	N/A
72	307 E South St, Harrisonville, MO	Missouri Regency Associates, L.L.C.	1. Master Lease dated 5/7/2010 2. First Amendment to Master Lease dated 7/26/2010 3. Consent to Sublease, Attornment and Unconditional Guaranty of Master Lease dated 8/9/2010 4. Unconditional Guaranty of Master Lease dated 5/7/10 5. Second Amendment to Master Lease dated 10/1/2010 6. Second Amendment to Master Lease dated 12/1/2010	Benchmark West Missouri Healthcare, LLC	6/30/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
73	2203 East Mechanic, Harrisonville, MO	Missouri Regency Associates, L.L.C.	1. Master Lease dated 5/7/2010 2. First Amendment to Master Lease dated 7/26/2010 3. Consent to Sublease, Attornment and Unconditional Guaranty of Master Lease dated 8/9/2010 4. Unconditional Guaranty of Master Lease dated 5/7/10 5. Second Amendment to Master Lease dated 10/1/2010 6. Second Amendment to Master Lease dated 12/1/2010	Benchmark West Missouri Healthcare, LLC	6/30/2020	N/A
74	6124 Raytown Rd, Raytown, MO	Missouri Regency Associates, L.L.C.	1. Master Lease dated 5/7/2010 2. First Amendment to Master Lease dated 7/26/2010 3. Consent to Sublease, Attornment and Unconditional Guaranty of Master Lease dated 8/9/2010 4. Unconditional Guaranty of Master Lease dated 5/7/10 5. Second Amendment to Master Lease dated 10/1/2010 6. Second Amendment to Master Lease dated 12/1/2010	Benchmark West Missouri Healthcare, LLC	6/30/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
75	1501 Southwest Third St, Lee's Summit, MO	Missouri Regency Associates, L.L.C.	1. Master Lease dated 5/7/2010 2. First Amendment to Master Lease dated 7/26/2010 3. Consent to Sublease, Atornment and Unconditional Guaranty of Master Lease dated 8/9/2010 4. Unconditional Guaranty of Master Lease dated 5/7/10 4. Unconditional Guaranty of Master Lease dated 5/7/10 5. Second Amendment to Master Lease dated 10/1/2010 6. Second Amendment to Master Lease dated 12/1/2010	Benchmark West Missouri Healthcare, LLC	6/30/2020	N/A
76	N/A	N/A	N/A	N/A	N/A	N/A
77	N/A	N/A	N/A	N/A	N/A	N/A
78	N/A	N/A	N/A	N/A	N/A	N/A
79	N/A	N/A	N/A	N/A	N/A	N/A
80	N/A	N/A	N/A	N/A	N/A	N/A
81	N/A	N/A	N/A	N/A	N/A	N/A
82	N/A	N/A	N/A	N/A	N/A	N/A
83	3110 Scott Circle, Omaha, NE	Florence Heights Associates, L.L.C.	1. Lease dated 9/12/2008 2. First Amendment to Lease dated 8/16/2010 3. Unconditional Guaranty of Lease dated 9/12/08 4. Lease and Loan Document Modification dated 9/21/2010	LTC Healthcare at Florence, Inc.	9/30/2018	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
84	7410 Mercy Rd, Omaha, NE	Omaha Associates, L.L.C.	1. Lease Agreement dated 10/1/89 2. Addendum to Lease Agreement dated 10/1/89 3. Second Addendum to Lease Agreement dated 11/1/89 4. Assignment and Assumption of Lease and Landlord's Consent dated 6/30/90 5. Memorandum of Lease and Purchase Option dated 11/30/95 6. First Amendment to Lease Agreement dated 11/30/95 7. Second Amendment to Lease Agreement dated 10/30/96 8. Assignment and Assumption of Lease, Consent to Assignment and Assumption and Amendment to Lease dated 4/1/97 9. Unconditional Guaranty of Lease dated 4/1/97 10. Corrective Memorandum of Lease and Purchase Option dated 4/28/97 11. Third Amendment to Lease Agreement dated 5/20/05 12. Fourth Amendment to Lease Agreement dated 7/13/07 13. Fifth Amendment to Lease Agreement dated 6/2/08 14. Sixth Amendment to Lease dated 4/1/09 15. Seventh Amendment to Lease dated 4/26/2010 16. Eighth Amendment to Lease dated 8/28/2010 17. Unconditional Guaranty of Lease dated 4/1/97	Covenant Care Midwest, Inc.	12/31/2015	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
85	1660 Hospital Dr, Raton, NM	Raton Property Limited Company	<ol style="list-style-type: none"> 1. Lease dated 11/26/96 2. Consent to Assignment and Assumption of Lease dated 9/1/03 3. Assignment and Assumption of Lease dated 9/1/03 4. Payment Agreement dated 9/28/05 5. Consent to Assignment and Assumption of Lease dated 4/1/07 6. Assignment and Assumption of Lease dated 4/1/07 7. Agreement dated 4/1/07 8. Amendment to Lease dated 4/1/07 9. Second Amendment to Lease dated 10/31/07 10. Third Amendment to Lease dated 12/29/2009 11. Unconditional Guaranty of Lease dated 4/1/07 12. Unconditional Guaranty of Lease dated 4/1/07 	Raton Nursing Operations, LLC, dba Raton Nursing & Rehab Center	9/30/2021	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
86	3514 Fowler Ave, Silver City, NM	N.M. Silver City Three Plus One Limited Company	<ol style="list-style-type: none"> 1. Sub-Lease Agreement dated 2/24/95 2. Assignment dated 3/1/95 3. First Amendment to Sub-Lease dated 12/23/96 4. Assignment and Assumption of Real Property Lease dated 12/31/97 5. Amendment to Lease dated 12/1/01 6. Consent to Assignment and Assumption of Lease dated 9/1/03 7. Assignment and Assumption of Lease dated 9/1/03 8. Payment Agreement dated 9/28/05 9. Consent to Assignment and Assumption of Lease dated 4/1/07 10. Assignment and Assumption of Lease dated 4/1/07 11. Agreement dated 4/1/07 12. Amendment to Lease dated 4/1/07 13. Second Amendment to Lease dated 12/29/2009 14. Unconditional Guaranty of Lease dated 9/1/03 15. Unconditional Guaranty of Lease dated 4/1/07 16. Unconditional Guaranty of Lease dated 4/1/07 	Silver City Nursing Operations, LLC, dba Silver City Care Center	9/30/2021	<p>Lessor County of Grant, New Mexico Termination Date 12/1/2033</p> <p>Ground Lease</p> <ol style="list-style-type: none"> 1. Ground Lease dated 12/1/1983 2. Assignment and Assumption of Ground Lease dated "June , 2005"

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
87	603 Hadeco Drive, Lordsburg, NM	N.M. Lordsburg Three Plus One Limited Company	<ol style="list-style-type: none"> 1. Sub-Lease Agreement dated 2/24/95 2. Assignment dated 3/1/95 3. First Amendment to Sub-Lease dated 12/23/96 4. Assignment and Assumption of Real Property Lease dated 12/31/97 5. Amendment to Lease dated 12/1/01 6. Consent to Assignment and Assumption of Lease dated 9/1/03 7. Assignment and Assumption of Lease dated 9/1/03 8. Payment Agreement dated 9/28/05 9. Consent to Assignment and Assumption of Lease dated 4/1/07 10. Assignment and Assumption of Lease dated 4/1/07 11. Agreement dated 4/1/07 12. Amendment to Lease dated 4/1/07 13. Second Amendment to Lease dated 12/29/2009 14. Unconditional Guaranty of Lease dated 4/1/07 15. Unconditional Guaranty of Lease dated 4/1/07 	Sunshine Haven Nursing Operations LLC, dba Sunshine Haven at Lordsburg	9/30/2021	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
88	2101 Bensing Rd, Hobbs, NM	Hobbs Associates, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 6/2000 2. Personal Property Lease dated 6/2000 3. Assignment and Assumption of Lease dated 8/1/03 4. Amended and Restated Consent to Assignment and Assumption of Lease dated 8/1/03 5. Payment Agreement dated 9/28/05 6. Consent to Assignment and Assumption of Lease dated 4/1/07 7. Assignment and Assumption of Lease dated 4/1/07 8. Agreement dated 4/1/07 9. Amendment to Lease dated 4/1/07 10. Second Amendment to Lease dated 12/29/2009 11. Unconditional Guaranty of Lease dated 4/1/07 12. Unconditional Guaranty of Lease dated 4/1/07 	Country Cottage Nursing Operations, LLC, dba Country Cottage Care & Rehab	9/30/2021	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
89	3720 Church Rock Rd, Gallup, NM	Red Rocks, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 7/31/92 2. Assignment and Assumption of Lease dated 12/17/97 3. Assignment and Assumption of Real Property Lease dated 12/31/97 4. Consent to Assignment and Assumption of Lease dated 9/1/03 5. Assignment and Assumption of Lease dated 9/1/03 6. Payment Agreement dated 9/28/05 7. Consent to Assignment and Assumption of Lease dated 4/1/07 8. Assignment and Assumption of Lease dated 4/1/07 9. Agreement dated 4/1/07 10. Amendment to Lease dated 4/1/07 11. Second Amendment to Lease dated 10/31/07 12. Third Amendment to Lease dated 12/29/2009 13. Unconditional Guaranty of Lease dated 9/1/03 14. Unconditional Guaranty of Lease dated 4/1/07 15. Unconditional Guaranty of Lease dated 4/1/07 	Red Rocks Nursing Operations, LLC, dba Red Rocks Care Center	9/30/2021	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
90	720 Hacienda St, Espanola, NM	N.M. Espanola Three Plus One Limited Company	<ol style="list-style-type: none"> 1. Sub-Lease Agreement dated 2/24/95 2. First Amendment to Sub-Lease dated 12/23/96 3. Assignment and Assumption of Real Property Lease dated 12/31/97 4. Amendment to Lease dated 12/1/01 5. Consent to Assignment and Assumption of Lease dated 9/1/03 6. Assignment and Assumption of Lease dated 9/1/03 7. Payment Agreement dated 9/28/05 8. Consent to Assignment and Assumption of Lease dated 4/1/07 9. Assignment and Assumption of Lease dated 4/1/07 10. Agreement dated 4/1/07 11. Amendment to Lease dated 4/1/07 12. Second Amendment to Lease dated 10/25/07 13. Third Amendment to Lease dated 12/29/2009 14. Unconditional Guaranty of Lease dated 9/1/03 15. Unconditional Guaranty of Lease dated 4/1/07 16. Unconditional Guaranty of Lease dated 4/1/07 	Espanola Valley Nursing Operations, LLC, dba Espanola Valley Nursing & Rehab	9/30/2021	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
91	803 Hacienda Lane, Bloomfield, NM	N.M. Bloomfield Three Plus One Limited Company	1. Sub-Lease Agreement dated 2/24/95 2. First Amendment to Sub-Lease dated 12/23/96 3. Assignment and Assumption of Real Property Lease dated 12/31/97 4. Consent to Assignment and Assumption of Lease dated 9/1/03 5. Assignment and Assumption of Lease dated 9/1/03 6. Payment Agreement dated 9/28/05 7. Consent to Assignment and Assumption of Lease dated 4/1/07 8. Assignment and Assumption of Lease dated 4/1/07 9. Agreement dated 4/1/07 10. Amendment to Lease dated 4/1/07 11. Second Amendment to Lease dated 10/31/07 12. Third Amendment to Lease dated 12/29/2009 13. Unconditional Guaranty of Lease dated 4/1/07 14. Unconditional Guaranty of Lease dated 4/1/07	Bloomfield Nursing Operations LLC, dba Bloomfield Nursing & Rehab	9/30/2021	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
92	1650 Galisteo St, Santa Fe, NM	Alamogordo Aviv, L.L.C.	<ol style="list-style-type: none"> 1. Sublease dated January, 1991 2. Amendment to Sublease dated 1/1/91 3. Lease dated 1/1/91 4. First Amendment to Lease dated 7/1/91 5. Second Amendment to Sublease dated 7/1/91 6. Third Amendment to Sublease dated 7/1/91 7. Assignment dated 12/31/97 8. Consent to Assignment dated 9/1/03 9. Assignment and Assumption of Lease 9/1/03 10. Payment Agreement dated 9/28/05 11. Consent to Assignment and Assumption of Lease dated 4/1/07 12. Assignment and Assumption of Lease dated 4/1/07 13. Agreement dated 4/1/07 14. Amendment to Lease dated 4/1/07 15. Second Amendment to Lease dated 10/25/07 16. Third Amendment to Lease dated 5/8/09 17. Fourth Amendment to Lease dated 7/13/2009 18. Fifth Amendment to Lease dated 12/29/2009 19. Unconditional Guaranty of Lease dated 4/1/07 20. Unconditional Guaranty of Lease dated 4/1/07 21. Sixth Amendment to Lease dated 5/11/2011 	Casa Real Nursing Operations, LLC, dba Casa Real	9/30/2021	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
93	419 Harding St, Clayton, NM	Clayton Associates, L.L.C.	1. Lease dated 1/10/90 2. Lease Assignment and Transfer of Operations dated 12/30/93 3. Assignment and Assumption of Lease dated 9/1/03 4. Payment Agreement dated 9/28/05 5. Consent to Assignment and Assumption of Lease dated 4/1/07 6. Assignment and Assumption of Lease dated 4/1/07 7. Agreement dated 4/1/07 8. Amendment to Lease dated 4/1/07 9. Second Amendment to Lease dated 10/31/07 10. Third Amendment to Lease dated 12/29/2009 11. Unconditional Guaranty of Lease dated 4/1/07 12. Unconditional Guaranty of Lease dated 4/1/07	Clayton Nursing Operations, LLC, dba Clayton Nursing & Rehab	9/30/2021	N/A
94	201 Koontz Lane, Carson City, NV	California Aviv Two, L.L.C.	1. Master Lease dated 4/21/2009 2. Side Letter to Master Lease dated 6/11/09 3. Letter Agreement to Master Lease dated 4/29/2010 4. First Amendment to Master Lease dated 4/29/2010 5. Amended and Restated Unconditional Guaranty of Lease dated 4/21/09 6. Second Amendment to Master Lease dated 9/29/2010	AB12 Master Tenant, L.L.C.	8/31/2018	N/A
95	N/A	N/A	N/A	N/A	N/A	N/A
96	N/A	N/A	N/A	N/A	N/A	N/A
97	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
98	32900 Detroit Rd, Avon, OH	Avon Ohio, L.L.C.	1. Lease dated 2/23/07 2. First Amendment to Lease dated 11/7/07 3. Second Amendment to Lease dated 4/1/08 4. Third Amendment to Lease dated 5/12/08 5. Consent to Sublease Agreement dated 3/19/08 6. Commencement Date Memorandum (relates to Sublease) dated 6/17/08 7. Fourth Amendment to Lease dated 8/19/2008 8. Fifth Amendment to Lease dated 4/1/2010 9. Unconditional Guaranty of Lease dated 2/23/07	Good Samaritan Health Group, Inc.	3/31/2017	N/A
99	N/A	N/A	N/A	N/A	N/A	N/A
100	N/A	N/A	N/A	N/A	N/A	N/A
101	120 Elzora St, Milton-Freewater, OR (104 Elzora Street per Assessor)	Freewater Oregon, L.L.C.	1. Lease dated 10/25/06 2. First Amendment to Lease dated 8/1/08 3. Second Amendment to Lease dated 4/30/09 4. Unconditional Guaranty of Lease dated 10/25/06	Evergreen Oregon Healthcare Orchards Rehabilitation, L.L.C.	10/31/2016	N/A
102	1010 NE Third, Milton-Freewater, OR	Freewater Oregon, L.L.C.	1. Lease dated 10/25/06 2. First Amendment to Lease dated 8/1/08 3. Second Amendment to Lease dated 4/30/09 4. Unconditional Guaranty of Lease dated 10/25/06	Evergreen Oregon Healthcare Orchards Retirement, L.L.C.	10/31/2016	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
103	91 Aries Lane, La Grande, OR	California Aviv, L.L.C.	<ol style="list-style-type: none"> 1. Master Lease dated 7/22/08 2. First Amendment to Master Lease dated 4/21/09 3. Side Letter to Master Lease dated 6/11/09 4. Letter Agreement to Master Lease dated 4/29/2010 5. Second Amendment to Master Lease dated 4/29/2010 6. Unconditional Guaranty of Lease dated 7/22/08 7. Third Amendment to Master Lease dated 9/29/2010 8. Fourth Amendment to Master Lease dated 5/12/2011 	AB12 Master Tenant, L.L.C.	8/31/2018	N/A
104	103 Adams Ave, La Grande, OR	Washington-Oregon Associates, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 2/11/98 2. First Amendment dated 12/17/03 3. Second Amendment to Lease dated 10/25/06 4. Third Amendment to Lease dated 11/15/07 5. Fourth Amendment to Lease dated 8/1/08 6. Fifth Amendment to Lease dated 4/30/09 7. Sixth Amendment to Lease dated 7/15/09 8. Unconditional Guaranty of Lease dated 2/11/98 	Evergreen Oregon Healthcare Valley View, LLC	2/28/2015	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
105	1023 W 25th St, The Dalles, OR	Washington-Oregon Associates, L.L.C.	1. Lease dated 2/11/98 2. First Amendment dated 12/17/03 3. Second Amendment to Lease dated 10/25/06 4. Third Amendment to Lease dated 11/15/07 5. Fourth Amendment to Lease dated 8/1/08 6. Fifth Amendment to Lease dated 4/30/09 7. Unconditional Guaranty of Lease dated 2/11/98	Evergreen Oregon Healthcare Valley Vista, LLC	2/28/2015	N/A
106	N/A	N/A	N/A	N/A	N/A	N/A
107	N/A	N/A	N/A	N/A	N/A	N/A
108	N/A	N/A	N/A	N/A	N/A	N/A
109	N/A	N/A	N/A	N/A	N/A	N/A
110	N/A	N/A	N/A	N/A	N/A	N/A
111	N/A	N/A	N/A	N/A	N/A	N/A
112	N/A	N/A	N/A	N/A	N/A	N/A
113	1301 South Terrell Street, Falfurrias, TX	Falfurrias Texas, L.L.C.	1. Lease dated 5/31/06 2. First Amendment to Lease dated 7/15/09 3. Letter dated 4/21/2010 exercising 5-year extension option 4. Unconditional Guaranty of Lease dated 5/31/06 5. Second Amendment to Lease dated 11/30/2010 6. Third Amendment to Lease dated 4/29/2011	Falfurrias Nursing and Rehabilitation, L.P.	5/31/2021	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
114	101 Miller Dr, Brownwood, TX	Manor Associates, L.L.C.	1. Lease dated 8/1/03 2. First Amendment to Lease dated 5/31/06 3. Second Amendment to Lease dated 7/15/09 4. Letter dated 4/21/2010 exercising 5-year extension option 5. Unconditional Guaranty of Lease dated 8/1/03 6. Third Amendment to Lease dated 11/30/2010 7. Fourth Amendment to Lease dated 4/29/2011 8. Fifth Amendment to Lease dated 9/20/2011	Brownwood Nursing and Rehabilitation, L.P.	5/31/2021	N/A
115	N/A	N/A	N/A	N/A	N/A	N/A
116	N/A	N/A	N/A	N/A	N/A	N/A
117	103 Sweetbriar Lane, Columbus, TX	Columbus Texas Aviv, L.L.C.	1. Lease dated 5/31/06 2. Letter dated 4/21/2010 exercising 5-year extension option 3. Unconditional Guaranty of Lease dated 5/31/06 4. First Amendment to Lease dated 11/30/2010 5. Second Amendment to Lease dated 4/29/2011	Columbus Nursing and Rehabilitation, LP	5/31/2021	N/A
118	N/A	N/A	N/A	N/A	N/A	N/A
119	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
120	619 N Britain Rd, Irving, TX	Manor Associates, L.L.C.	1. Lease dated 8/1/03 2. First Amendment to Lease dated 5/31/06 3. Letter dated 4/21/2010 exercising 5-year extension option 4. Unconditional Guaranty of Lease dated 8/1/03 5. Second Amendment to Lease dated 11/30/2010 6. Third Amendment to Lease dated 4/29/2011	Irving Nursing and Rehabilitation, L.P.	5/31/2021	N/A
121	N/A	N/A	N/A	N/A	N/A	N/A
122	110 W. Hwy 64, Cooper, TX	Commerce Nursing Homes, L.L.C.	1. Lease dated 8/1/03 2. First Amendment to Lease dated 5/31/06 3. Second Amendment to Lease dated 7/15/09 4. Letter dated 4/21/2010 exercising 5-year extension option 5. Unconditional Guaranty of Lease dated 8/1/03 6. Third Amendment to Lease dated 11/30/2010 7. Fourth Amendment to Lease dated 4/29/2011	Birchwood Nursing and Rehabilitation, L.P.	5/31/2021	N/A
123	N/A	N/A	N/A	N/A	N/A	N/A
124	N/A	N/A	N/A	N/A	N/A	N/A
125	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
126	901 Seven Oaks Rd, Bonham, TX	Savoy/Bonham Venture, L.L.C.	1. Lease dated 8/1/03 2. First Amendment to Lease dated 5/31/06 3. Second Amendment to Lease dated 7/15/09 4. Letter dated 4/21/2010 exercising 5-year extension option 5. Unconditional Guaranty of Lease dated 8/1/03 6. Third Amendment to Lease dated 11/30/2010 7. Fourth Amendment to Lease dated 4/29/2011	Seven Oaks Nursing and Rehabilitation, L.P.	5/31/2021	N/A
127	424 US Hwy 67 West, Mount Vernon, TX	Mt. Vernon Texas, L.L.C.	1. Lease dated 5/31/06 2. First Amendment to Lease dated 7/15/09 3. Letter dated 4/21/2010 exercising 5-year extension option 4. Unconditional Guaranty of Lease dated 5/31/06 5. Second Amendment to Lease dated 11/30/2010 6. Third Amendment to Lease dated 4/29/2011	Terry Haven Nursing and Rehabilitation, L.P.	5/31/2021	N/A
128	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
129	601 E Hwy 69, Denison, TX	Denison Texas, L.L.C.	1. Lease dated 5/31/06 2. First Amendment to Lease dated 7/15/09 3. Letter dated 4/21/2010 exercising 5-year extension option 4. Unconditional Guaranty of Lease dated 5/31/06 5. Second Amendment to Lease dated 11/30/2010 6. Third Amendment to Lease dated 4/29/2011	Denison Nursing and Rehabilitation, L.P.	5/31/2021	N/A
130	N/A	N/A	N/A	N/A	N/A	N/A
131	4225 Denmark, Houston, TX	Houston Texas Aviv, L.L.C.	1. Lease dated 5/31/06 2. Letter dated 4/21/2010 exercising 5-year extension option 3. Unconditional Guaranty of Lease dated 5/31/06 4. First Amendment to Lease dated 11/30/2010 5. Second Amendment to Lease dated 4/29/2011	Houston Nursing and Rehabilitation, L.P.	5/31/2021	N/A
132	N/A	N/A	N/A	N/A	N/A	N/A
133	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
134	300 W Crockett, Wolfe City, TX	Commerce Nursing Homes, L.L.C.	1. Lease dated 8/1/03 2. First Amendment to Lease dated 5/31/06 3. Second Amendment to Lease dated 7/15/09 4. Letter dated 4/21/2010 exercising 5-year extension option 5. Unconditional Guaranty of Lease dated 8/1/03 6. Third Amendment to Lease dated 11/30/2010 7. Fourth Amendment to Lease dated 4/29/2011	Smith Nursing and Rehabilitation, L.P.	5/31/2021	N/A
135	N/A	N/A	N/A	N/A	N/A	N/A
136	310 E Lawrence St, Dayton, TX	Aviv Liberty, L.L.C.	1. Lease dated 8/1/03 2. First Amendment to Lease dated 5/31/06 3. Second Amendment to Lease dated 7/15/09 4. Letter dated 4/21/2010 exercising 5-year extension option 5. Unconditional Guaranty of Lease dated 8/1/03 6. Third Amendment to Lease dated 11/30/2010 7. Fourth Amendment to Lease dated 4/29/2011	Heritage Villa Nursing and Rehabilitation, L.P.	5/31/2021	N/A
137	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
138	3000 N Danville Rd, Willis, TX	Willis Texas Aviv, L.L.C.	1. Lease dated 5/31/06 2. First Amendment to Lease dated 7/15/09 3. Letter dated 4/21/2010 exercising 5-year extension option 4. Unconditional Guaranty of Lease dated 5/31/06 5. Second Amendment to Lease dated 11/30/2010 6. Third Amendment to Lease dated 4/29/2011	Willis Nursing and Rehabilitation, L.P.	5/31/2021	N/A
139	N/A	N/A	N/A	N/A	N/A	N/A
140	N/A	N/A	N/A	N/A	N/A	N/A
141	N/A	N/A	N/A	N/A	N/A	N/A
142	N/A	N/A	N/A	N/A	N/A	N/A
143	701 Saint Louis Ave, Fort Worth, TX	Aviv Liberty, L.L.C.	1. Lease dated 8/1/03 2. First Amendment to Lease dated 5/31/06 3. Second Amendment to Lease dated 7/15/09 4. Letter dated 4/21/2010 exercising 5-year extension option 5. Unconditional Guaranty of Lease dated 8/1/03 6. Third Amendment to Lease dated 11/30/2010 7. Fourth Amendment to Lease dated 4/29/2011	Wellington Oaks Nursing and Rehabilitation, L.P.	5/31/2021	N/A
144	N/A	N/A	N/A	N/A	N/A	N/A
145	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
146	1000 S Kiowa St, Wheeler, TX	Wheeler Healthcare Associates, L.L.C.	1. Lease dated 8/1/03 2. First Amendment to Lease dated 5/31/06 3. Second Amendment to Lease dated 7/15/09 4. Letter dated 4/21/2010 exercising 5-year extension option 5. Unconditional Guaranty of Lease dated 8/1/03 6. Third Amendment to Lease dated 11/30/2010 7. Fourth Amendment to Lease dated 4/29/2011	Wheeler Nursing and Rehabilitation, L.P.	5/31/2021	N/A
147	N/A	N/A	N/A	N/A	N/A	N/A
148	N/A	N/A	N/A	N/A	N/A	N/A
149	N/A	N/A	N/A	N/A	N/A	N/A
150	N/A	N/A	N/A	N/A	N/A	N/A
151	N/A	N/A	N/A	N/A	N/A	N/A
152	3517 11th Street, Bremerton, WA	California Aviv, L.L.C.	1. Master Lease dated 7/22/08 2. First Amendment to Master Lease dated 4/21/09 3. Side Letter to Master Lease dated 6/11/09 4. Letter Agreement to Master Lease dated 4/29/2010 5. Second Amendment to Master Lease dated 4/29/2010 6. Unconditional Guaranty of Lease dated 7/22/08 7. Third Amendment to Master Lease dated 9/29/2010 8. Fourth Amendment to Master Lease dated 5/12/2011	AB12 Master Tenant, L.L.C.	8/31/2018	N/A
153	N/A	N/A	N/A	N/A	N/A	N/A
154	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
155	155 Alder Street, Cathlamet, WA	Columbia View Associates, L.L.C.	1. Lease dated 8/8/02 2. First Amendment dated 9/25/02 3. Second Amendment dated 6/30/02 4. Second Amendment dated 10/31/05 5. Third Amendment dated 1/1/06 6. Fourth Amendment to Lease dated 9/25/09 7. Unconditional Guaranty of Lease dated 8/1/02 8. Security Deposit Letter dated 7/22/2011 9. Fifth Amendment to Lease dated 10/21/2011	Eagle Healthcare, Inc.	12/31/2020	N/A
156	N/A	N/A	N/A	N/A	N/A	N/A
157	1150 W Fairview Rd., Colfax, WA (Fairview a/k/a Almota)	Washington-Oregon Associates, L.L.C.	1. Lease dated 2/11/98 2. Assignment dated 2/11/98 3. First Amendment dated 12/17/03 4. Second Amendment to Lease dated 10/25/06 5. Third Amendment to Lease dated 11/15/07 6. Fourth Amendment to Lease dated 8/1/08 7. Fifth Amendment to Lease dated 4/30/09 8. Sixth Amendment to Lease dated 7/15/09 9. Unconditional Guaranty of Lease dated 2/11/98 10. Unconditional Guaranty of Lease dated 2/11/98 11. Seventh Amendment to Lease dated 10/29/2010	Evergreen Washington Healthcare Whitman, LLC	2/28/2015	N/A
158	N/A	N/A	N/A	N/A	N/A	N/A
159	N/A	N/A	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
160	825 Western Ave, Columbus, WI	Columbus Western Avenue, L.L.C.	1. Sublease dated 8/7/03 2. Letter Agreement dated 8/7/03 3. Assignment and Assumption of Sublease and Guaranty dated 12/22/04 4. First Amendment to Sublease dated 9/27/06 5. Unconditional Guaranty of SubLease dated 8/7/03 6. Second Amendment to Lease dated 4/1/2011	Heyde Health Systems Columbus, LLC	7/31/2011	N/A
161	N/A	N/A	N/A	N/A	N/A	N/A
162	1110 Second St, Pepin, WI	Chippewa Valley, L.L.C.	1. Lease dated 10/30/01 2. First Amendment to Lease dated 1/31/02 3. Second Amendment to Lease dated 2/27/02 4. Third Amendment to Lease dated 3/21/02 5. Fourth Amendment to Lease dated 4/26/02 6. Assignment and Assumption of Lease dated 6/1/02 7. Fifth Amendment to Lease dated 1/1/03 8. Sixth Amendment to Lease dated 4/14/06 9. Unconditional Guaranty of Lease dated 10/30/01 10. Seventh Amendment to Lease Agreement dated 4/1/2011	Heyde Health Systems-Pepin, LLC	12/31/2012	N/A
163	N/A	N/A	N/A	N/A	N/A	N/A
164	N/A	N/A	N/A	N/A	N/A	N/A
165	N/A	N/A	N/A	N/A	N/A	N/A
166	N/A	SOLD	N/A	N/A	N/A	N/A
167	N/A	SOLD	N/A	N/A	N/A	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
168	55 Lowell St, Lawrence, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
169	835 Main St, Worcester, MA	Massachusetts Nursing Homes, L.L.C.	<ol style="list-style-type: none"> 1. Lease dated 12/6/93 2. First Amendment dated 12/6/93 3. Agreement with Respect to and Second Amendment to Lease dated 9/1/95 4. Third Amendment to Lease 9/1/95 5. Fourth Amendment to Lease dated 2/15/96 6. Fifth Amendment to Lease dated 6/20/00 7. Sixth Amendment to Lease dated 6/30/02 8. Seventh Amendment to Lease dated 9/30/03 9. Eighth Amendment to Lease dated 1/1/06 10. Ninth Amendment to Lease dated 10/1/07 11. Tenth Amendment to Lease dated 8/12/2009 12. Eleventh Amendment to Lease dated 10/08/2009 13. Guaranty of Lease dated 12/6/93 14. Twelfth Amendment to Lease Agreement dated 10/29/2010 15. Unconditional Guaranty of Lease dated 10/29/2010 	SunBridge Healthcare Corporation	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
170	2406 Atherholt Road, Lynchburg, VA	Yuba Aviv, L.L.C.	1. Lease dated 4/29/2010 2. Unconditional Guaranty of Lease dated 4/29/2010 3. First Amendment to Lease dated 8/16/2010 4. Assignment and Assumption Agreement (Purchase and Lease Documents) dated 9/15/2010 5. Lease and Loan Document Modification Agreement dated 9/21/2010 6. Second Amendment to Lease dated 12/17/2010	HP/Carrington, Inc.	09/30/2020	N/A
171	N/A	N/A	N/A	N/A	N/A	N/A
172	N/A	N/A	N/A	N/A	N/A	N/A
173	N/A	N/A	N/A	N/A	N/A	N/A
174	N/A	N/A	N/A	N/A	N/A	N/A
175	245 Indian River Road, Orange, CT 06477	Orange ALF Property, L.L.C.	1. Lease dated 12/21/2010 2. Unconditional Guaranty of Lease dated 12/21/2010	Maplewood at Orange, LLC	12/31/2020	N/A
176	N/A	N/A	N/A	N/A	N/A	N/A
177	1560 K 96 Highway, Great Bend, KS 67530	Great Bend Property, L.L.C.	1. Lease dated 12/17/2010 2. Unconditional Guaranty of Lease dated 12/17/2010	HP/Great Bend, Inc.	12/31/2020	N/A
178	605 East Melvin Street, Arma, KS 66712	Arma Yates, L.L.C.	1. Master Lease dated 11/19/2010 2. Unconditional Guaranty of Lease dated 11/19/2010 3. First Amendment to Master Lease dated 3/15/2011 4. Unconditional Guaranty of Master Lease dated 4/19/2011	Arma Care Center, LLC	12/31/2020	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
179	801 South Fry Street, Yates Center, KS 66783	Arma Yates, L.L.C.	1. Master Lease dated 11/19/2010 2. Unconditional Guaranty of Lease dated 11/19/2010 3. First Amendment to Master Lease dated 3/15/2011 4. Unconditional Guaranty of Master Lease dated 4/19/2011	Yates Center Nursing and Rehabilitation, LLC	12/31/2020	N/A
182	1802 Crawford Road, Cleveland, OH 44106	Ohio Pennsylvania Property, L.L.C.	1. Lease dated 8/29/2011 2. Unconditional Guaranty of Lease dated 8/29/2011	Sunset Manor Healthcare Group, Inc.	8/31/2021	N/A
180	245 South Broadway, New Philadelphia, OH 44663	Ohio Pennsylvania Property, L.L.C.	1. Master Lease dated 8/30/2011 2. Unconditional Guaranty of Lease dated 8/29/2011	South Broadway Healthcare Group, Inc.	10/31/2021	N/A
187	730 Milcrest Drive, Marysville, OH 43040	Ohio Pennsylvania Property, L.L.C.	1. Master Lease dated 8/30/2011 2. Unconditional Guaranty of Lease dated 8/29/2011	Millcrest Healthcare Group, Inc.	10/31/2021	N/A
184	141 Spruce Lane, West Union, OH 45693	Ohio Pennsylvania Property, L.L.C.	1. Master Lease dated 8/30/2011 2. Unconditional Guaranty of Lease dated 8/29/2011	Eagle Creek Healthcare Group, Inc.	10/31/2021	N/A
186	1500 East 191 st Street, Euclid, OH 44117	Ohio Pennsylvania Property, L.L.C.	1. Master Lease dated 8/30/2011 2. Unconditional Guaranty of Lease dated 8/29/2011	Indian Hills Healthcare Group, Inc.	10/31/2021	N/A
183	1000 Mill Street, Dunmore, PA 18512	Ohio Pennsylvania Property, L.L.C.	1. Master Lease dated 8/30/2011 2. Unconditional Guaranty of Lease dated 8/29/2011	Dunmore Healthcare Group, Inc.	10/31/2021	N/A
188	N/A	N/A	N/A	N/A	N/A	N/A
185	222 West Edison Avenue, New Castle, PA 16101	Ohio Pennsylvania Property, L.L.C.	1. Master Lease dated 8/30/2011 2. Unconditional Guaranty of Lease dated 8/29/2011	Indian Creek Health Care, Inc.	10/31/2021	N/A
181	234 Coraopolis Road, Coraopolis, PA 15108	Ohio Pennsylvania Property, L.L.C.	1. Master Lease dated 8/30/2011 2. Unconditional Guaranty of Lease dated 8/29/2011	Sycamore Creek Healthcare Group, Inc.	10/31/2021	N/A

Site No.	Real Property Asset Address	Borrower/Owner ¹	Facility Operating Leases	Eligible Tenant ²	Facility Operating Lease Termination Date	Ground Leases
189	105 East College Drive, Colby, KS 67701	Kansas Five Property, L.L.C.	1. Master Lease dated 9/26/2011 2. Unconditional Guaranty of Master Lease dated 9/26/2011	Deseret Health & Rehab at Colby, LLC	10/31/2021	N/A
190	613 North Main Street, Kensington, KS 66951	Kansas Five Property, L.L.C.	1. Master Lease dated 9/26/2011 2. Unconditional Guaranty of Master Lease dated 9/26/2011	Deseret Health & Rehab at Kensington, LLC	10/31/2021	N/A
191	500 Western Street, Onaga, KS 66521	Kansas Five Property, L.L.C.	1. Master Lease dated 9/26/2011 2. Unconditional Guaranty of Master Lease dated 9/26/2011	Deseret Health & Rehab at Onaga, LLC	10/31/2021	N/A
192	1104 Ohio Street, Oswego, KS 67356	Kansas Five Property, L.L.C.	1. Master Lease dated 9/26/2011 2. Unconditional Guaranty of Master Lease dated 9/26/2011	Deseret Health & Rehab at Oswego, LLC	10/31/2021	N/A
193	117 West 1 st Street, Smith Center, KS 66967	Kansas Five Property, L.L.C.	1. Master Lease dated 9/26/2011 2. Unconditional Guaranty of Master Lease dated 9/26/2011	Deseret Health & Rehab at Smith Center, LLC	10/31/2021	N/A
194	505 South 7 th Street, Davis, OK 73030	Murray County, L.L.C.	1. Lease dated 9/20/2011 2. Unconditional Guaranty of Lease dated 9/20/2011	Davis Health and Rehabilitation, LLC	10/31/2021	N/A

Schedule 8

TO BORROWER JOINDER AND AFFIRMATION AGREEMENT

[Immediate Repairs]

Caring Heights - Site 181

<u>Immediate Repair Item</u>	<u>Estimated Cost</u>
Install sprinkler coverage throughout the building	\$ 169,000
TOTAL	\$ 169,000

Indian Hills – Site 186

<u>Immediate Repair Item</u>	<u>Estimated Cost</u>
Roof covering, asphalt shingles	\$ 59,400
TOTAL	\$ 59,400

Deseret at Oswego – Site 192

<u>Immediate Repair Item</u>	<u>Estimated Cost</u>
The emergency generator is non-operational. Replace.	\$ 20,000
TOTAL	\$ 20,000

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Craig M. Bernfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aviv REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Craig M. Bernfield
Craig M. Bernfield
Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Steven J. Insoft, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aviv REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Steven J. Insoft

Steven J. Insoft
Chief Financial Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Craig M. Bernfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aviv Healthcare Properties Limited Partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Craig M. Bernfield

Craig M. Bernfield
Chief Executive Officer of Registrant's
General Partner

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Steven J. Insoft, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aviv Healthcare Properties Limited Partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Steven J. Insoft

Steven J. Insoft
Chief Financial Officer of Registrant's
General Partner

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Aviv REIT, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig M. Bernfield, as Chief Executive Officer of the Company, certify, pursuant to and for purposes of 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Craig M. Bernfield
Craig M. Bernfield
Chief Executive Officer
November 14, 2011

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Aviv REIT, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. Insoft, as Chief Financial Officer of the Company, certify, pursuant to and for purposes of 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven J. Insoft

Steven J. Insoft
Chief Financial Officer
November 14, 2011

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Aviv Healthcare Properties Limited Partnership (the “Company”) on Form 10-Q for the quarter ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Craig M. Bernfield, as Chief Executive Officer of Aviv REIT, Inc., the general partner of the Company, certify, pursuant to and for purposes of 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Craig M. Bernfield

Craig M. Bernfield
Chief Executive Officer of Registrant’s
General Partner
November 14, 2011

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Aviv Healthcare Properties Limited Partnership (the "Company") on Form 10-Q for the quarter ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. Insoft, as Chief Financial Officer of Aviv REIT, Inc., the general partner of the Company, certify, pursuant to and for purposes of 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven J. Insoft

Steven J. Insoft
Chief Financial Officer of Registrant's
General Partner
November 14, 2011